

# Final results

## for the 12 months ended 30 June 2016

Chris Macdonald, Group Chief Executive;  
Simon Jackson, Group Finance Director; and  
Andrew Shepherd, Group Deputy Chief Executive



BROOKS MACDONALD

# Highlights

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Financial
Total discretionary FUM up to £8.3bn
Revenue up 5%
Underlying pre-tax profit up 3% to £15.5m
Underlying EPS down 4% to 87.92p
Pre-tax profit up 39% to £15.9m
EPS up 38% to 94.41p
Total dividends up 15% to 35p
Cash & liquid investments £20.5m

“A good year for the business  
in spite of some significant headwinds from political and market uncertainty”

# Highlights

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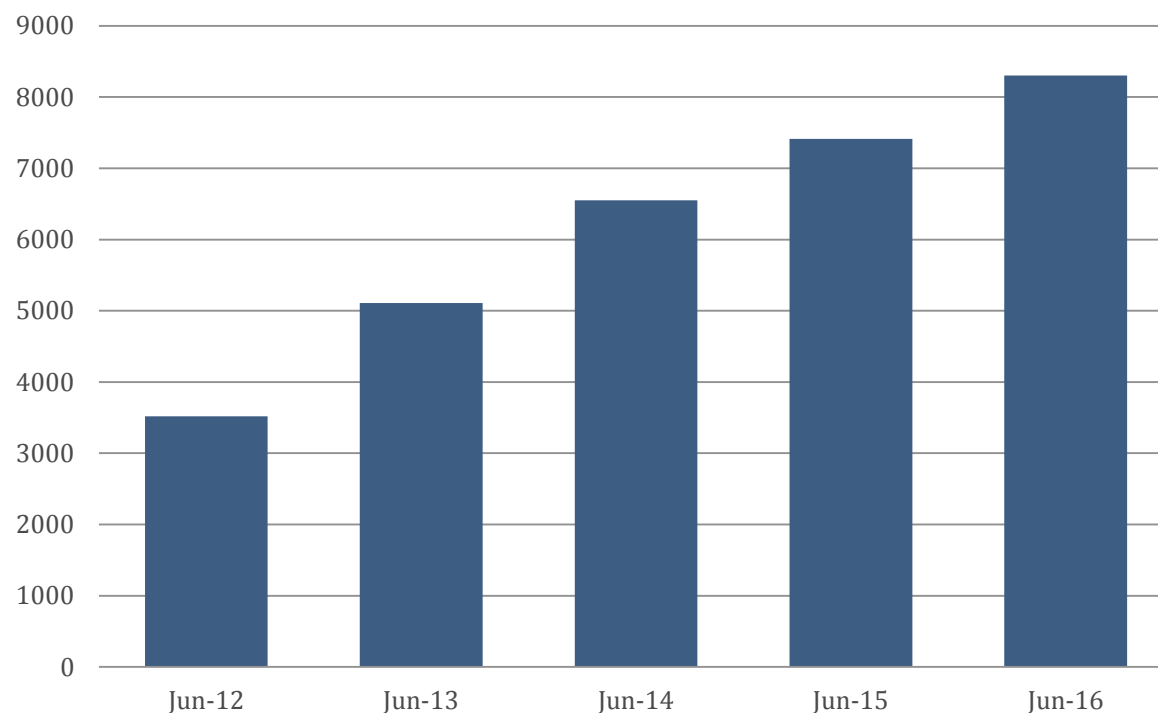
Business
11.6% organic growth in FUM - BMAM, BMI and BMF all grew FUM
Negative impacts of advisory to discretionary at BMI, Brexit uncertainty and postponing of two fund launches
Continued investment in infrastructure
Significant growth in distribution and capacity on and offshore
Continued traction in all our service lines; BPS, MPS and the management of personal pensions
Renewed focus on BPS
Rationalisation of Fund range
Structural review and masterbrand – bringing Asset Management, Funds & BMI closer together

# Asset growth across the Group

Discretionary funds under management	June 2016	June 2015
AM	<b>£6.15bn</b>	£5.59bn
BMI	<b>£1.35bn</b>	£1.16bn
Funds	<b>£796m</b>	£663m
Total	<b>£8.30bn</b>	£7.41bn

Other assets and funds	June 2016	June 2015
Property AUA	<b>£1.10bn</b>	£1.14bn
Third party AUA	<b>&gt;£270m</b>	>£255m

