



# Half year results

for the six months ended  
31 December 2023

Solid financial performance and continued  
strategic delivery

7 March 2024

# Presenters and Agenda



Andrew Shepherd, CEO



Andrea Montague, CFO

## CEO update

Andrew Shepherd, CEO

## H1 FY24 financial results

Andrea Montague, CFO

## Update on strategy delivery

Andrew Shepherd, CEO

## Q&A

# Continued progress driven by management action

## Financial highlights



**Solid financial performance**, 18% growth in underlying PBT of £17.1 million with strong underlying profit margin of 26.9%



**Record FUM** of £17.6 billion, benefiting from focus on higher-growth segments (Platform MPS, decumulation, gilts) and positive investment performance



**Dividend increased**, 29.0p interim dividend announced, reflects strong balance sheet and the Board's confidence in our growth ambitions

## Operational highlights



**Business reorganisation**, headcount reduction of c.10% to deliver annualised £4m of cost saving, with benefits to be realised from H2. Commenced strategic review of International business



**Consumer Duty**, Group is well-aligned to Consumer Duty Principle of ensuring good outcomes for clients



**Technology enhanced**, improved client service and ease of doing business with further embedding of client- and adviser-facing processes and roll-out of first phase of new client relationship management system

# Presenters and Agenda



Andrew Shepherd, CEO

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## H1 FY24 financial results

Andrea Montague, CFO



Andrea Montague, CFO

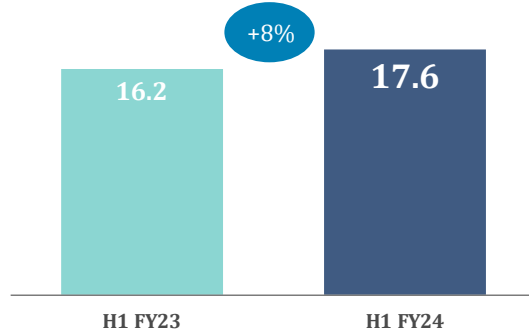
## Update on strategy delivery

Andrew Shepherd, CEO

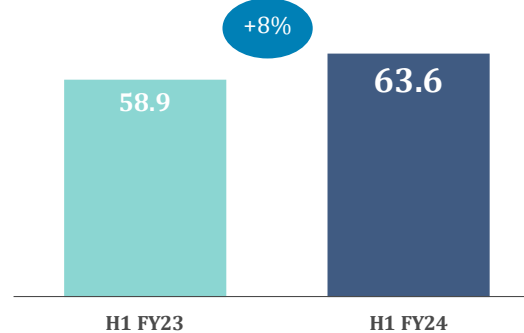
## Q&A

# Solid financial performance

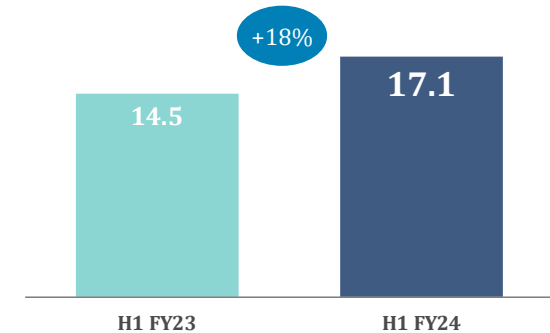
### FUM (£bn)



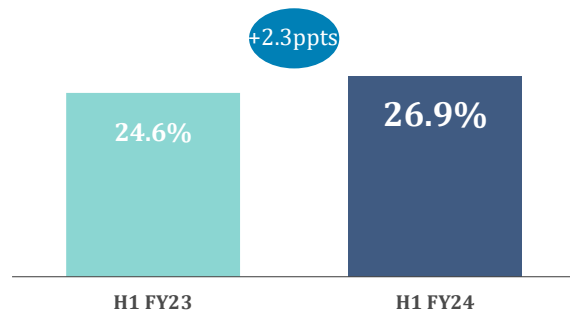
### Total Revenue (£m)



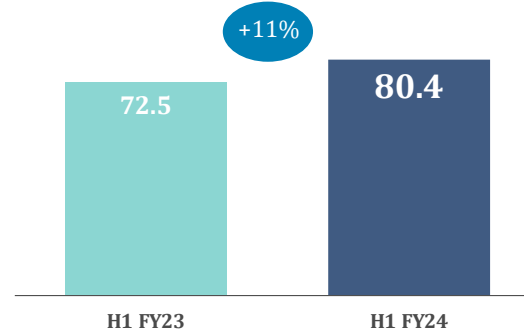
### Underlying PBT (£m)



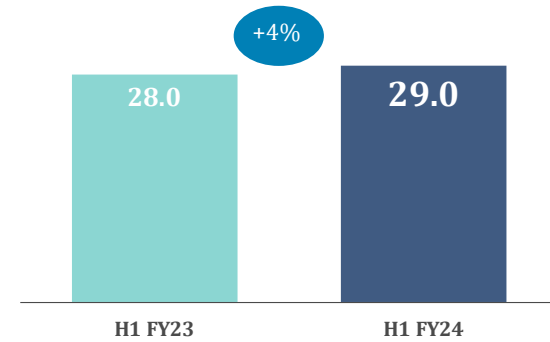
### Underlying PBT Margin (%)



### Underlying Diluted EPS (p)



### Dividend per Share (p)





## Continued growth in FUM to record level



**Gross inflows holding strong** despite challenging macroeconomic backdrop



**Continued strong growth in Platform MPS** (annualised net growth rate of 15.4%) with minimal additional cost, cementing our place as a top 10 MPS provider in the UK



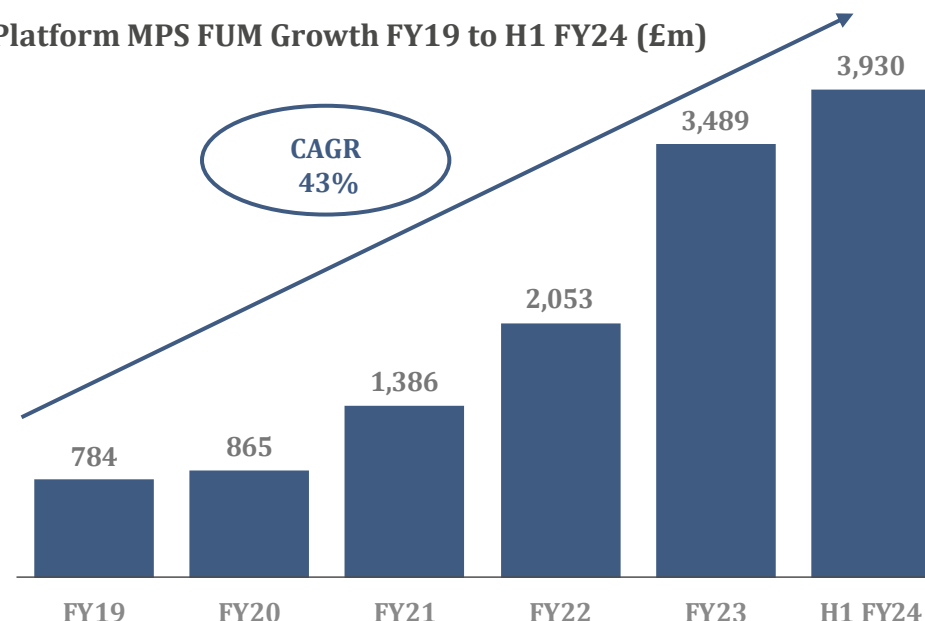
**Growth, with positive net flows, in our specialist BPS products** including decumulation and our new gilts offering



