



**Mattioli Woods plc**  
WEALTH MANAGEMENT & EMPLOYEE BENEFITS

## **INTERIM RESULTS**

**For the six months ended 30 November 2015**





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

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



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



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## A model for sustainable growth

- Adviser, manager and provider:
  - Client-driven advice
  - Addressing individual and corporate needs
  - Suitable products, innovative solutions
  - Lowering total expense ratios
- Scalable model:
  - Organic growth, augmented by acquisitions
  - Investment in our people and technology
  - Ownership of distribution
- Trusted national brand
- Progressive dividend policy



## Embedded value

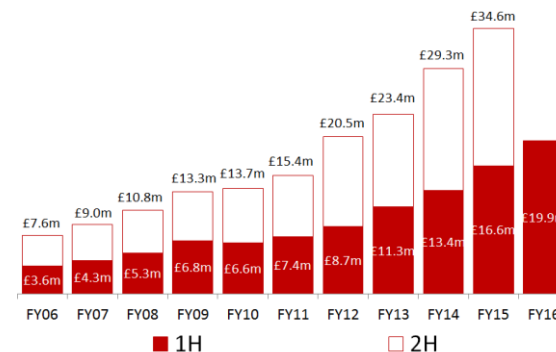




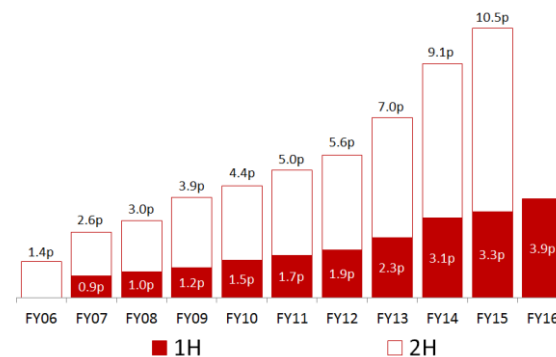
## 10 years of growth on AIM

- Revenue +20.0% to £19.90m (1H15: £16.59m):
- Recurring revenues 81.6% (1H15: 82.1%)
- Adjusted EBITDA<sup>1</sup> +18.4% to £4.32m (1H15: £3.65m):
  - Margin<sup>1</sup> of 21.7% (1H15: 22.0%)
  - Adjusted EPS<sup>2,3</sup> up 8.5% to 14.65p (1H15: 13.50p)
- Interim dividend +15.3% to 3.85p (1H15: 3.34p)
- Net cash of £22.64m (2014: £7.70m) at period end

18%+ CAGR in revenue



20%+ CAGR in dividend



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 down 6.0% to 9.55p (1H15: 10.16p).

## Broadening proposition as adviser, manager and provider

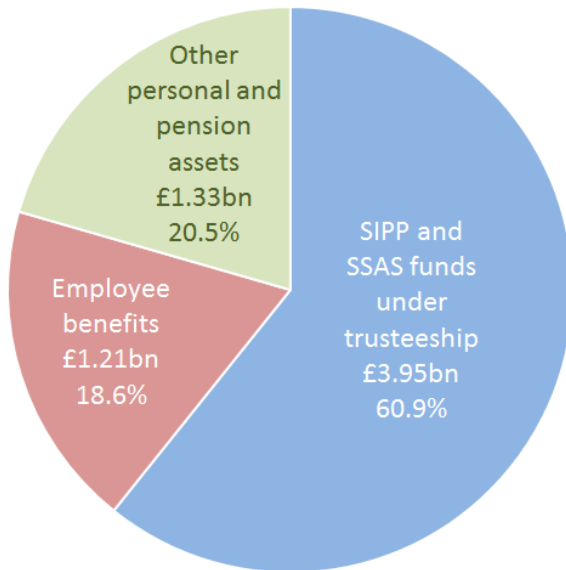
- AuM/A/A up 29.5% to £6.49bn (1H15: £5.01bn):
  - Discretionary AuM up 24.1% to £1.08bn (1H15: £0.87bn)
  - £58.6m of new equity raised by Custodian REIT
  - Strong new business flows
- Net organic revenue growth<sup>1</sup> of £1.88m (12.0%) (1H15: £2.35m, 20.1%)
- June 2015 placing raised £18.6m of new money
- Three acquisitions completed in period:
  - Aggregate initial consideration of £6.16m cash plus £3.70m shares
  - Maximum deferred consideration of up to £5.80m
- Acquisition of Maclean Marshall Healthcare in January 2016



