

A compelling growth opportunity



Ed Fellows is the Head of the Octopus Inheritance Tax Service.

Fern continues to grow steadily across all its divisions, operating in sectors it knows well. The current macro-economic environment has presented an attractive opportunity for Fern to accelerate its growth plans.

Fern Trading Limited is the company that most investors in the Octopus Inheritance Tax Service hold shares in. It outsources the day-to-day management of its business to Octopus. Fern is the parent company of a large and well-diversified group comprising over 300 subsidiary companies. We have carefully grown it since 2010 and it is now over £3 billion in size.

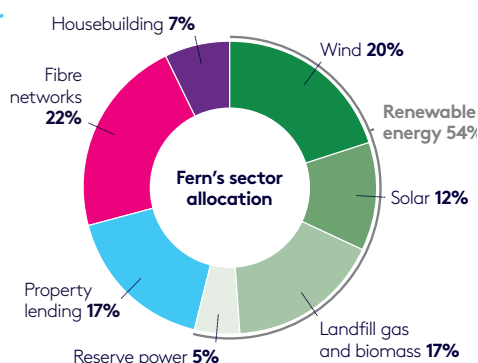
Fern's business operations are well-established, typically underpinned by real assets that create steady and predictable income streams. The different sectors of operation intentionally complement each other by having different key drivers of performance, to deliver a steady return throughout the economic cycle.

Fern's strategy is to operate a blended business with the following characteristics:

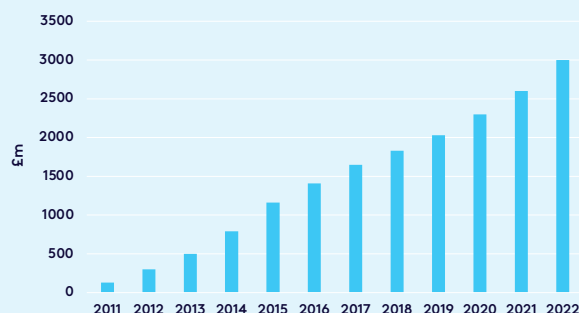
- Business Relief-qualifying operations
- Capable of targeting predictable growth over the long term
- Divisions that can grow in size as Fern does
- Assets that are in demand, so that if Fern needs to sell some or all its assets, a market exists.

Given Fern's size, growing slightly ahead of plans in certain sectors will not materially change the business mix. However, adding more assets to the group means further diversification, which in turn also continues to reduce concentration risk.

Fern's sector allocation



Fern's steady growth over time



Key risks to be aware of

- Please remember that the value of an investment in the Octopus Inheritance Tax Service could fall as well as rise and you might not get back the full amount invested
- Fern is an unquoted company not listed on any stock exchange, which means that shares can be difficult to sell
- Fern is managed in such a way to qualify for Business Relief, but qualification can't be guaranteed
- Tax treatment depends on individual circumstances, and tax rules could change in the future
- Tax relief depends on Fern continuing to qualify for Business Relief in the future, not just today

New opportunities in three key sectors

The economic headwinds have proven challenging for many businesses. This means there are fewer parties competing with Fern for the best quality assets, which presents a compelling opportunity for the business to accelerate its growth in three of its sectors in particular: renewable energy, retirement villages and fibre.

Fern is also in an enviable position to be able to acquire larger scale assets or more established businesses without needing to use significant amounts of its assets to do so. These typically have stronger business models, proven track records, and experienced management teams. These assets can be more valuable for Fern and its shareholders, than smaller opportunities.

Fibre



Retirement villages



Renewable energy



Fern and its renewable energy business

Fern's renewable energy business is intentionally diversified across a range of technologies to spread risk and take advantage of sector specific opportunities.

Fern is helping the UK meet its target for renewable energy production. Fern's renewable energy assets produce enough energy to power over a million UK homes.

Fern has grown to be a significant presence in renewable energy and is the UK's largest producer of solar energy from commercial scale sites.¹

¹Fern Trading Limited Annual Report and Accounts 2022.

37% Wind



23% Solar



31% Landfill/Biomass



9% Reserve Power



*Graphic shows number of wind turbines. Data on this page is as at 31 March 2023.



Fern acquired Melton Renewable Energy (MRE) for £250 million in 2015. MRE is one of the leading independent generators of renewable energy in the UK.

MRE owns five biomass power stations with a total net installed capacity of 111.1 MW and a fleet of methane-powered engines operating from 19 landfill sites across the UK, with a total net installed capacity of 54MW.

Fern has grown this successful and profitable business since acquisition, including acquiring a new large-scale biomass plant in Snetterton a couple of years ago, for £175 million.

Biomass and landfill gas are very valuable sources of energy generation because they generate electricity throughout the day and night, irrespective of weather conditions. This is vital to support the path to net zero.

