

# Brooks Macdonald's acquisition of Lloyds Bank International's offshore wealth management and funds business

*Another significant step forward in achieving our  
growth ambitions*

24 June 2020



BROOKS MACDONALD

## Another significant step forward in achieving our growth ambitions

1

Announced the acquisition of the Jersey-based wealth management and funds business of Lloyds Bank International with FUM of £1.0bn<sup>1</sup>, for consideration of up to £9.6m

2

A high quality acquisition to complement our focus on organic growth from intermediary relationships; pro forma FUM up by up to c.8%<sup>2</sup> to over £13bn; strongly EPS accretive

3

Further transforms our International business, given compelling strategic and cultural fit, two-thirds increase in FUM, improved profitability and ongoing business partnership

***Second acquisition for Brooks Macdonald in this financial year,  
complementing our organic growth strategy***

<sup>1</sup> As of 31 May 2020, based on unaudited Lloyds Bank International (“LBIL”) and Lloyds Investment Funds Managers Limited (“LIFML”) management accounts

<sup>2</sup> Relative to Group FUM as at 31 March 2020

# BM is a successful wealth management business, well positioned for the future

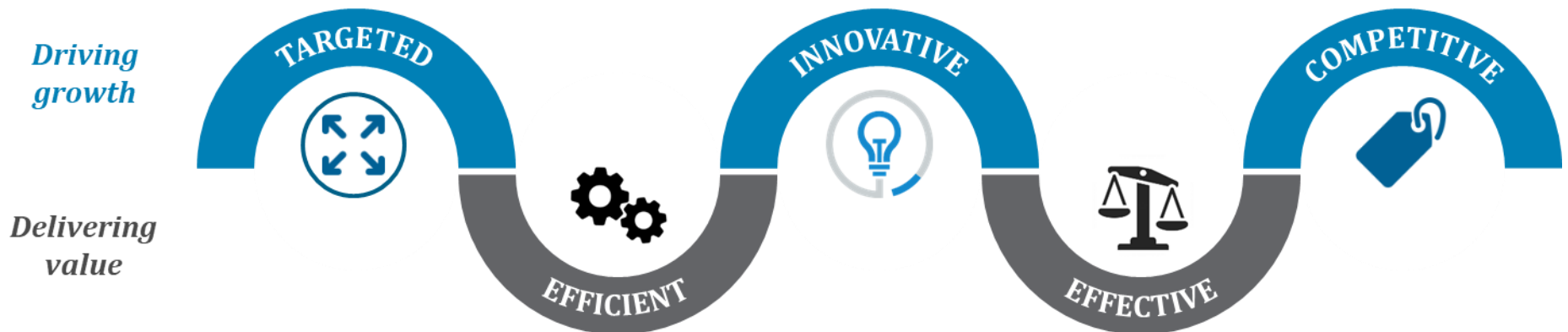
- **Focused wealth manager, disciplined execution of strategy**
  - Relentless focus on clients and strong adviser relationships
  - Foundations reinforced to achieve scalable business model; decisive actions to support growth and deliver improving margins
  - Selective acquisitions to complement organic growth
- **Fundamental opportunity remains significant and growing, BM well positioned**
  - Positive underlying demographic and policy trends
  - IFAs increasingly looking to outsource investment management
- **Maintaining momentum** through uncertainty of COVID-19 crisis
  - Supporting clients and advisers, focusing on wellbeing of our people
  - Operating and trading as close to normal as possible, no recourse to any government support scheme
  - New opportunities with IFAs emerging as lockdown eases
- **Reinvigoration of International** under leadership of Andrew Shepherd from April 2019; acquisition of Lloyds' offshore wealth management and funds business accelerates the transformation

*Creating value for shareholders and bringing benefits for clients and intermediaries*

# International making good progress against strategic plan

## Progress during FY20:

- Energised, high performing team – now stable, right-sized and focussed
- Cut peripheral products and small higher risk clients
- Revitalising International MPS, and planning Multi Asset Fund and Responsible Investing solution
- Momentum building in all three channels – private clients, advisers, trusts
- Fully integrated with, and contributing to, Group’s capabilities and future success



