Mattioli Woods plc

WEALTH MANAGEMENT & EMPLOYEE BENEFITS

Final Results

For the year ended 31 May 2016

Ian Mattioli, Chief Executive Officer
Nathan Imlach, Finance Director

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Important

These presentation slides contain forward-looking statements and forecasts with respect to the financial condition and the results of Mattioli Woods plc.

These statements are forecasts involving risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this presentation should be construed as a profit forecast.

Nothing in this presentation should be seen as a promotion or solicitation to buy shares in Mattioli Woods plc. It should be remembered that the value of shares can fall as well as rise and therefore you could get back less than you invested.

Information in this presentation reflects the knowledge and information available at the time of its presentation.

Agenda

- Our model
- Highlights and recent developments
- Financial result
- Wealth management:
  - Investment and asset management
  - Pension consultancy and administration
  - Property management
- Employee benefits
- Acquisitions
- Outlook

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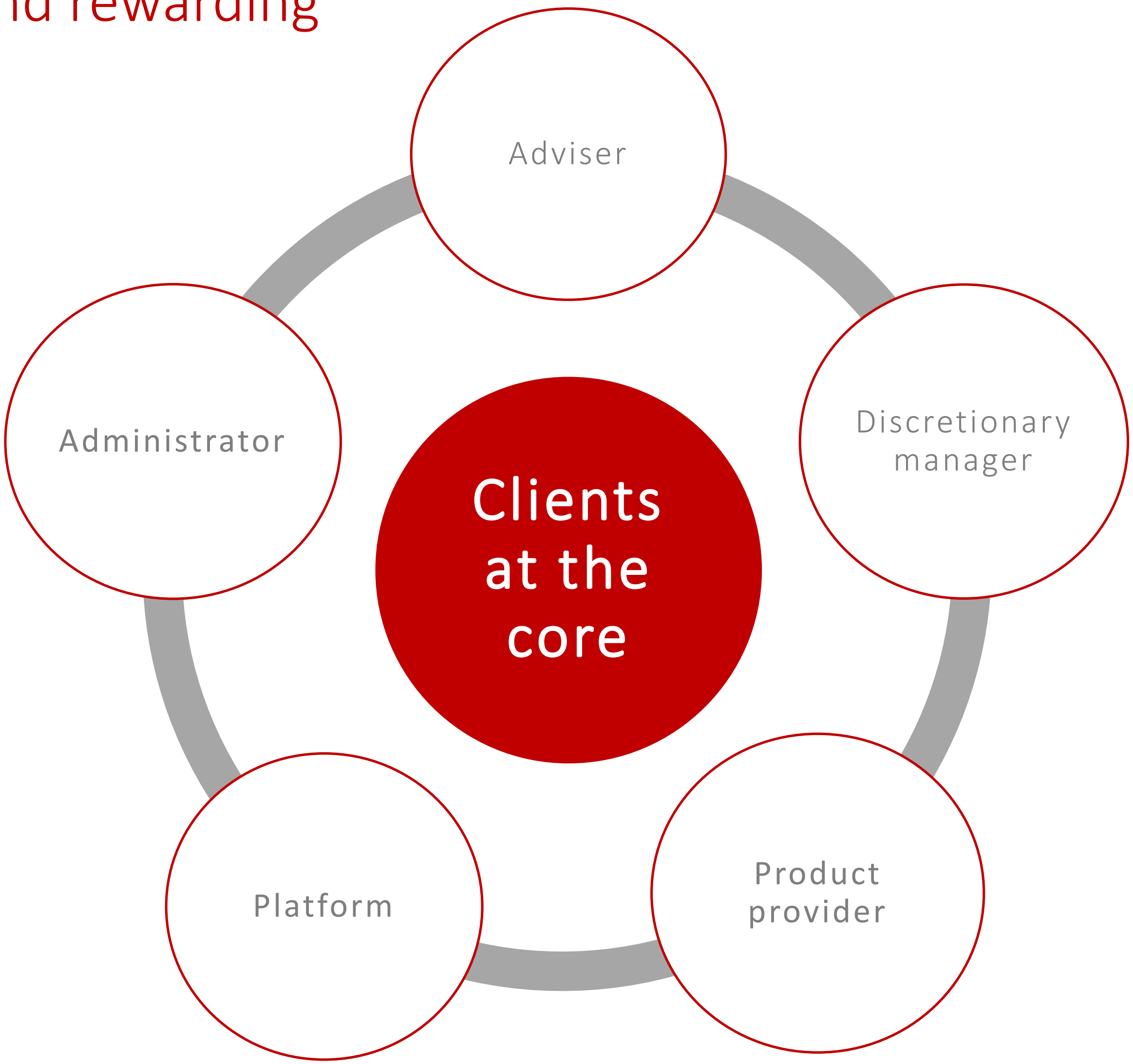
Our model

Fair, fun and rewarding



Our model

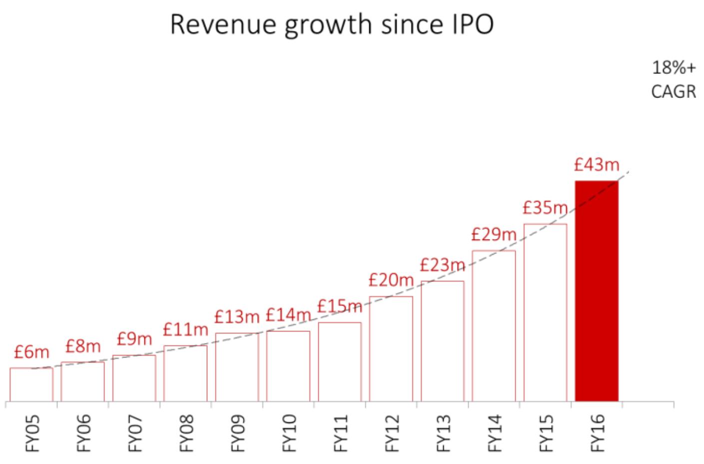
25 year focus on great client outcomes

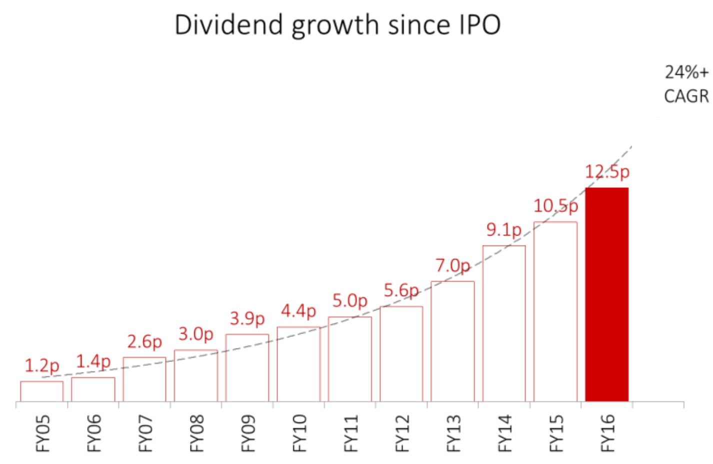
- Adviser, manager and provider:
  - Client-driven advice
  - Proactive team, working together
  - Choosing suitable products, in-house or third party
  - Successful in good and bad markets
- Scalable model:
  - Organic growth, augmented by acquisitions
  - Development of our people
  - Investment in technology
  - Ownership of distribution
  - Blending advice and product provision
  - Lowering TERs
- Progressive dividend policy