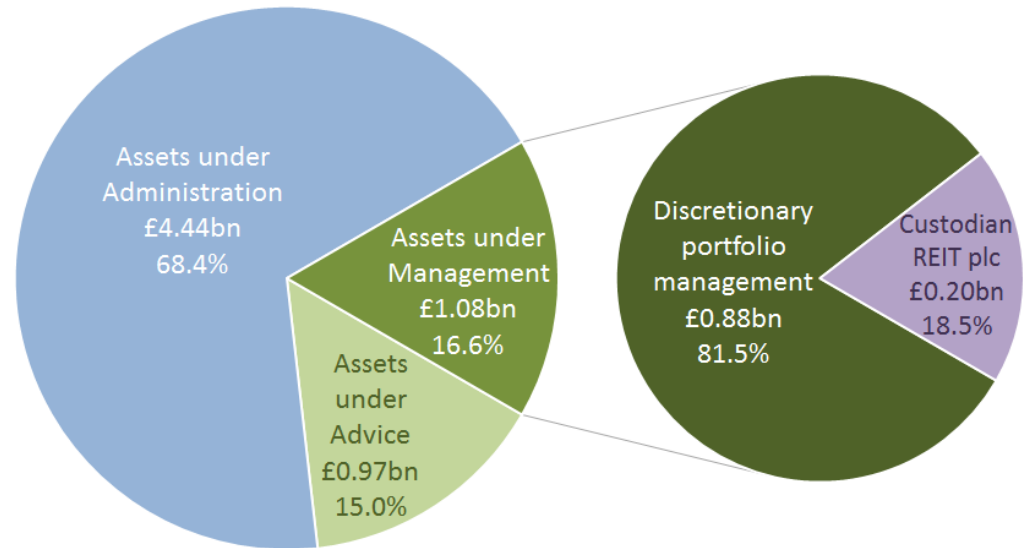


Up 29.5% to £6.49bn

Total AuM/A/A, by segment

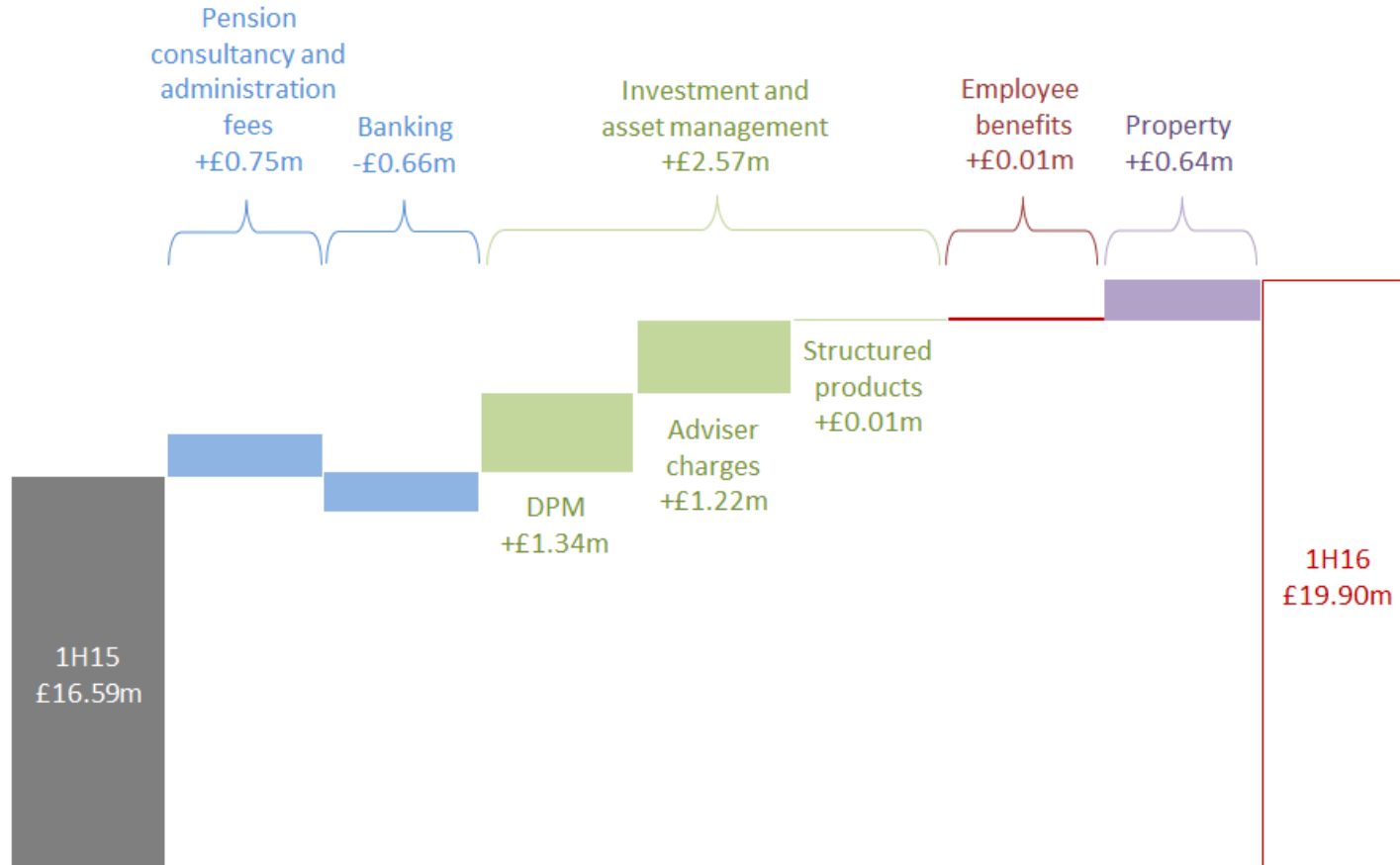


Total AuM/A/A, by nature





## Diverse and dynamic income streams





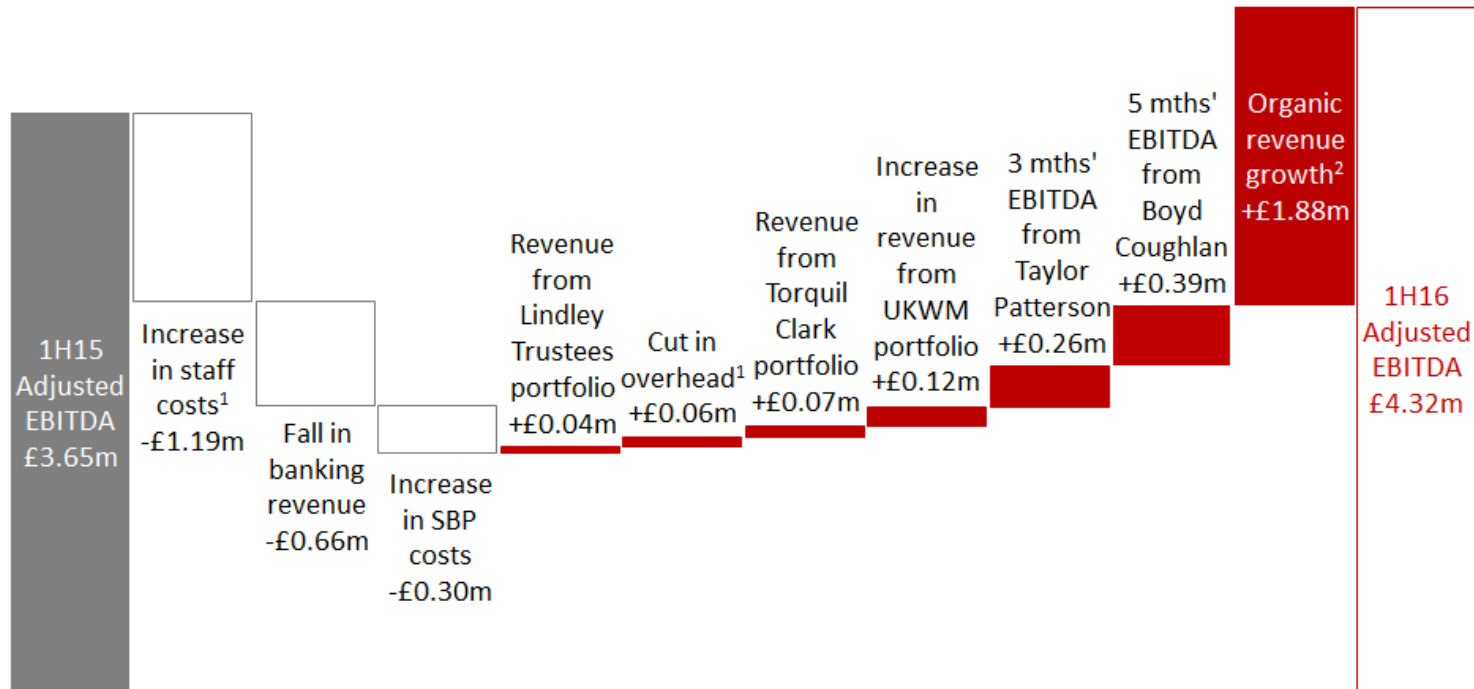
## High proportion of recurring revenue

	1H16	1H15		Recurring revenues	
	£m	£m		1H16	1H15
Fees	7.43	6.68			
Banking	0.18	0.84			
Pension consultancy and administration	7.61	7.52	+1.2%	82.3%	93.5%
Discretionary portfolio management	4.11	2.77			
Adviser charges	3.43	2.21			
Structured products	0.41	0.40			
