

**INTERIM RESULTS**  
**For the six months ended**  
**30 November 2019**

Ian Mattioli **MBE**, Chief Executive Officer  
Nathan Imlach, Chief Financial Officer  
Simon Gibson, Chief Investment Officer

February 2020



# INTERIM RESULTS | AGENDA

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- Highlights
- Market and our proposition
- Client assets
- Financial results
- Sustainable and responsible
- Consultancy
- Acquisitions
- Investment case

**Creating** and **preserving** wealth,  
our **trusted advice** gives clients  
the understanding to achieve  
their objectives

# INTERIM RESULTS | HIGHLIGHTS

Revenue

£30.3m

1H19: £29.2m



+3.8%

Recurring revenues<sup>2</sup>

91.5%

1H19: 89.9%



Revenue growth

+3.8%

1H19: +2.8%



Adjusted EBITDA<sup>3</sup>

£8.6m

1H19: £7.7m



+11.7%

Adjusted EBITDA margin

28.4%

1H19: 26.4%



Share of associate profit

£0.3m

1H19: £0.2m



+50.0%

Adjusted PBT<sup>4</sup>

£7.1m

1H19: £6.5m



+9.2%

Adjusted EPS<sup>5</sup>

21.4p

1H19: 19.8p



+8.1%

Interim dividend

7.3p

1H19: 6.33p



+15.3%

## Revenue remains primarily fee based<sup>1</sup>

- Delivered growth during market and political uncertainty
- Organic revenue growth 1.8% (1H19: 1.3%)
- EBITDA +9.2% to £8.3m (1H19: £7.6m), with improved margin through:
  - Operational efficiencies;
  - Adoption of IFRS 16; and
  - Increased share of associate profit
- Profit before tax +7.1% to £6.0m (1H19: £5.4m)

1. Revenue for 1H20 split 54% (1H19: 53%) fixed, initial or time-based fees and 46% (1H19: 47%) ad valorem fees based on the value of assets under management, advice and administration.  
 2. Annual pension consultancy and administration fees; ongoing adviser charges; level and renewal commissions; banking income; property, discretionary portfolio and other annual management charges.  
 3. Earnings before interest, taxation, depreciation, amortisation, impairment, changes in valuation of Amati option and acquisition-related costs, including share of profits from Amati (net of tax).  
 4. Profit before acquisition-related costs, amortisation and impairment of acquired intangibles and changes in valuation of Amati option.  
 5. Basic EPS +6.5% to 18.0p (1H19: 16.9p). Adjusted profit after tax is calculated as adjusted profit before tax less income tax at the standard rate of 18.7% (1H19: 19.0%).

# INTERIM RESULTS | HIGHLIGHTS

Total client assets<sup>1</sup>

£9.4bn



31 May 2019: £9.4bn  
30 Nov 2018: £8.8bn

Gross discretionary AuM<sup>2</sup>

£2.7bn



31 May 2019: £2.6bn  
30 Nov 2018: £2.4bn

+3.8%

Continuing to seek ways to reduce clients' costs

Historic acquisitions performing well



Sept 2019

Planned restructure of client facing operations



Continued investment in technology, compliance and training



Strong financial position

Net cash £20.1m



1H19: £16.8m

Dec 2019

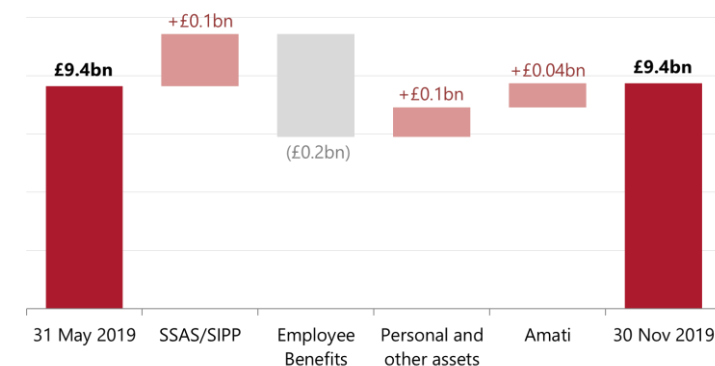
Acquisition of The Turriss Partnership



Profit outlook for current year in line with our expectations

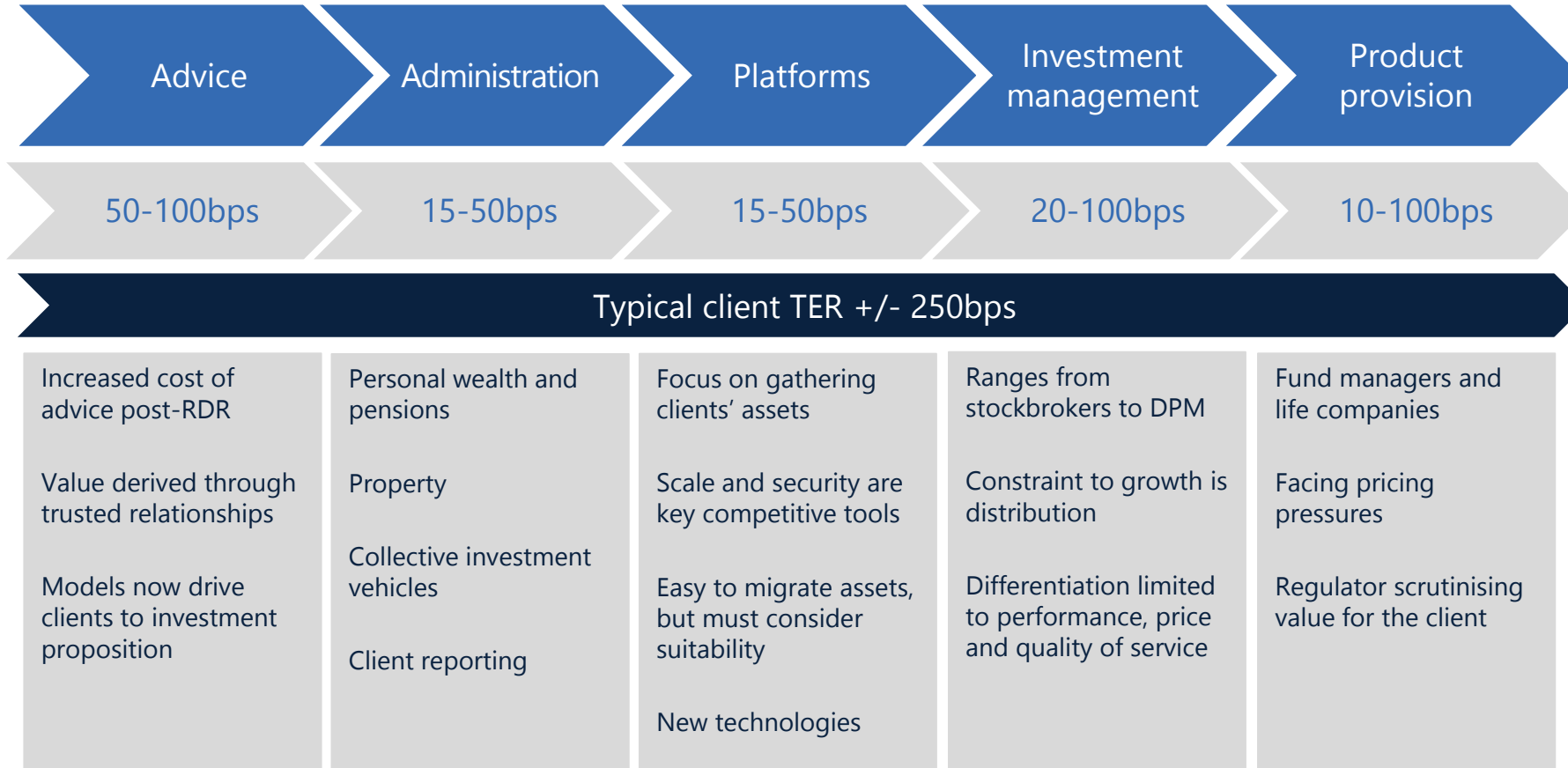
Anticipate increased client activity and demand for advice

- Pensions
- Open ended funds
- Brexit
- £67m (1H19: £60m) pension benefits paid



1. Includes £450.9m (31 May 2019: £409.0m) of funds under management by the Group's associate, Amati, excluding £46.6m (31 May 2019: £31.9m) of Mattioli Woods' client investment and £12.7m (31 May 2019: £11.9m) of cross-holdings between TB Amati Smaller Companies Fund and Amati AIM VCT plc.  
2. Includes £510.2m (31 May 2019: £452.8m) of funds under management by Amati, including Mattioli Woods' client investment and cross-holdings between TB Amati Smaller Companies Fund and Amati AIM VCT plc.

