

# Full Year results and strategy update

*For the 12 months ended  
30 June 2024*

September 2024



# Agenda

- 01 FY24 Financial results
- 02 Reigniting growth: Playing to our strengths
- 03 Reigniting growth: Priorities, guidance & outlook



# FY24 Financial results



# Good Results with underlying EPS up 6.6%



**Growth in assets, revenues and profits underpinned by:**

- **Continued momentum in MPS**
- **Significant growth in specialist offerings within BPS**
- **Management actions on efficiency**

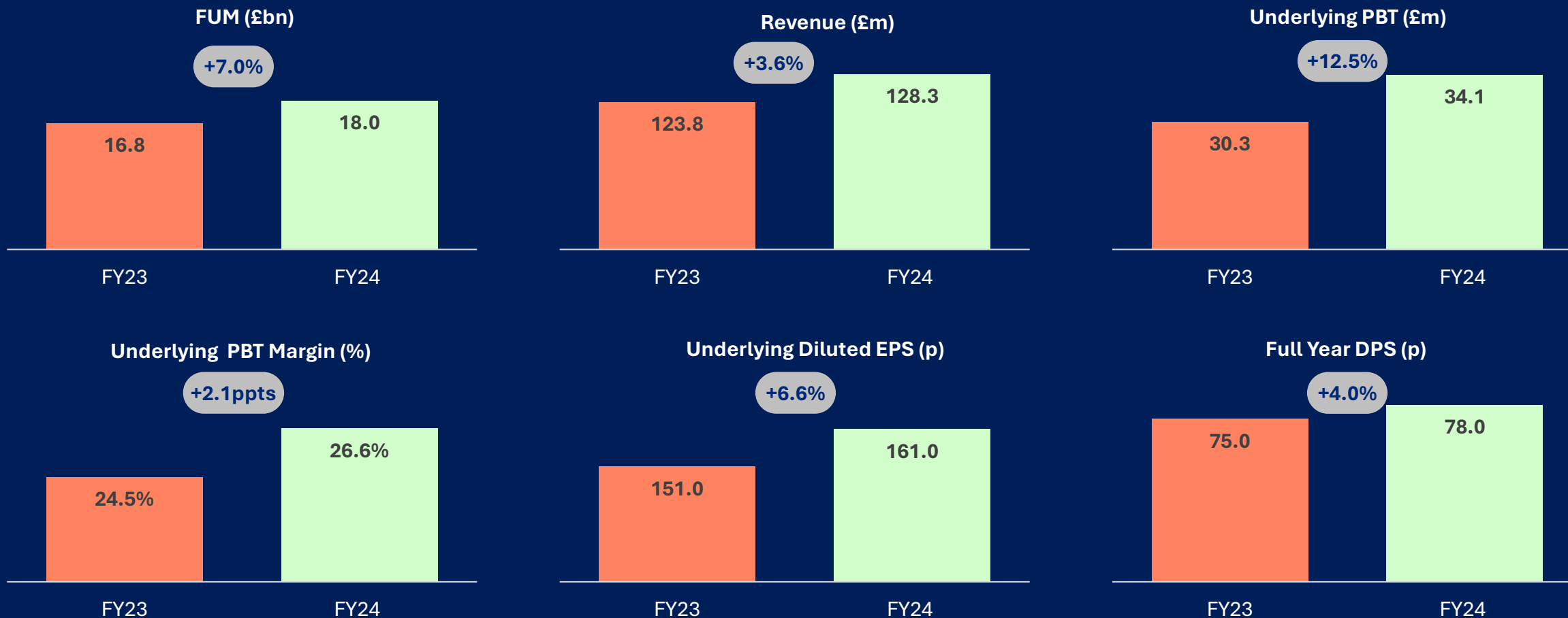


**Strong capital and cash position with cash (and cash equivalents) totalling £74.7m, up £21.3m on prior year**



**Full year total dividend of 78p up 4.0% marking the nineteenth successive annual dividend increase for the Group**

# Progress across key financial metrics

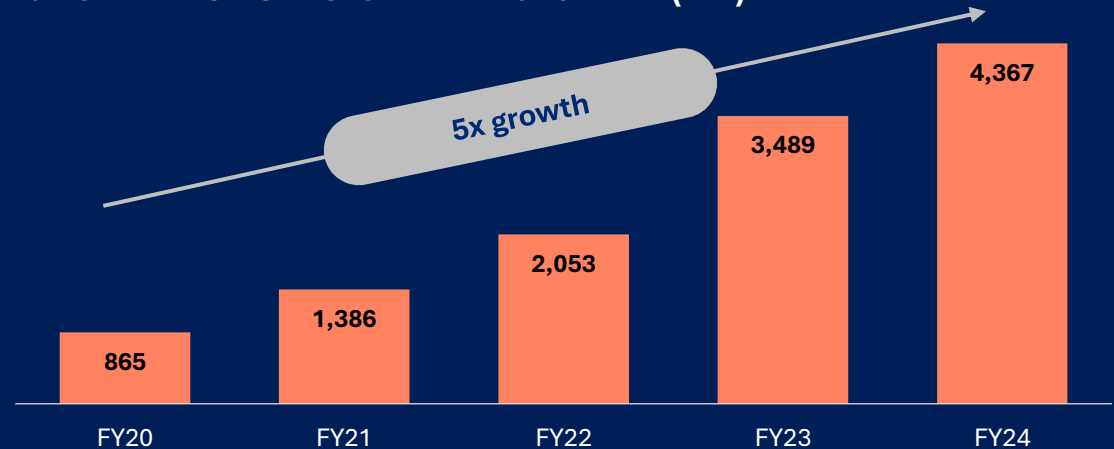


# Resilient gross inflows: elevated gross outflows

- Platform MPS reaching £4.4bn with growth rate of 13.4%
- Growth in our specialist BPS products with increased demand for our Decumulation and Gilts offering
- Elevated gross outflows resulting in negative net flows reflecting broader market trends
- Strong investment performance from our rigorous investment process