Investment and asset management	7.95	5.38	+47.8%	80.9%	75.5%
Property management	1.72	1.08	+59.3%	85.9%	86.6%
<b>Wealth Management</b>	<b>17.28</b>	<b>13.98</b>	<b>+23.6%</b>	<b>82.0%</b>	<b>86.0%</b>
Employee Benefits	2.62	2.61	+0.4%	78.5%	61.4%
<b>Total</b>	<b>19.90</b>	<b>16.59</b>	<b>+20.0%</b>	<b>81.6%</b>	<b>82.1%</b>



## Adjusted EBITDA up 18.4%

- Strong organic growth
- Integration of five acquisitions



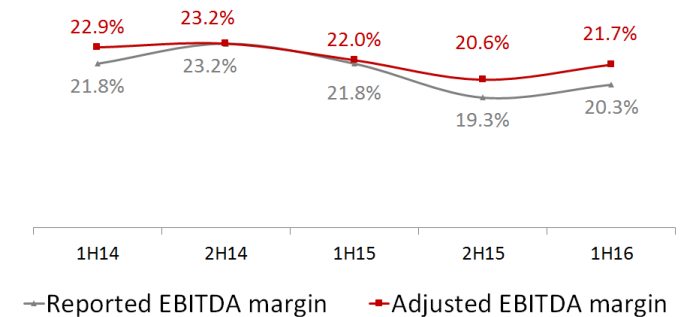
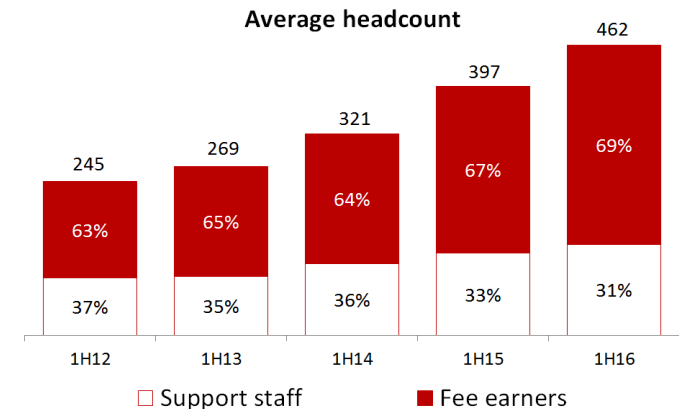
1. Excluding Boyd Coughlan and Taylor Patterson costs.