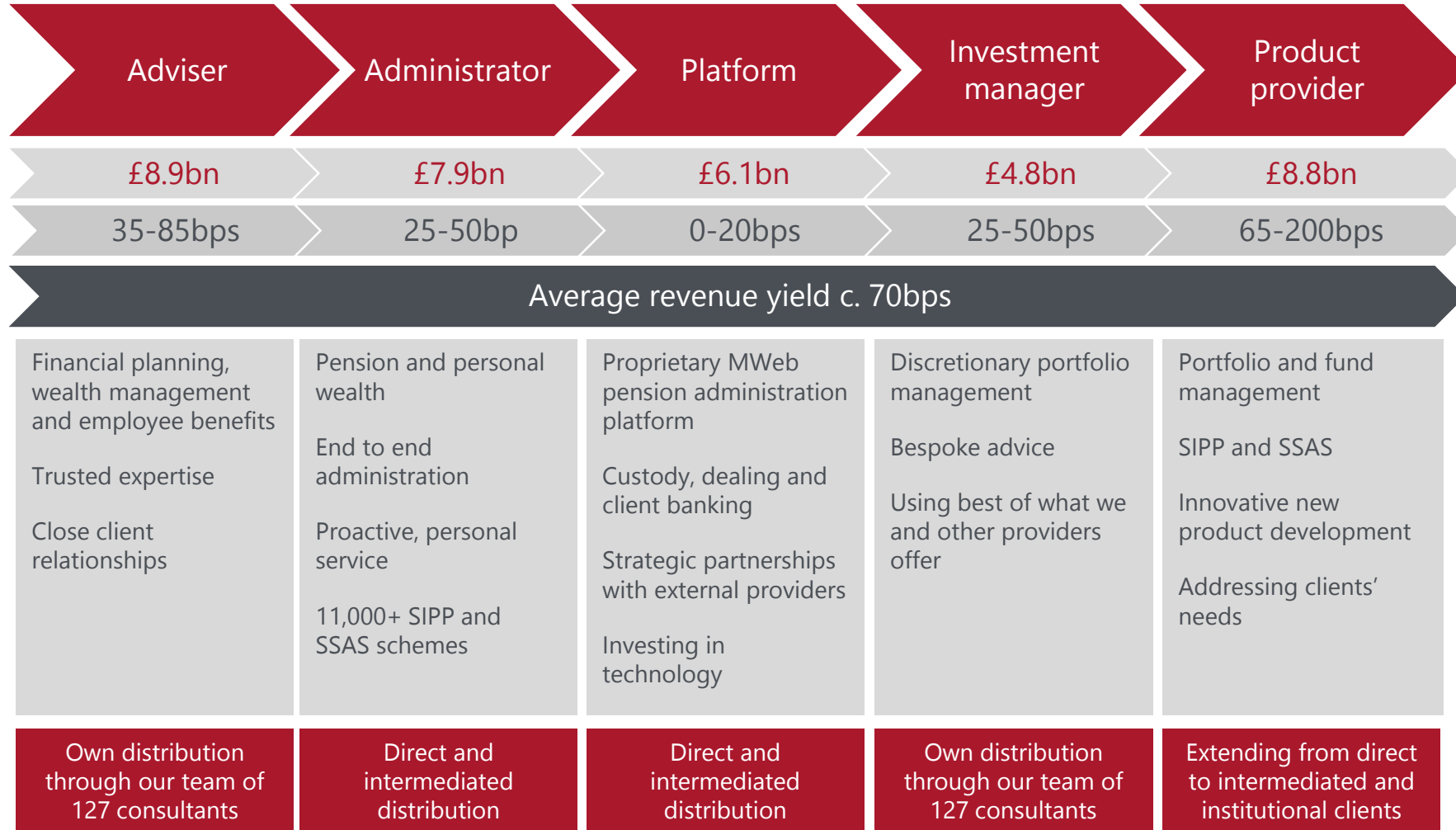
# INTERIM RESULTS | MARKET LANDSCAPE



## Attractive market and demographic backdrop

- Increasing need and demand for advice
- Underpinned by regulatory and fiscal changes
- Fragmented landscape, with variety of participants within each vertical
- Savings market remains dominated by pensions, but is changing

# INTERIM RESULTS | CLIENT PROPOSITION

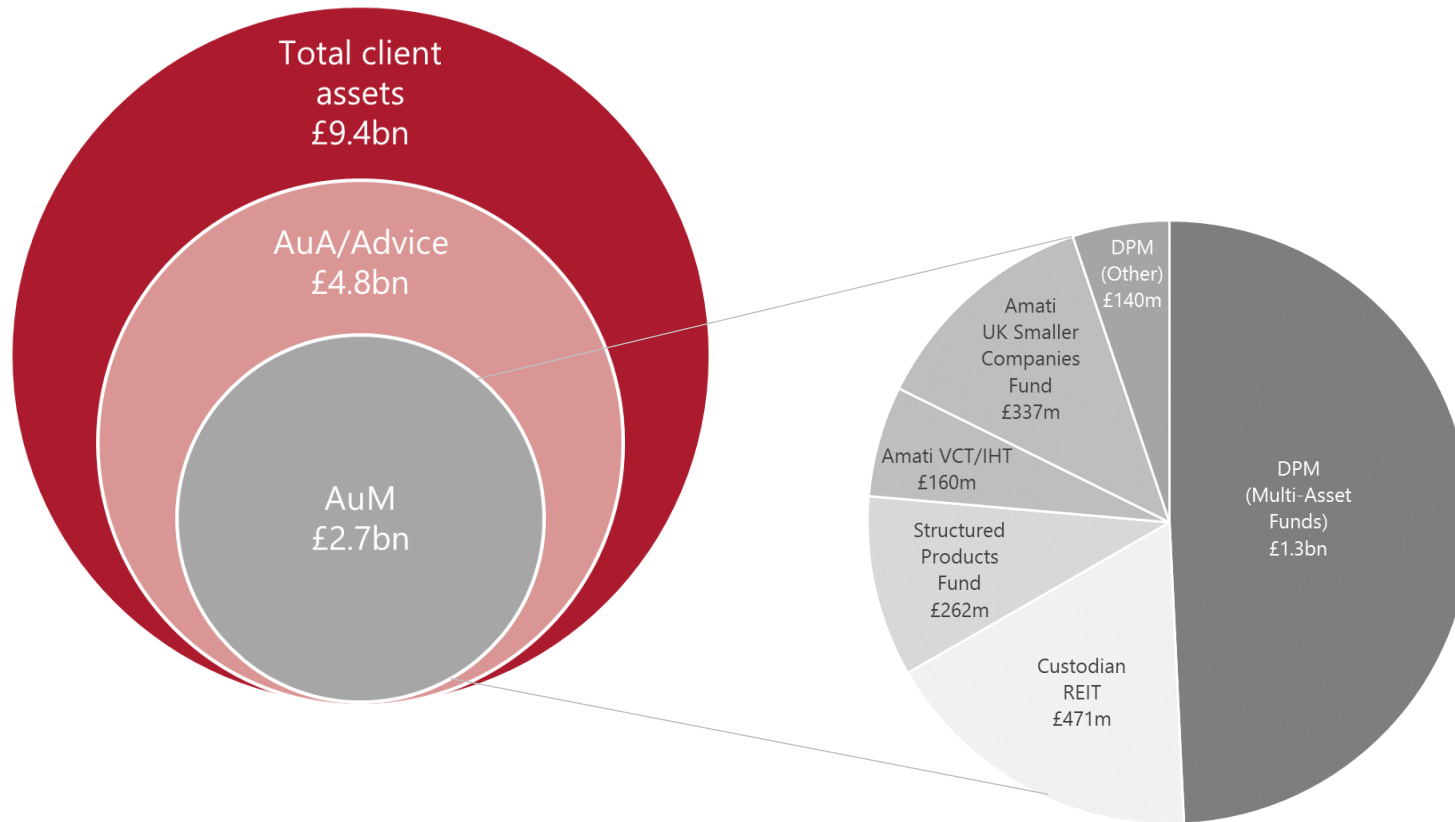


## Responsible integration

- Addressing more of the value chain
- Investing for growth
- Multiple distribution channels
- Cascading wealth through the generations
- Expect decumulation to have a positive impact on Group's results