Group total FUM movement (£m)	FY23	FY24
Opening FUM	15,667	16,847
Gross inflows	2,729	2,330
Gross outflows	(1,912)	(2,946)
Net flows	817	(616)
Investment performance	363	1,797
Closing FUM	16,847	18,028

Platform MPS FUM Growth FY20 to FY24 (£m)



# Continue to deliver strong investment performance for clients

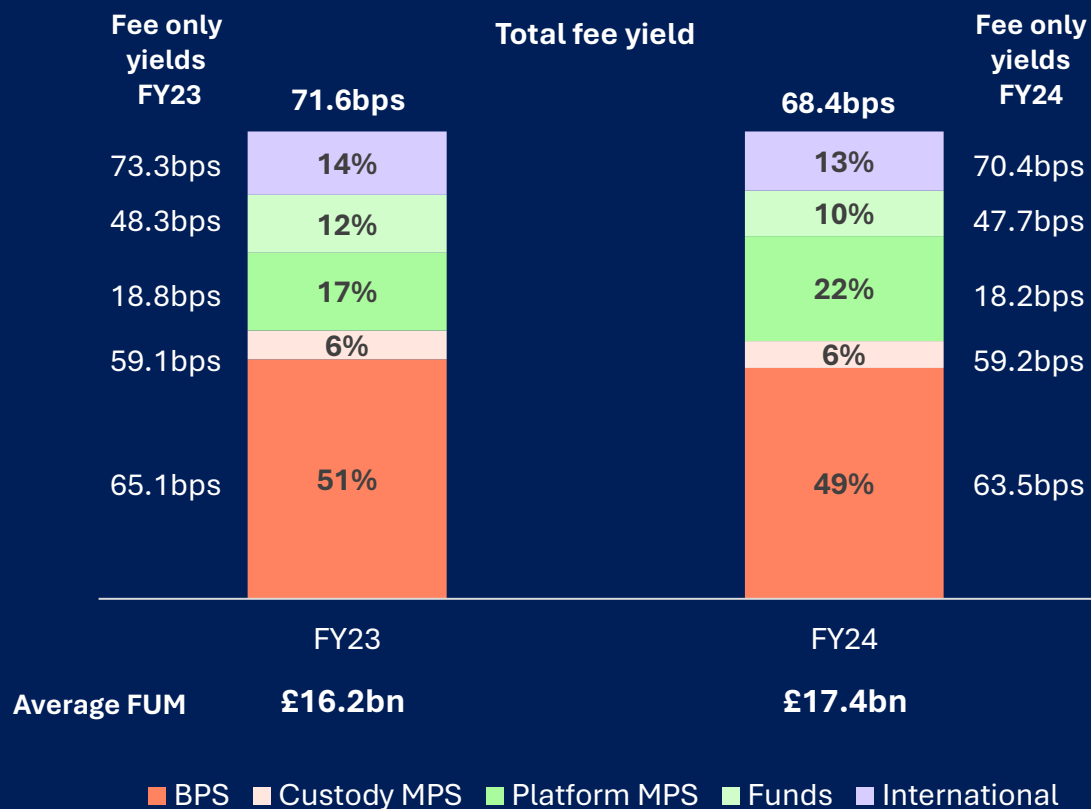
A key driver of our business

	Low Risk	Low-Medium Risk	Medium Risk	Medium-High Risk	High Risk
1 year	Outperformed	Outperformed	Outperformed	Outperformed	Outperformed
5 year	Underperformed	Underperformed	Outperformed	Outperformed	Outperformed
10 year	Outperformed	Outperformed	Outperformed	Outperformed	Outperformed

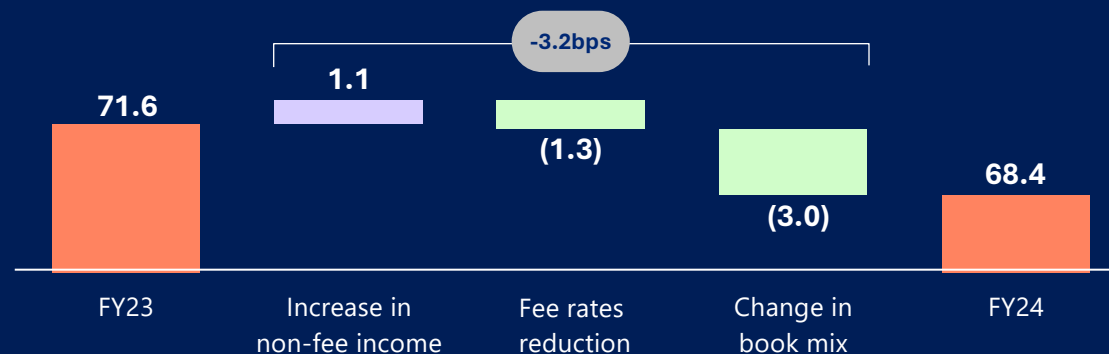
Performance relative to ARC Private Client index series

# Product mix continues to drive changes in yield

Average FUM (%) and yields (bps)



Total yield bridge between FY23 and FY24 (bps)



Breakdown of Group's total revenue

£m	FY23	FY24	Change %
Fee income	91.5	92.1	0.7%
Transactional & FX income	13.3	15.3	15.0%
Financial planning income	6.6	8.2	24.2%
Interest income	12.4	12.7	2.4%
<b>Total revenue</b>	<b>123.8</b>	<b>128.3</b>	<b>3.6%</b>



# Management actions keep underlying costs flat

## Significant reduction in headcount costs

	FY23	FY24	Inc / (dec)	
	£m	£m	£m	%
Fixed staff costs	43.7	43.4	(0.3)	(0.7)
Variable staff costs	10.7	12.1	1.4	13.1
Acquired staff costs	1.7	3.1	1.4	82.4
<b>Total staff costs</b>	<b>56.1</b>	<b>58.6</b>	<b>2.5</b>	<b>4.5</b>
Non-staff costs	37.9	38.4	0.5	1.3
Acquired non-staff costs	0.4	0.1	(0.3)	(75.0)
<b>Total non-staff costs</b>	<b>38.3</b>	<b>38.5</b>	<b>0.2</b>	<b>0.5</b>
Net finance income	(0.9)	(2.9)	2.0	>100.0
<b>Total underlying costs</b>	<b>93.5</b>	<b>94.2</b>	<b>0.7</b>	<b>0.7</b>
Headcount (FTE) <sup>1</sup>	501	435	(66)	(13.2)
Total staff cost/Income	45.3%	45.7%		
Fixed staff cost/Income	35.3%	33.8%		
Non-staff cost/Income	30.6%	29.9%		

Total underlying costs movement FY23 to FY24 (£m)



**Note 1.** The decrease in headcount during the year includes the impact of the organisational changes announced on 31 October 2023 which were implemented in December 2023.