## Discretionary funds under management (£m) for last 5 years



	Year to June '12	Year to June '13	Year to June '14	Year to June '15	Year to June '16
Total BM FUM (£m)	3,520	5,110	6,550	7,413	<b>8,301</b>
% Increment	18.6	45.0	28.2	13.2	<b>12.0</b>
% FTSE WMA Balanced (Previously APCIMS Balanced)	(2.0)	9.8	6.2	3.74	<b>4.59</b>

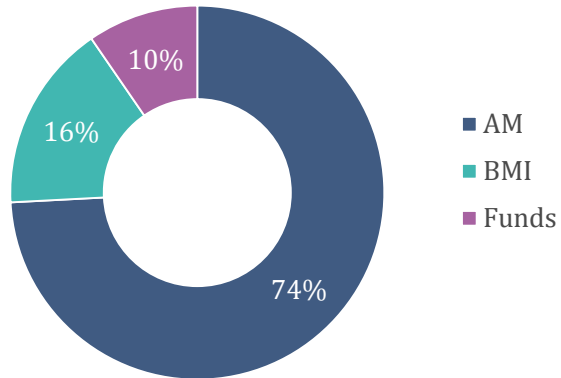


# Analysis of discretionary fund flows FY16

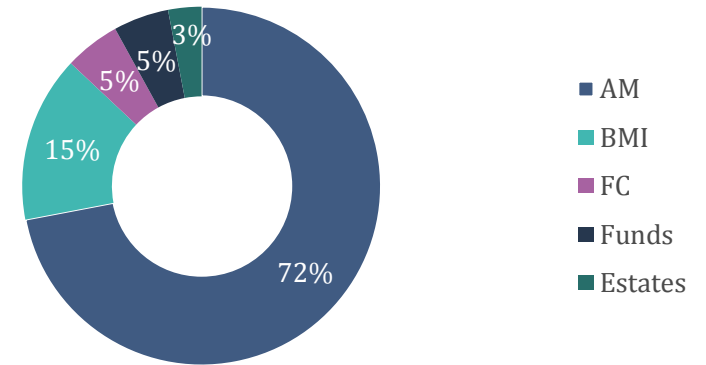
£m	June 2016	June 2015
<b>Opening discretionary FUM</b>	<b>7,413</b>	6,550
Net new discretionary business	<b>863</b>	645
Acquisitions	-	-
Investment growth	<b>25</b>	218
<b>Total FUM growth</b>	<b>888</b>	863
<b>Closing FUM</b>	<b>8,301</b>	7,413
<b>Organic growth (net of markets)</b>	<b>11.6%</b>	9.8%
<b>Total growth</b>	<b>12.0%</b>	13.2%
<b>Outstanding new business at year end</b>	<b>633</b>	608

# Analysis of discretionary funds under management FY16

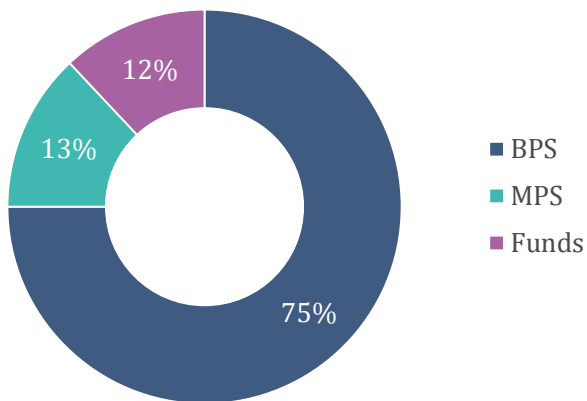
Funds under management



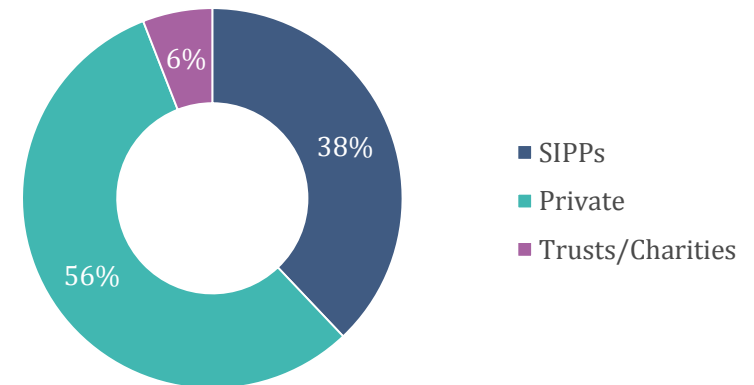
Revenue



Service\*



Clients (BMAM)\*



\*by value

# Continued growth in distribution

	June 2012	June 2013	June 2014	June 2015	June 2016
Number of introducing firms	420	544	670	775	<b>960</b>
Number of strategic alliances	11	12	15	17	<b>19</b>
Investment managers and trainees	67	90	107	102	<b>101</b>
Total staff numbers	282	376	457	471	<b>482</b>