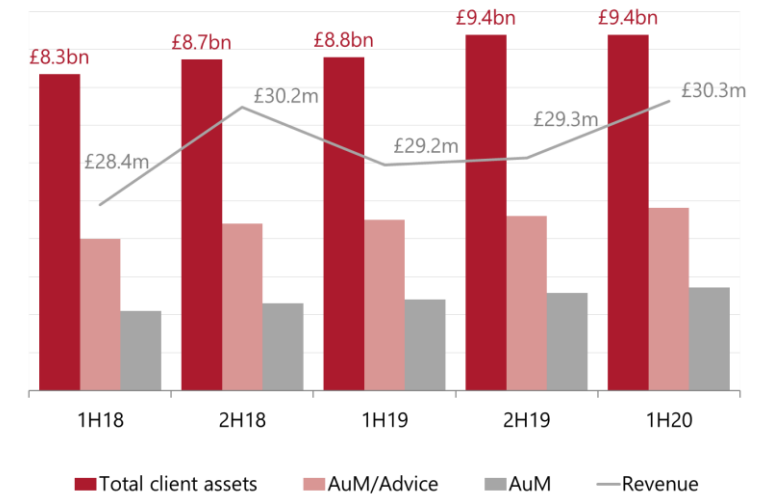
Using the best of what we and other providers offer to create **great client outcomes**

# INTERIM RESULTS | CLIENT ASSETS

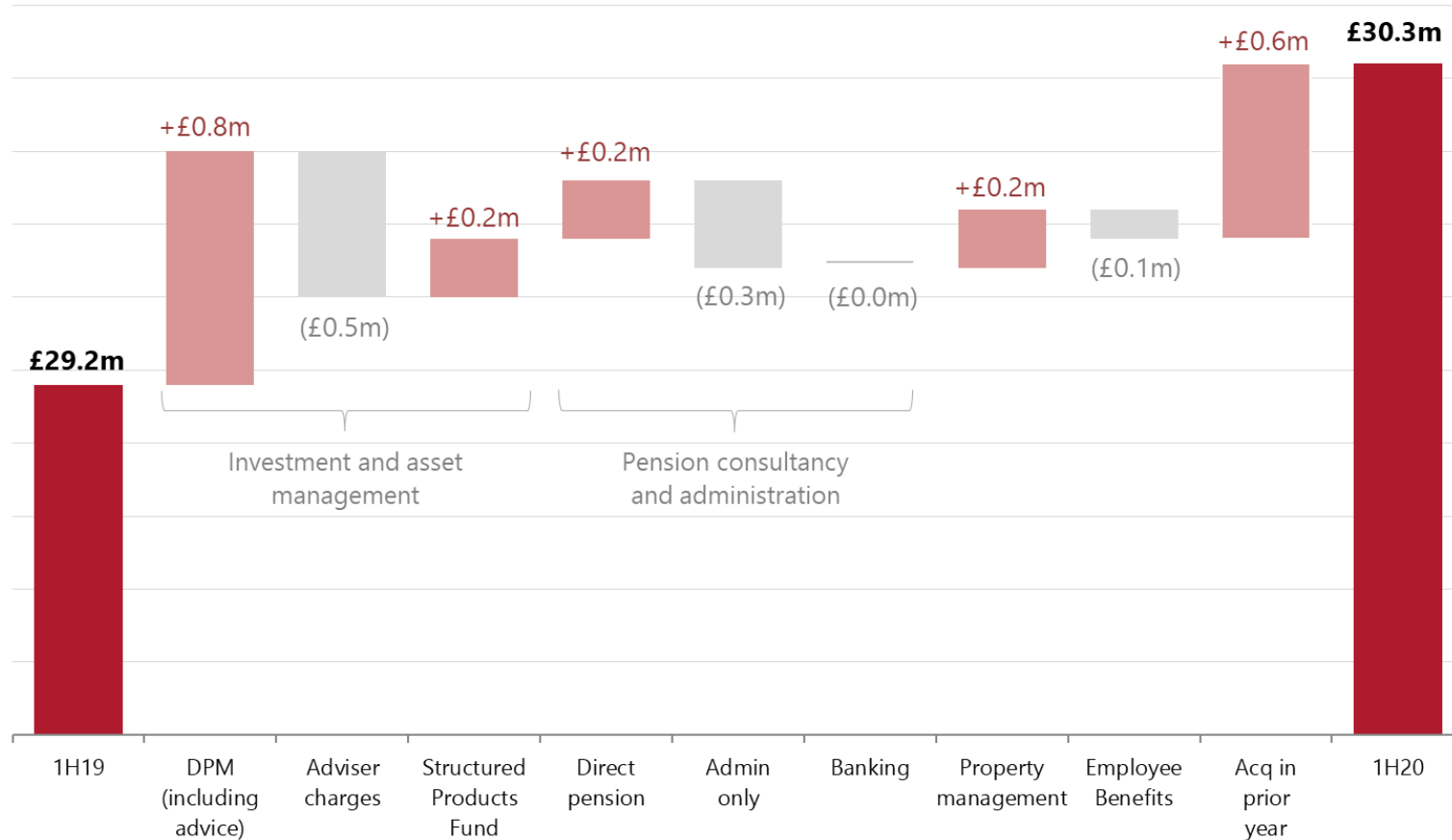


## Sustainable model

Revenue profile is less sensitive to market performance

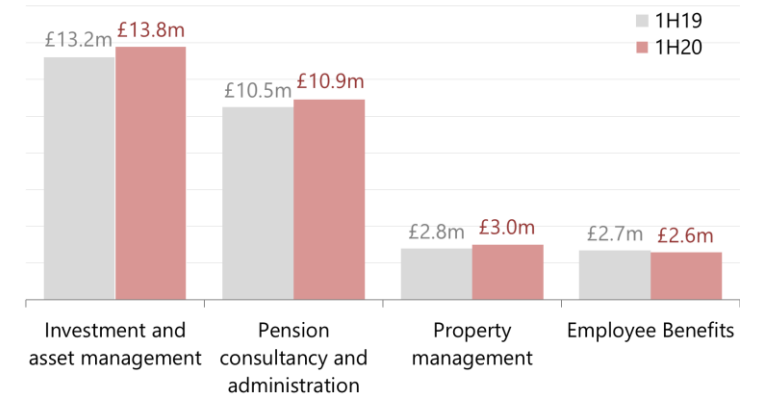


# INTERIM RESULTS | SEGMENTAL REVENUE



## Resilient fee model

- Recurring revenues 91.5%
- Business and clients focused on wealth preservation and sustainability
- £73.0m (1H19: £140.5m) net inflows to AuM
- +£0.6m revenue from recent acquisitions





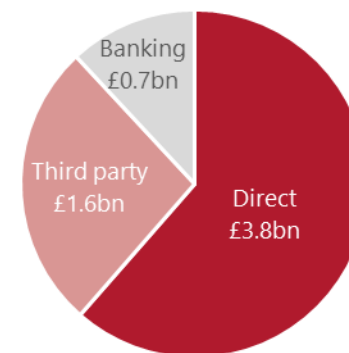
# INTERIM RESULTS | REVENUE YIELDS

By division	Client assets		Annualised revenue yield	
	1H20 £bn	1H19 £bn	1H20 bps	1H19 bps
Wealth Management <sup>1</sup>	7.92	7.28	70	73
Employee Benefits <sup>2</sup>	1.02	1.20	52	45
<b>Total (excluding Amati)</b>	<b>8.94</b>	<b>8.48</b>	<b>68</b>	<b>69</b>
By segment <sup>3</sup>	£bn	£bn	bps	bps
Pension consultancy and administration	6.14	5.55	36	38
Investment and asset management	3.84	3.70	72	71
Property management	0.58	0.55	102	100