**Note 2.** The fixed staff costs and non-staff cost/income ratios have been calculated excluding the acquired costs.

# Strong capital and cash position

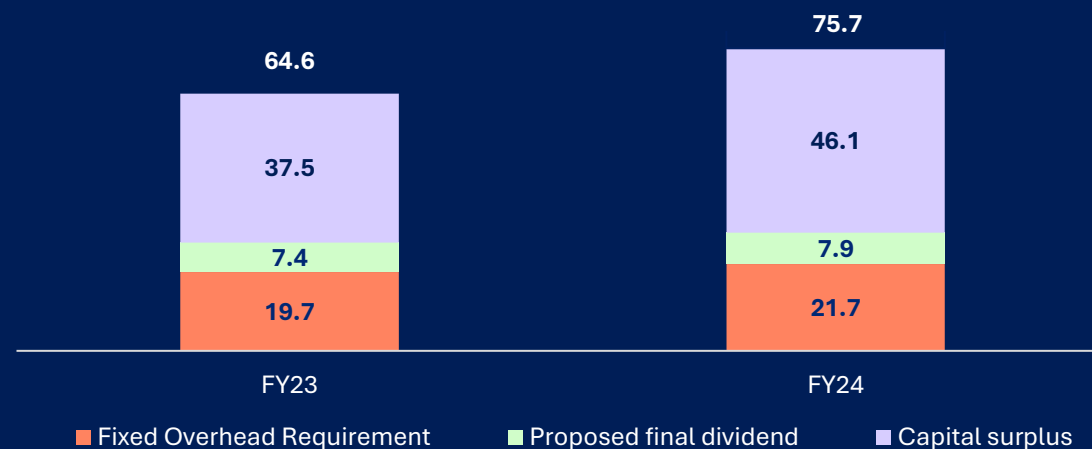
## Capital position

- Regulatory resources of £75.7m with a robust capital surplus £46.1m<sup>1</sup>
- Own Funds Capital Adequacy Ratio<sup>2</sup> of 348.5% (FY23: 328.1%)
- Own Funds not impacted by the goodwill impairment recognised at the half year

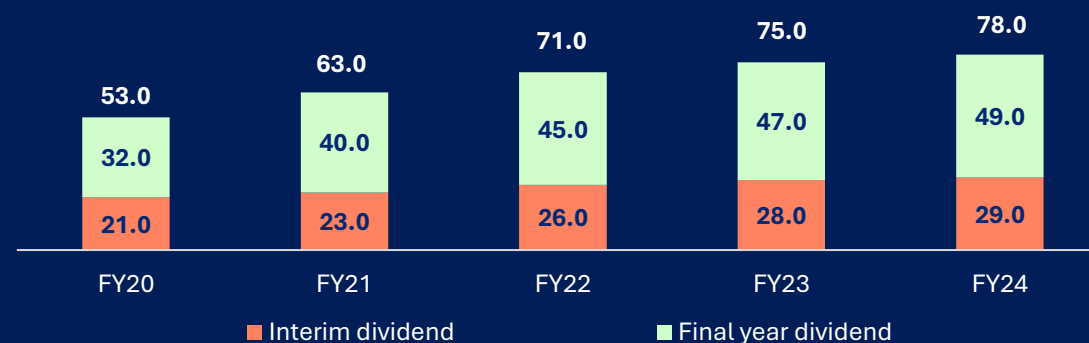
## Dividend

- Full Year dividend of 78.0p, up 4.0% on the prior year, in line with progressive dividend policy
- Cash (and cash equivalents) of £74.7m, up £21.3m in the year. Net of the liquidity requirement, net free cash surplus of £55.9m

Own Funds Breakdown (£m)



Dividend history (p)



**Note 1.** The increase in capital surplus is a result of improved modelling in our December 2023 ICARA assessment and a reduction of the internal management buffer

**Note 2.** 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

# Good financial results

- Record closing FUM up 7.0%, reflecting strong investment performance
- Revenue up 3.6% driven by higher financial planning fees, transaction and interest income
- Underlying costs stable, with decisive cost action mitigating inflationary increases
- Strong underlying profit margin of 26.6%
- Review of ongoing advice services concluded with no provision required
- Committed to Consumer Duty principles

## Summary financial performance

£m	FY23	FY24	Change
Closing FUM	16,847	<b>18,028</b>	+7.0%
Revenue	123.8	<b>128.3</b>	+3.6%
Underlying costs	(93.5)	<b>(94.2)</b>	+0.7%
Underlying PBT	30.3	<b>34.1</b>	+12.5%
Underlying PBT margin	24.5%	<b>26.6%</b>	+2.1ppts