- 729 introducing adviser firms in the UK in a market of 14,491 (AFPA December 2015)
- Barriers to entry for DFM's around due diligence
- Two new Strategic Alliances
- Internationally, more than one new firm per week signing terms of business
- Group-wide distribution function now in place coordinating sales and marketing effort
- Continue to take advantage of excess capacity and efficiencies



# Financial highlights

	FY16	FY15	% Change
Revenue	<b>£81.4m</b>	£77.7m	5%
Underlying profit before taxation	<b>£15.5m</b>	£15.1m	3%
Profit before taxation	<b>£15.9m</b>	£11.4m	39%
Underlying earnings per share	<b>87.92p</b>	91.33p	(4)%
Basic earnings per share	<b>94.41p</b>	68.30p	38%
Interim dividend	<b>12.0p</b>	10.0p	20%
Final dividend	<b>23.0p</b>	20.5p	12%
Total dividend	<b>35.0p</b>	30.5p	15%

- Underlying profit before taxation excludes acquisition costs, the finance costs of deferred consideration, changes in the fair value of deferred consideration and the amortisation of intangible assets
- Profit before taxation includes a reduction in deferred consideration of £3.6m - £3.3m of which relates to Levitas
- Underlying earnings per share have fallen due to a higher tax charge in the year. Basic earnings include the Levitas gain which is non-taxable

## Underlying profit before tax

£'000s	FY16	FY15	% Change
Investment Management fee income	<b>66,563</b>	63,470	5%
Fees from other advisory services and other income	<b>12,001</b>	11,008	9%
Commission income	<b>125</b>	235	(47%)
Pre RDR payments to introducers	<b>2,710</b>	2,973	(9%)
Underlying operating income	<b>81,399</b>	77,686	5%
Underlying operating expenses	<b>(65,120)</b>	(62,543)	4%
Net losses on investments	<b>(801)</b>	(148)	441%
Net finance income	<b>58</b>	83	(30%)
Underlying profit before tax	<b>15,536</b>	15,078	3%
Underlying profit margin*	<b>19.1%</b>	19.4%	

\* Underlying profit before tax divided by underlying operating income

## Reconciliation of underlying profits to statutory

£'000	FY16	FY15	% Change
<b>Underlying profit before tax</b>	<b>15,536</b>	15,078	3%
<i>Amortisation of intangible assets</i>	<b>(2,674)</b>	(2,708)	(1%)
<i>Finance costs of deferred consideration</i>	<b>(577)</b>	(760)	(24%)
<i>Changes in fair value of deferred consideration</i>	<b>3,571</b>	(70)	(5,201%)
<i>Acquisition related costs</i>	-	(120)	(100%)
<b>Profit before tax</b>	<b>15,856</b>	11,420	39%
<b>Profit after tax</b>	<b>12,739</b>	9,151	39%

# Underlying segmental results

FY16 £'000	Investment management	Financial planning	Funds* and property management	International	Group and central costs	Total
<b>Revenue</b>	58,711	4,251	6,832	11,605	-	81,399
<b>Underlying profit</b>	19,074	(57)	(592)	806	(3,695)	15,536
<b>Margin</b>	32%	(1%)	(9%)	7%	-	19%
<b>Total yield</b>	100bps	-	*63bps	84bps	-	

- NRC impairment and losses £(507)
- Transactional income £(1,000)
- Student fund impairment £(311)

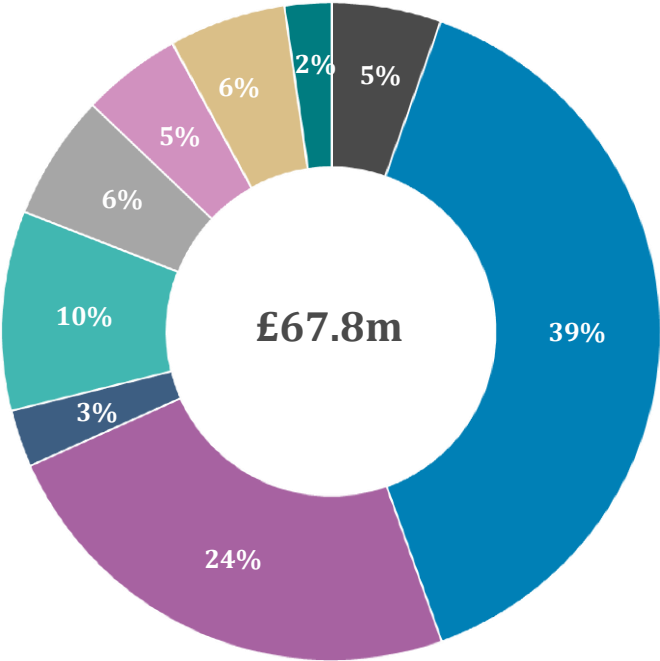
FY15 £'000	Investment management	Financial planning	Funds* and property management	International	Group and central costs	Total
<b>Revenue</b>	54,363	4,122	6,001	13,200	-	77,686
<b>Underlying profit</b>	17,137	(66)	(497)	1,616	(3,112)	15,078
<b>Margin</b>	32%	(2%)	(8%)	12%	-	19%
<b>Total yield</b>	104bps	-	*71bps	104bps	-	