2. Before fall in banking revenue.



## Maintaining profitability

- Adjusted margin of 21.7% (1H15: 22.0%):
  - Anticipated fall in banking revenue
  - £0.29m of deal costs
- People costs up 21.3%, supporting growth:
  - Represents 59.0% (1H15: 58.3%) of revenue
  - 493 heads at period end (1H15: 400)
  - Average of 317 fee earners (1H15: 266)
- Margin drivers:
  - Investing for growth
  - Market volatility
  - Operational gearing
  - Client TERS





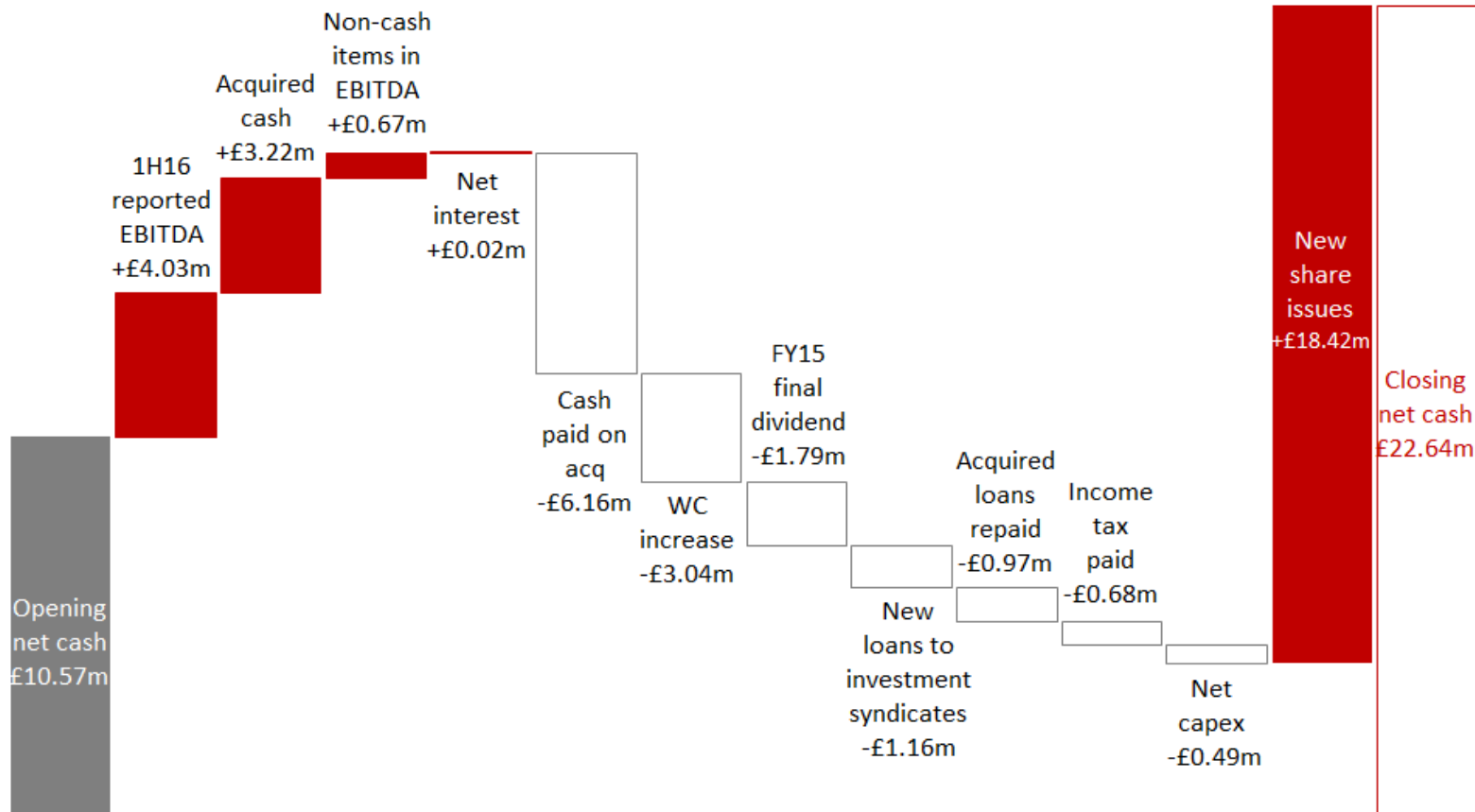
## Underlying EPS up 6.7%

Basic EPS impacted by non-cash items and acquisitions

	1H16		1H15		EPS change	
	Pence per share	Earnings £m	Pence per share	Earnings £m		
Reported profit before tax	11.64	2.82	13.17	2.68		Impact of recent acquisition activity
Income tax expense	(2.09)	(0.51)	(3.01)	(0.61)		
Reported profit for year	9.55	2.31	10.16	2.07	-6.0%	Unwinding of discount on provision for contingent deferred consideration on acquisitions
Acquisition-related costs	1.18	0.29	0.21	0.04		
Amortisation of acquired intangibles	3.32	0.80	2.70	0.55		
Notional finance charges	0.60	0.15	0.43	0.09		Reduced by the reversal of deferred tax liabilities on acquired intangibles following cut in the standard rate
Adjusted profit for year	14.65	3.55	13.50	2.75	+8.5%	
Adjust income tax to standard rate	(0.24)	(0.06)	-	-		
<b>Underlying profit for year</b>	<b>14.41</b>	<b>3.49</b>	<b>13.50</b>	<b>2.75</b>	<b>+6.7%</b>	
Effective tax rate		18.0%		22.8%		£18.6m placing in June plus £3.7m of initial consideration on acquisitions paid through allotment of new shares
Standard tax rate		20.0%		22.8%		
Basic weighted average number of shares	24.21m		20.36m			