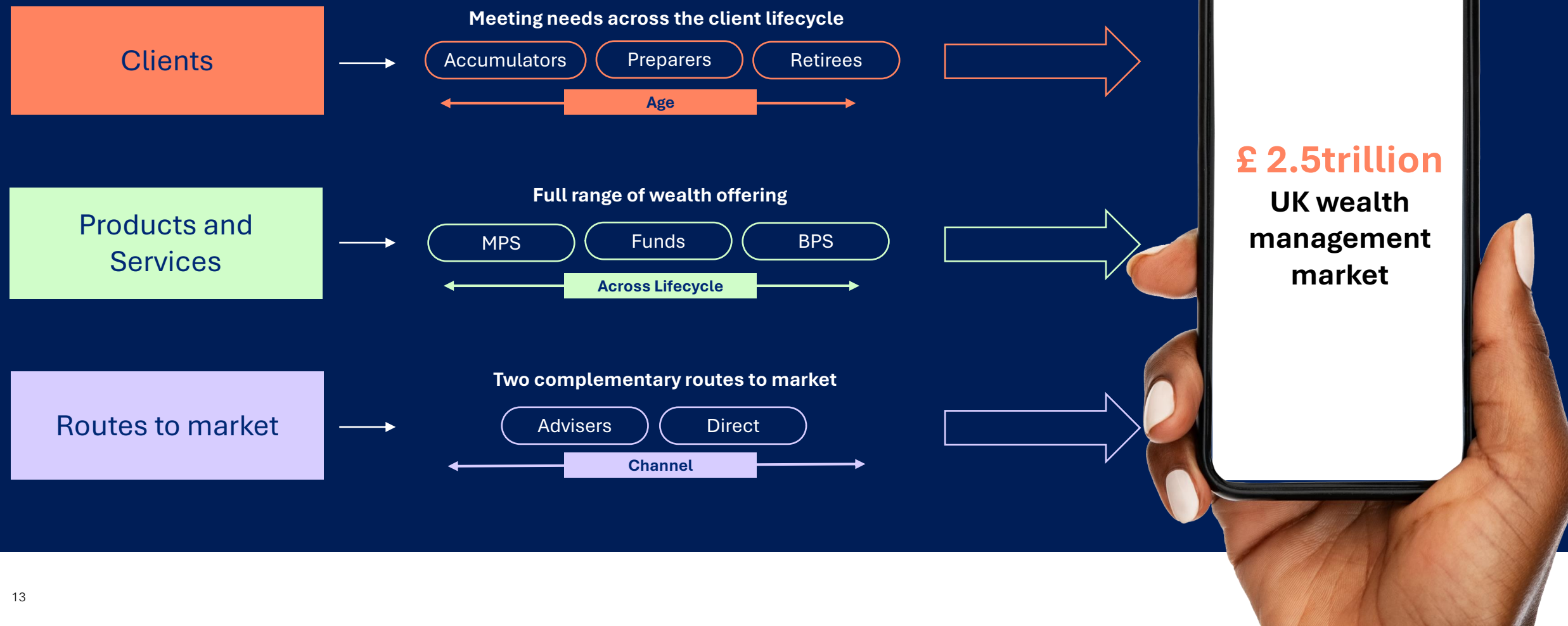
# Reigniting Growth

Playing to our strengths



# We meet the growing need for wealth management services across the client lifecycle

Our Purpose is clear – Realising ambitions and securing futures



# We operate in a highly attractive growth market driven by societal needs

Opportunity for Brooks Macdonald to realise ambitions and secure futures



## Ageing UK population

By 2041 **23%** of the population will be **over 65**



## Advice gap

**12.4m** people who could benefit from advice don't currently get it



## Retirement savings gap

**Average** pension pot in the UK is between **£60,000 to £70,000**



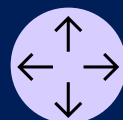
## Wealth transferring to women

Women hold **32%** of the world's wealth and this is increasing fast



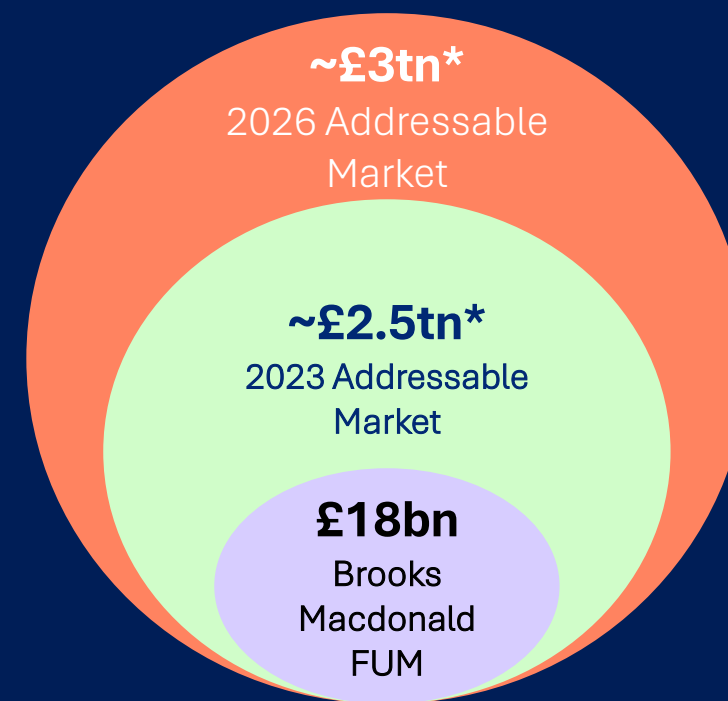
## Inter-generational wealth transfer

**£5.5tn** is expected to change hands over the next **30 years**



## Advisers are outsourcing more

Increasing use of **discretionary management services** in response to regulatory change and drive for efficiency and quality of service

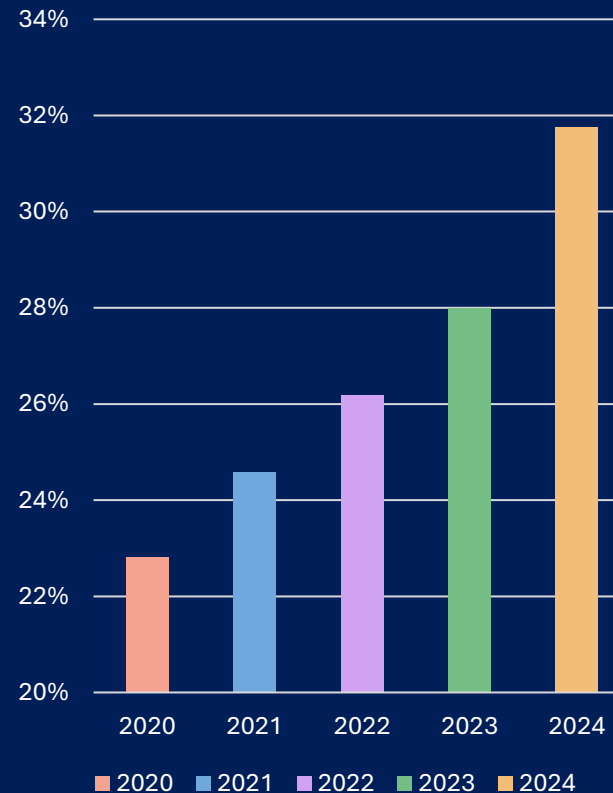


Sources: GlobalData, Boring Money Insights, Centre for Economics and Business, Office for National Statistics, Pensions and Lifetime Savings Association