# Operating expenses

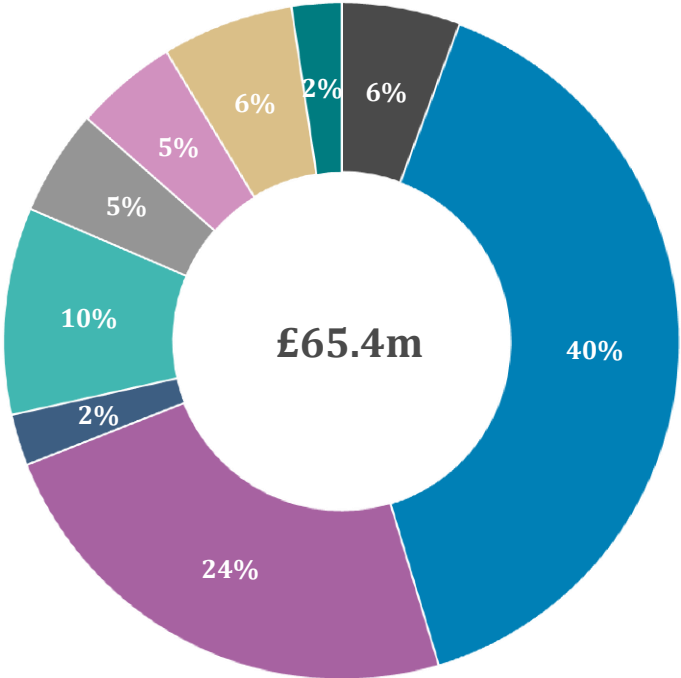
£'000	FY16	FY15	% Change
<b>Fixed staff costs</b>	<b>26,514</b>	25,930	2%
<b>Variable staff costs</b>	<b>16,133</b>	15,483	4%
<i>Average number of employees in year</i>	<b>472</b>	467	1%
<i>Actual number of employees at year end</i>	<b>478</b>	471	1%
<b>Other direct expenses</b>	<b>22,473</b>	21,130	6%
<b>Underlying operating expenses</b>	<b>65,120</b>	62,543	4%
<i>Amortisation charges in relation to intangible assets</i>	<b>2,674</b>	2,708	(1)%
<i>Finance cost of deferred consideration</i>	<b>577</b>	760	(24%)
<i>Changes in fair value of deferred consideration</i>	<b>(3,571)</b>	70	(5,201%)
<i>Transaction costs on acquisition</i>	-	120	(100%)
<i>Net finance costs</i>	<b>743</b>	65	1,043%
<b>Total net expenses</b>	<b>65,543</b>	66,266	(1%)

# Total administrative costs

**FY16**



**FY15**



- Depreciation & amortisation
- Staff costs - payroll (fixed)
- Staff costs - other (variable)
- Sales & marketing
- ICT
- Property & office
- Professional, regulatory & financial
- Commission & fees
- Investment administration