*Moving to International being a major contributor to the Group in the medium term delivering growth at profit margins in line with those in UKIM*

# Lloyds' wealth and funds business is a strong match to BM's acquisition criteria

	BM criteria for acquisition	Lloyds' wealth and funds business fit
1	<b>High quality business</b>	<ul style="list-style-type: none"> <li>• <b>Well managed business</b> with excellent reputation, strong focus on clients and intermediaries</li> <li>• Well established <b>affluent and high net worth private client base</b></li> </ul>
2	<b>Compelling strategic and cultural fit</b>	<ul style="list-style-type: none"> <li>• <b>Further transforms International</b>, building on the reinvigoration of the business led by Andrew Shepherd</li> <li>• Complementary business model and <b>strong intermediary relationships</b></li> <li>• <b>Multi-asset and fixed income funds</b> a strong addition to International's proposition to clients, advisers and trusts</li> <li>• Good cultural match, leading to agreement in principle of a <b>business referral arrangement</b></li> </ul>
3	<b>Value-adding through strong accretion in underlying EPS</b>	<ul style="list-style-type: none"> <li>• <b>Increases BM's pro forma FUM by up to c.8%</b> to over £13bn<sup>1</sup></li> <li>• <b>Changed operating model</b>, bringing investment management in-house and outsourcing fund administration, <b>driving improved profitability</b></li> <li>• <b>Accretive in underlying<sup>2</sup> EPS</b> in first year, estimated 8-10% in a full year, based on expected levels of client transfer</li> <li>• <b>Additional expected revenue synergies</b> bringing meaningful potential medium- and longer-term growth opportunities for the Group</li> </ul>

1 Relative to Group FUM as at 31 March 2020

2 Underlying figures represent the results for the Group's continuing activities and exclude: amortisation and impairment of intangibles including goodwill; changes in fair value; restructuring charges; one-off transaction costs; and other exceptional items. A full reconciliation is given in interim and final results

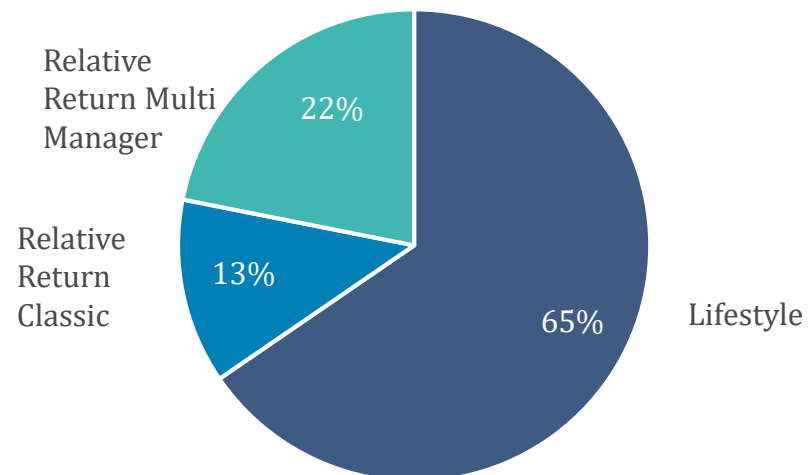
# 1 Lloyds' offshore wealth and funds business is high quality

- **Affluent and high net worth client base and strong intermediary relationships**
- **Total FUM of c.£1.0bn<sup>1</sup>**, all managed on a discretionary basis
- Investment offering includes both **segregated discretionary portfolios and seven multi-asset and fixed income funds**
- Two distinct segments:
  - **Private Client business: c.£0.5bn<sup>1</sup> FUM** from c.1,200 private clients and trusts, where there is a direct client relationship
  - **Funds business: c.£0.5bn<sup>1</sup> FUM** with c.50<sup>1</sup> supporting financial advisers, serving c.10,500 clients
- Generated **net revenue of £8.0m<sup>2</sup>** in the year to 31 December 2019