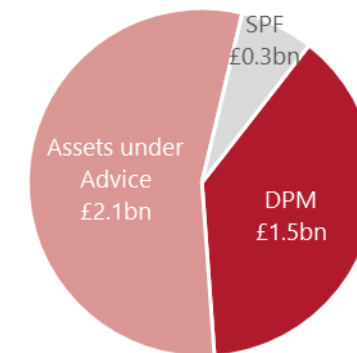
## Responsibly integrated

Allows us to address more of the value chain, reducing clients' costs

Pension consultancy and administration



Investment and asset management

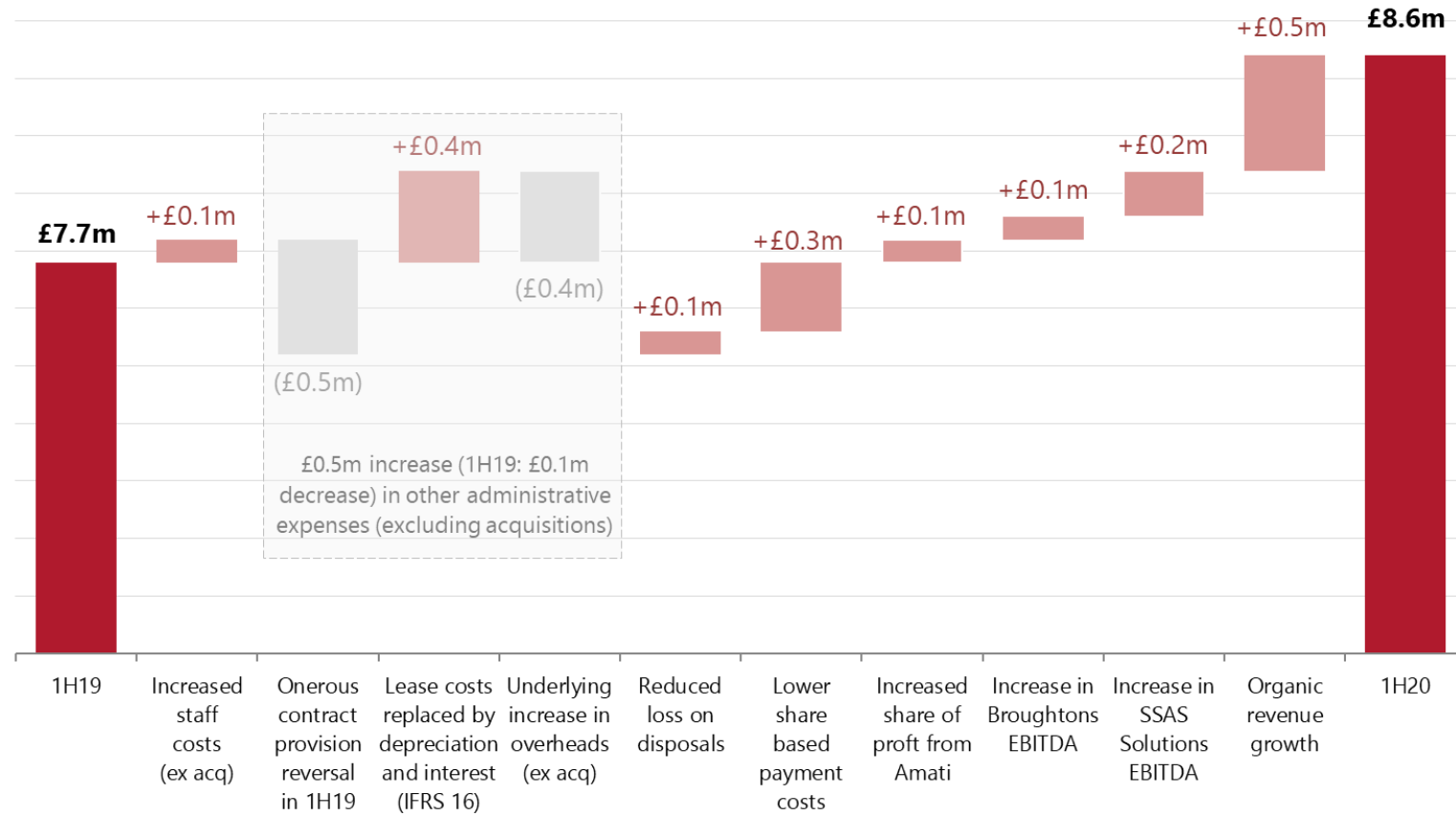


1. Comprises pension consultancy and administration, investment and asset management and property management.

2. Employee benefits revenues are not typically linked to the value of client assets.

3. Certain assets are included in more than one segment (for example, assets under advice held within a client's pension scheme are included in "pension consultancy and administration" and "investment and asset management").

# INTERIM RESULTS | ADJUSTED EBITDA



## Adjusted EBITDA +11.7%

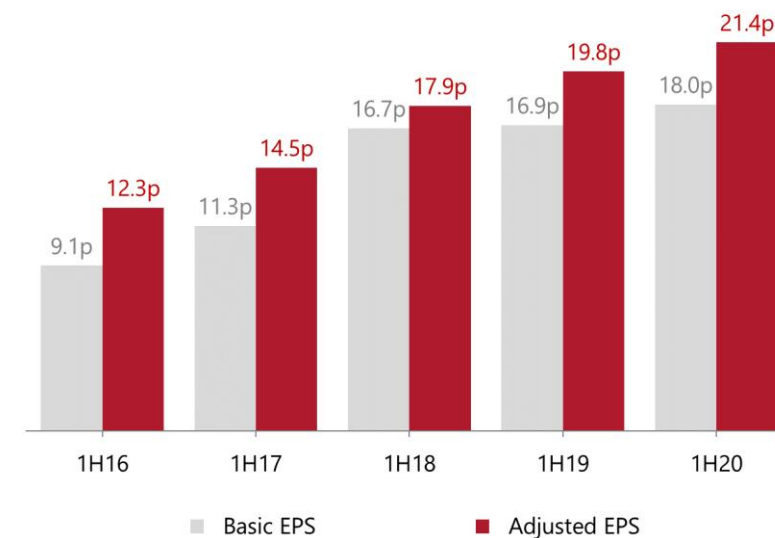
- Adjusted EBITDA margin 28.4% (1H19: 26.4%):
  - Improved through operational efficiencies
  - Other one-off and recurring cost savings
  - Further investment in infrastructure and sustainability
- Headcount of 606 (1H19: 604) at period end:
  - Acquisition of SSAS Solutions
  - Restructuring of client facing operations
  - Staff costs 51.7% of revenue (1H19: 53.1%)
- Adjusted EPS +8.1% to 21.4p
- Effective tax rate of 19.7% (1H19: 20.4%)
- Cash conversion 36% of EBITDA (1H19: 40%)

# INTERIM RESULTS | EARNINGS PER SHARE

	Profit 1H20 £m	EPS 1H20 pps	Profit 1H19 £m	EPS 1H19 pps	△ in EPS
Statutory PBT	6.0		5.6		
Income tax expense	(1.2)		(1.2)		
<b>Statutory PAT / Basic EPS</b>	<b>4.8</b>	<b>18.0</b>	<b>4.5</b>	<b>16.9</b>	<b>+6.5%</b>
Statutory PBT	6.0		5.6		
Amortisation on acquired intangibles	1.0		0.9		
Gain on revaluation of Amati option	-		(0.1)		
Acquisition-related costs	0.0		0.1		
<b>Adjusted PBT</b>	<b>7.1</b>		<b>6.5</b>		
Income tax expense at standard rate	(1.3)		(1.2)		
<b>Adjusted PAT / Adjusted EPS</b>	<b>5.8</b>	<b>21.4</b>	<b>5.3</b>	<b>19.8</b>	<b>+8.1%</b>
Basic weighted average number of shares	26.9m		26.5m		
Effective tax rate	19.7%		20.4%		
Standard rate of tax	18.7%		19.0%		

## Adjusted EPS+8.1%

- Like-for-like comparison
- Two acquisitions in prior year
- £0.75m consideration for cancellation of Amati option
- Effective corporation tax rate:
  - Main rate of 17.0% from 1 April 2020



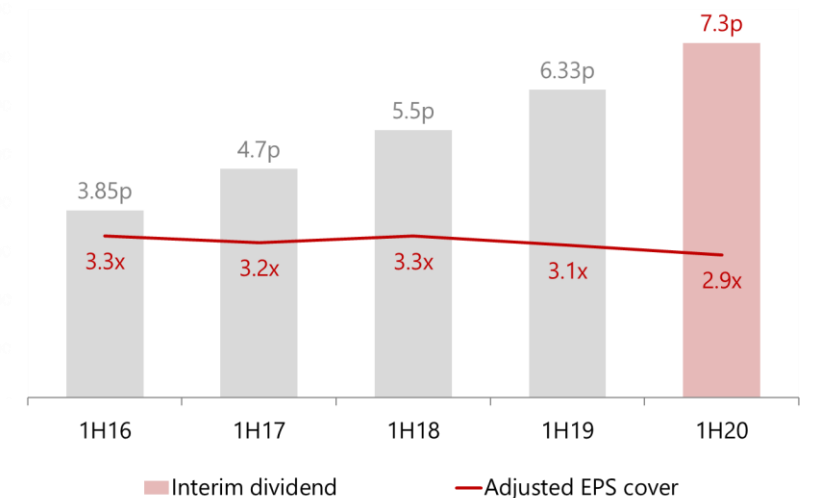
1. Note certain figures in the table above may not add due to rounding.