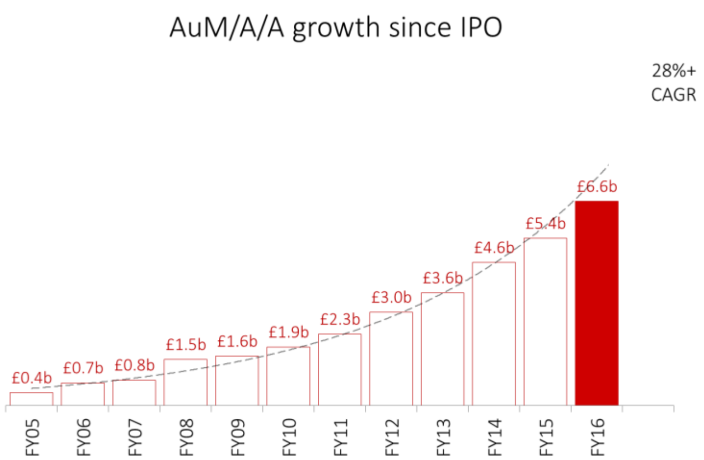
"Imagine a world in which financial advice is trusted, thoughtful and enriching – that is our vision"

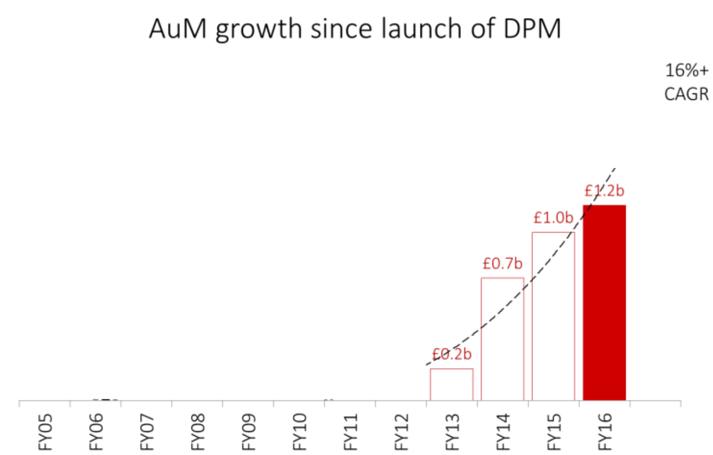
Our model

Double-digit growth, ambitious targets









Highlights

Creating sustainable success

- Adjusted EBITDA[1] +25.7% to £9.3m (2015: £7.4m):
  - Margin[1] of 21.6% (2015: 21.3%)
  - Adjusted EPS[2,3] +14.0% to 31.0p (2015: 27.2p)
- Revenue +24.3% to £43.0m (2015: £34.6m)
- Recurring revenues 82.6% (2015: 81.4%)
- Proposed total dividend +19.0% to 12.5p (2015: 10.5p)
- Net cash of £29.8m (2015: £10.6m) at year end

1. Earnings before interest, taxation, depreciation, amortisation and acquisition-related costs.
2. Before acquisition-related costs, amortisation and impairment of acquired intangibles, and notional finance income and charges.
3. Basic EPS up 7.7% to 21.1p (2015: 19.6p).

Highlights

Robust business model

- AuM/A/A +22.2% to £6.61bn (2015: £5.41bn):
  - Discretionary AuM up 15.8% to £1.17bn (2015: £1.01bn)
  - £98.4m of new equity raised by Custodian REIT
- Net organic revenue growth[1,2] of 11.3% (2015: 19.2%):
  - Over 1,100 new client wins
  - 104 (2015: 81) consultants at year end
- June 2015 placing raised gross proceeds of £18.6m:
  - Earnings enhanced by five acquisitions completed in year
  - All businesses integrating well
  - Increased headroom on regulatory capital requirements
- Vertically-integrated proposition

1. Excluding banking income.
2. Excludes acquisitions completed during the current and prior financial years.

Recent developments

Well positioned for future growth

- Expect increasing demand for advice post-Brexit:
  - People want to understand their financial affairs
  - Broader demographic for our services
- Acquisition of MC Trustees in Sept 2016
- Strong pipeline of further acquisition opportunities
- Planned launch of new structured product fund
- Appointment of Anne Gunther as NED
- Building started on new Leicester office
- Opening new Manchester office