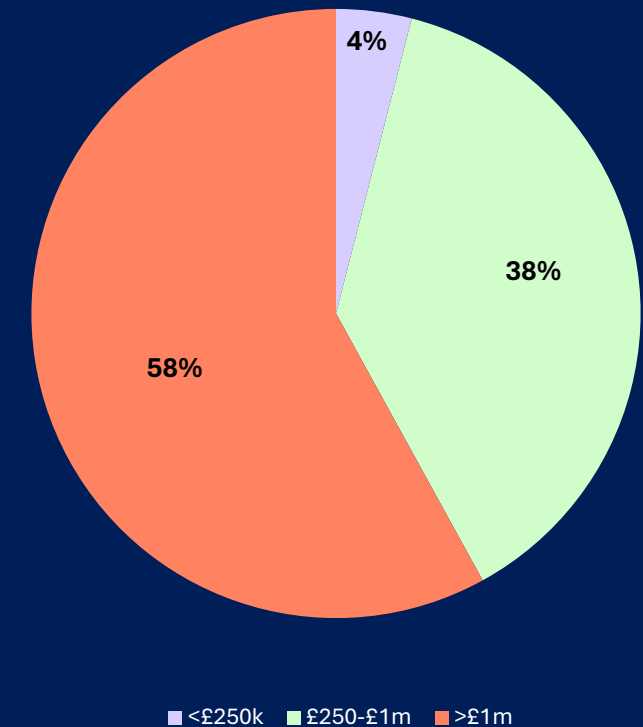
# BPS – serving clients with more complex needs

- BPS meets a structural need - as portfolios grow, our clients' needs become more complex
  - 20% growth in BM's BPS clients with portfolios exceeding £1m since 2020
  - Strong growth opportunity in retirement income
- BM advantages:
  - Breadth of propositions
  - Robust investment process
  - Culture drives strength of relationships with advisers
- Drive to increase products per adviser
- To ensure clients continue to receive the right service, around 4% of FuM are likely to migrate to MPS in coming years with a negligible revenue impact in FY25.

**Advisers increasingly using multiple BPS services**

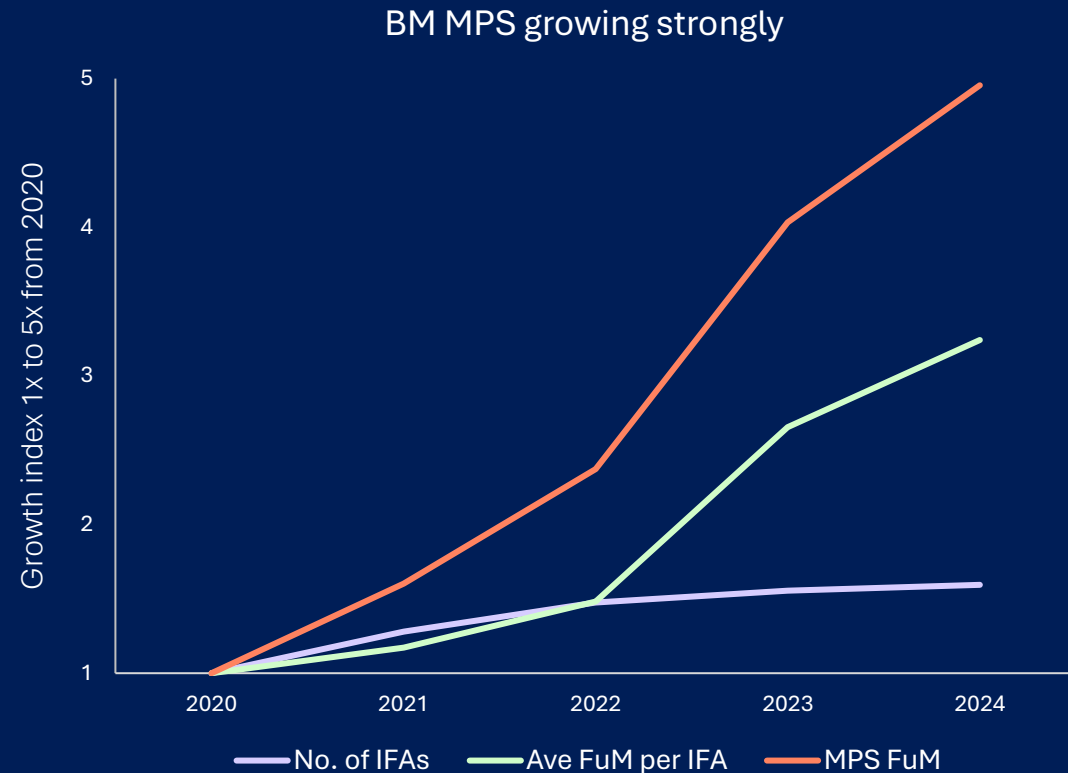


**BPS portfolio size**



# MPS – serving clients at scale

- MPS suitable for a wide range of clients
- BM MPS has grown rapidly
  - FuM 5x in four years
  - More advisers placing more assets
- BM is scaling its offering in this fast-growing segment:
  - 4 investment strategies, 5 risk levels
  - Available on 21 platforms and directly
  - Rigorous investment process and governance
  - Quality of service (customer reporting, adviser updates)
- Platform MPS and BMIS to meet breadth of advisers' needs
  - Established track record as one of the first to launch tailored MPS partnerships
  - Recognised for customer service excellence among adviser community in 2024 Defaqto report