## Placing to support growth

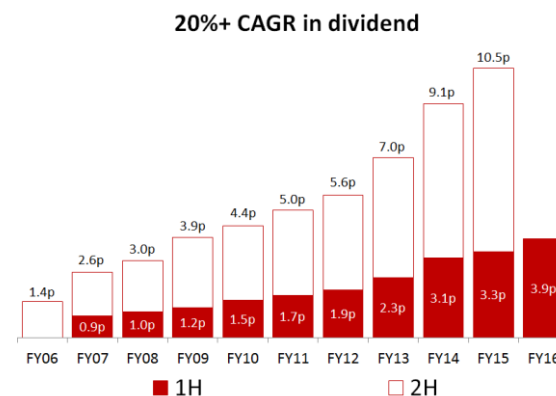


1. "New share issues" comprises Placing proceeds of £18.6m, £0.34m on exercise of employee options and £0.18m of employee investment in Share Incentive Plan, less Placing costs of £0.69m.



## Interim dividend up 15.3%

- Quality and visibility of earnings
- Interim dividend of 3.85p (1H15: 3.34p)
- Progressive policy
- Remains well covered:
  - 2.5x basic EPS (1H15: 3.0x)
  - 3.8x adjusted EPS (1H15: 4.0x)
  - 1.0x operating cash flow (1H15: 3.0x)
- 140% surplus on minimum capital requirement







## Changing market, long term opportunity

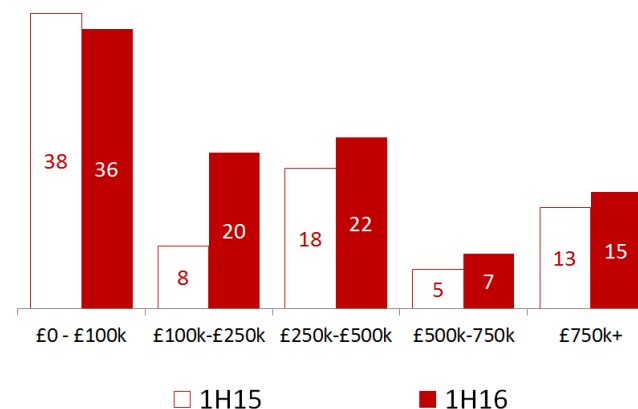
- Dynamic market:
  - Building team
  - Diversifying clients and proposition by acquisition
  - Fees replacing commissions on pension
  - Understanding value of employee engagement
- Growing demand for:
  - Financial counselling and education
  - Governance services
  - Flexible benefits solutions
  - Broader service provision to existing clients
- Accelerating demand for WM advice:
  - Transformational changes to pensions
  - Executive financial counselling and boardroom pay initiatives
  - Formation of EB Wealth team

Annual revenues	Clients
Up to £9,999	543
£10,000 to £19,999	64
£20,000+	57

## Strong new client wins

- Both pension and private clients:
  - Strong enquiry pipeline
  - Expanding distribution
  - Low client loss rates<sup>1,2</sup>
- Growing, maturing consultancy team
- New pension freedoms
- Increase in discretionary AuM:
  - Up 24% to £1.08bn (1H15: £0.87bn)
  - CREI NAV<sup>3</sup> of £200.3m (1H15: £156.8m)

All consultants' annual revenue profile

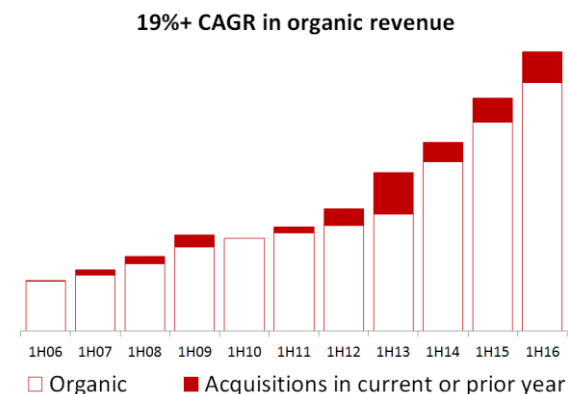


New business	1H16	1H15	Change
Total new client wins	475	373	+27%
SSAS and SIPP clients	321	219	+47%
Private clients	154	154	-
Private clients > £100,000	55	56	-2%
Value of new client assets	£170m	£162m	+5%
Average new client size	£0.36m	£0.43m <sup>4</sup>	-16%

1. Direct schemes lost as a result of death, annuity purchase, external transfer or cancellation fell to 2.2% (1H15: 2.3%) of average scheme numbers.
2. Direct schemes lost to alternative provider fell to 1.1% (1H15: 1.2%) of average scheme numbers.
3. Net asset values of Custodian REIT plc reported as at 30 November.
4. Includes one new SSAS scheme with £17m of assets.

## Accelerating growth

- Proven ability to execute and integrate
- Acquisition of Maclean Marshall Healthcare:
  - Specialist healthcare and protection business
  - Cash consideration of £0.225m
  - Retained experienced manager
  - Over 130 corporate and personal clients
- Key criteria:
  - Cultural fit
  - Nature of client base
  - Ability to integrate
  - Return on investment
- Strong pipeline of further opportunities





## Integrating well

- **Boyd Coughlan:**
  - Based in Buckingham
  - Acquired on 23 June 2015
  - EBITDA of £0.39m in period
  - Rebranded from 1 December 2015
  - Development of 'MW Select'
- **Taylor Patterson:**
  - Based in Preston
  - Acquired on 8 September 2015
  - EBITDA of £0.26m in period
  - Rebrand scheduled for Q3 2016
  - Introducing DPM to acquired clients
- **Lindley Trustees integrated into Preston**