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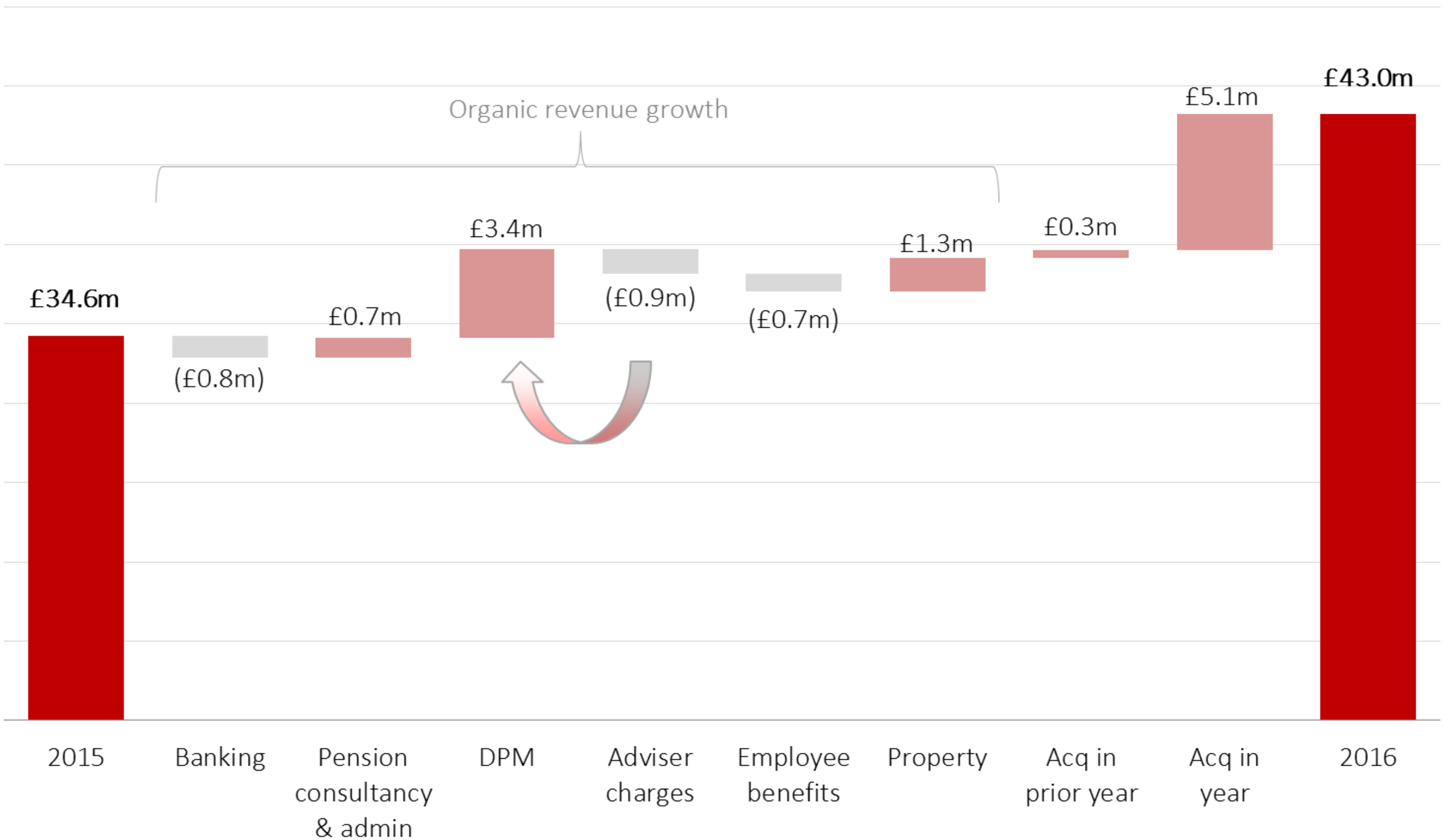
Financial result

Strong growth

Income statement	2016 £m	2015 £m	%△	Recurring revenues
Revenue	**43.0**	34.6	24.3	82.6%
Employee benefits expense	(24.6)	(20.0)	23.0	
Other administrative expenses	(7.9)	(6.7)	17.9	
Share based payments	(1.6)	(0.8)	100.0	
EBITDA	**8.9**	7.1	25.4	
Acquisition-related costs	0.4	0.3		
Adjusted EBITDA	9.3	7.4	25.7	
Depreciation, amortisation and impairment	(2.3)	(1.7)	35.3	
Net finance costs	(0.3)	(0.1)	200.0	
Profit before tax	6.3	5.3	18.9	
Income tax expense	(1.1)	(1.3)	(15.4)	
Profit for the year (PAT)	**5.2**	4.0	30.0	

Financial result

Revenue +24.3%



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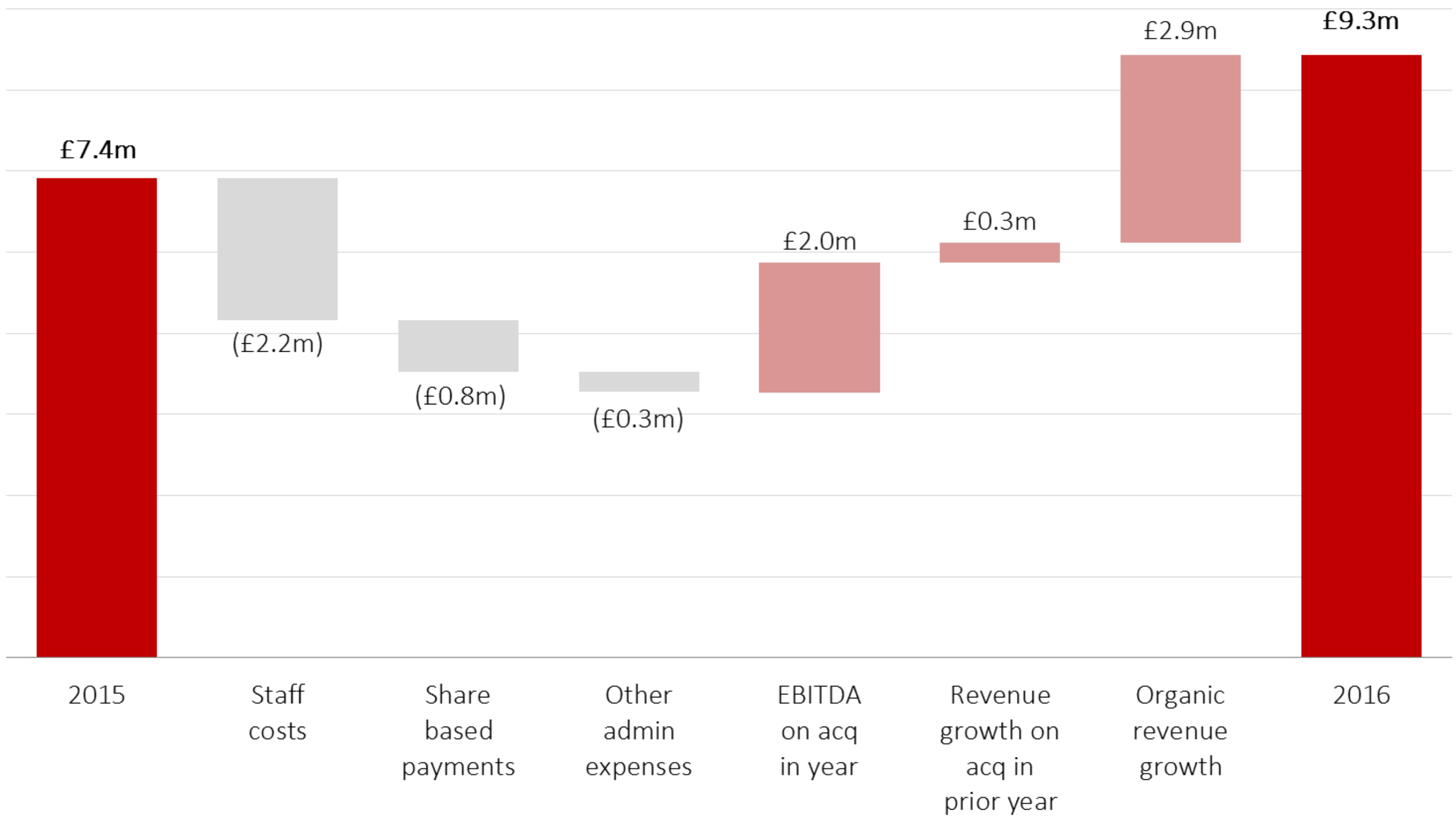
Financial result