# INTERIM RESULTS | DIVIDEND

- Interim dividend of 7.3p (1H19: 6.33p):
  - Cash generative business
  - Seasonality in working capital
- Progressive policy:
  - 17% CAGR in total dividend over last 5 years
  - 23% CAGR in total dividend since IPO
- Well-covered by earnings:
  - 2.5x basic EPS (1H19: 2.7x)
  - 2.9x adjusted EPS (1H19: 3.1x)
- Reduced cash flow cover:
  - Introduction of accelerated quarterly tax payments
  - £1.9m (1H19: £0.9m) income tax paid in period
  - 0.5x operating cash flow (1H19: 1.2x)

## Interim dividend +15.3%

Committed to growing the dividend, while maintaining an appropriate level of cover



# INTERIM RESULTS | SUSTAINABLE AND RESPONSIBLE

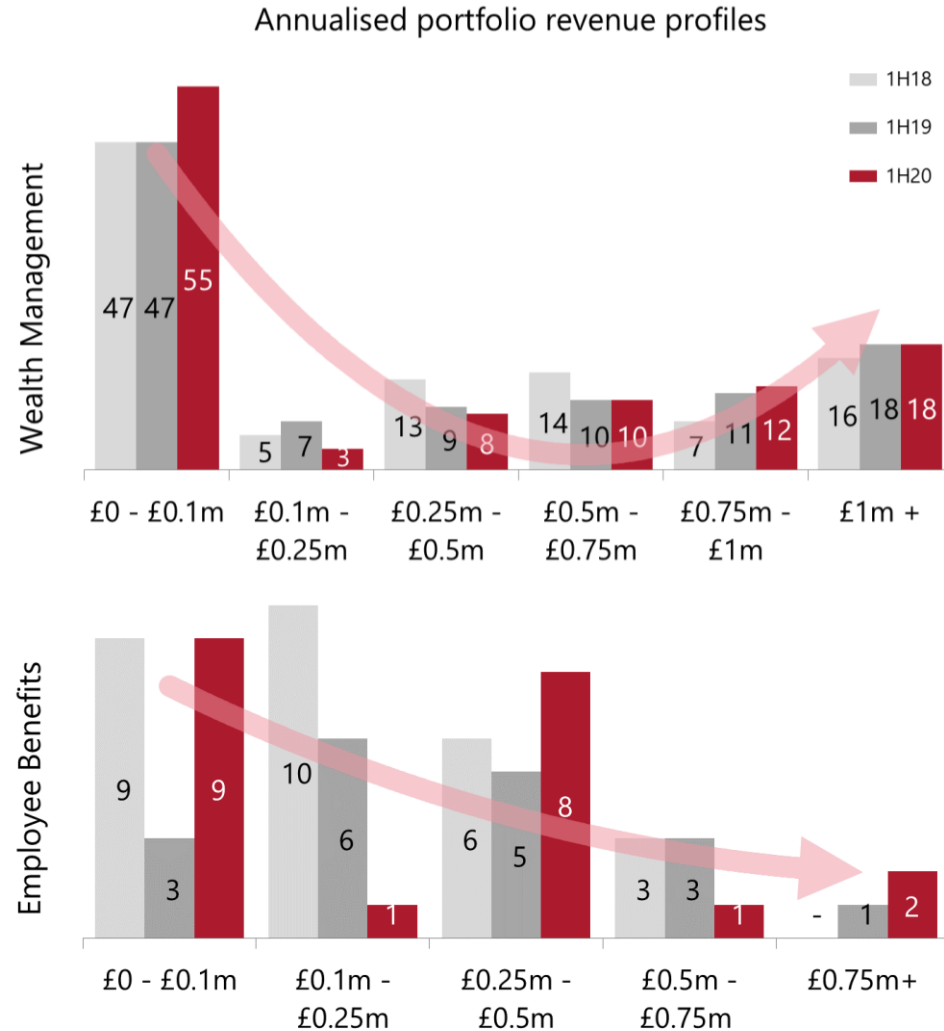
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- Social responsibility:
  - New Leicester office, paperless, lower emissions
  - 7,500 valuations per quarter moved online via new client portal
  - 10% of Amati profit donated to charity
  - New national charity partner - Alzheimer's Research UK
- Sustainable client proposition:
  - Attractive client TERs, with a focus on value
  - Integrating responsible investment into client portfolios
  - Seeking to develop new products
- Need positive culture to build franchise in weaker markets:
  - Independent board
  - Management equity holdings
  - Client focus
  - Respect for staff

## Enriching the lives of our clients and the communities we work in

- Client outcomes mean more than just performance
- Peace of mind is valued
- We are diverse and inclusive

# INTERIM RESULTS | CONSULTANCY



## Expanding experience

Integrity, expertise and passion

- 127 (1H19: 120) consultants<sup>1</sup>:
  - Young team, multi-generational cascading of wealth
  - 90 (1H19: 84) core consultants
  - New development programme
- Capacity for new business:
  - Apprenticeships
  - Graduate programmes
  - 'Life-served' people
  - Proven training and mentoring

1. Includes associate consultants and business development managers.

# INTERIM RESULTS | ACQUISITIONS

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- Key characteristics of market:
  - Ageing population
  - Highly fragmented, numerous business models
  - Clear economies of scale
  - Adoption of centralised investment propositions
  - Increasing regulatory burden
  - Greater fee transparency and margin pressure
- Significant corporate activity:
  - Consolidation
  - New entrants
  - Private equity and financial investors

## Our criteria

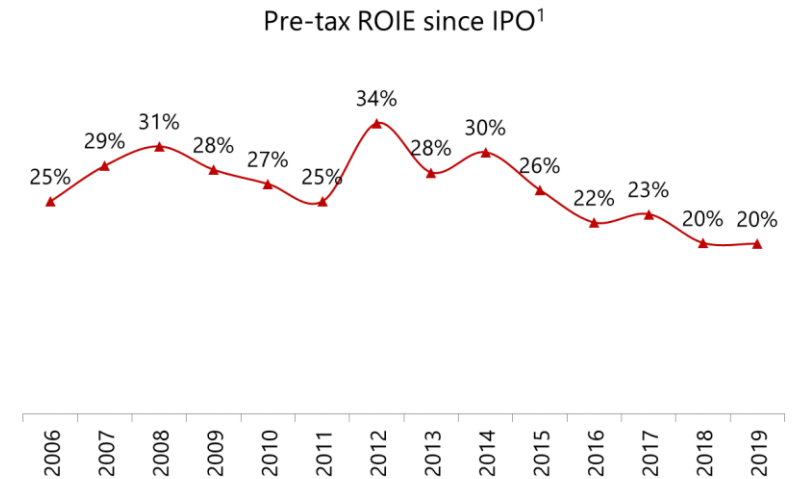
- Strategic and cultural fit
- Enhances client proposition
- Enhances distribution
- Ability to integrate
- Access to technology/IP
- Nature and quality of client base
- Deliverable synergies
- Sustainable margins
- Deal structure that mitigates risks

# INTERIM RESULTS | ACQUISITIONS

- Over £56m invested since IPO:
  - Completed 23 earnings-enhancing transactions
  - Focus on building shareholder value
- Recent acquisitions performing well:
  - Broughtons Financial Planning
  - SSAS Solutions
  - The Turriss Partnership
- Strategic rationales:
  - Extending geographic footprint
  - Adding scale to existing operations
  - Bringing experienced staff into the Group
  - Promoting broader proposition to acquired clients

## Pipeline of opportunities

- Fragmented markets
- Well-defined acquisition criteria
- EPS accretive



1. Return on invested equity, calculated as Cash PBT<sup>2</sup> divided by equity less intangibles at book value plus intangibles at consideration paid.  
2. Profit before taxation, amortisation and impairment of intangibles, share based payments, profit/(loss) on disposals and acquisition-related costs.