## A profitable, sustainable business

- Platform for future growth:
  - Embedded values
  - Clear strategic vision
  - Growing, maturing consultancy team
  - Ambitious medium term goals
  - Strong balance sheet
- Reach and diversity
- Strong new business growth
- Strong pipeline of acquisition opportunities
- Current trading in line with expectations

	FY14	FY15	Medium term goals
Revenue	£29.4m	£34.6m	£100m+
AuM/A/A	£4.6bn	£5.4bn	£15bn+
Adjusted EBITDA margin	23.1%	21.3%	20%+

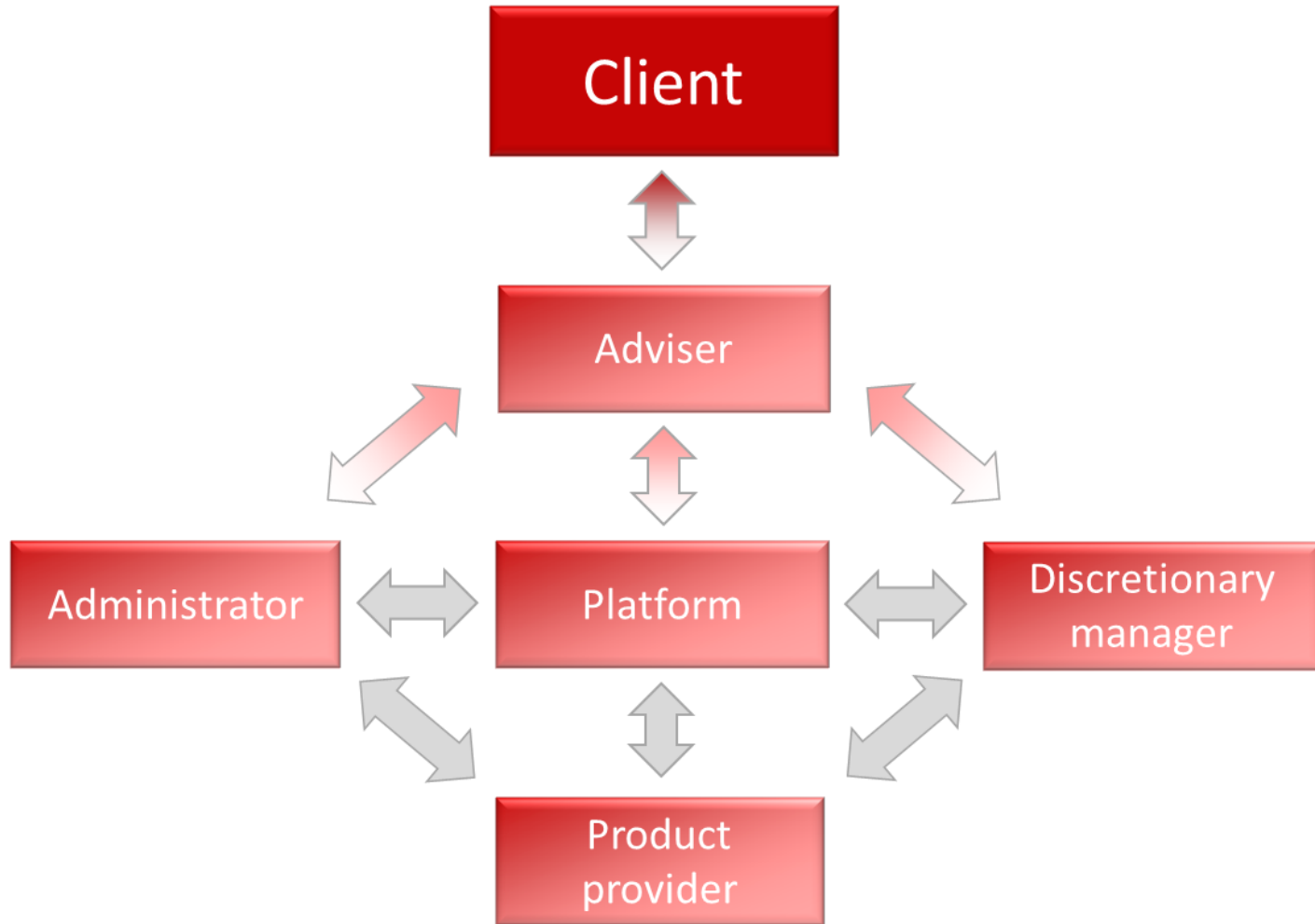
	1H16	Medium term goals
<b>Revenue for 1H16 of £19.9m</b>		
SSAS and SIPP schemes	7,444	15,000
Average annual revenue per scheme	£2,143	£3,000
Investment AuM/A	£2.0bn	£4bn+
Average revenue yield	78bps	75bps
EB clients	664	1,250
Average annual revenue per client	£10,621	£20,000



Mattioli Woods plc

WEALTH MANAGEMENT & EMPLOYEE BENEFITS

## Appendices





## Recurring revenues throughout value chain

	Adviser	Administrator	Platform	Discretionary manager	Product provider
Typical industry charges	50-200bps	25-50bps	25-45bps	100-175bps	15-300bps
<b>Our revenues<sup>1</sup></b>	0-100bps	25-50bps	0-11bps	50-110bps	0-200bps
Direct pension and third party admin	Time-based fees	Time-based fees Fixed fees Transactional fees			Product fees Interest margin
Investment and asset management	Time-based fees Fixed fees AMCs on % of AuA	Time-based fees Fixed fees Transactional fees	Custody charges Platform fees	Initial set-up fees AMCs on % of AuM	Product fees Product commission
Property management	Fees	Fixed fees AMCs on % of AuA		AMCs on % of AuM	Product fees
Employee benefits	Fees Provider commission	Fees Provider commission	Custody charges Platform fees Licence fees		Product fees Product commission