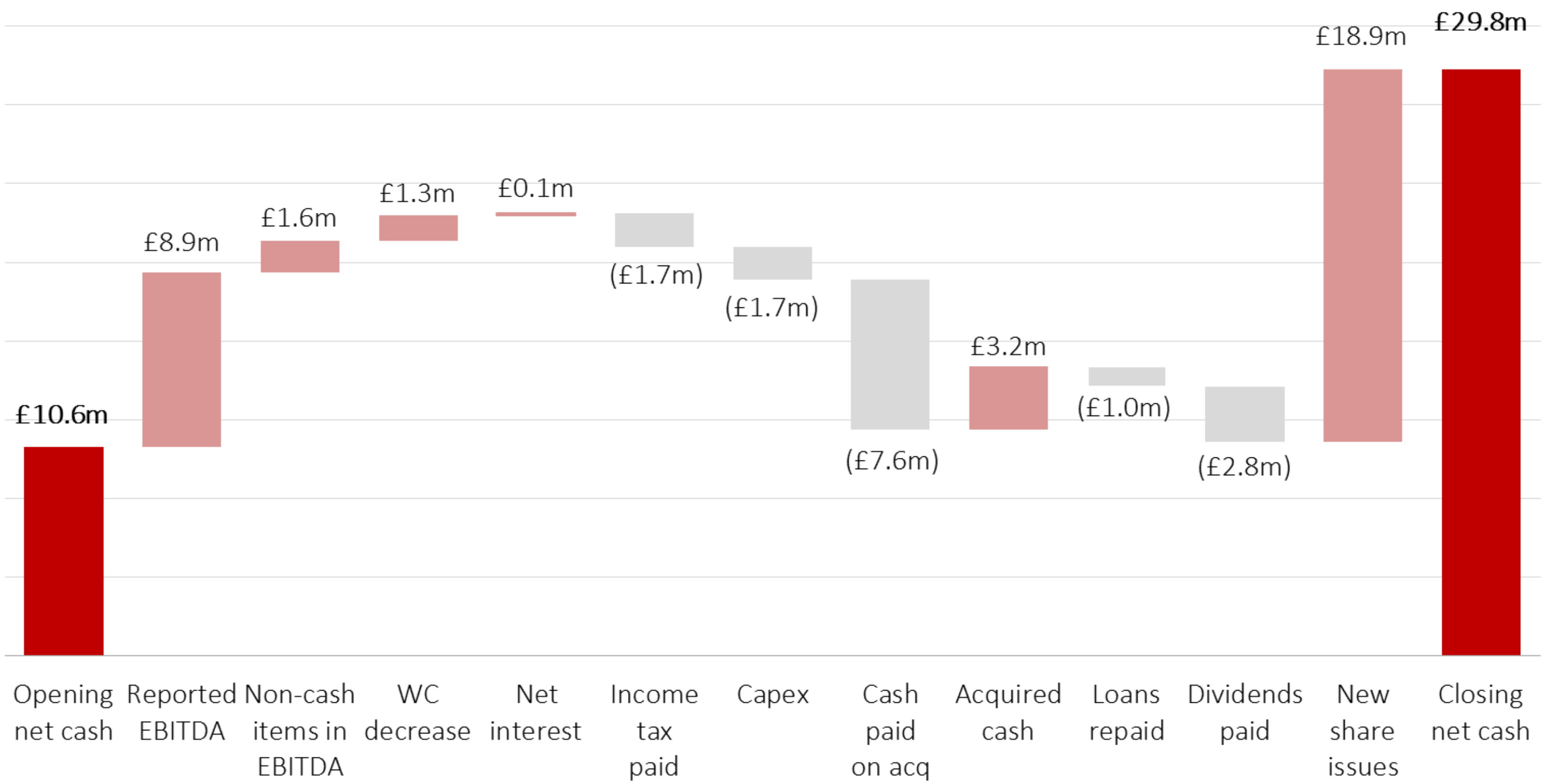
Adjusted EBITDA +25.7%



Financial results

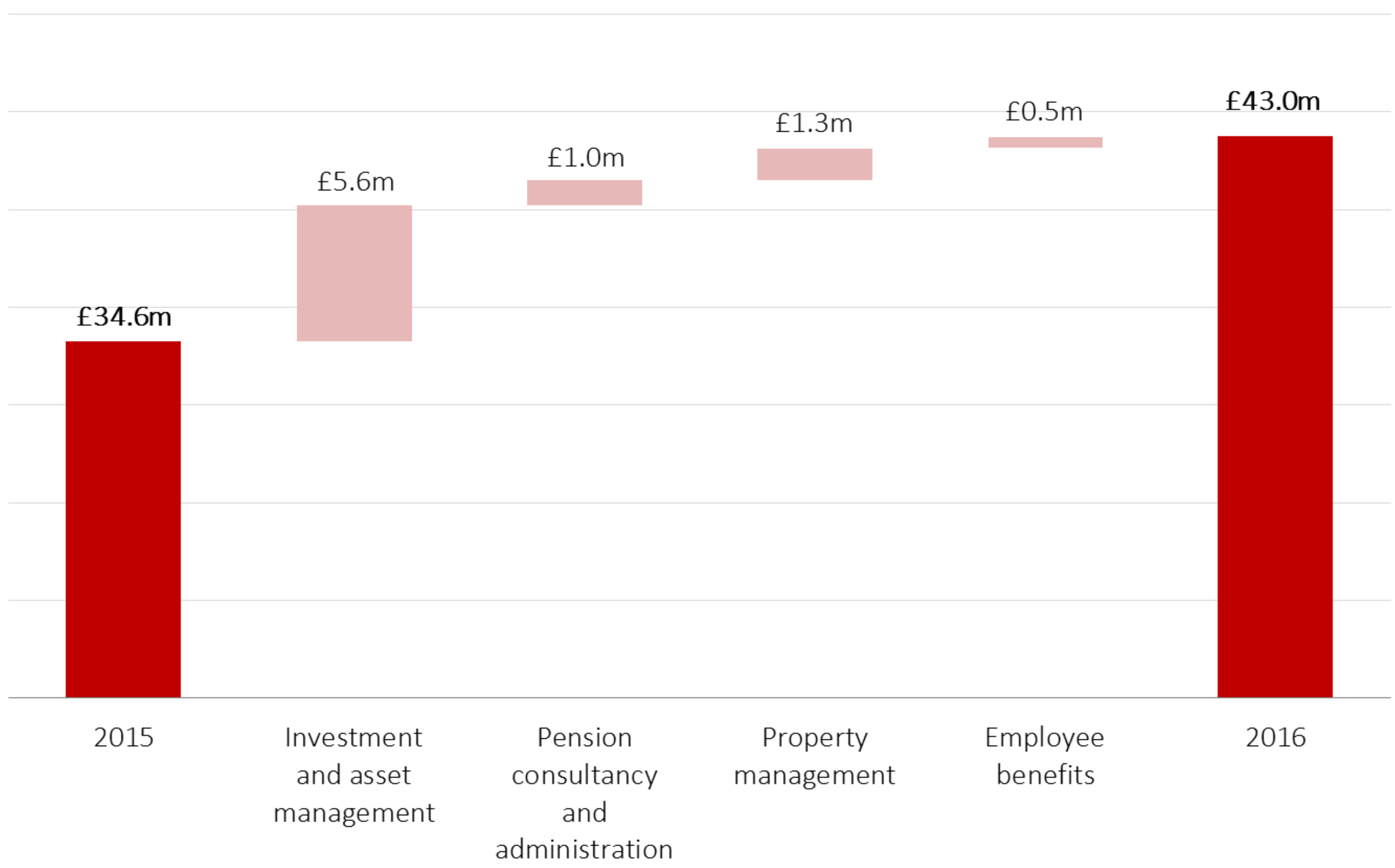
Cash generative

Proposed total dividend +19.0%



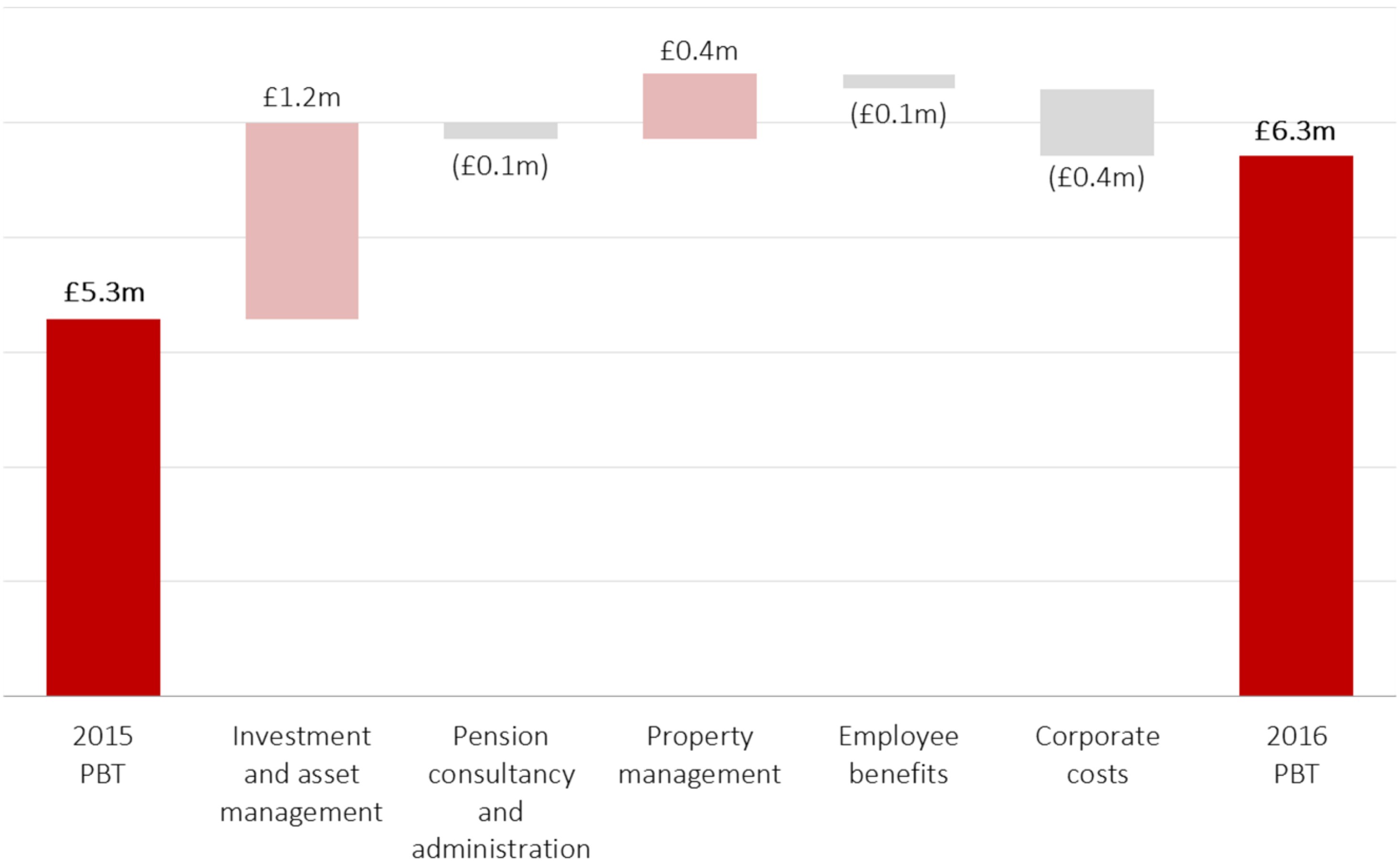
Segment revenues

+£0.6m of synergies realised



Segment results

Robust business model



Investment and asset management

Revenues +49.1% to £17.0m

- Delivering strong investment performance:
  - Advisory portfolios
  - Discretionary portfolio management
  - Custodian REIT
  - Strengthening team
- New structured product fund:
  - £111m+ of AuA in structured products
  - Average returns of 6%+pa since inception
  - Planned launch later this year
- Future growth to enhance quality of earnings:
  - Recurring revenues linked to value of AuM/A
  - Launched MW Private Pension for employees
  - Promoting investment services to acquired clients