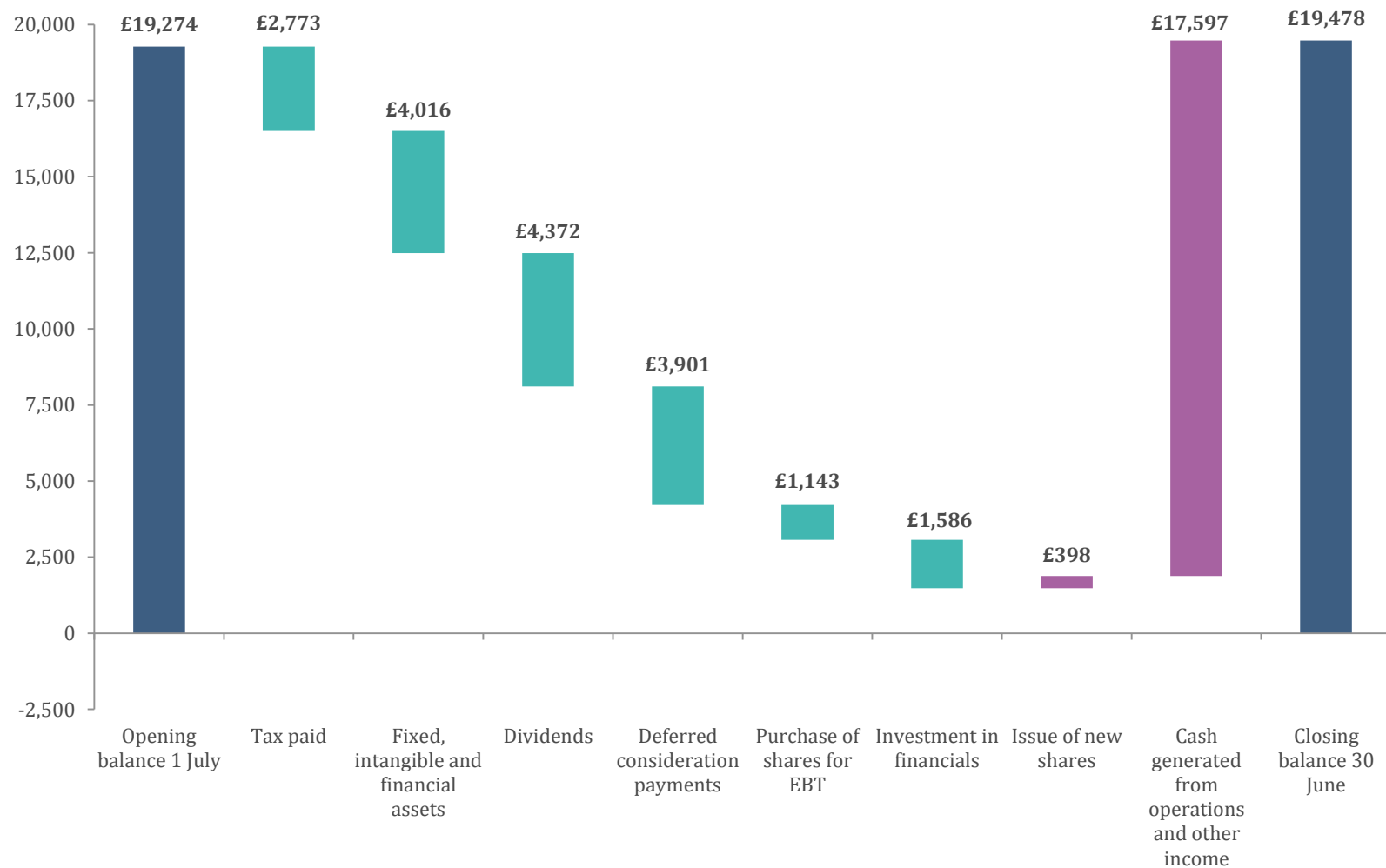
# IT investment – new Wealth Management System

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Total project budget	<u>£5.3m</u>
Total expenditure to date	£3.8m
Balance to spend through to June 17	£1.5m

- The total investment in the system has remained at £5.3m, however, the project has now been extended by six months and will complete in June 2017
- We are working with three different software providers and an internal team of contractors on flexible and fixed term contracts which enabled us to extend the project at no additional cost
- The project has already delivered to the group an enhanced and improved client portal and a new customer relationship management system
- At the completion of the project there will be one integrated system operated across the Group which will provide the opportunity for further synergies between offshore and onshore activities
- The annualised projected savings from the project on completion remain around £0.75m and we will start to see the benefit of these savings in H2FY17

# Cash bridge





# Analysis of the balance sheet

£m	FY16	FY15
<b>Assets</b>		
Cash & liquid assets	20.5	19.3
Accrued income and other assets	26.6	24.2
Property plant and equipment	3.3	3.5
Intangible assets	65.8	65.3
<b>Total assets</b>	<b>116.2</b>	<b>112.3</b>
<b>Liabilities</b>		
Trade payables and accruals	(18.8)	(16.8)
Current tax liabilities	(2.1)	(1.5)
Deferred consideration on acquisitions	(6.9)	(13.8)
Deferred tax and other liabilities	(5.4)	(6.0)
<b>Total liabilities</b>	<b>(33.2)</b>	<b>(38.1)</b>
Net assets	83.0	74.2
<b>Total equity</b>	<b>83.0</b>	<b>74.2</b>