# INTERIM RESULTS | INVESTMENT CASE

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- Attractive market and demographic landscape:
  - Providing valuable advice in good and bad times
  - Delivering strong investment performance
  - Organic strategy complemented by acquisitions
  - Investing in people, technology and infrastructure
- Responsibly integrated:
  - Positive culture
  - Expanding across the value chain
  - Lowering clients' costs, maintaining focus on quality
- Remaining agile and competitive
- Outlook in line with management's expectations

**Great client outcomes**  
lead to **strong retention**  
and **sustainable returns**

**APPENDICES**  
Interim Results 2020



# INTERIM RESULTS | APPENDICES

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- Income statement
- Segment results
- Cash flow
- Client assets
- Executing our strategy
- Technology
- Regulatory capital
- Acquisitions

## Robust, sustainable model

Allows us to deliver great client outcomes and secure further profitable growth

# INTERIM RESULTS | INCOME STATEMENT

	1H20 £m	1H19 £m	%△	Recurring revenues
Investment and asset management	13.8	13.2	+4.5	91.9%
Pension consultancy and administration	10.9	10.5	+3.8	95.5%
Property management	3.0	2.8	+7.1	85.1%
Employee benefits	2.6	2.7	-3.7	82.2%
<b>Revenue</b>	<b>30.3</b>	<b>29.2</b>	<b>+3.8</b>	<b>91.5%</b>
Employee benefits expense	(15.7)	(15.5)	-1.3	
Other administrative expenses <sup>2</sup>	(5.9)	(5.4)	-9.3	
Share based payments	(0.4)	(0.7)	+42.9	
Loss on disposal of property, plant and equipment	(0.0)	(0.1)	-	
<b>EBITDA</b>	<b>8.3</b>	<b>7.6</b>	<b>+9.2</b>	
Share of profit from associates, net of tax	0.3	0.2	+50.0	
Gain on revaluation of Amati option	-	(0.1)	-	
Acquisition-related costs	0.0	0.1	-	
<b>Adjusted EBITDA</b>	<b>8.6</b>	<b>7.7</b>	<b>+11.7</b>	
Depreciation, amortisation and impairment	(2.5)	(2.1)	-19.0	
Net finance costs	(0.1)	(0.0)	-	
Share of profit from associates, net of tax	0.3	0.2	+50.0	
<b>Profit before tax</b>	<b>6.0</b>	<b>5.6</b>	<b>+7.1</b>	
Income tax expense	(1.2)	(1.2)	-	
<b>Profit for the period (PAT)</b>	<b>4.8</b>	<b>4.5</b>	<b>+6.7</b>	

## Strong underlying profit growth

High recurring revenues

Exceeding target margins

1. Note certain figures in the table above may not add due to rounding.

2. Includes gain on Amati option and impairment loss on receivables.

# INTERIM RESULTS | SEGMENT RESULTS

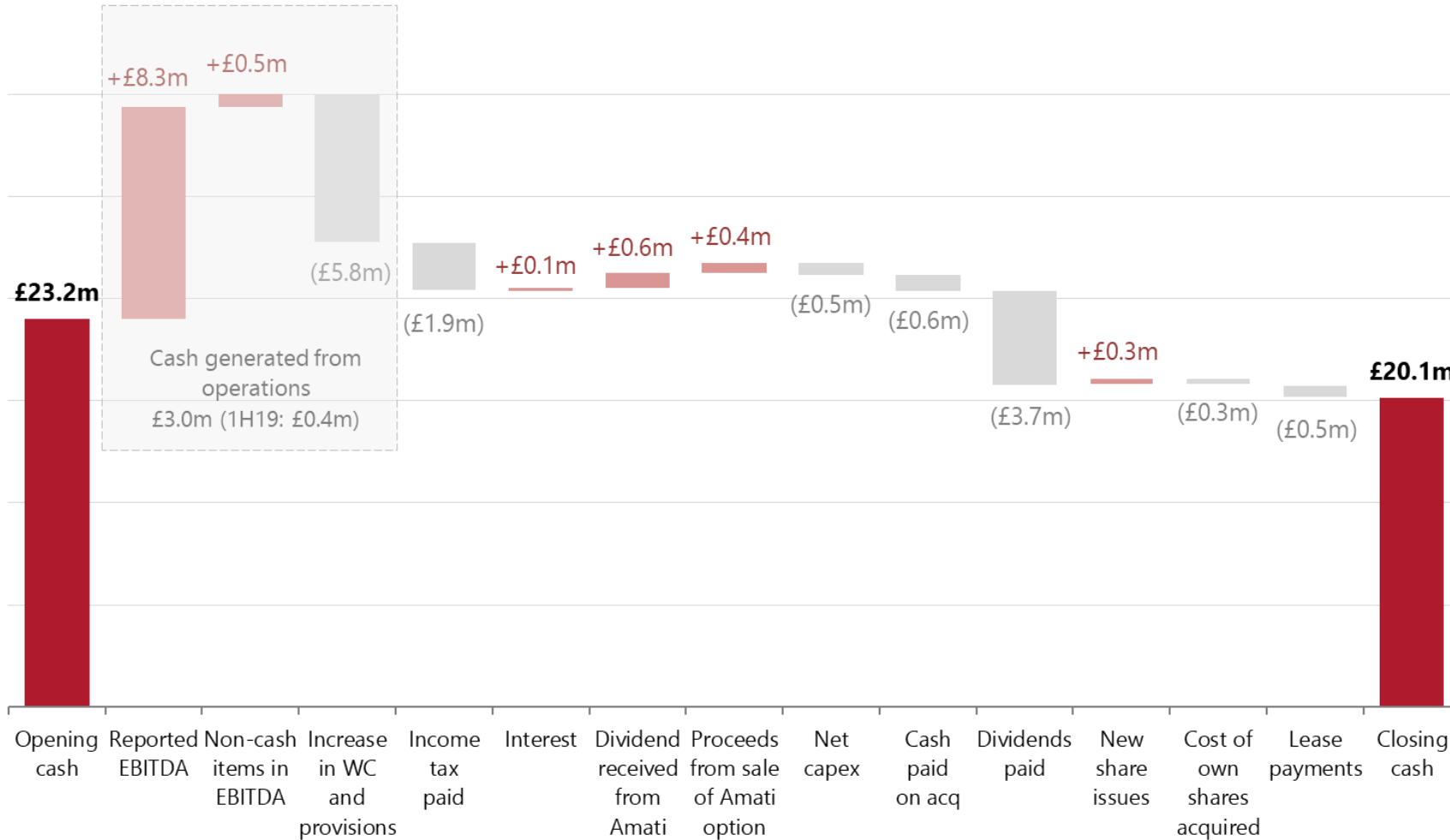
	Investment and asset management £m	Pension consultancy and admin £m	Property management £m	Employee benefits £m	Total segments £m	Corporate costs £m	Consolidated £m
<i>Six months ended 30 Nov 2019</i>							
Revenue	13.8	10.9	3.0	2.6	30.3	-	30.3
Segment profit before tax	4.8	2.7	0.7	0.2	8.4	(2.4)	6.0
Segment margin	35%	25%	23%	8%	28%		20%
<i>Six months ended 30 Nov 2018</i>							
Revenue	13.2	10.5	2.8	2.7	29.2	-	29.2
Segment profit before tax	4.5	2.0	0.4	0.2	7.1	(1.5)	5.6
Segment margin	34%	19%	14%	7%	24%		19%