**Solid investment performance** from our centralised investment process

Group total FUM movement	H1 FY23	H1 FY24
Opening FUM	15,667	<b>16,847</b>
<i>Gross inflows</i>	1,162	<b>1,173</b>
Net flows	347	<b>(168)</b>
Investment Performance	212	<b>900</b>
Closing FUM	16,226	<b>17,579</b>

Platform MPS FUM Growth FY19 to H1 FY24 (£m)



## Strong underlying profit margin of 26.9%



**Record closing FUM** up 8.3%, reflecting consistent investment performance



**Revenue up 8.0%** driven by higher financial planning fees, transaction and interest income



Underlying costs up in line with guidance, with **decisive cost action** mitigating inflationary increases



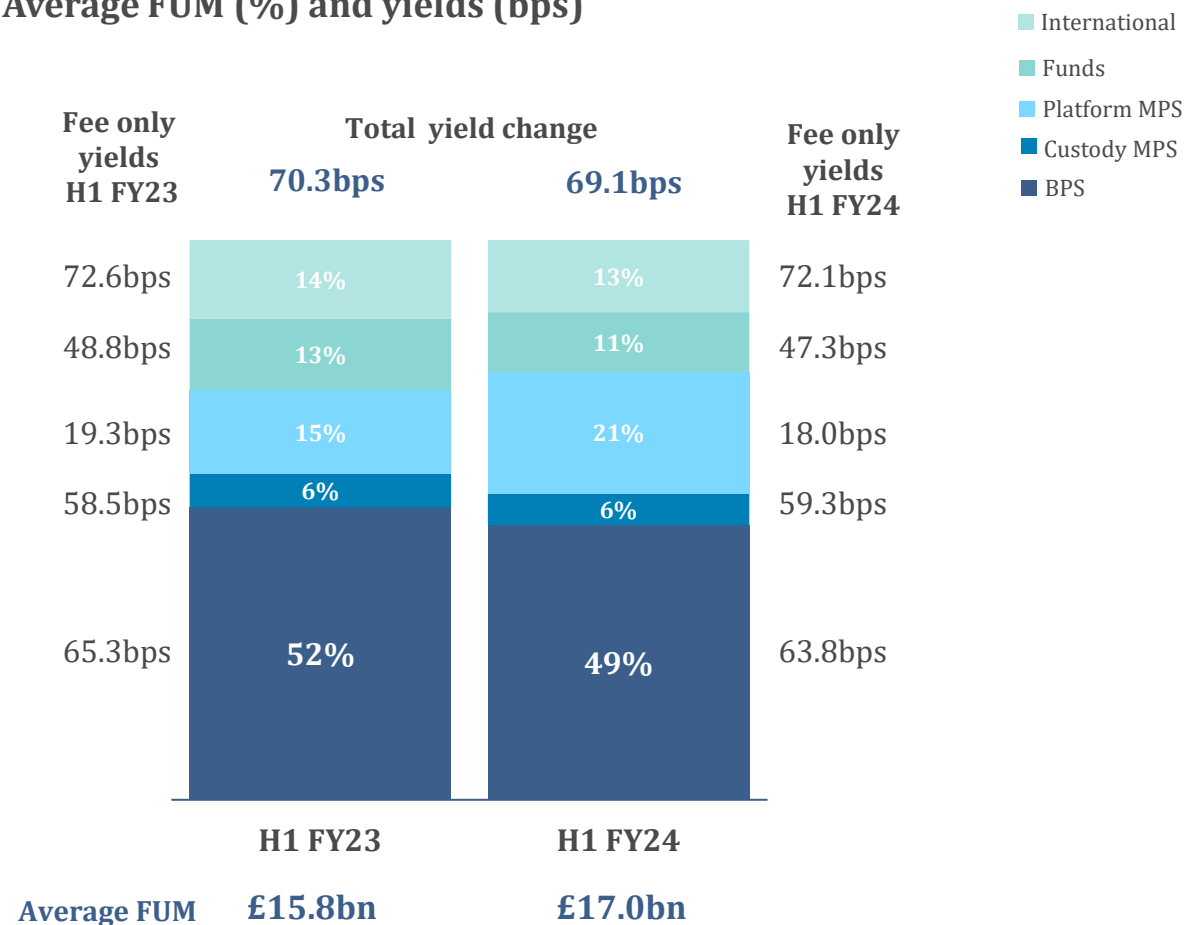
**Strong underlying profit margin** of 26.9%, in line with our ambition of achieving top quartile performance

### Summary financial performance

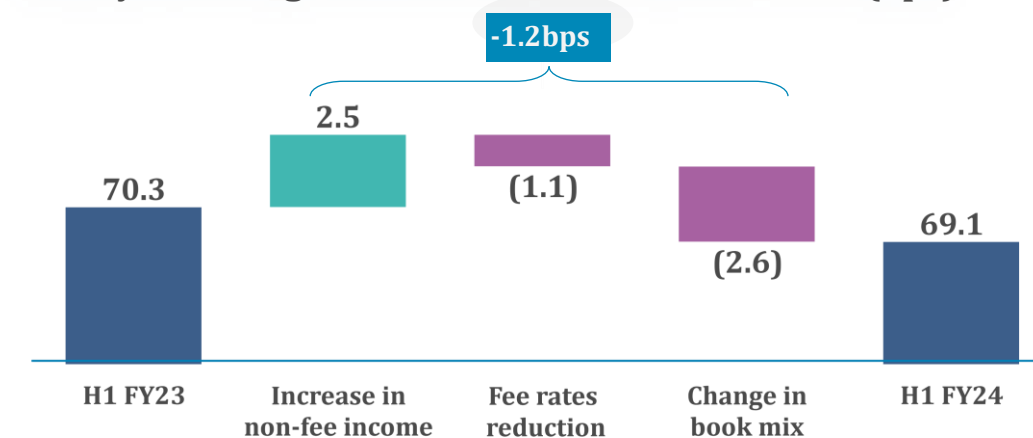
	H1 FY23 £m	H1 FY24 £m	Change
Closing FUM	16,226	<b>17,579</b>	+8.3%
Revenue	58.9	<b>63.6</b>	+8.0%
Underlying costs	(44.4)	<b>(46.5)</b>	+4.7%
Underlying PBT	14.5	<b>17.1</b>	+17.9%
Underlying PBT margin	24.6%	<b>26.9%</b>	+2.3ppts