# Strategies for growth

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- To be the investment manager of choice for professional intermediaries and private clients on and offshore
- Focusing on consistency and stability in an ever changing marketplace
- Regional growth is strong
  - Moved to a larger Taunton base
  - Renewing leases
  - There may be opportunities to grow the footprint whilst maintaining control
- We are rationalising our Funds business and focusing on areas of expertise
- The Adviser community still at the forefront of our growth aspirations
  - An increasing number of potential clients and assets requiring management
  - A strongly growing SIPP market – now 1.4m SIPPs, predicted to rise 50% by 2020
  - A strongly growing stocks and shares ISA market, up 20% in value in the last year

# Industry background, our positioning and the key drivers for FY17 growth

## Industry Background

Continuing consolidation and acquisition opportunities

Continuing trend towards outsourcing investment management

Pricing has stabilised

No slow down in regulatory change

## Our Positioning

Taking advantage of growth in professional adviser community:

- Wider and deeper relationships
- Telephone support
- Launch of new CRM system

Bringing funds and asset management closer together

ICT development

Strong management team

Strong regional footprint

Centralised investment process

## Key Growth Drivers

SIPPs remain substantial area of growth, but legislative changes not helpful

BPS and MPS both gaining traction – MPS accepted medium for smaller retail clients on platforms

Due diligence requirements

Development of distribution model offshore – focus on 'DFM'

**Focused on driving growth in funds under management**



# Outlook & conclusions

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- Strong organic growth despite difficult & volatile market conditions
- Distribution base continues to grow in an expanding sector
- Integration of Asset Management & Funds and working closer with Brooks Macdonald International (BMI) leading to further distribution opportunities
- ‘Savings tailwind’
- We remain in a strong position to deliver FUM growth, grow distribution, improve our margins and continue a progressive dividend policy

“Brooks Macdonald has come along way over the last 25 years: we are well positioned strategically, have a strong balance sheet, are growing our brand, have high quality staff across the Group, are working with an increasing number of professional intermediaries and are constantly developing our investment offering.

“Against this backdrop, in which we have made a good start to the new financial year with further organic growth in discretionary FUM, we look forward with confidence.”

# Appendices



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# Appendices

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- Asset allocation
- EPS and dividend growth
- Employee breakdown
- Industry recognition