Fern regularly sees opportunities in this sector ranging in size from £50-200 million and would expect to capitalise on one or more of these as a result of this fundraise.



Spotlight on Snetterton

Snetterton is a 45MW baseload power station, generating around 350 GWh per annum. Commissioned in 2017, the power station runs on baled straw and energy crops with a smaller proportion of the feedstock coming from sustainable local forestry operations.

- Snetterton is a significant local employer with over
- 50 people working in the power station or in fuel
- supply logistics. Additionally, it provides hundreds
- of other workers significant employment through
- contracting services and an estimated further
- 200 jobs in the agricultural community are also
- supported by the power station.

Fern and its housebuilding business

Fern has a long history of supporting UK housebuilding, both as a lender to and more recently as an owner of house builders.

The recent slowdown in the housing market presents an opportunity to well-funded house builders like Fern's Elivia Homes and Rangeford Villages to accelerate growth plans. Some competitors are reducing their land spending to conserve cash which reduces the competition for available sites.

Though a relatively small part of Fern, comprising around 7% of the group's activities, Fern sees opportunities for further company acquisitions in housebuilding. This includes both expanding the

geographic coverage of Fern's existing operations and deepening its market share in existing areas.

For example, Elivia recently completed its acquisition of Millwood Designer Homes to expand its footprint to East Sussex and Kent. Earlier this year, Rangeford exchanged on a second site in Surrey.

Both companies have more capacity to acquire new development sites to increase the volume of homes they can bring to the market.

Rangeford Villages

With life expectancy in the UK increasing, this means a large and rapidly growing market in the UK for high-quality property specifically targeted at this demographic.

Rangeford specialises in creating high quality residential environments for people aged over 60. It builds contemporary retirement communities in which people can live in attractive surroundings with a wide range of amenities and leisure activities on their doorstep.

Once a site is complete, Rangeford sells each home to new residents to live in and then continues to manage the day-to-day activities of the retirement village.

Rangeford operates five Villages, which are in Surrey, Gloucestershire, Wiltshire, Cambridgeshire and North Yorkshire.

Rangeford is budgeted to spend £47 million on construction to complete existing villages over the next two years. Each new village requires £25-50 million to acquire the land and complete the construction work.

The Rangeford team has now proven its ability to source and develop new sites. Fern sees a real opportunity to continue this growth by replicating the established and successful model across multiple sites in the coming years. There are a number of prime sites currently under consideration.



Wadswick Green, Wiltshire

Wadswick Green is a beautiful contemporary village created in the heart of the Wiltshire countryside, just eight miles from Bath and under three miles from Corsham's pretty town centre. Set among 25 acres of landscaped, beautiful grounds with mature trees and wildlife ponds, Wadswick Green village is designed with enjoyment and wellbeing in mind.

Facilities include a coffee shop, restaurant, bar and private dining room; spa with indoor swimming pool, sauna and steam room, foot spa, gym and hair salon. In addition to a village green with croquet lawn and boules pitch; all set among beautifully tended gardens.



My story shows that you're never too old for a new start. Downsizing made me realise that I had way too much stuff in my bungalow that I really didn't need anymore. Living here is also very sociable and although there are quite a few widows and widowers, nobody ever feels really lonely..."

Wadswick Green Resident

Fern and its fibre business

Fern entered the fibre sector in 2018 as a platform for growth for the group. Fern has established itself as a key player in the UK, growing its presence in the market over the last few years. Fibre now makes up 22% of Fern's business.

By building and operating fibre broadband networks, Fern is helping the UK Government meet its targets of at least 85% of premises having access to gigabit capable broadband by 2025, and for gigabit-broadband to be available nationwide by 2030.

Fern has recently combined four of its fibre companies (Jurassic, Swish, Giganet [including Cuckoo] and AllPoints Fibre). The consolidated business is continuing to build out its network to accelerate full fibre delivery in the UK, while also focusing on sales and marketing activity selling fibre broadband products directly to customers. The coming together of the four fibre businesses will enable them to combine their resources, knowledge, and expertise to hasten and grow full fibre network access across the UK.



The combined company will use its existing substantial fibre infrastructure as a springboard to transform it from being four separate local alternative networks ("altnets"), into a more significant business with potential to challenge larger incumbents. The vision of the newly combined company is to deliver 'fast and fair' full fibre to all retail and business customers across its enlarged network.

In addition to the economies of scale that can be achieved by combining these businesses, it also positions Fern fantastically to take advantage of market opportunities which support its growth plans. We are already seeing attractive acquisition opportunities including other altnets operating with third-party debt funding but struggling with the increasing cost of this debt.

Fern's consolidated fibre business will be well placed to take advantage of the best of these opportunities, as well as continue to support existing growth plans.



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