# Change in business mix driving reduction in yield

## Average FUM (%) and yields (bps)



## Total yield bridge between H1 FY23 and H1 FY24 (bps)



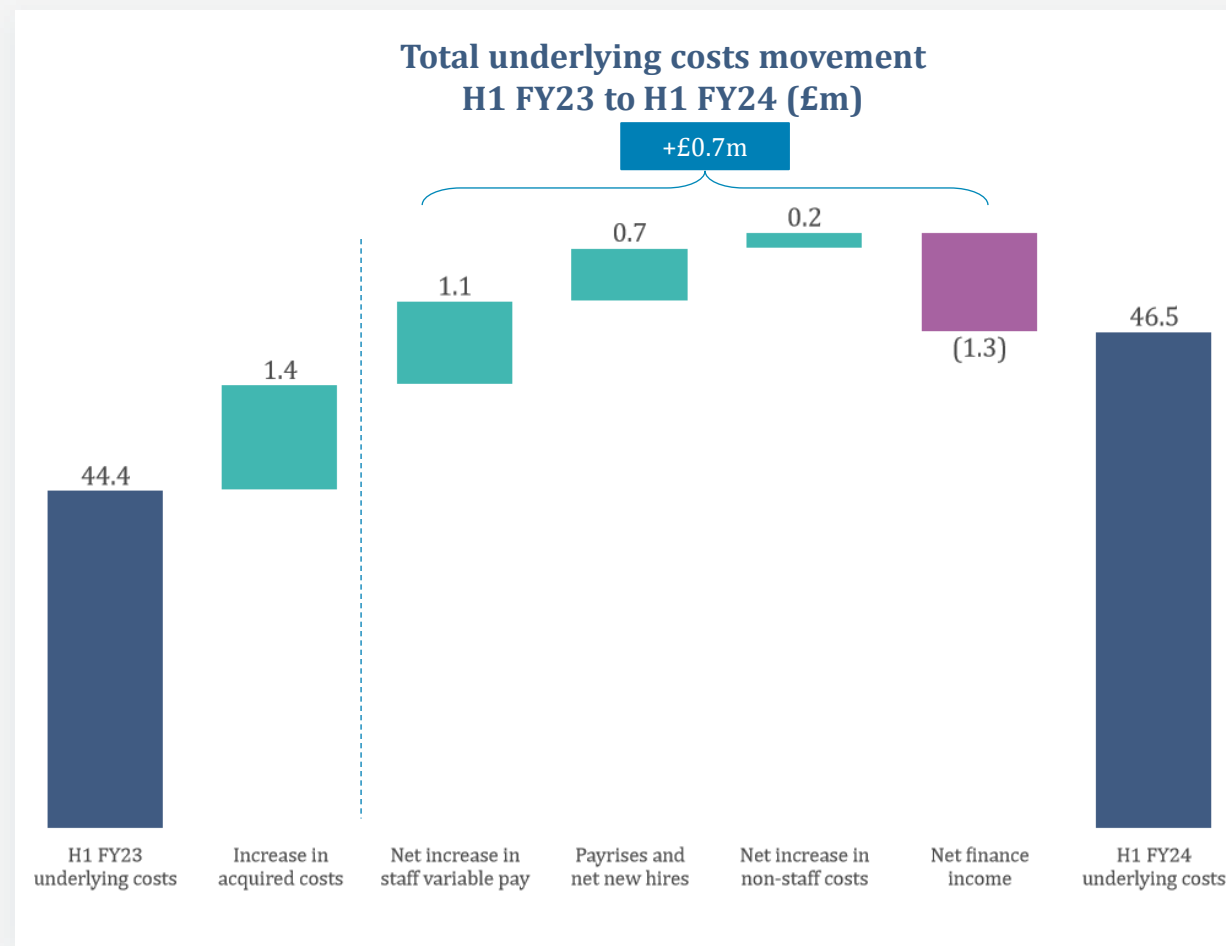
## Breakdown of Group's total revenue

£m	H1 FY23	H1 FY24	Change %
Fee income	45.7	45.7	-
Transactional & FX income	5.7	6.7	17.5%
Financial planning income	2.4	4.1	70.8%
Interest income	5.1	7.1	39.2%
<b>Total revenue</b>	<b>58.9</b>	<b>63.6</b>	<b>8.0%</b>



## Underlying costs (excluding acquisitions) up 1.6%

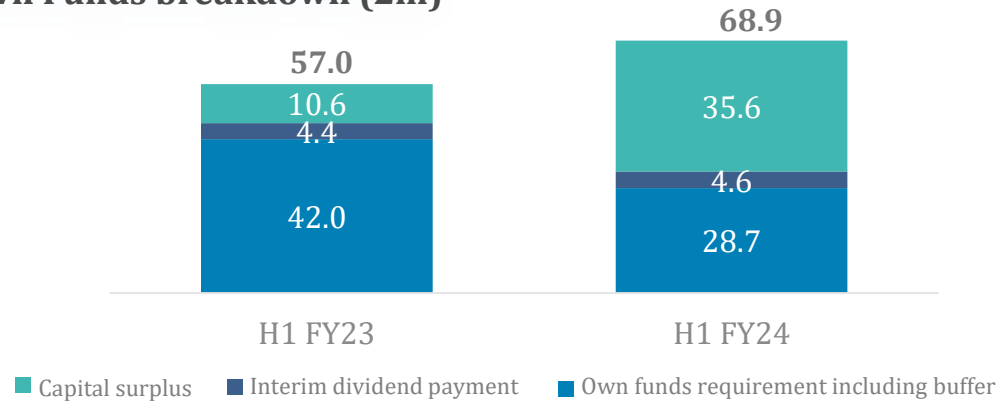
	H1 FY23	H1 FY24	Inc / (dec)	
	£m	£m	£m	%
Fixed staff costs	21.3	22.0	0.7	3.3
Variable staff costs	4.3	5.4	1.1	25.6
Acquired staff costs	0.2	1.5	1.3	>100.0
<b>Total staff costs</b>	<b>25.8</b>	<b>28.9</b>	<b>3.1</b>	<b>12.0</b>
Non-staff costs	18.7	18.9	0.2	1.1
Acquired non-staff costs	0.1	0.2	0.1	100.0
<b>Total non-staff costs</b>	<b>18.8</b>	<b>19.1</b>	<b>0.3</b>	<b>1.6</b>
Net finance income	(0.2)	(1.5)	(1.3)	(>100.0)
<b>Total underlying costs</b>	<b>44.4</b>	<b>46.5</b>	<b>2.1</b>	<b>4.7</b>
<b>Total acquired costs</b>	<b>0.3</b>	<b>1.7</b>	<b>1.4</b>	<b>&gt;100.0</b>
<b>Total underlying costs (excl. acquisitions)</b>	<b>44.1</b>	<b>44.8</b>	<b>0.7</b>	<b>1.6</b>
Headcount (FTE) <sup>1</sup>	484	442	(42)	(8.7)
Total staff cost/Income	43.8%	45.4%		
Fixed staff cost/Income	36.2%	34.6%		
Non-staff cost/Income	31.9%	30.0%		