# Our strengths give us the opportunity for future growth

## Clear strengths today

Talented People	Average tenure of IM: 10 years
Broad investment proposition	Comprehensive proposition across BPS, MPS and Funds offered via intermediaries and direct
Delivering attractive investment returns	Client portfolios across all 5 risk categories outperformed ARC indices over 1 and 10 years
Culture of high-touch service	2024 Defaqto report: Brooks Macdonald was a top performing DFM for service
Strong distribution	Over 800 advisers use our BPS products c. 60% growth in advisers using MPS over last 5 years
Trusted Brand	2024 Defaqto report: Brooks Macdonald was 2 <sup>nd</sup> most recommended DFM provider
Strong financial profile	Nineteenth successive annual dividend increase FY24 capital adequacy ratio of 348.5%



# Reigniting Growth

Priorities, guidance & outlook

# Three strategic priorities to Reignite Growth

**1**

A photograph showing a business handshake over a table with documents, symbolizing a deal or agreement.

**Delivering Excellent Client Service**


Flows & Revenues

**2**

A close-up photograph of a person's hands holding and using a smartphone, with a laptop and a jar of snacks visible in the background.

**Broadening & Deepening Client Reach**

**3**

A photograph of a business meeting where several people are gathered around a table, looking at documents and charts, with one person pointing at a chart.

**Driving Scale & Efficiencies**

Efficiency

**Supplemented by targeted M&A against strict criteria**

# Three priorities to Reignite Growth

1

## Delivering Excellent Client Service

### Key priorities

Unlock the full potential of Brooks Macdonald's client centric culture

Proactively tailor our service to client needs

Launch differentiated and innovative new products to further drive business growth

Client retention rate

Top 3 DFM provider



# Three priorities to Reignite Growth

2

## Broadening and Deepening Client Reach

### Key priorities

Take the Group's broad product range to our existing network and new connections

Increase brand awareness

Enhance data analytics to support lead generation

No. of Advisers & Clients

% of Advisers with  
>1 product



# Three priorities to Reignite Growth

3

## Driving Scale & Efficiencies

### Key priorities

Build talent and execution capabilities to support delivery of client service

Leverage automation across front office and support teams to increase productivity

Optimise investment and client reporting services to improve efficiency

Cost : Income management

FUM per employee



# Potential to accelerate growth from selective M&A

We will explore opportunities that meet our strict acquisition assessment criteria

## Business

- A successful business with a track record of growth
- Right cultural fit

## Financial

- Attractive financial return
- Cost synergies

## Strategy & Operations

- Operational compatibility
- Geographical alignment in UK

# Deploying M&A – International Strategic Review Outcome

## Sale of Brooks Macdonald International



**Strategic review concluded sale was the best option for both Group and International**



**Total consideration reflects the underlying strength of the business and quality of the team: up to £50.85m, subject to revenue targets**



**Highly credible buyer with a strong presence in the Channel Islands**



**Initiated cost actions to reflect the simplified Group structure**



**Successful sale process\*, demonstrating our execution ability**

\*subject to regulatory approval



**Transaction due to complete by March 2025, with an impact of c £2m on group underlying profit**



# Medium-Term Targets

Confidence in delivering our strategy

	FY24 Performance	Medium Term target
Net Flows	c.£0.6bn outflow	5% annualised net flows
BAU Cost Growth	Underlying cost growth less than 1%	<5% per annum

# FY25 Guidance and Outlook

- Return to overall positive net flows later in the year
- The blended revenue yield to follow its established trend
- Interest income in HY24 was in line with our guidance. Following on from that, we expect interest income to be impacted by further BOE base rate reductions. For FY25, we expect client interest turn to be c. £7-8m
- We continue to actively manage our costs and drive efficiencies
- We expect capex to average £4-5m

# In Summary

Unlock the full potential of Brooks Macdonald

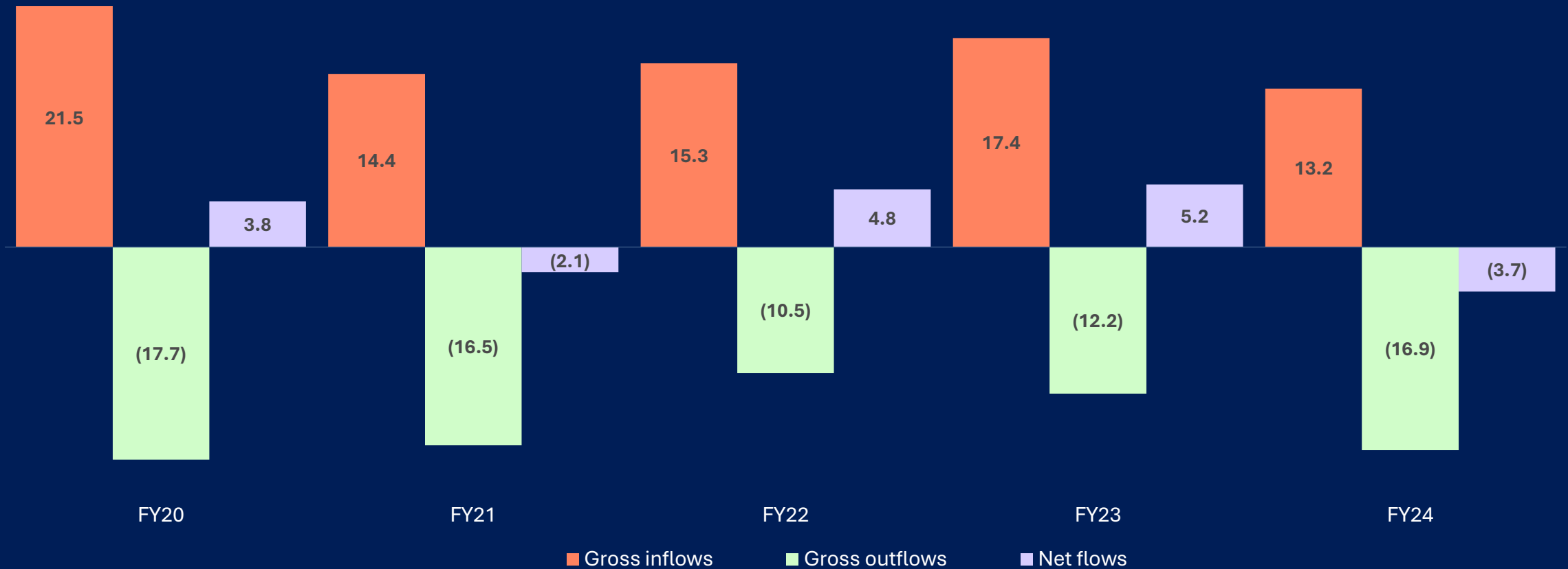
- **A good set of results, with strong capital and cash position**
- **Strategic progress - creating a more simplified and efficient business**
- **A clear strategy to reignite growth**
- **Strengthened leadership team to drive execution at pace**