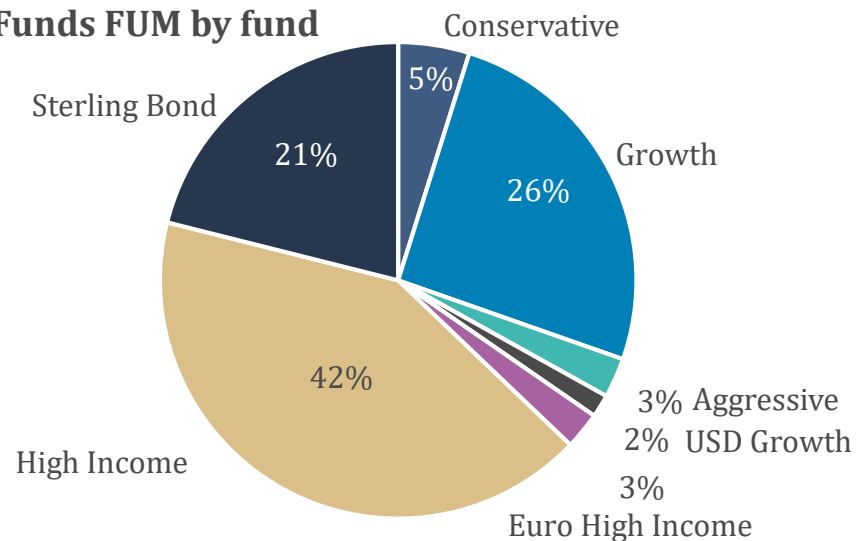
<sup>1</sup> As of 31 May 2020, based on unaudited LBIL and LIFML management accounts  
<sup>2</sup> Based on audited LIFML accounts for the Funds business and unaudited LBIL management accounts for the Portfolio Clients

## Private Client and Funds FUM breakdown

### Private Client FUM by portfolio family



### Funds FUM by fund



**Business model**

- Increases International pro forma FUM by up to two thirds, adding material scale
- New multi-asset and fixed income fund capability
- Strengthens International's distribution reach

**Culture**

- Strong client and intermediary focus
- In line with BM's Guiding Principles

**People**

- Brings a number of highly experienced and talented investment managers and relationship managers
- Expands and strengthens International's capabilities, and ensures continuity of customer service