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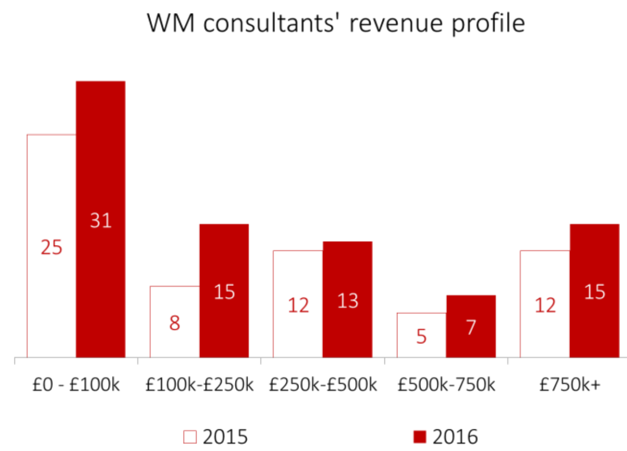
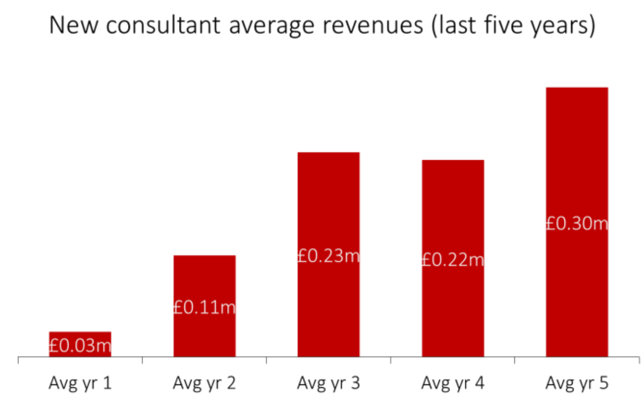
Pension consultancy and administration

Advised and admin-only clients

- Direct fees +9.5% to £12.7m:
  - 19.4% increase to 4,598 schemes
  - Strong client retention
- Admin-only fees +25.0% to £3.5m:
  - 20.0% increase to 3,274 schemes
  - Winding-up distressed portfolios
- Fall in banking income to £0.4m
- Record new client wins
- Future growth opportunities:
  - Consolidation in sector
  - Change and complexity driving demand for advice





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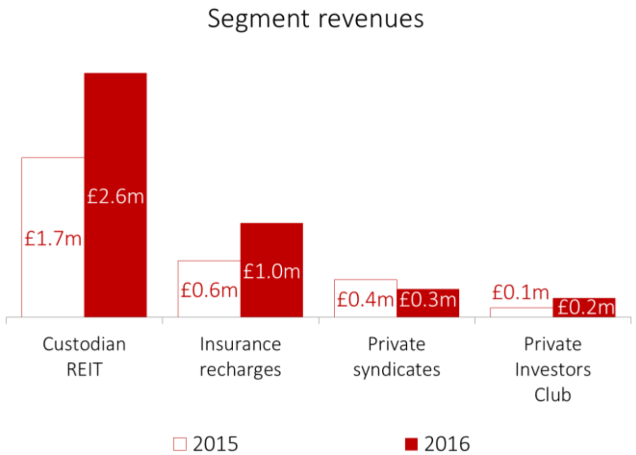
Property management

Revenues +46.4% to £4.1m

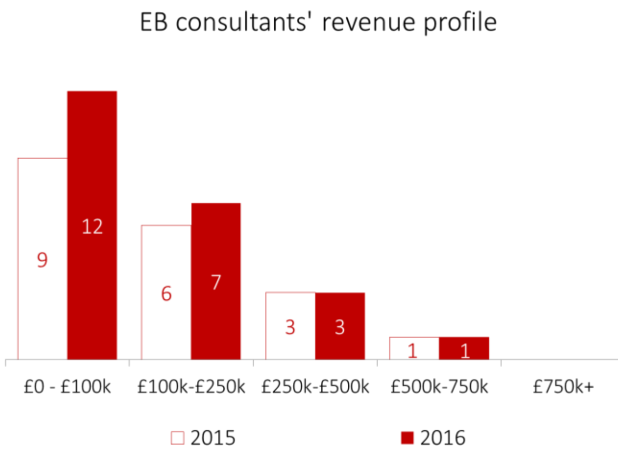
- Property investment services:
  - Discretionary manager of Custodian REIT
  - Direct investment on behalf of client syndicates
  - Private Investors Club (PIC)
  - Property insurance
- Custodian REIT:
  - AMCs and administration fees linked to NAV
  - £98.4m (2015: £50.2m) of new equity raised in year
- Private syndicates:
  - 8 (2015: 4) new PIC syndicates, investing £9.9m (2015: £4.0m)
  - Consultancy and administration
- Expect long-term secure income to remain attractive



Employee benefits

Revenues +10.4% to £5.3m

- Shift to fee-based proposition:
  - Reduced pension-related revenues
  - Increased recurring revenues
- Diversifying ancillary revenues:
  - Extending geographic footprint
  - Specialist sectors, e.g. charities
  - Health insurance
  - MW Private Pension
- Growth opportunities:
  - Cross-referral between EB/WM (£0.6m revenue in 2016)
  - Appointment of new consultants
  - Workplace advice to address “advice gap”



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Acquisitions

Over £40m invested since IPO

- Five deals completed in year:
  - Positive contribution to financial result
  - Wider audience for Group's products and services
  - Experienced management teams
  - Additional scale, broader proposition
  - All integrating well
- Aggregate consideration of up to £16m:
  - Initial cash consideration of £6.5m
  - £3.7m of new shares in Mattioli Woods
  - Contingent deferred consideration of up to £5.8m
- Continuing consolidation across key markets
- Strong pipeline of opportunities

Acquisitions

MC Trustees

- Pension administration and trustee services:
  - Over 1,500 SIPP and SSAS clients
  - £400m+ of AuA
  - Personal service, strong technical advice
- Based in Hampton-in-Arden with 26 staff
- Total consideration of up to £2.2m:
  - Initial: £1.2m (£0.95m cash + £0.25m shares)
  - Deferred: up to £1.0m over two years
  - Deferred is subject to EBITDA hurdles
- Signed heads of terms to acquire MC Malta:
  - QROPS operator
  - Total consideration of up to £0.6m

Outlook

Securing profitable growth

- Vertically-integrated model:
  - Adviser, administrator, product provider and asset manager
  - Well-positioned to reduce client costs
  - Diversifying revenues, realising synergies
- Developing investment and asset management
- Expect increasing demand for advice
- Continuing consolidation across key markets
- Strong pipeline of acquisition opportunities
- Current trading in line with expectations

Appendices

- Income statement
- Underlying EPS
- Acquisitions
- Segment results
- Client assets
- Revenue yields
- Structured product fund
- Regulation