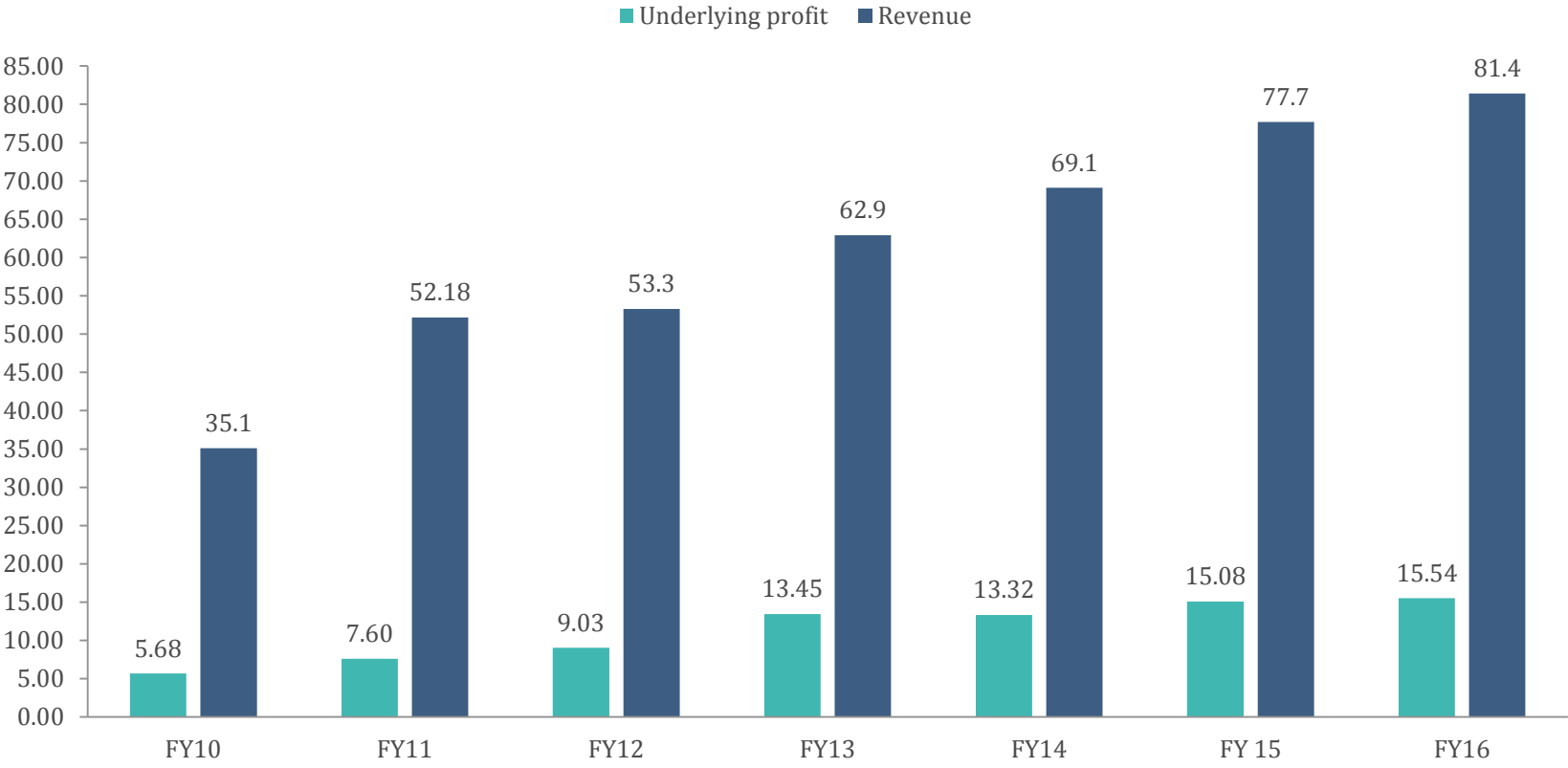
# Asset allocation

Current **guidance** portfolios – July 2016

The investment managers' tolerance limits:                    +/-3                    +/-5                    +/-7

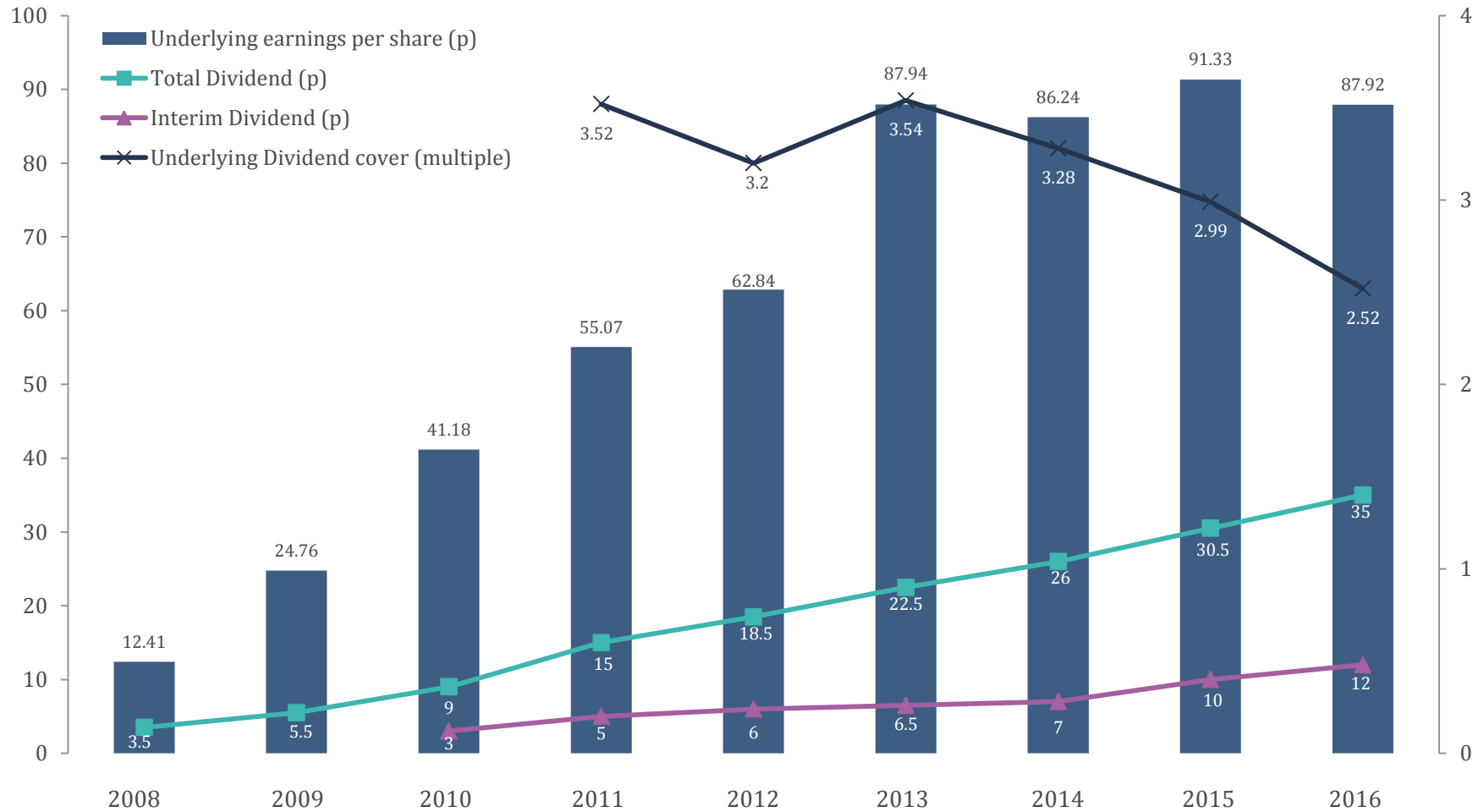
	Low	Low (Income & Growth)	Low-to- Medium	Medium	Medium- to-High	High
<b>UK fixed income</b>	25	23	16	11	3	0
<b>International fixed income</b>	18	15	9	3	2	0
<b>UK equities</b>	8	8	15	22	27	30
<b>North American equities</b>	2	2	8	12	16	19
<b>European equities</b>	0	0	2	4	6	9
<b>Japan, Far East &amp; Emerging equities</b>	0	0	3	7	11	13
<b>International/Thematic equity</b>	8	7	9	11	16	19
<b>Alternatives</b>	8	10	9	6	4	3
<b>Property</b>	8	8	8	4	2	0
<b>Structured Return</b>	10	14	10	10	4	0
<b>Cash</b>	13	13	11	10	9	7