## Revenue synergies

Business referred between segments

1. Note certain figures in the table above may not add due to rounding.

# INTERIM RESULTS | CASH FLOW



## Cash generative

Seasonality in working capital requirement

- Increase in working capital and provisions:
  - £4.3m decrease in payables
  - £1.7m increase in receivables
  - £0.2m increase in provisions
- £3.7m of dividends paid
- Accelerated tax payments
- £0.6m paid on acquisitions
- £0.5m net capex in period

# INTERIM RESULTS | CLIENT ASSETS

Total client assets  
of £9.4bn

Gross AuM +3.8% to £2.7bn

Assets under management, administration and advice	SIPP and SSAS £m	Employee benefits £m	Personal wealth and other assets £m	Sub-total £m	Amati <sup>1</sup> £m	Total £m
At 1 June 2019	6,051.6	1,196.7	1,725.2	8,973.5	409.0	9,382.5
Net inflows/(outflows), including market movements	89.2	(176.3)	50.2	(36.9)	41.9	5.0
At 30 Nov 2019	6,140.8	1,020.4	1,775.4	8,936.6	450.9	9,387.5

Assets under management	DPM £m	Custodian REIT £m	Mattioli Woods SPF £m	Amati £m	Gross AuM £m	Cross- holdings in DPM <sup>2</sup> £m	Cross- holdings in Amati funds <sup>3</sup> £m	Net AuM £m
At 1 June 2019	1,394.0	483.3	242.5	452.8	2,572.6	(132.3)	(11.9)	2,428.4
Inflows	80.4	6.8	10.9	43.2	141.3	(25.4)	(0.8)	115.1
Outflows	(51.6)	-	(8.5)	(8.2)	(68.3)	-	-	(68.3)
Market movement	47.8	(18.8)	17.3	22.4	68.7	-	-	68.7
At 30 Nov 2019	1,470.6	471.3	262.2	510.2	2,714.3	(157.7)	(12.7)	2,543.9

1. Excluding £46.6m (31 May 2019: £31.9m) of Mattioli Woods' client investment and £12.7m (31 May 2019: £11.9m) of cross-holdings between the TB Amati Smaller Companies Fund and the Amati AIM VCT plc

2. Comprises £31.9m (31 May 2019: £29.7m) invested in Custodian REIT, £85.8m (31 May 2019: £76.6m) in MW SPF and £40.0m (31 May 2019: £26.0m) in Amati funds.

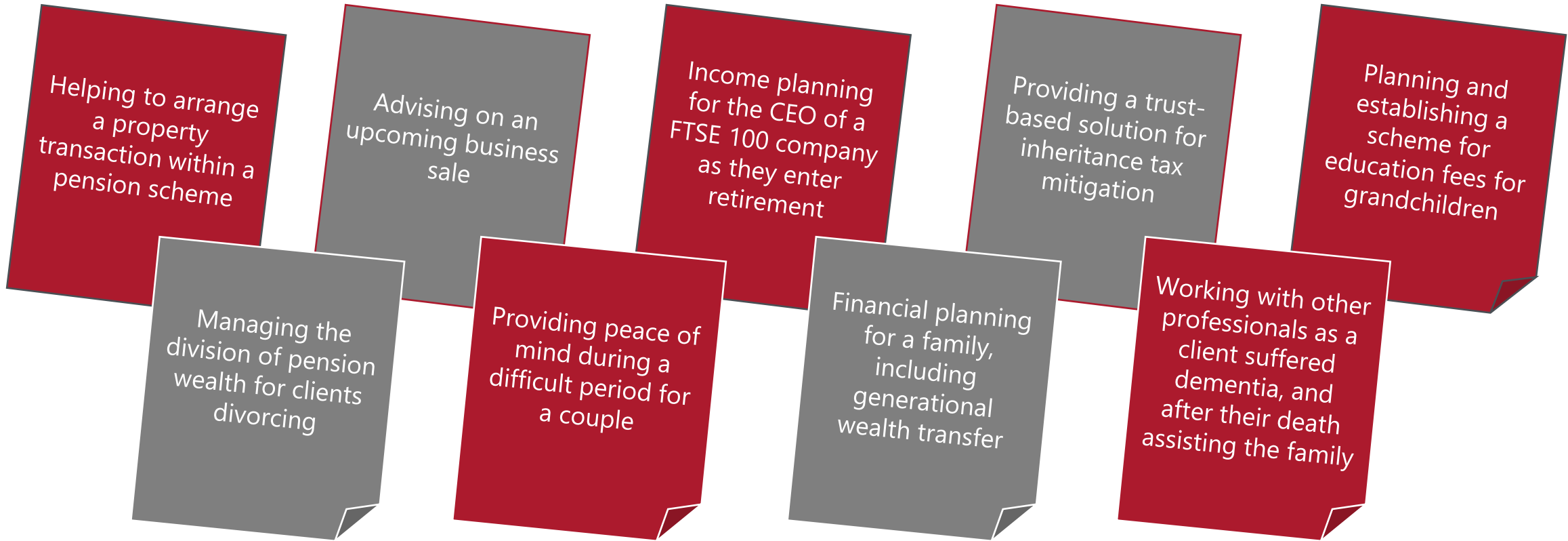
3. Cross-holdings between TB Amati Smaller Companies Fund and Amati AIM VCT plc.

# INTERIM RESULTS | EXECUTING OUR STRATEGY





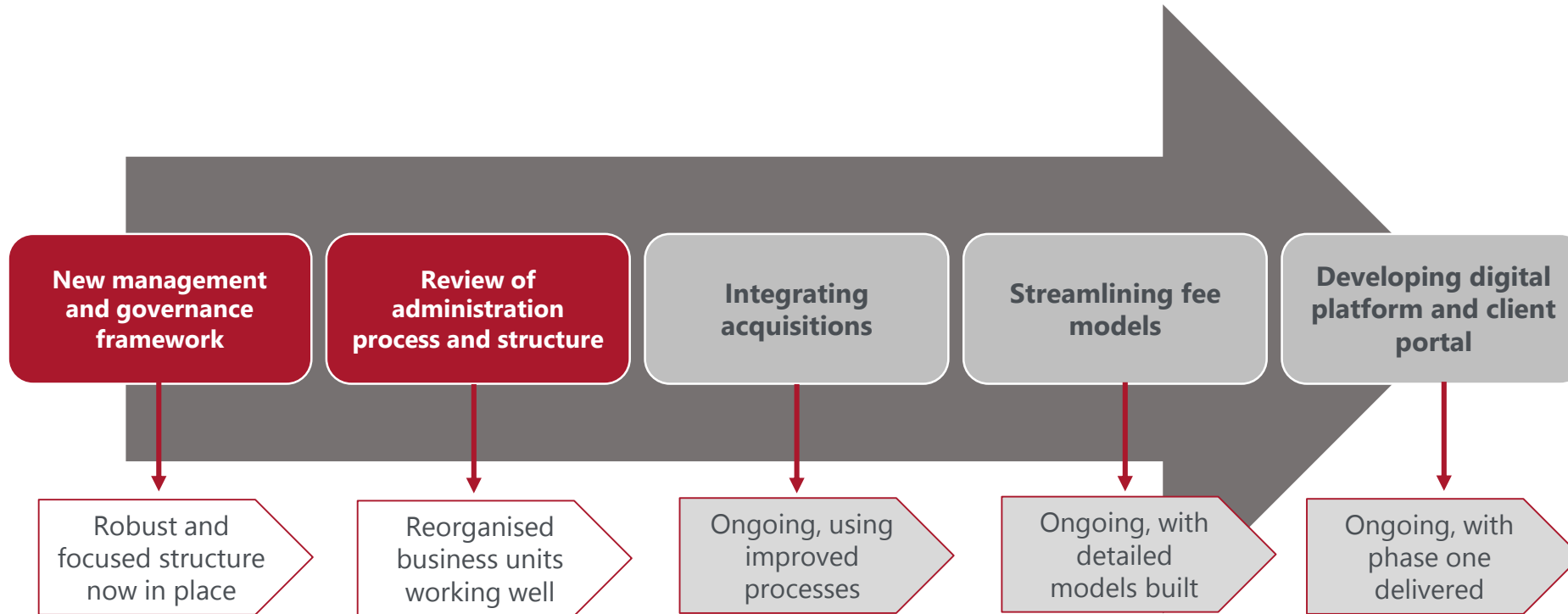
## INTERIM RESULTS | CONSULTANCY



**“Thank you** for your words of comfort – I don’t have the words to express my thanks and my feelings; thank you doesn’t seem to be enough”