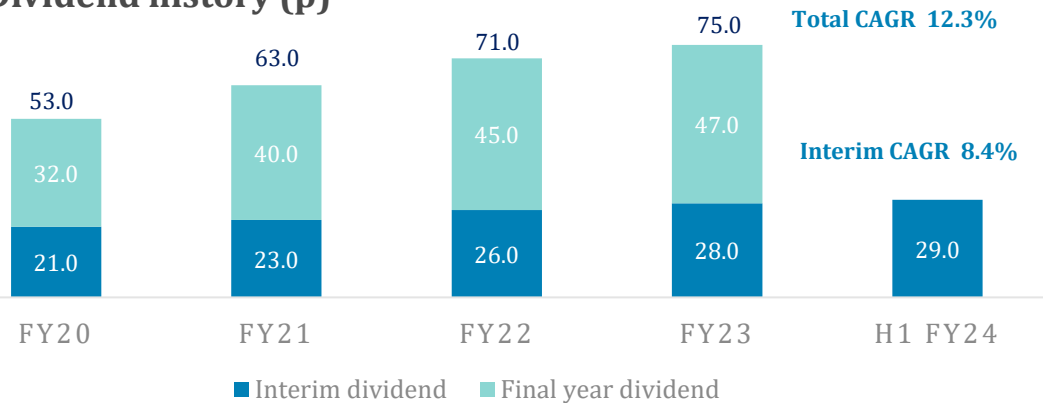
<sup>1</sup>The decrease in headcount during the period includes the impact of the organisational changes announced on 31 October 2023 which were implemented in December 2023

# Strong capital position supporting progressive dividend policy and future growth opportunities

## Own Funds breakdown (£m)



## Dividend history (p)



<sup>1</sup>Own Funds capital adequacy ratio calculation takes into account the respective period's profits (net of declared dividend) as these are deemed to be verified at the date of publication of the results

## Capital position

- Regulatory resources of £68.9m with a robust capital surplus £35.6m, increasing as a result of our improved modelling in our December 2023 ICARA assessment
- Own Funds Capital Adequacy Ratio of 295.9% (H1 FY23: 267.8%)
- Own Funds not impacted by the goodwill impairment charge of £11.6m recognised in the period

## Dividend

- Interim dividend of 29.0p, up 3.6% on the prior period, in line with progressive dividend policy

# Presenters and Agenda



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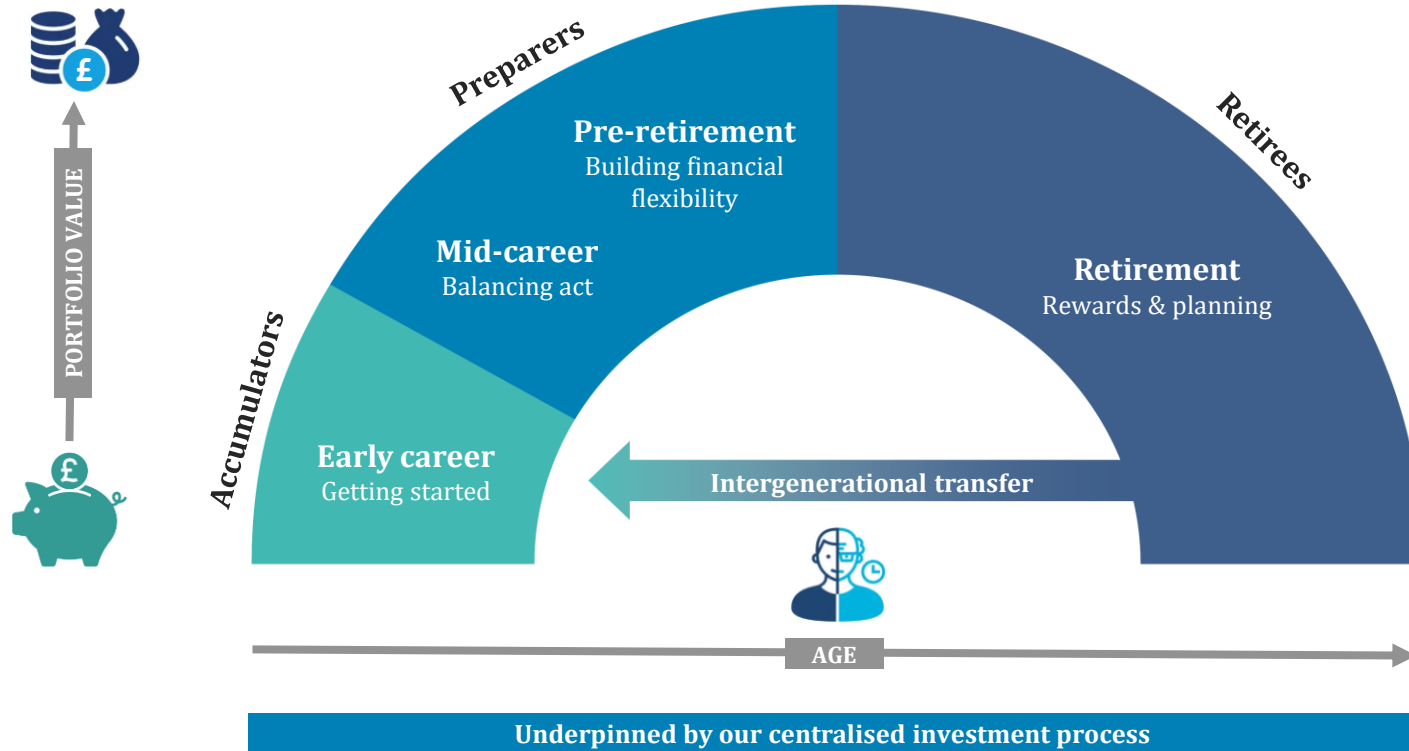
Andrew Shepherd, CEO

## Q&A



Andrea Montague, CFO

# We meet client needs throughout an investor lifecycle



Accumulators – Early career	
Client/adviser need	BM proposition
• Primary focus on building wealth	<b>MPS</b>
• Adviser preference for specific third-party platform	<b>Platform MPS</b>
• ESG preferences	<b>Responsible Investment Service MPS</b>

Preparers – Mid-career / Pre-retirement	
Client/adviser need	BM proposition
• Continued accumulation	<b>MPS</b>
• CGT complexities	<b>BPS</b>
• Income requirements (school fees, healthcare)	<b>BPS</b>
• Changing tax environment	<b>Funds</b>
• Personal injury	<b>Court of Protection BPS</b>
• ESG preferences and CGT/income issues	<b>Responsible Investment Service BPS</b>

Retirees – Retirement	
Client/adviser need	BM proposition
• Retirement income	<b>Decumulation</b>
• Inheritance tax concerns	<b>AIM Service</b>
• Changing tax environment	<b>Funds</b>

# Market-leading organic growth

## Positioned for growth



Dedicated focus to our **distinct distribution channels** with different propositions, target audiences and business models



