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11 March 2020

## **Mattioli Woods plc**

("Mattioli Woods", "the Company" or "the Group")

### **Acquisition of Hurley Partners Limited**

Mattioli Woods plc (AIM: MTW.L), the specialist wealth management and employee benefits business, is pleased to announce it has entered into a binding agreement to acquire 100% of the issued share capital of Hurley Partners Limited ("Hurley"), the private client adviser and asset management business with offices in London, Surrey and Manchester, from its shareholders ("the Sellers") ("the Acquisition").

#### **Highlights**

- Hurley is an established wealth management business with specialist pension expertise and discretionary investment management offering.
- Total consideration of up to £25.6 million comprising upfront consideration of £10.6 million in cash and £7.0 million in new ordinary shares in Mattioli Woods ("Consideration Shares"), plus contingent consideration of up to £8.0 million payable in cash in the two years following completion, dependant on Hurley meeting and outperforming forecast earnings;
- Compelling rationale, as the Acquisition, *inter alia*, is a high quality opportunity that extends the Group's geographic footprint into Surrey, adds direct equity investment expertise to the Group's existing discretionary management proposition and adds experienced advisers to the Group's consultancy team; and
- The Acquisition is expected to be earnings enhancing in the first full year of ownership.

#### **Consideration**

The total consideration of up to £25.6 million comprises:

- Initial consideration of £17.6 million of which £10.6 million will be paid in cash and £7.0 million in Consideration Shares, equating to 842,866 shares;
- Contingent consideration of up to £6.0 million payable in cash split in equal amounts between the first and second anniversaries of completion, subject to certain financial targets being met based on forecast earnings before interest, tax, depreciation and amortisation ("EBITDA") generated during that period; and
- Additional contingent consideration of up to £2.0 million payable in cash split in equal amounts between the first and second anniversaries of completion, subject to outperformance on the financial targets based on forecast EBITDA generated during that period.

Completion is subject to regulatory approval and expected to take place in the second quarter of 2020.

#### **Transaction overview**

- Founded in 2013, Hurley is an established wealth management business with specialist pension expertise and a discretionary investment management offering.
- Hurley has circa £570 million of client assets, comprising approximately:
  - £380 million of discretionary funds under management;
  - £50 million of non-discretionary assets; and
  - £140 million of other pension assets.
- Hurley provides advice and administration to approximately 320 client family groups, including specialist pension advice on over 330 SSAS and SIPPs, with a proven track record in attracting new funds under management.

- Hurley enjoys a strong regional presence operating from three offices in London, Surrey and Manchester. The business employs 33 staff and Hurley's experienced management team will be retained by Mattioli Woods following the Acquisition, with clear succession plans in place.
- The Acquisition has a compelling strategic rationale:
  - In line with the Group's strategy to explore high quality acquisition opportunities, alongside our continuing focus on organic growth;
  - Extends the Group's geographic footprint into Surrey and adds scale to its existing London and Manchester operations;
  - Adds direct equity investment expertise to the Group's existing discretionary management proposition;
  - Adds nine advisers to the Group's consultancy team; and
  - The migration of the SSAS portfolio onto Mattioli Woods' proprietary pension administration platform offers potential operational efficiencies.
- In the year ended 30 April 2019, Hurley generated revenues of £5.68 million with a profit before taxation of £0.75 million. At 30 April 2019 Hurley's gross assets were £3.30 million and net assets were £2.62 million.
- Material financial benefits are expected from the Acquisition, which is expected to be earnings enhancing in the first full year of ownership:
  - Annual cost savings of approximately £0.5m expected to be fully realised by the end of the first year; and
  - Opportunity to realise revenue synergies through a new distribution channel for Mattioli Woods' services.

Payment of the initial cash consideration, deal costs and completion price adjustment is expected to result in an estimated cash outflow at completion, net of cash to be acquired, of £8.9 million.

### **Admission of Consideration Shares**

To satisfy the £7.0 million of share consideration, 842,866 Consideration Shares will be issued at a price of 830.5 pence per share at completion. Application will be made to AIM for the admission of the Consideration Shares to trading ("Admission"). Admission of the Consideration Shares, which will rank parri passu in all respects with Mattioli Woods' existing shares in issue, is expected to become effective on completion following regulatory approval.

The Sellers will enter into a lock-in deed with Mattioli Woods and its nominated adviser and broker, Canaccord Genuity Limited, restricting sales of the Consideration Shares during the two years following completion.

### **Commenting on the Acquisition, Ian Mattioli, Chief Executive Officer of Mattioli Woods, said:**

"This exciting acquisition is an important step forward for Mattioli Woods, as we continue to expand our operations. Our discussions with the management team have confirmed the strong cultural fit and our common approach to looking after clients, where the strategy of growing the enlarged Group with the client always in mind clearly resonates.

"Hurley Partners serves a similar client base to Mattioli Woods, with the many complementary elements between our businesses enhancing our specialist pension knowledge, discretionary portfolio management and financial planning propositions. We believe the range of products and services that Mattioli Woods has to offer can support the excellent outcomes from which Hurley's clients already benefit. In addition, there are cost savings to be realised from combining our operations in London and Manchester.

"The Hurley team has a proven ability to win high quality new business and the transaction gives us an exciting new distribution channel for Mattioli Woods' services. Acting with integrity and treating clients as we would wish to be treated ourselves are central to our culture and key to maintaining the long-term multi-generational client relationships that will deliver value for all stakeholders.

"The Acquisition provides a long term, value-accretive opportunity for the Group, despite the broader challenges the market is currently experiencing. Like Mattioli Woods, part of Hurley's revenues are fee-based, rather than being linked to the value of assets under management, administration or advice, giving our combined business a revenue profile that is less sensitive to market performance. Our profit outlook for the year remains in line with management's expectations and I believe this transaction will strengthen our position in a market that is continuing to consolidate".

### **Tony Hurley, Chairman of Hurley Partners Limited, added:**

"This is a highly positive development for everyone associated with Hurley Partners and especially our clients and employees. Putting clients at the heart of everything we do is central to Hurley Partners' culture and we recognise the commitment of Mattioli Woods to this principle. Clients will notice no difference in our approach, which has been

built on personal service and clear communication alongside our knowledge and expertise. I am delighted to confirm that all of the employees of Hurley Partners will be remaining with the newly combined group and will continue to operate from our existing locations. The highest level of commitment of all directors and staff remains unaltered. We look forward to working together as part of a strong and progressive wealth management group".

- Ends -

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