A client describing how their consultant helped his family following a terminal diagnosis

# INTERIM RESULTS | OPERATIONAL PRIORITIES

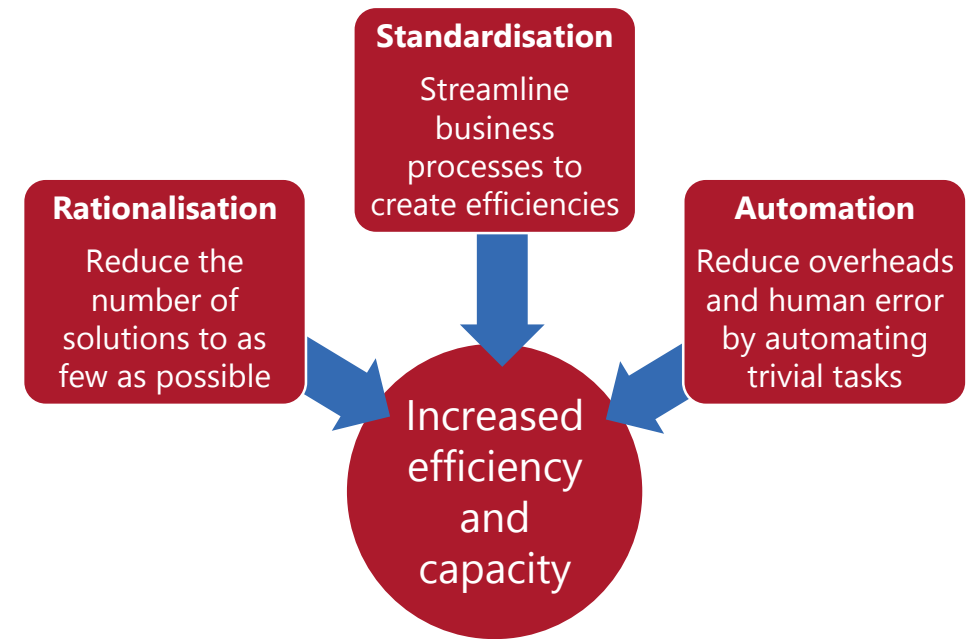


# INTERIM RESULTS | TECHNOLOGY

- Recent successful implementations:
  - Consolidation of legacy systems into MWeb
  - Improved governance, audit and testing
  - New MWeb cloud hosted on Azure PaaS
- Further projects to transform landscape:
  - Consolidation of remaining legacy systems
  - Group-wide rollout of Office 365
  - Client portal and app
  - Redesign of investment handling in MWeb
- Key outcomes:
  - All data and services hosted from the cloud
  - Significantly improved security and operational resilience
  - Operational efficiencies and modern working opportunities
- Expenditure in line with budget

## Stability, scalability, and agility

One platform, one solution



# INTERIM RESULTS | REGULATORY CAPITAL

- Strong capital position:
  - Capital resources are 253% of requirement
  - Platform for growth
  - Flexibility to pursue acquisitions
- Common Equity Tier 1 (CET1) capital:
  - Total equity less intangibles and other deductions
- Pillar 1 own funds requirement:
  - Credit risk
  - Market risk
  - Operational risk
- Pillar 2A requirement:
  - Stress-testing key risks over a one year horizon

## Understanding our capital position

Strong balance sheet

	Nov 2019 £m	May 2019 £m
Regulatory capital		
Net assets at period end	87.1	85.6
Capital deductions	(52.5)	(56.0)
Capital resources <sup>1</sup>	34.6	29.6
Pillar 1 minimum capital requirement	10.7	10.3
Surplus before Pillar 2A	23.9	19.3
Incremental Pillar 2A requirement	3.0	2.0
Regulatory capital requirement	13.7	12.3
Surplus	20.9	17.2
<i>Surplus as % of requirement</i>	<i>153%</i>	<i>141%</i>

1. Capital resources based on Common Equity Tier 1 ("CET1") capital including: shares issued during the period and admitted to CET1 capital following the period end, proposed dividends and retained earnings for the period.

# INTERIM RESULTS | ACQUISITIONS

## Track record of adding value

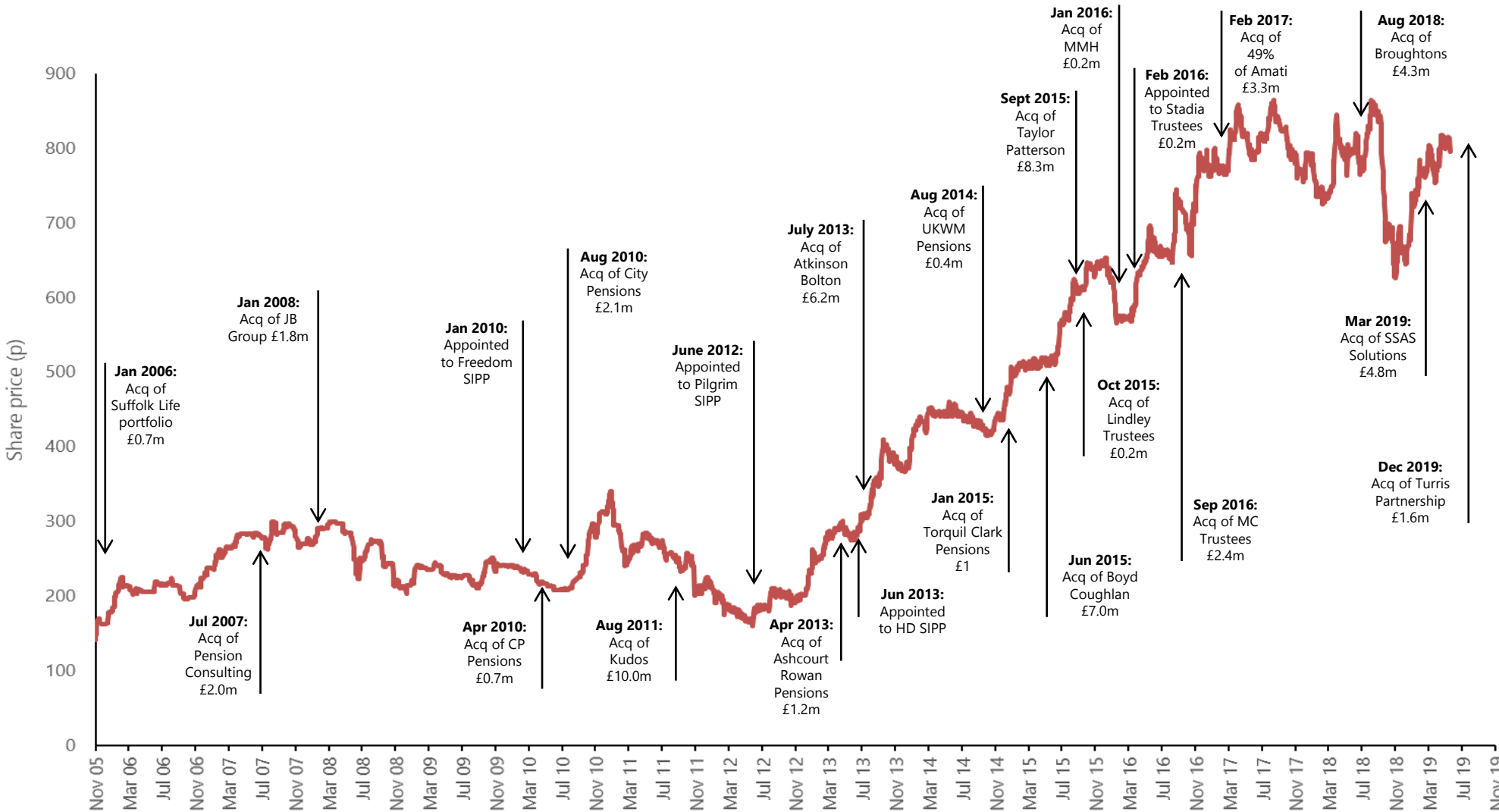
23 transactions since IPO

Track record of successful integration

£4.3m acquisition of Broughtons in Aug 2018

£4.8m acquisition of SSAS Solutions in Mar 2019

£1.6m acquisition of Turris Partnership in Dec 2019



## INTERIM RESULTS | DISCLAIMER

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