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Income statement

Strong growth

Income statement	2016 £m	2015 £m	%△	Recurring revenues
Investment and asset management	17.0	11.4	49.1	81.7%
Pension consultancy and administration	16.6	15.6	6.4	82.6%
Property management	4.1	2.8	46.4	91.6%
Employee benefits	5.3	4.8	10.4	78.7%
Revenue	**43.0**	34.6	24.3	82.6%
Employee benefits expense	(24.6)	(20.0)	23.0	
Other administrative expenses	(7.9)	(6.7)	17.9	
Share based payments	(1.6)	(0.8)	100.0	
EBITDA	8.9	7.1	25.4	
Depreciation, amortisation and impairment	(2.3)	(1.7)	35.3	
Net finance costs	(0.3)	(0.1)	200.0	
Profit before tax	6.3	5.3	18.9	
Income tax expense	(1.1)	(1.3)	(15.4)	
Profit for the year (PAT)	5.2	4.0	30.0	

Underlying EPS

Underlying earnings +7.5%

Earnings per share	2016 £m	2016 pps	2015 £m	2015 pps	△ in EPS
Reported profit before tax	6.3	25.4	5.3	25.8	
Income tax expense	(1.1)	(4.3)	(1.3)	(6.2)	
Reported PAT / Basic EPS	**5.2**	**21.1**	4.0	19.6	7.7%
Acquisition-related costs	0.3	1.4	0.3	1.3	
Amortisation on acquired intangibles	1.7	6.6	1.1	5.5	
Notional finance costs	0.5	1.9	0.2	0.8	
Adjusted PAT / Adjusted EPS	**7.7**	**31.0**	5.6	27.2	14.0%
Adjust income tax expense to standard rate	(0.2)	(0.9)	0.2	0.8	
Underlying PAT / Underlying EPS	**7.5**	**30.1**	5.8	28.0	7.5%
Basic weighted average number of shares	24.8m		20.5m		
Effective tax rate	16.6%		24.0%		
Standard rate of tax	20.0%		20.8%		

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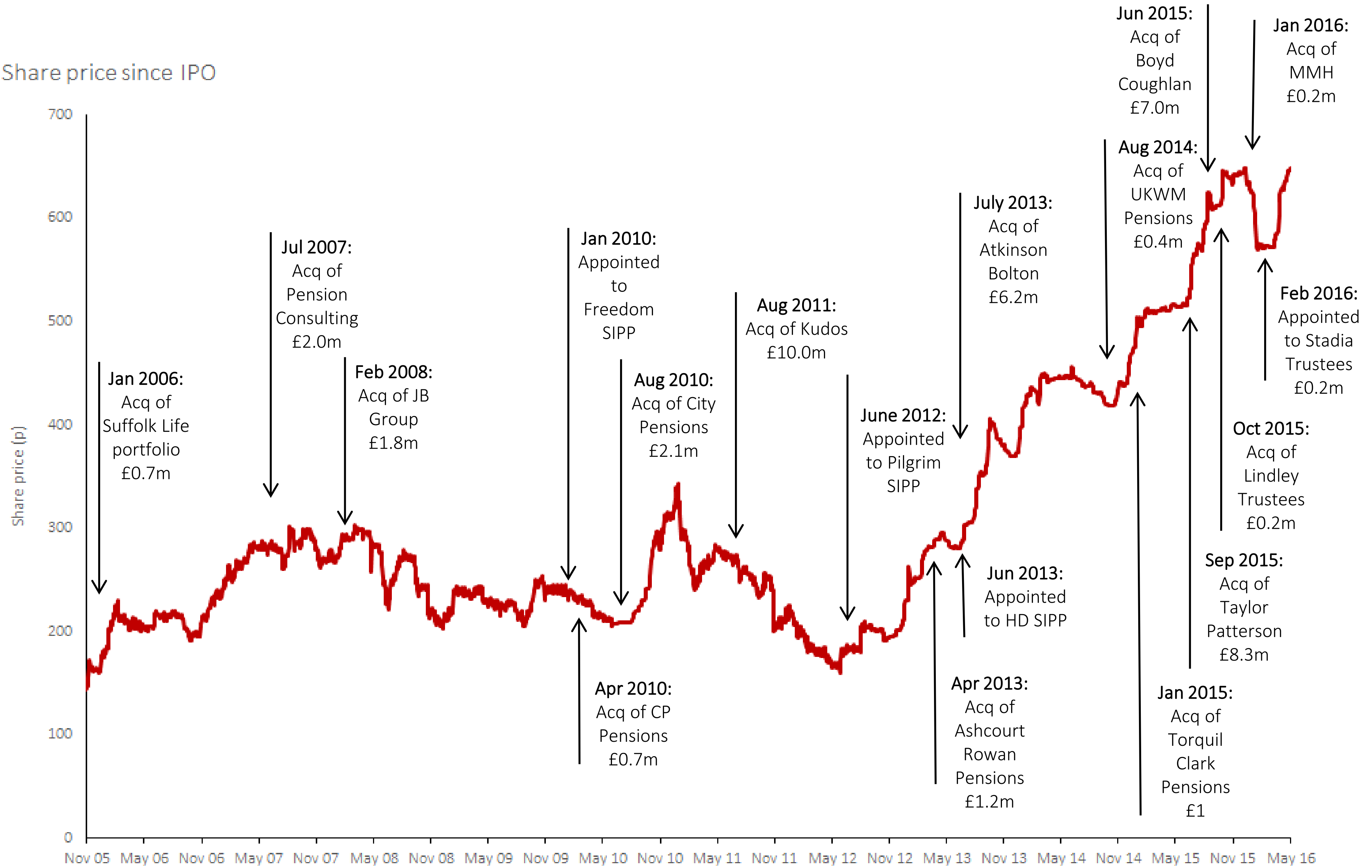
Acquisitions



Acquisitions

Value enhancing

- All integrating well
- Strong margins
- Recurring revenues
- Revenue and cost synergies:
  - Wider audience for the Group's services
  - Extended geographic footprint
  - Economies of scale

Acquisitions

Boyd Coughlan

- Based in Buckingham with 36 staff:
  - WM and EB business
  - Experienced management team retained
  - £250m+ of AuA/A
  - Now trading as "Mattioli Woods"
- Total consideration of up to £7.6m:
  - Initial: £5.1m (£3.9m cash, £1.2m shares)
  - Deferred: up to £2.5m cash over two years (subject to EBITDA hurdles)
  - Year 1 deferred consideration paid in full

Acquisitions

Taylor Patterson

- Based in Preston with 38 staff:
  - WM, EB and pension business
  - Experienced management team retained
  - £680m+ of AuA/A
  - Sub-group hived-up on 31 August 2016
- Total consideration of up to £7.9m:
  - Initial: £4.6m (£2.1m cash, £2.5m shares)
  - Deferred: up to £3.3m cash over three years (subject to EBITDA and revenue hurdles)