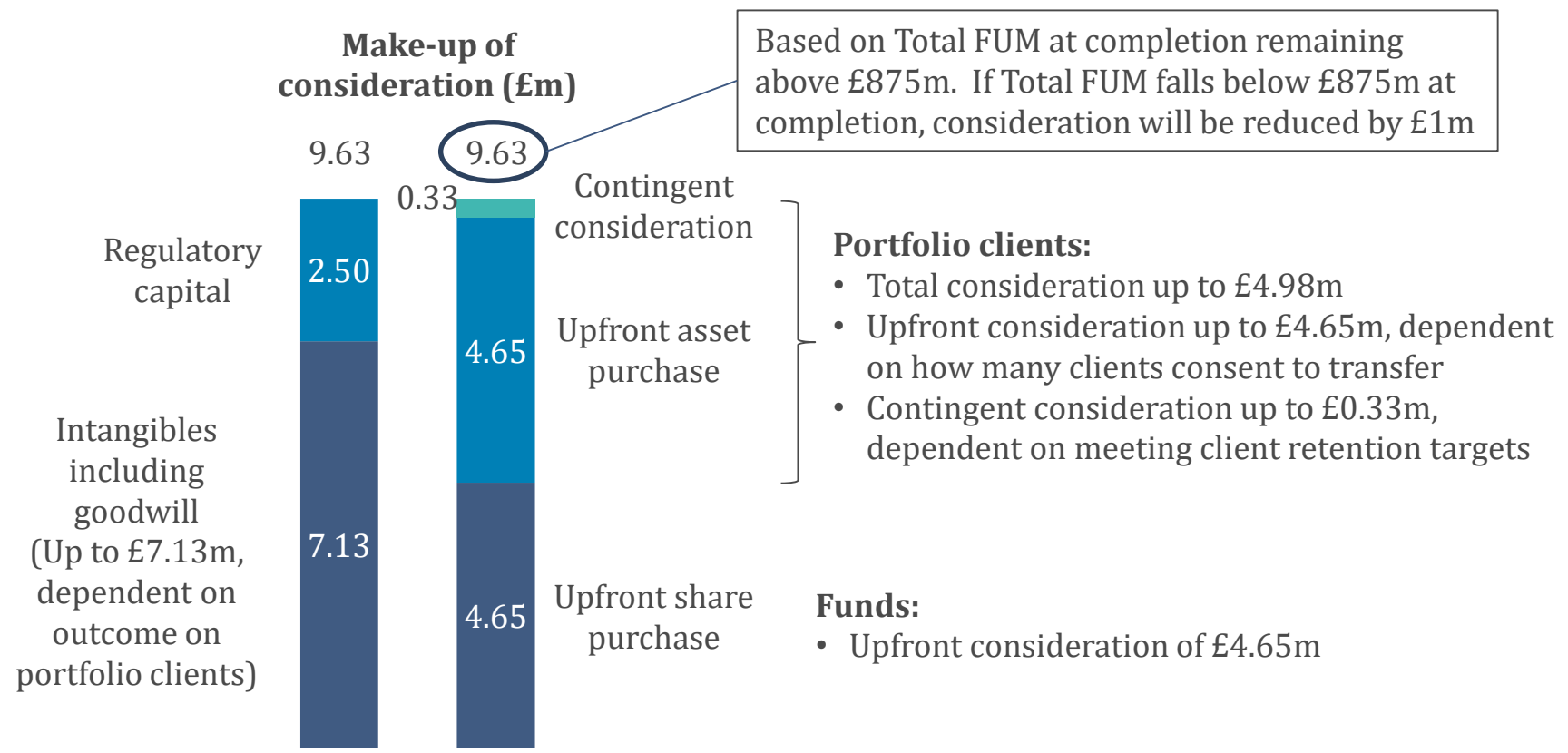
**Business partnership**

- Agreed in principle an arrangement for reciprocal business introductions with LBIL where appropriate
- Committed to exploring other ways of working together
- Likely to bring material new opportunities for International

- **Highly complementary businesses**
- **Potential further growth opportunities from developing partnership**

### 3 Key transaction terms involve a mix of share and asset purchase

- All cash deal with total net consideration of up to £9.63m
- Acquiring 100% of the the share capital of LIFML and the investment management client assets and client relationships of **Lloyds Bank International**
- Funded from own resources





### Confidence in achieving strong value creation

- Estimated post restructuring P/E multiple of 4.5 times post tax illustrative earnings
- Estimated 8-10% enhancement to BM's underlying<sup>1</sup> earnings per share in the first full year following completion, based on achieving expected levels of client transfer, without taking any revenue synergies into account

#### Illustrative full year financials

FUM (£bn)	0.9
Revenue (£m)	7.0
PBT (£m)	2.5
Margin	36%

### Underlying EPS accretion from Day 1 as restructuring and integration largely occur pre-completion

- Restructured business model expected to drive an immediate material uplift in profitability
  - Bringing investment management in-house and outsourcing fund administration
  - Leveraging International's existing investment expertise
- One-off costs of integration up to £2m, which we will exclude from reported underlying<sup>1</sup> profit
- Selected staff moving to International's Jersey office and business moving on to BM and JTC's systems with minimal need for incremental mid- and back-office staff in BM
- Potential for material revenue synergies on top, through additional distribution reach and go-forward partnership

<sup>1</sup> Underlying figures represent the results for the Group's continuing activities and exclude: amortisation and impairment of intangibles including goodwill; changes in fair value; restructuring charges; one-off transaction costs; and other exceptional items. A full reconciliation is given in interim and final results

- Lloyds' offshore wealth and funds business represents an attractive acquisition opportunity with compelling strategic and cultural fit
- Augments existing proposition, bringing proven multi-asset and fixed income funds, extending distribution reach, and building scale in private client restricted advice offering
- Combination brings benefits for clients and intermediaries, supporting both businesses' commitment to the highest standards of service with mutual commitment to a reciprocal business arrangement
- Financial attributes of the deal are highly attractive, with strong EPS enhancement