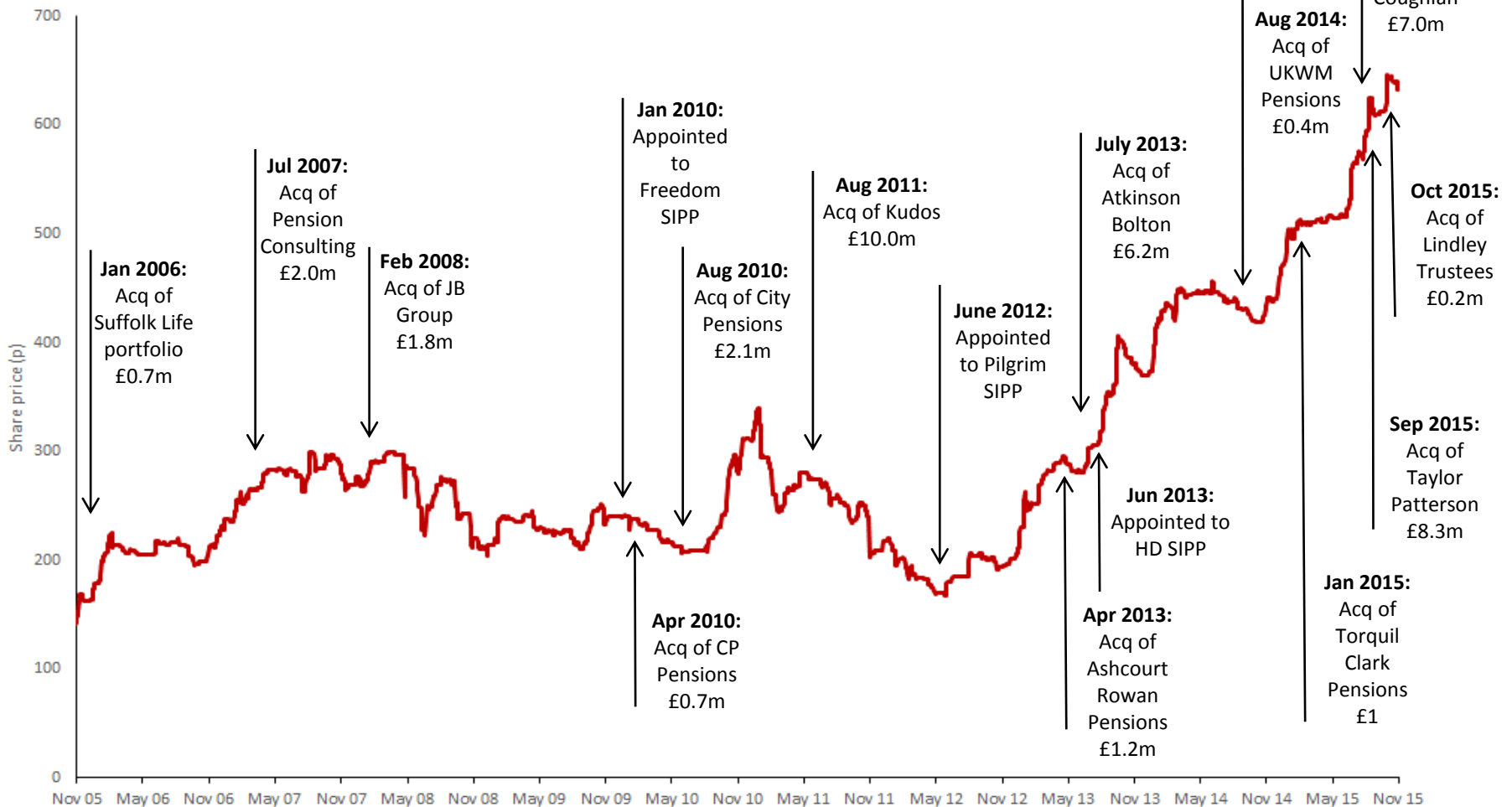
1. Clients do not necessarily pay fees for all services across the value chain.





## Over £40m invested since IPO

Share price since IPO





## Boyd Coughlan

- Based in Buckingham with 30 staff:
  - WM and EB business
  - Experienced management team retained
  - £240m+ of AuA/A
- Total consideration of up to £7.56m:
  - Initial: £5.06m (£3.86m cash, £1.20m shares)
  - Deferred: up to £2.50m cash over two years  
(subject to EBITDA hurdles)
- Value enhancing:
  - Strong margins and recurring revenues
  - Wider audience for Group's proposition
  - Trading in line with forecast

## Taylor Patterson

- Based in Preston with 38 staff:
  - WM, EB and pension business
  - Strong cultural fit
  - Experienced management team retained
  - £630m+ of AuA/A
- Total consideration of up to £7.90m:
  - Initial: £4.6m (£2.10m cash, £2.50m shares)
  - Deferred: up to £3.30m cash over three years  
(subject to EBITDA and revenue hurdles)
- Value enhancing:
  - Strong margins and recurring revenues
  - Synergies in SIPP and SSAS administration
  - Trading in line with forecast



## Lindley Trustees

- Extends intermediary relationships
- 137 SSAS schemes
- £116m of funds under administration
- Acquisition comprised:
  - Trade and assets of pension business
  - Trustee company
- Purchase consideration £0.20m
- Integrated into Preston office