Acquisitions

Lindley Trustees

- Administers 137 SSAS schemes
- Integrated into Preston office
- Extends intermediary relationships
- £112m+ of AuA
- Total consideration of £0.20m

Acquisitions

Maclean Marshall Healthcare

- Specialist healthcare and protection business
- Integrated into Aberdeen office
- Over 75 corporate and 60 personal clients
- Total consideration of £0.23m

Acquisitions

Stadia Trustees

- SIPP administration business
- Integrated into Leicester office
- Winding-up existing arrangements:
  - 287 active schemes transferred at 31 May 2016
  - £24.7m of AuA
- Total consideration of £0.20m

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Acquisitions

Positive contribution in year

Acquisitions in year	Completion date	Initial cash £m	Initial shares £m	Contingent deferred £m	Headline price £m	Revenue £m	EBITDA £m
Boyd Coughlan	June 2015	3.86	1.20	2.50	7.56	2.46	0.91
Taylor Patterson	Sept 2015	2.10	2.50	3.30	7.90	2.40	0.84
Lindley Trustees	Oct 2015	0.20	-	-	0.20	0.18	0.15
Maclean Marshall Healthcare	Jan 2016	0.23	-	-	0.23	0.03	0.02
Stadia Trustees	Feb 2016	0.12	-	-	0.12	0.09	0.06
Year ended 31 May 2016		6.51	3.70	5.80	16.01	5.16	1.98

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Segment results

+£0.6m revenue synergy

	Investment and asset management £m	Pension consultancy and admin £m	Property management £m	Employee benefits £m	Segment total £m	Corporate costs £m	Consolidated £m
Year ended 31 May 2016							
Revenue	17.0	16.6	4.1	5.3	43.0	-	43.0
Segment result	3.5	3.3	0.8	0.5	8.1	(1.8)	6.3
Year ended 31 May 2015							
Revenue	11.4	15.6	2.8	4.8	34.6	-	34.6
Segment result	2.3	3.4	0.4	0.6	6.7	(1.4)	5.3

Client assets

Total assets up 22.2% to £6.61bn

AuM up 15.8% to £1.17bn

	SIPP and SSAS £m	Employee benefits £m	Personal and other pension £m	Total £m	AuA/A £m	AuM £m	Total £m
At 1 June 2015	3,376.2	1,059.4	974.8	5,410.4	4,398.8	1,011.6	5,410.4
Boyd Coughlan	-	89.6	166.9	256.5	256.5	-	256.5
Taylor Patterson	336.3	87.5	263.3	687.1	687.1	-	687.1
Lindley Trustees	112.8	-	-	112.8	112.8	-	112.8
Stadia Trustees	24.7	-	-	24.7	24.7	-	24.7
Acquisitions in year	473.8	177.1	430.2	1081.1	1081.1	-	1081.1
Net inflow / (outflow)[1]	146.1	(78.3)	46.6	114.4	(48.1)	162.5	114.4
At 31 May 2016	3,996.1	1,158.2	1,451.6	6,605.9	5,431.8	1,174.1	6,605.9

1. Includes market movements.

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Revenue yields

Vertically-integrated model

	Client assets		Average annual revenue yield	
	2016	2015	2016	2015
By division	£bn	£bn	bps	bps
Wealth Management[1]	5.45	4.35	69	68
Employee Benefits[2]	1.16	1.06	45	45
Overall	6.61	5.41	65	64
By segment	£bn	£bn	bps	bps
Pension consultancy and administration	4.00	3.38	41	46
Investment and asset management[3]	2.27	1.54	75	74
Property management[4]	0.32	0.22	125	124

1. Comprises SSAS and SIPP funds, property management plus £1.45bn (2015: £0.97bn) of personal and other pension assets.
2. Employee benefits revenues are not typically linked to the value of client assets.
3. Includes certain direct pension, property management, personal, other pension and employee benefits assets.
4. £0.18bn (2015: £0.14bn) of assets included within investment and asset management.

SP Fund

Developing our funds business

- Fund will replace existing structured product initiative
- Adds the benefits of:
  - Collateralisation
  - Instant diversification
  - Continuous availability
  - Liquidity
- Collateral will be in the form of UK Gilts
- Target return over rolling 3 years is 3M LIBOR + 6%pa after fees
- Initial investment target of £50m

Regulation

Strong compliance culture

- Regulated by FCA:
  - C3 “flexible portfolio” firm
  - P3 firm (prudentially non-significant)
  - IFPRU €50k limited licence firm
  - Custodian Capital is an AIFM
- MiFID II delayed until Jan 2018:
  - Inducements
  - Costs and charges
  - Product governance
  - Role of compliance

Regulation

Managing conflicts

- RDR facilitates vertically-integrated models
- Clear conflicts policy:
  - Transparent client communication and disclosure
  - Suitability checks for all products and services
  - Delivering fair client outcomes
- Remuneration structures avoid adviser bias

New rules for SIPP operators

- FCA PS14/12 effective 1 Sept 2016
- Concern some operators under-capitalised
- Significant increase in CRR:
  - Based on value and nature of AuA
  - Uncertainty on nature of commercial property
  - Need visibility of assets in discretionary portfolios
- Cost associated with quarterly valuations

Summary of proposed changes to the formula

3.6 Table 3 summarises the calculation to be used in the updated framework. Changes from the framework consulted on are shown in red.

Table 3

STAGE 1	**ICR = √AUM x K1** Where: ICR = Initial Capital Requirement AUM = Assets Under Management K1 = Constant (originally proposed to be 20 for all firms)	
	AUA	**K1 constant to be applied**
	<£100m	10
	£100-£200m	15
	>£200m	20
STAGE 2	**CS = (√p%) x K2 x ICR** Where: CS = Capital Surcharge p% = percentage of plans containing non-standard asset types K2 = Constant, proposed at ~~5~~ 2.5	
STAGE 3	***Total Capital Requirement = Initial Capital Requirement + Capital Surcharge***	

Understanding our capital position

- Flexibility to pursue acquisitions
- Common Equity Tier 1 (CET1) capital:
  - Total equity less intangibles
- Pillar 1 owns funds requirement:
  - Credit risk
  - Market risk
  - Operational risk
- Pillar 2A requirement:
  - Stress-testing key risks over a one year horizon

Regulatory capital	2016 £m
CET1 capital after adjustments	18.7
Pillar 1 minimum capital requirement	7.6
Surplus before Pillar 2A	11.1
Pillar 2A requirement	0.9
Regulatory capital requirement	8.5
Surplus	10.2
Surplus as % of requirement	*120%*