Leveraging **strong distribution relationships** and **breadth of proposition** to drive growth



**Capturing MPS market opportunity** both on third party adviser platforms in our intermediated and direct channels

## Distinct distribution channels

Targeted approach offering breadth of proposition

### Intermediated

**Outsourced discretionary investment management**

### Direct

**Advice-led integrated wealth management**

Underpinned by our centralised investment process

# Service and operational excellence



## Technology

improving our service

- **Client relationship management**
  - First phase of Salesforce CRM implemented, focused on advisers
  - Second phase addressing private clients kicking off shortly
  - Driving growth through systematic business development
- **Financial planning**
  - Common Intellifo advice software implemented across UK business
  - Supporting roll out of common processes, driving consistent client services levels
- **Client service**
  - Group has embedded SS&C processes, aiming to deliver best-in-class client and adviser experience



## Operating efficiencies

to benefit margin

- **Set for success**
  - Organisational changes completed – annual cost reduction of c.£4 million
- **Business re-aligned**
  - Roll out of centralised portfolio implementation maximising efficiency and allowing BPS investment managers to focus on truly bespoke needs
- **Margin improvement**
  - Continued cost discipline ensuring delivery of planned levels of operating margin
  - Well-positioned to benefit from any improvement in markets



# Agile, disciplined and high-quality M&A

## Our medium-term ambition is to be a Top 5 wealth manager in the UK

- Scale matters in our sector, both in operating leverage and the ability to deliver a comprehensive investment proposition
- We have the investment proposition and cost discipline of a larger firm and we have succeeded in maintaining the dedication to client service of a small company
- To get the full benefit of our unique culture to all stakeholders requires that we add material scale



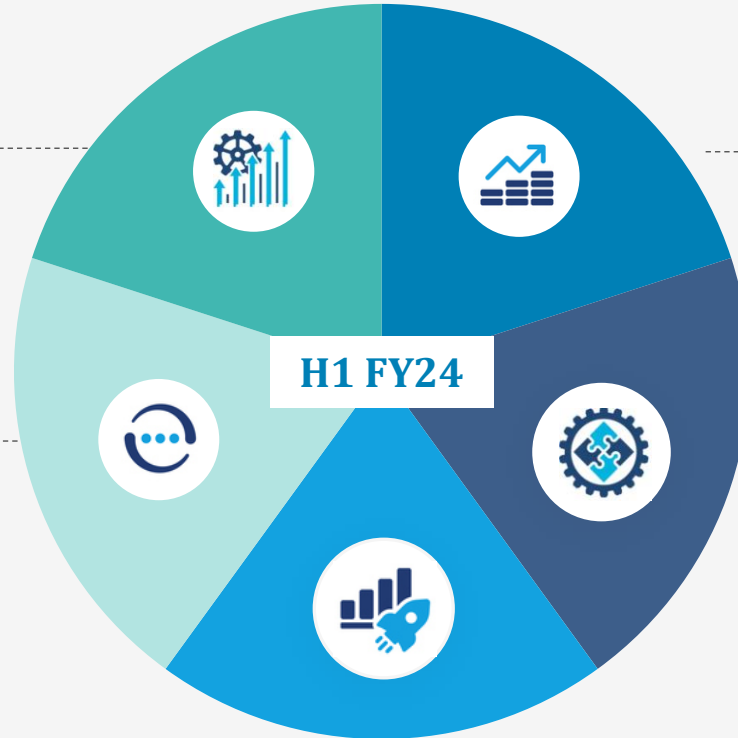
## Acquisition criteria

- High quality business
- Compelling strategic logic
- Strong cultural fit
- Economic value added

## A solid half-year with further strategic progress

**Robust gross flows reflecting strength of proposition**

**Increased the interim dividend again**



**Robust underlying profit margin**

**Maintained discipline on acquisition criteria**

**Confident in our strategy, well positioned to take advantage of future opportunities**

## FY24 Guidance

### Gross inflows remain strong

- Demand for our products and services remains strong, reflected in continued gross inflows

### Net outflows expected for FY24

- Positive net flows in MPS; continued elevated outflows across other areas expected to continue in the second half, impacted by prevailing macroeconomic conditions, and we now expect net outflows for the full year

### Product mix trends

- Ongoing product mix change expected to continue to impact revenue yields

### Interest turn

- Interest turn in H2, net of amounts paid to clients, expected to be down on H1 FY24, to c. £5 million

### Inflation driven costs

- As previously guided, underlying costs expected to grow by mid-single digits driven by inflationary rises, partly offset by cost savings

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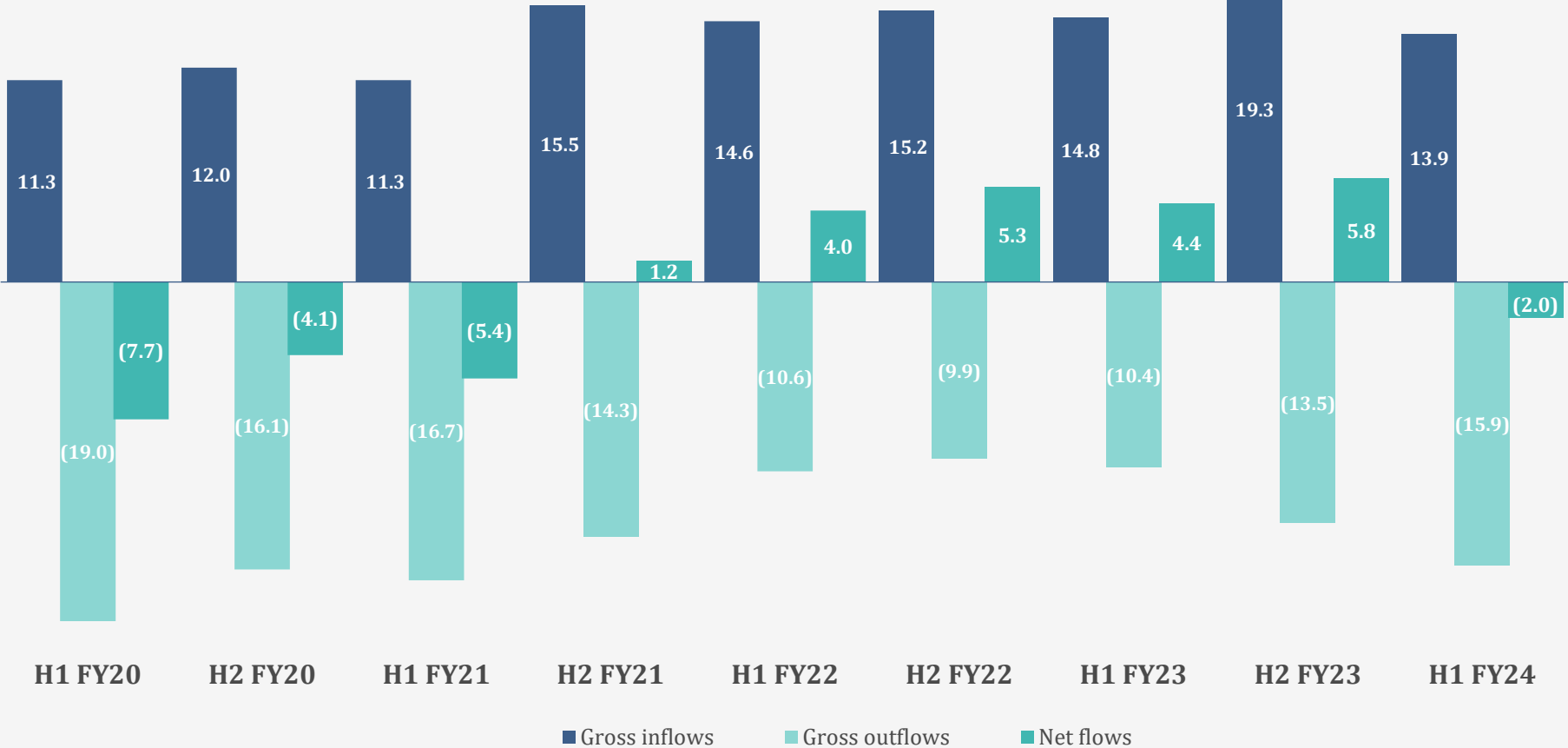
Andrew Shepherd, CEO

