



7 February 2023

LMS CAPITAL PLC
NAV Estimate as at 31 December 2022

LMS Capital plc (the "Company" or "LMS") the listed investment company provides the following update and estimate of net asset value ("NAV") as at 31 December 2022.

Net Asset Value Estimate

The Company has commenced the year end valuation review process which is based on the latest performance updates from portfolio companies and third-party fund manager valuations.

The Board currently estimates that the year end NAV will be in the region of £46.6m (2021: £49.1 million) which equates to 57.7p per share (2021: 60.8p per share). This represents a reduction of 3.7% on the prior year after adjusting for dividends paid and reflects information currently available to the Board on the performance of individual investments in the Company's portfolio and is subject to further evaluation as well as completion of the annual audit.

The performance is summarised below:

	Preliminary 31 December 2022	Unaudited 30 June 2022	Audited 31 December 2021
	<i>£ 'm</i>		
NEW INVESTMENTS - DACIAN	10.1	9.4	7.9
MATURE ASSET PORTFOLIO	20.8	20.8	23.0
Total Investment Portfolio	30.9	30.2	30.9
Cash	17.9	18.9	20.1
Other Net Assets/Liabilities	(2.2)	(2.1)	(1.9)
Net Asset Value	46.6	47.0	49.1
Pence per Share	57.7p	58.2p	60.8p

The valuation methodology and policy adopted is consistent with prior years and is in line with IPEV guidelines. The carrying value of the funds is based on the latest available information from the respective fund managers, generally the 30 September 2022 fund valuation reports except for Weber, a fund of listed US investments, which is based on a 31 December 2022 valuation.

Overview

- Dacian
 - 2022 was the first full year of operation for Dacian, the Romanian oil and gas production company in which LMS holds \$9.1 million of senior loan notes and 32% of the ordinary shares.
 - Dacian has been profitable and cash generative during its first year, energy prices remain substantially

- o Dacian has been profitable and cash generative during its first year, energy prices remain substantially higher than when the acquisition was underwritten in August 2020;
 - o As reported in our half year and Q3 announcements, backlog maintenance problems, inherited on takeover of the estate, have interrupted production in some wells and in the short term have diverted the company's resources from its planned workover projects to develop the fields and expand production. However, as a result of management actions during Q2 and Q3, Dacian believe that production is stabilising and expect to devote resources to development activities with the aim of producing production gains during 2023;
 - o During the year the Company has recognised £1.3 million of accrued interest on its loan notes;
 - o The Board expects the investment to meet or exceed the Company's medium-term return targets over its life.
- Mature asset portfolio
 - o Overall, taking account of foreign exchange movements and underlying valuation changes over the year, the mature asset portfolio showed a net reduction in value of £1.3 million. Information on the movements by asset is included in note 1 below;
 - o The mature asset portfolio comprises assets for the large part managed by third-party managers and 82% of which is in the three largest positions, Brockton, Medhost and Opus. LMS does not control the realisation process but maintains a close dialogue with the managers. Our expectation is that there may be some liquidity in 2023, although greater liquidity is more likely in 2024 and 2025.
- Running costs were net £1.7 million (2021: £1.8 million) in line with budget and remain strictly controlled. 2022 showed a reduction compared to the prior year as the benefits of income from the Company's co-investment activities began to be realised.
- Cash balances were £17.9 million, 22p per share, (31 December 2021: £20.1 million)

Deployment of capital

In our half year report we referenced opportunities in real estate development and investment; we have continued to develop both activities.

- **Real estate development** - the retirement living sector offers an opportunity with strong demand drivers, where our experience in land assembly, planning, design and development of specialist use real estate can be deployed alongside sector operating knowhow. We have assembled an advisory group, which has screened a number of opportunities during the year and we are currently in discussion on a small number of potential projects. In evaluating potential opportunities we are mindful of the risks, in particular around escalating construction costs and a slowing housing market. We will only take forward opportunities that offer risk adjusted returns that meet the Company's long-term return criteria.
- **Real estate investment** - we have been working with our real estate investment team to establish an investment platform which will allow LMS to bring co-investment capital, alongside its own investment, on a deal by deal basis. We believe the market in 2023 will create some attractive buying opportunities.
- **Energy** - in the medium term we anticipate further "late life" oil and gas production opportunities with the Dacian team although the priority for 2023 is to achieve the target production gains on the existing assets.