## Maclean Marshall Healthcare

- Specialist healthcare and protection business
- Based in Aberdeen
- Over 75 corporate and 60 personal clients
- Acquisition of trade and assets
- Purchase consideration £0.225m
- Integrated into Aberdeen office



## Accelerating growth

- Net placing proceeds of £17.9m
- £9.2m of cash utilised on acquisitions to date:
  - £3.84m of cash outflows on Boyd Coughlan
  - £4.97m cash consideration on Taylor Patterson
  - £0.20m on Lindley Trustees
  - £0.225m on Marshall Maclean Healthcare
- £8.7m available for:
  - General working capital purposes
  - Maintaining 25% headroom on increasing CRR
  - Pursuit of further acquisitions



## AuM up 29.5% to £6.49bn

	1H16 £bn	1H15 £bn		Investment and asset management		Admin £bn	Total £bn
				AuM £bn	AuA £bn		
<b>Total client assets</b>							
Direct pension	2.61	2.21	+18.1%	0.45 <sup>1</sup>	0.30	1.86	2.61
Third party admin	1.33	0.94	+41.5%	-	-	1.33	1.33
SIPP and SSAS funds under trusteeship	3.94	3.15	+25.1%	0.45	0.30	3.19	3.94
Employee benefits	1.21	0.96	+26.0%	0.04	-	1.17	1.21
Personal and other pension	1.34	0.90	+48.9%	0.59 <sup>2</sup>	0.67	0.08	1.34
<b>Total AUM/A/A</b>	<b>6.49</b>	<b>5.01</b>	<b>+29.5%</b>	<b>1.08</b>	<b>0.97</b>	<b>4.44</b>	<b>6.49</b>
Investment and asset management	2.05	1.43	+43.4%				

	1 Jun 2015 £m	Inflow £m	Outflow £m	Market movement £m	30 Nov 2015 £m
<b>Assets under management (AuM)</b>					
Discretionary portfolio management (DPM)	815.6	125.2	(29.2)	(31.3)	880.3
Custodian REIT plc (CREI) <sup>3</sup>	196.0	14.3	-	(5.9)	204.4
<b>Sub-total</b>	<b>1,011.6</b>	<b>139.5</b>	<b>(29.2)</b>	<b>(37.2)</b>	<b>1,084.7</b>

1. £113.7m invested in CREI
2. £9.6m invested in CREI
3. £5.5m of dividends paid in period; new shares issued on Placing not admitted until 3 December 2015

## Revenue yields

	Client assets		Average annual revenue yield	
	1H16 £bn	1H15 £bn	1H16 bps	1H15 bps
<b>By division</b>				
Wealth Management <sup>1</sup>	5.28	4.05	66	69
Employee Benefits <sup>2</sup>	1.21	0.96	43	54
<b>Overall</b>	6.49	5.01	61	66
<b>By segment</b>	£bn	£bn	bps	bps
Pension consultancy and administration	3.95	3.15	39	48
Investment and asset management <sup>3</sup>	2.05	1.43	78	75
Property management <sup>4</sup>	0.22	0.20	139 <sup>5</sup>	127

1. Comprises SSAS and SIPP funds, property management plus £1.33bn (1H15: £0.90bn) 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. £0.20bn (1H15: £0.17bn) of assets included within investment and asset management.
5. Calculation includes £44.25m of new shares subscribed for at 30 Nov 2015, but not admitted to trading on LSE until 3 Dec 2015.





## Blend of EB/WM is powerful combination

	Pension consultancy and administration £000	Investment and asset management £000	Property £000	Employee benefits £000	Segments total £000	Corporate costs £000	Consolidated £000
Year ended 30 Nov 2015							
<b>Revenue</b>							
Total revenue <sup>1</sup>	7,605	7,948	1,723	2,619	19,895	-	19,895
<b>Results</b>							
Segment result	1,475	1,718	386	233	3,812	(995)	2,817
Year ended 30 Nov 2014							
<b>Revenue</b>							
Total revenue <sup>1</sup>	7,520	5,381	1,077	2,612	16,590	-	16,590
<b>Results</b>							
Segment result	1,838	1,057	110	403	3,408	(727)	2,681

- Synergy across Group activities:
  - EB clients generate top WM clients
  - WM clients introduce quality EB work
  - Higher earners need EB and WM
- Common products, services and platforms:
  - Lower TERs through economies of scale
  - Insurance, protection and legal
  - Information technology
  - Technical support and compliance

1. All external client.



## Surplus on regulatory CRR

- Regulated by FCA:
  - C3 “flexible portfolio” firm
  - P3 firm (prudentially non-significant)
  - IFPRU €50k limited licence firm
  - Custodian Capital is an AIFM
- Integration of acquisitions:
  - Kudos, City and ABC hived-up into plc
  - Subsidiary permissions cancelled
- MiFID II hot topics:
  - Inducements
  - Costs and charges
  - Product governance
  - Role of compliance

Regulatory capital	1H16 £m	1H15 £m
Tier 1 capital	14.50	8.46
Total capital resource requirement	6.04	5.05
Surplus	8.46	3.41
<i>Percentage surplus</i>	<i>140.1%</i>	<i>67.5%</i>
Group’s net cash position	22.6	7.70



## New rules for SIPP operators

- FCA PS14/12 effective 1 September 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

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

Source: FCA PS14/12



## Transformational changes to pensions

- Flexible access to pensions from age 55
- 55% 'death tax' abolished
- Access to impartial guidance
- Retirement ages to increase
- Restriction on contributions for high earners
- Reduction in lifetime allowance
- Green paper on pension reform