# Appendix



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

Annualised gross and net flows (%)



Note 1. 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)	FY24					Closing FUM (£m)
	Opening FUM (£m)	H1 (£m/%)	H2 (£m/%)	Total FY (£m/%)	Inv. Perf. (£m)	
BPS	8,527	(192) (4.5%)	(363) (8.5%)	(555) (6.5%)	908	8,880
MPS Custody	966	(35) (7.2%)	(45) (9.3%)	(80) (8.3%)	88	974
MPS Platform (inc. BMIS)	3,489	268 15.4%	200 11.5%	468 13.4%	410	4,367
Funds	1,708	(149) (17.4%)	(188) (22.0%)	(337) (19.7%)	174	1,545
<b>UKIM</b>	<b>14,690</b>	<b>(108)</b> <b>(1.5%)</b>	<b>(396)</b> <b>(5.4%)</b>	<b>(504)</b> <b>(3.4%)</b>	<b>1,580</b>	<b>15,766</b>
International	2,157	(60) (5.6%)	(52) (4.8%)	(112) (5.2%)	217	2,262
<b>Group</b>	<b>16,847</b>	<b>(168)</b> <b>(2.0%)</b>	<b>(448)</b> <b>(5.3%)</b>	<b>(616)</b> <b>(3.7%)</b>	<b>1,797</b>	<b>18,028</b>



Broad network of IFAs and Platforms expanding our distribution reach



BMIS proposition remains strong with pipeline building



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

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

	Revenue			Yields			Avg FUM		
	FY23	FY24	Change	FY23	FY24	Change	FY23	FY24	Change
	£m	£m	%	bps	bps	bps	£m	£m	%
BPS fees	54.2	54.4	0.4	65.1	63.5	(1.6)	8,318	8,579	3.1
BPS non-fees (transactional & FX)	10.4	12.2	17.3	12.5	14.2	1.7	-	-	-
BPS non-fees (interest turn)	9.7	10.2	5.2	11.7	11.9	0.2	-	-	-
<b>Total BPS</b>	<b>74.3</b>	<b>76.8</b>	<b>3.4</b>	<b>89.3</b>	<b>89.6</b>	<b>0.3</b>	<b>8,318</b>	<b>8,579</b>	<b>3.1</b>
MPS Custody	5.7	5.8	1.8	59.1	59.2	0.1	967	972	0.5
MPS Platform	5.2	7.1	36.5	18.8	18.2	(0.6)	2,750	3,892	41.5
MPS Custody non-fees (interest turn)	1.1	1.2	9.1	11.7	11.9	0.2	-	-	-
<b>Total MPS</b>	<b>12.0</b>	<b>14.1</b>	<b>17.5</b>	<b>32.3</b>	<b>29.0</b>	<b>(3.3)</b>	<b>3,717</b>	<b>4,864</b>	<b>30.9</b>
<b>UKIM discretionary</b>	<b>86.3</b>	<b>90.9</b>	<b>5.3</b>	<b>71.7</b>	<b>67.6</b>	<b>(4.1)</b>	<b>12,035</b>	<b>13,443</b>	<b>11.7</b>
Funds	9.6	8.4	(12.5)	48.3	47.7	(0.6)	1,997	1,769	(11.4)
<b>Total UKIM</b>	<b>95.9</b>	<b>99.3</b>	<b>3.5</b>	<b>68.4</b>	<b>65.3</b>	<b>(3.1)</b>	<b>14,032</b>	<b>15,212</b>	<b>8.4</b>
International fees	16.1	15.6	(3.1)	73.3	70.4	(2.9)	2,198	2,215	0.8
International non-fees (transactional & FX)	2.6	2.9	11.5	11.7	13.2	1.5	-	-	-
International non-fees (interest turn)	1.6	1.4	(12.5)	7.2	6.2	(1.0)	-	-	-
<b>Total International</b>	<b>20.3</b>	<b>19.9</b>	<b>(2.0)</b>	<b>92.2</b>	<b>89.8</b>	<b>(2.4)</b>	<b>2,198</b>	<b>2,215</b>	<b>0.8</b>
<b>Total FUM related revenue</b>	<b>116.2</b>	<b>119.2</b>	<b>2.6</b>	<b>71.6</b>	<b>68.4</b>	<b>(3.2)</b>	<b>16,230</b>	<b>17,427</b>	<b>7.4</b>
Financial planning fees	6.6	8.2	24.2						
Other income	1.0	0.9	(10.0)						
<b>Total non FUM related revenue</b>	<b>7.6</b>	<b>9.1</b>	<b>19.7</b>						
<b>Total Group revenue</b>	<b>123.8</b>	<b>128.3</b>	<b>3.6</b>						

## Notes on yields movement

### UKIM

- **BPS fee yield** lower by 1.6bps driven by underlying product mix and rates achieved on new business
- **BPS non-fee yield (transactional & FX)** up by 1.7bps 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 0.2bps 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 3.3bps overall due to the impact of product mix, higher weighting in the passive range and larger mandates at discounted tiered rates
- **Funds yield** reduced by 0.6bps as a result of timing of outflows during the period

### International

- **Fee yield** down by 2.9bps on the prior year driven by a change in mix
- **Non-fee yield (transactional income)** up by 1.5bps primarily as a result of increased trading volumes in the period
- **Non-fee yield (interest turn)** reduced by 1.0bps due to cash balances held in overseas currency accounts

### Other Income

- This comprises trail commission, transfer out fees and other ancillary type income

Note 1. AIM, Court of Protection, Decumulation, and Responsible Investment services.