# Any questions?

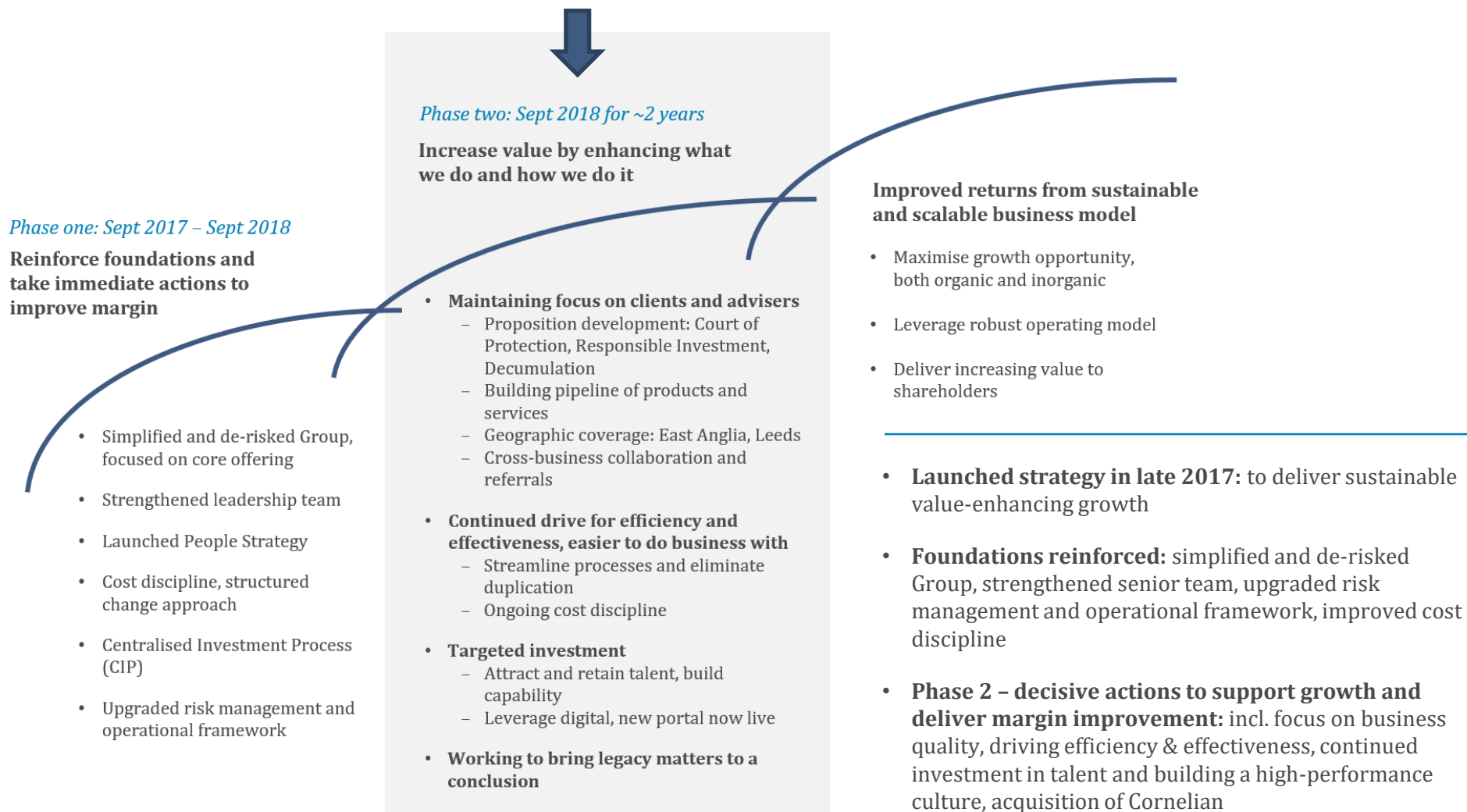
# Appendix

## – Overview of Group strategy



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# Strategy agreed in 2017, being executed over three phases



# Important information

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