Q&A

## Appendices

# Gross inflows relatively in line with prior years, elevated outflows driving net outflows position

Annualised gross and net flows by half year (%)



■ Gross inflows   ■ Gross outflows   ■ Net flows

Note: H2 FY23 included a number of large new mandates in the Group's BMIS offering within the Platform MPS service.



## Record closing FUM, growth in MPS platform driven by broad network of firms

Organic net flows (£m / annualised % growth)	H1 FY24				Inv. Perf. (£m)	Closing FUM (£m)
	Opening FUM (£m)	Q1 (£m/%)	Q2 (£m/%)	Total H1 (£m/%)		
BPS	8,527	(98) (4.6%)	(94) (4.4%)	(192) (4.5%)	477	8,812
MPS Custody	966	(14) (5.8%)	(21) (8.7%)	(35) (7.2%)	39	970
MPS Platform (inc. BMIS)	3,489	147 16.9%	121 13.9%	268 15.4%	173	3,930
Funds	1,708	(78) (18.3%)	(71) (16.6%)	(149) (17.4%)	93	1,652
<b>UKIM</b>	<b>14,690</b>	<b>(43) (1.2%)</b>	<b>(65) (1.8%)</b>	<b>(108) (1.5%)</b>	<b>782</b>	<b>15,364</b>
<b>International</b>	<b>2,157</b>	<b>(27) (5.0%)</b>	<b>(33) (6.1%)</b>	<b>(60) (5.6%)</b>	<b>118</b>	<b>2,215</b>
<b>Group</b>	<b>16,847</b>	<b>(70) (1.7%)</b>	<b>(98) (2.3%)</b>	<b>(168) (2.0%)</b>	<b>900</b>	<b>17,579</b>



21% of BPS gross inflows generated in our specialist products<sup>1</sup>



New Gilts offering growing to almost £0.2 billion in H1 FY24



Broad network of 750 firms using Platform MPS at the end of the period



BMIS proposition remains strong with pipeline building



Centralised Investment Process achieving a strong risk adjusted return for our clients

<sup>1</sup>AIM, Court of Protection, Decumulation, and Responsible Investment services.

## Overall yield marginally down on prior period mainly driven by change in mix

	Revenue			Yields			Avg FUM		
	H1 FY23 £m	H1 FY24 £m	Change %	H1 FY23 bps	H1 FY24 bps	Change Bps	H1 FY23 £m	H1 FY24 £m	Change %
BPS fees	27.2	27.1	(0.4)	65.3	63.8	(1.5)	8,253	8,446	2.3
BPS non-fees (transactional & FX)	4.4	5.8	31.8	10.6	13.7	3.1	-	-	-
BPS non-fees (interest turn)	3.8	5.6	47.4	9.1	13.2	4.1	-	-	-
<b>Total BPS</b>	<b>35.4</b>	<b>38.5</b>	<b>8.8</b>	<b>85.0</b>	<b>90.7</b>	<b>5.7</b>	<b>8,253</b>	<b>8,446</b>	<b>2.3</b>
MPS Custody	2.8	2.9	3.6	58.5	59.3	0.8	962	963	0.1
MPS Platform	2.3	3.3	43.5	19.3	18.0	(1.3)	2,347	3,663	56.1
MPS Custody non-fees (interest turn)	0.5	0.6	20.0	9.5	13.2	3.7	-	-	-
<b>MPS total</b>	<b>5.6</b>	<b>6.8</b>	<b>21.4</b>	<b>33.4</b>	<b>29.3</b>	<b>(4.1)</b>	<b>3,309</b>	<b>4,626</b>	<b>39.8</b>
<b>UKIM discretionary</b>	<b>41.0</b>	<b>45.3</b>	<b>10.5</b>	<b>70.3</b>	<b>69.0</b>	<b>(1.3)</b>	<b>11,562</b>	<b>13,072</b>	<b>13.1</b>
Funds	5.0	4.3	(14.0)	48.8	47.3	(1.5)	2,027	1,805	(11.0)
<b>Total UKIM</b>	<b>46.0</b>	<b>49.6</b>	<b>7.8</b>	<b>67.1</b>	<b>66.4</b>	<b>(0.7)</b>	<b>13,589</b>	<b>14,877</b>	<b>9.5</b>
International fees	8.1	7.9	(2.5)	72.6	72.1	(0.5)	2,213	2,171	(1.9)
International non-fees (transactional)	1.3	0.8	(38.5)	11.6	7.8	(3.8)	-	-	-
International non-fees (interest)	0.7	0.9	28.6	5.9	7.9	2.0	-	-	-
<b>Total International</b>	<b>10.1</b>	<b>9.6</b>	<b>(5.0)</b>	<b>90.6</b>	<b>87.8</b>	<b>(2.8)</b>	<b>2,213</b>	<b>2,171</b>	<b>(1.9)</b>
<b>Total FUM related revenue</b>	<b>56.1</b>	<b>59.2</b>	<b>5.5</b>	<b>70.3</b>	<b>69.1</b>	<b>(1.2)</b>	<b>15,802</b>	<b>17,048</b>	<b>7.9</b>
Financial planning fees	2.4	4.1	70.8						
Other income	0.4	0.3	(25.0)						
<b>Total non FUM related revenue</b>	<b>2.8</b>	<b>4.4</b>	<b>57.1</b>						
<b>Total Group revenue</b>	<b>58.9</b>	<b>63.6</b>	<b>8.0</b>						

### UKIM

- **BPS fee yield** down by 1.5bps driven by underlying product mix and rates achieved on new business
- **BPS non-fee yield (transactional & FX)** up by 3.1bps in the period, as a result of increased trading volumes and a relatively lower proportion of dealing accounts
- **BPS non-fee yield (interest turn)** up by 4.1bps driven by rate increases during the period, partly offset by interest paid out by the Group on client's cash balances
- **MPS fee yield** down by 4.1bps overall due to the impact of product mix and larger mandates benefiting from discounted tiered rates
- **Funds yield** reduced by 1.5bps as a result of timing of outflows during the period