# Statutory result impacted by goodwill impairment charge

	FY23	FY24
	£m	£m
<b>Underlying profit before tax</b>	<b>30.3</b>	<b>34.1</b>
Goodwill impairment	-	(11.6)
Amortisation of client relationships	(5.7)	(6.0)
Organisational restructure costs	-	(3.0)
International strategic review	-	(1.5)
Acquisition and integration related items	(0.6)	(0.4)
Dual running operating platform costs	(1.6)	-
Changes in fair value and finance cost of deferred contingent consideration	(0.2)	-
<b>Total underlying adjustments</b>	<b>(8.1)</b>	<b>(22.5)</b>
<b>Statutory profit before tax</b>	<b>22.2</b>	<b>11.6</b>
Taxation	(4.1)	(5.2)
<b>Statutory profit after tax</b>	<b>18.1</b>	<b>6.4</b>
<b>Balance sheet and own funds</b>	<b>FY23</b>	<b>FY24</b>
Total Net Assets <sup>1</sup> (£m)	157.3	152.3
Cash (including Gilts investment) (£m)	53.4	74.7
Own Funds Adequacy (%)	328.1	348.5

## 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 (£6.0m)

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

## 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.

## International strategic review (£1.5m)

- As announced in March 2024, the Group is carrying out a strategic review of the International business and incurred consultancy spend to assist with the review.

## Acquisition and integration related items (£0.4m)

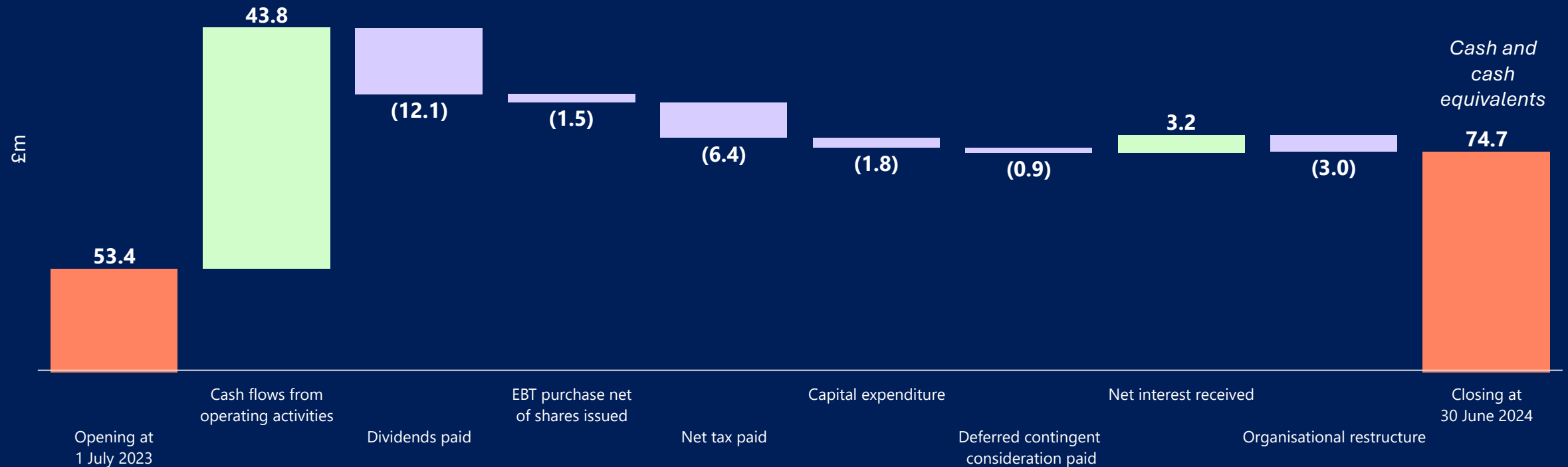
- These represent the share-based payment integration charge for share options awarded to acquired employees as part of prior period acquisitions.

## Balance sheet and regulatory capital

- Balance sheet remains strong, lower net assets due to intangible asset impairment.
- Robust Own Funds Adequacy ratio of 348.5% providing surplus capital resources to support dividend growth and M&A opportunities.



# Healthy cash balances supporting dividend growth and building capacity for targeted M&A opportunities



# Strong investment performance

Risk Profiles		Cumulative performance (%)			
		1 year to 30.06.24	3 years to 30.06.24	5 years to 30.06.24	10 years to 30.06.24
Low Risk	BM Low Risk	8.19	0.32	8.01	30.17
	ARC Sterling Cautious PCI	6.14	-0.03	8.99	26.49
	Relative performance	2.05	0.35	-0.99	3.68
Low-to-Medium Risk	BM Low-to-Medium Risk	9.98	2.51	15.63	48.51
	ARC Sterling Balanced Asset PCI	8.92	3.07	15.84	44.16
	Relative performance	1.05	-0.56	-0.21	4.34
Medium Risk	BM Medium Risk	11.84	4.23	23.37	66.64
	ARC Sterling Steady Growth PCI	10.57	5.41	21.52	62.89
	Relative performance	1.27	-1.18	1.84	3.75
Medium to-High Risk	BM Medium-to-High Risk	13.29	3.26	29.67	86.28
	ARC Sterling Equity Risk PCI	12.13	6.79	27.30	77.94
	Relative performance	1.16	-3.53	2.37	8.34
High Risk	BM High Risk	13.93	1.69	31.88	96.62
	ARC Sterling Equity Risk PCI	12.13	6.79	27.30	77.94
	Relative performance	1.80	-5.09	4.58	18.68

Source: Brooks Macdonald, Asset Risk Consultants (ARC) Research Limited [www.suggestus.com](http://www.suggestus.com). All data as at 30 June 2024

Note: 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.