

Rathbone Brothers Plc

Third quarter funds under management increased to £47.3 billion following completion of acquisition

Rathbone Brothers Plc (“Rathbones”) announces a trading update for the three months ended 30 September 2018.

Philip Howell, Chief Executive of Rathbone Brothers Plc, said:

“Our continuing growth and the acquisition of Speirs & Jeffrey on 31 August 2018 helped our total funds under management increase to £47.3 billion at 30 September 2018. This increase in scale places us in a strong position to continue to improve our service to clients and, mindful of recent volatility in investment markets, to maintain our disciplined investment in the business.”

Financial highlights:

- On 31 August 2018 we completed the acquisition of Speirs & Jeffrey for an initial consideration of £104 million. This consisted of £79 million of cash (“initial cash consideration”) and the issue of 1,006,522 new ordinary Rathbones shares (“initial consideration shares”) to Speirs & Jeffrey shareholders. As previously announced, further contingent consideration and earn-out payments may also be payable depending upon the achievement of certain targets.
- Total funds under management, including £6.7 billion from Speirs & Jeffrey, were £47.3 billion at 30 September 2018; up 18.5% from £39.9 billion at 30 June 2018 or up 1.8% excluding the impact from the Speirs & Jeffrey acquisition. This compared to a decrease of 1.7% in the FTSE 100 Index and an increase of 1.0% in the MSCI WMA Private Investor Balanced Index in the three months ended 30 September 2018. Underlying net operating income was £80.3 million for the three months ended 30 September 2018, up 13.9% from £70.5 million in the third quarter of 2017.
- The net annualised growth in funds under management for Investment Management, excluding the acquisition of Speirs & Jeffrey, in the three month period was 2.8% (2017: 3.5%). Net organic growth in the third quarter represents an annualised growth rate of 2.6% (2017: 2.6%) contributing to a 2.3% net organic growth rate for the nine month period to 30 September 2018 (2017: 2.9%).
- Net operating income of £70.8 million in Investment Management for the three months ended 30 September 2018 was 13.3% higher than the £62.5 million for the comparable period in 2017. The value of the FTSE 100 Index on the third quarter charging date was 7510 compared with 7373 a year ago. The MSCI WMA Private Investor Balanced Index was 1612 and 1545 on the equivalent dates.
- Funds under management in Unit Trusts at 30 September 2018 were £6.0 billion, up 3.4% from £5.8 billion at 30 June 2018. Net inflows for the quarter were £121 million compared to £342 million a year ago, reflecting a more difficult trading environment for asset management generally. Net operating income of £9.5 million for the three months ended 30 September 2018 was 18.8% higher than the £8.0 million for the comparable period in 2017.

Net operating income

	3 months ended 30 September			9 months ended 30 September		
	2018	2017	Change	2018	2017	Change
	£m	£m	%	£m	£m	%
Investment Management						
- Fees	51.9	47.7	8.8	150.3	140.2	7.2
- Commissions	9.8	8.2	19.5	30.8	30.1	2.3
- Net interest income	4.0	2.9	37.9	10.9	8.5	28.2
- Fees from advisory services ¹ and other income	5.1	3.7	37.8	14.1	11.2	25.9
	70.8	62.5	13.3	206.1	190.0	8.5
Unit Trusts	9.5	8.0	18.8	27.4	22.9	19.7
Underlying net operating income	80.3	70.5	13.9	233.5	212.9	9.7
Average FTSE 100 Index on principal charging dates ²	7510	7373	1.9	7449	7339	1.5
Average MSCI WMA Balanced Index on principal charging dates ²	1612	1545	4.3	1582	1538	2.9

(1) Including income from trust, tax, pension advisory services and Vision Independent Financial Planning.

(2) The principal charging dates for Investment Management clients are 5 April, 30 June, 30 September and 31 December. Unit Trust income accrues on daily levels of funds under management.

Funds under management

	3 months ended 30 September		9 months ended 30 September	
	2018	2017	2018	2017
	£m	£m	£m	£m
(i) Investment Management				
Opening FUM (1 July/1 January)	34,140	31,981	33,780	30,184
Inflows	7,508	809	9,262	2,542
Organic new business	800	742	2,493	2,311
Acquired new business	6,708	67	6,769	231
Outflows	(582)	(532)	(1,922)	(1,663)
Market adjustment	208	277	154	1,472
Closing FUM (30 September)	41,274	32,535	41,274	32,535
Underlying annualised rate of net organic growth	2.6%	2.6%	2.3%	2.9%
Annualised rate of net inflows ³	2.8%	3.5%	2.6%	3.9%
(ii) Unit Trusts				
Opening FUM (1 July/1 January)	5,776	4,634	5,367	4,051
Inflows	459	521	1,432	1,254
Outflows	(338)	(179)	(1,012)	(643)
Market adjustment	109	6	219	320
Closing FUM (30 September)	6,006	4,982	6,006	4,982
Total FUM (30 September)^{4, 5}	47,280	37,517	47,280	37,517
Net fund inflows				
Investment Management	6,926	277	7,340	879
Unit Trusts	121	342	420	611
Total	7,047	619	7,760	1,490

(3) Annualised rate of net inflows excludes the £6.7 billion acquired in relation to Speirs & Jeffrey.

(4) Includes £2.3 billion (30 September 2017: £1.0 billion) of execution only funds, Greenbank funds of £1.2 billion (30 September 2017: £1.0 billion) and funds managed with a charitable mandate of £5.7 billion (30 September 2017: £4.5 billion).

(5) Cash in client portfolios was £2.3 billion (2017 average: £2.3 billion). Loans and advances to customers were £131.1 million at 30 September 2018, up 6.7% on the £122.9 million at 30 June 2018.

The FTSE 100 Index closed at 7059 on 16 October 2018, a decrease of 6.0% since 30 September 2018. Investment Management fee income in the fourth quarter is dependent upon the value of funds under management at 31 December 2018.

Speirs and Jeffrey

The initial cash consideration of £79 million has been capitalised. The initial consideration shares are contingent on the continued employment of the recipients; therefore, the value of these will be charged to profit or loss over the three years post completion to August 2021 in accordance with IFRS 3.

The additional contingent share consideration of 0.6 million new Rathbones shares is also conditional on certain operational performance targets and the continued employment of the recipient and therefore will be charged to profit and loss over the period post completion until performance conditions are met. The award is payable no earlier than six months post completion. Any earn-out awards must satisfy the same employment conditions as above and will be charged to profit and loss over the period to December 2021.

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Rathbone Brothers Plc

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Rathbones has over 1,400 staff in 15 UK locations and Jersey; its headquarters is 8 Finsbury Circus, London.

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