Outlook

The Board is aware of the impact on overall returns of the Company's uninvested cash. However it remains disciplined and focussed on ensuring capital is deployed in areas where the Company has clear competitive advantage, in particular in energy and in real estate, and in the longer term will generate attractive returns for investors.

The Dacian team has now completed its first year of operation and believes that it is well positioned in 2023 to demonstrate the production gains that underpin the investment case for this asset. In real estate we are cautious about market conditions but see opportunities and expect to deploy capital during the year alongside our real estate industry partners.

Further information on the performance of the portfolio, underlying investment valuations and changes during the year will be included in the Company's audited results for the year ended 31 December 2022, which it expects to announce in March 2023.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

For further information please contact:

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Note 1 - NAV changes and portfolio summary

Overall, for the year as a whole, the Company's NAV, after adding back dividends paid, has decreased by £1.8 million, 3.7%. The principal components of the full year change are described below.

- Foreign exchange net gains on the investment portfolio during the year were £2.8 million. 76% of the Company's investment portfolio is denominated in US Dollars.
- Excluding the effect of foreign exchange rate changes, the mature asset portfolio showed a net reduction of £4.1 million in the year. The principal elements were:
 - o An increase of £0.5 million in Brockton reflecting the unwinding of the discounted cash flows;
 - o An increase of £0.8 million in the valuation of the Opus Capital Venture Partners fund. This fund has two principal remaining investments, both of which are performing well and the manager believes, subject to market conditions, have good prospects for realisation;
 - o Decreases totalling £2.3 million on two assets reflecting actual or imminent disposal values
 - £1.8 million on ICU which is being sold by SFEP, anticipated to conclude imminently, and will produce proceeds of approximately £0.3 million for LMS. This is a disappointing outcome and a poor result from the fund. ICU is the last SFEP asset in the portfolio;
 - £0.5 million reduction in value of Eden Ventures fund which sold its last remaining asset in Q4 2022.
 - o A decrease of £0.9 million in Weber Capital Partners, a US listed small cap fund. The decrease reflects quoted market price changes during the year;
 - o A decrease of £0.7 million reflecting a reduction in the valuation of Medhost by Primus, the lead manager. The company operates in a mature market and continues to be profitable and cash generative and is performing in line with budget;
 - o A decrease of £0.6 million in the valuation of Elateral; and
 - o Other portfolio net reductions were £0.9 million.

- Interest accrued on Dacian amounted to £1.3 million.
- Other movements were a net reduction of £1.8 million and include the following:
 - Full year running costs were £1.7 million;
 - Investment support costs (support costs for real estate and co-investment activities) were £0.4 million; and
 - Other movements include unrealised foreign exchange gains of £0.4 million on non-portfolio assets, principally US Dollar bank accounts, £0.3 million tax payable, and £0.2 million of bank interest receivable.

Quoted Investments

Investment			31 Dec 2022 £' m	30 June 2022 £' m	31 Dec 2021 £'m
IDE Group (now Tialis)			0.1	0.1	0.2
Other		3 small holdings	0.1	0.1	0.2
Total			0.2	0.2	0.4

Unquoted Investments

Investment			31 Dec 2022 £' m	30 June 2022 £' m	31 Dec 2021 £'m
Dacian Petroleum	USD	Onshore oil and gas production assets in Romania	10.1	9.4	7.9
Medhost	USD	Provides cloud based enterprise and departmental management and healthcare engagement solutions to community hospitals in the US.	5.7	5.3	6.0
Elateral	Sterling	UK/US software company in the digital marketing sector providing marketing content management solutions	0.6	0.6	0.8
ICU	USD	Design and distribution of eyewear, principally reading glasses, through large US retailers	0.2	0.6	1.7
Other investments	USD/ Sterling		0.1	0.2	0.1
Total			16.7	16.1	16.5

Funds

Investment	Currency		31 Dec 2022 £' m	30 June 2022 £' m	31 Dec 2021 £'m
Brockton Capital Fund 1	Sterling	UK real estate fund, the remaining asset of which is a debt investment in a high end London residential development	6.0	6.0	5.6
Opus Venture Capital Fund 2	USD	Early-stage technology fund with two principal remaining assets	5.3	5.4	3.9
Weber Capital Partners	USD	US listed microcap investment fund focussed primarily on medical and technology sectors	2.0	1.8	2.6
Other investments	USD/ Sterling		0.7	0.8	1.8
Total			14.0	14.0	13.9

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