# Revenue and profits growth





# Underlying earnings per share, dividend growth and cover



# Employee Breakdown

## Asset Management

Investment Managers	65
Trainee Investment Managers	11
Executive Support	60
Operations	47
New business development (NBD)	19
NBD Administration	8
Research	6
Internal Support Unit	6
Report Writer	4
	<u>226</u>

## Financial Consulting

Consultants	20
Administrators	12
Trainee Consultant	0
	<u>32</u>

## BMI

Chief Executive Officer	1
Investment Managers	21
Brokers	2
Trainee Investment Managers	2
Executive Support	9
Operations/IT	14
Compliance	5

## Group

Non-Executive Chairman	1
Chief Executive Officer	1
Deputy Chief Executive Officer	1
Non-Executive Directors	3
ICT	33
HR/L&D	8
Marketing	14
Accounts	10
Group Governance	15
Reception	3
	<u>89</u>

## Braemar

Estates	<u>42</u>
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## Funds

Funds	<u>18</u>
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Retirement Services	9
Finance	1
PA/Administration	6
Company Secretary	1
NBD	4
	<u>75</u>

**TOTAL: 482 (total YE 2015: 471)**

# Recent awards and ratings

- 2016 – Citywire Wealth Manager Regional Stars – Scotland and Northern Ireland, North, Midlands, London and South East.
- 2016 – 5 star rating for MPS, BPS and MPS platform (Defaqto).
- 2015 – Gold Standard Awards: Awarded the Gold Standard for Portfolio Management (Incisive Media).
- 2015 – Money Marketing Awards (Best Wealth Management Company).
- 2015 – Alternative Investment Awards (Best in Offshore Wealth Management).
- 2015 – Named in top 100 list of the best medium sized companies to work for (The Sunday Times).
- 2015 – Citywire Wealth Manager Regional Stars – Scotland and Northern Ireland, North, Midlands, London and South East.
- 2015 – Finalist Investment Performance Defensive Portfolios and Cautious Growth Portfolios (PAM Awards).
- 2015 – 5 star rating for MPS, BPS and MPS platform (Defaqto).
- 2014 – Named in top 100 list of the companies to work for (The Sunday Times).
- 2014 – Gold Standard Awards: Awarded the Gold Standard for Portfolio Management (Incisive Media).
- 2014 – 5 star service award (FT adviser).
- 2014 – 5 star rating for MPS, BPS, MPS platform & 5 diamond rating for multi-asset funds (Defaqto).
- 2014 – Best Discretionary Fund Manager (Professional Adviser).



# Contacts

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