### International

- **Fee yield** – down marginally on the prior period driven by a change in mix
- **Non-fee yield (transactional income)** – down by 3.8bps primarily as a result of lower trading volumes in the period
- **Non-fee yield (interest turn)** up by 2.0bps driven by rate increases during the period, net of rates paid out on client's cash balances

## Statutory result impacted by goodwill impairment charge

	H1 FY23	H1 FY24
	£m	£m
<b>Underlying profit before tax</b>	<b>14.5</b>	<b>17.1</b>
Goodwill impairment	-	(11.6)
Amortisation of client relationships	(2.8)	(3.0)
Organisational restructure costs	-	(3.0)
Acquisition and integration related items	(0.3)	(0.3)
Dual running operating platform costs	(1.6)	-
<b>Total underlying adjustments</b>	<b>(4.7)</b>	<b>(17.9)</b>
<b>Statutory (loss)/profit before tax</b>	<b>9.8</b>	<b>(0.8)</b>
Taxation	(1.6)	(2.6)
<b>Statutory (loss)/profit after tax</b>	<b>8.2</b>	<b>(3.4)</b>

<b>Balance sheet and own funds</b>	<b>H1 FY23</b>	<b>H1 FY24</b>
Total Net Assets <sup>1</sup> (£m)	151.1	147.6
Cash (£m)	37.6	59.0
Own Funds Adequacy (%)	267.8	295.9

<sup>1</sup>Total net assets and own funds adequacy ratio calculations take into account the respective period's profits (net of declared dividend) as these are deemed to be verified at the date of publication of the results

### Goodwill impairment (£11.6m)

- Impairment charge recognised in relation to the International business, where the estimated recoverable amount is less than the carrying value of the goodwill held on the balance sheet.

### Amortisation of client relationships (£3.0m)

- Small increase in the period is due to Integrity Wealth Solutions and Adroit Financial Planning held for the entire period.

### Organisational restructure costs (£3.0m)

- The Group carried out an organisational restructure in December 2023 to ensure it is set up for future success. The Group identified opportunities to streamline and remove duplication from core processes, resulting in redundancy and associated third-party consultancy costs.

### Acquisition and integration related items (£0.3m)

- These represent the share-based payment integration charge for share options awarded to acquired employees as part of prior period acquisitions.

### Balance sheet and regulatory capital

- Balance sheet remains strong, lower net assets due to intangible asset impairment.
- Robust Own Funds Adequacy ratio of 296% providing surplus capital resources to support dividend growth and growth opportunities.

## UKIM & International performance impacted by weaker markets

H1 FY24 (£m)	UK Investment Management	International	Group	Total
Revenue	54.2	9.4	-	63.6
Direct costs	(23.3)	(6.4)	(18.3)	(48.0)
<b>Contribution</b>	<b>30.9</b>	<b>3.0</b>	<b>(18.3)</b>	<b>15.6</b>
Indirect cost recharges	(13.8)	(2.9)	16.7	-
Net finance income	0.8	0.3	0.4	1.5
<b>Underlying profit before tax</b>	<b>17.9</b>	<b>0.4</b>	<b>(1.2)</b>	<b>17.1</b>
Underlying profit margin before tax	33.0%	4.3%	N/A	26.9%

H1 FY23 (£m)	UK Investment Management	International	Group	Total
Revenue	48.8	10.1	-	58.9
Direct costs	(20.7)	(6.6)	(17.3)	(44.6)
<b>Contribution</b>	<b>28.1</b>	<b>3.5</b>	<b>(17.3)</b>	<b>14.3</b>
Indirect cost recharges	(11.3)	(3.8)	15.1	-
Net finance income	0.1	0.1	-	0.2
<b>Underlying profit before tax</b>	<b>16.9</b>	<b>(0.2)</b>	<b>(2.2)</b>	<b>14.5</b>
Underlying profit margin before tax	34.6%	(2.0)%	N/A	24.6%

**Note 1.** The Group segment includes the consolidation adjustments.

**Note 2.** The acquired businesses of Integrity and Adroit are included within the UKIM business segment.

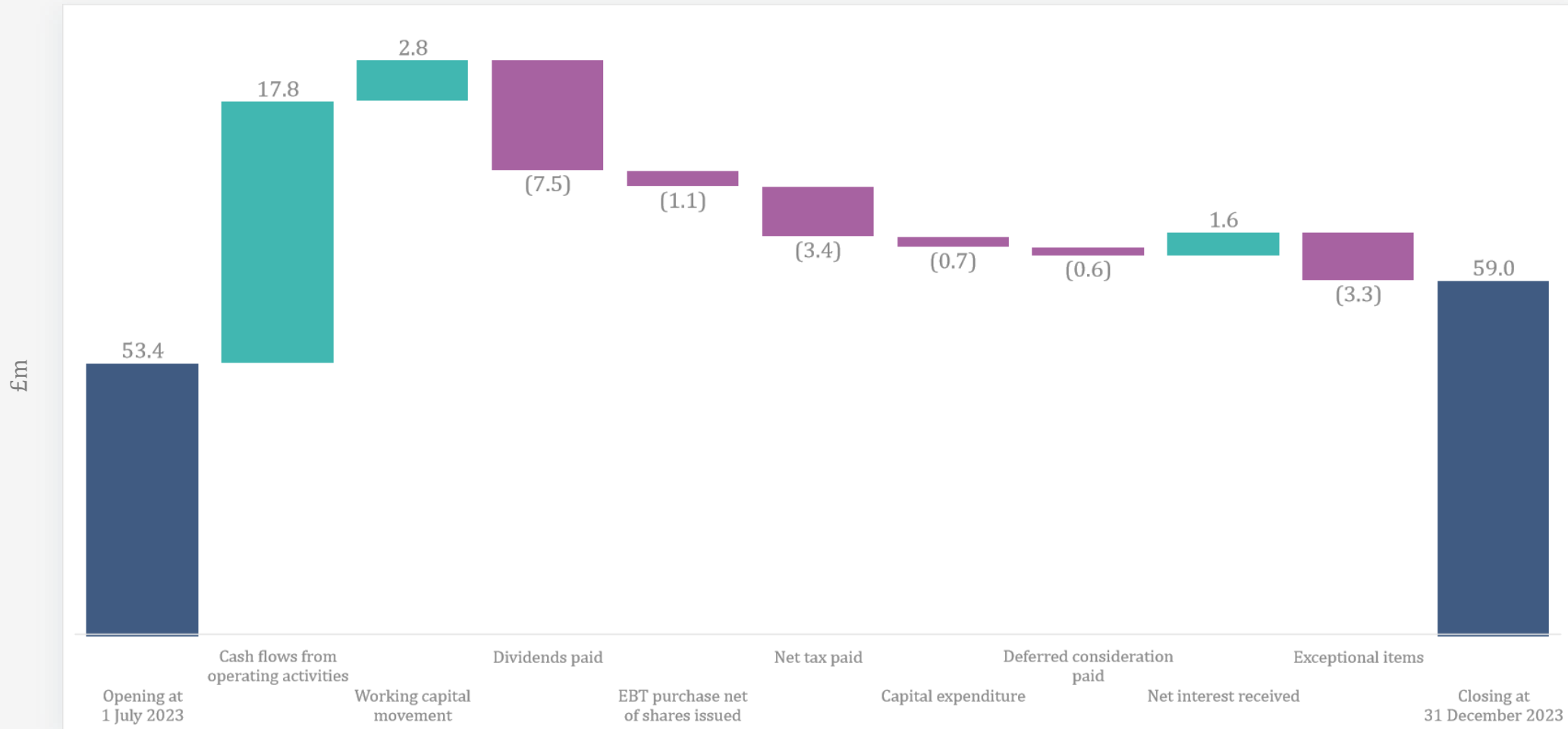
### UKIM

UKIM reported an 11.1% increase in revenue driven by higher financial planning fees, transactional and interest income. This gave rise to an underlying profit for H1 FY24 of £17.9m and an underlying profit margin of 33.0%.

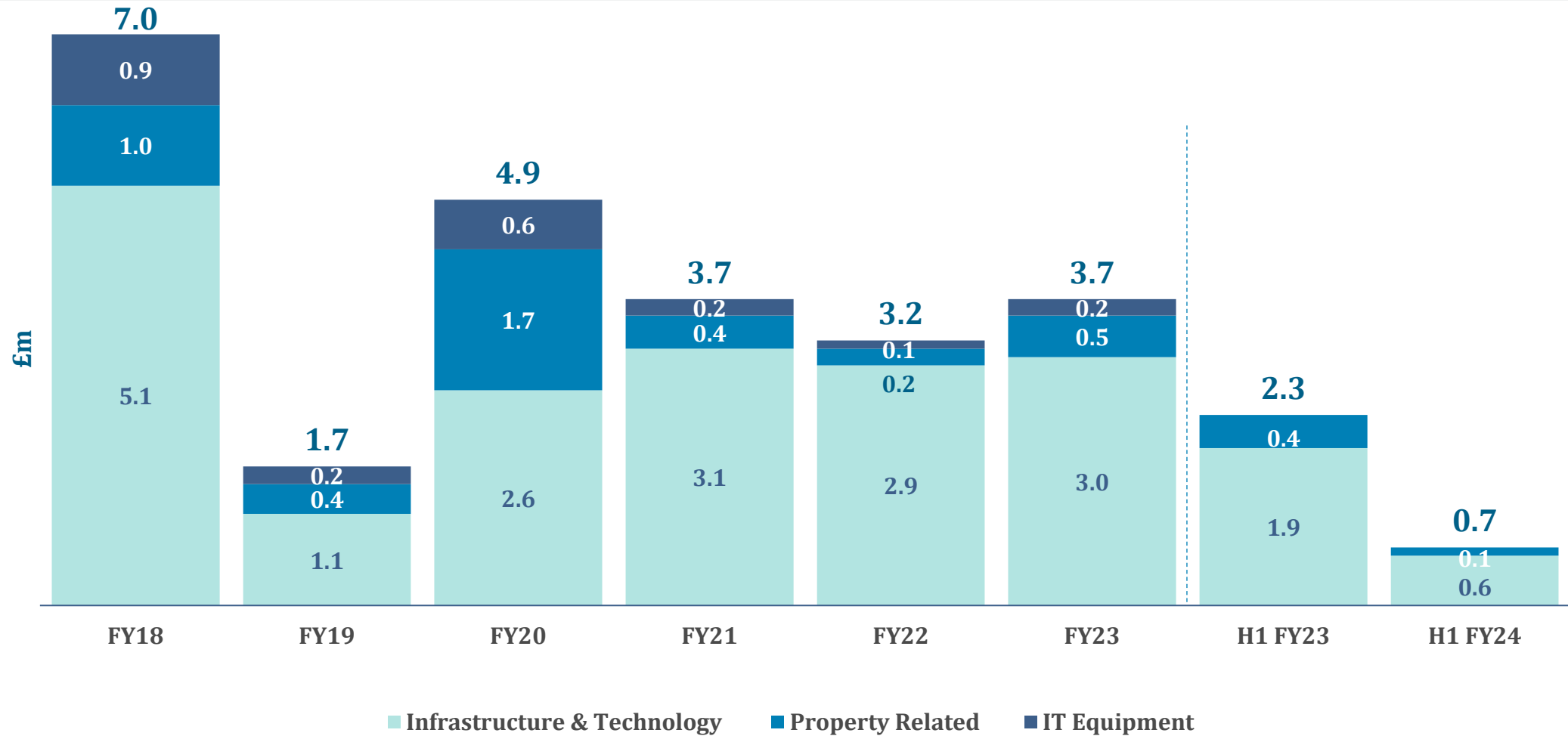
### International

International reported an underlying profit of £0.4m for the period. The increased profitability was due to a decrease in total costs offsetting the decline in revenue driven by the challenging markets.

# Strong cash generation supporting dividend growth and building capacity for bolt-on M&A opportunities



# Capital expenditure





# Robust investment performance

## Cumulative performance (%)

		1 year to 31.12.23	3 years to 31.12.23	5 years to 31.12.23	10 years to 31.12.23
Low Risk	BM Low Risk	6.10	0.48	12.67	30.13
	ARC Sterling Cautious PCI	4.43	0.57	13.23	26.66
	Relative performance	1.67	-0.10	-0.56	3.47
Low-to-Medium Risk	BM Low-to-Medium Risk	6.84	3.25	20.99	45.64
	ARC Sterling Balanced Asset PCI	5.98	3.65	20.80	41.46
	Relative performance	0.86	-0.39	0.19	4.18
Medium Risk	BM Medium Risk	7.97	5.61	29.22	60.18
	ARC Sterling Steady Growth PCI	7.26	6.14	27.63	57.34
	Relative performance	0.71	-0.53	1.59	2.84
Medium-to-High Risk	BM Medium-to-High Risk	8.85	4.72	36.66	76.36
	ARC Sterling Equity Risk PCI	8.10	7.58	34.38	69.07
	Relative performance	0.74	-2.85	2.28	7.29
High Risk	BM High Risk	8.94	3.27	39.47	84.98
	ARC Sterling Equity Risk PCI	8.10	7.58	34.38	69.07
	Relative performance	0.84	-4.31	5.10	15.91

### Past performance is not a reliable indicator of future results

All figures are rounded to 2 decimal places. Please note that due to rounding, the figures shown in this table may not precisely add up to the totals/differentials shown. All performance figures are net of underlying fund charges and Brooks Macdonald management fees but gross of professional adviser charges. Deduction of these fees will impact on the performance shown. The value of investments, and the income from them, may go down as well as up and neither is guaranteed. Investors could get back less than they invested.