



Rathbones

Look forward

Acquisition of Saunderson House

Taking our strategy forward

23 June 2021

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Acquisition of Saunderson House for £150m¹

Rationale for Rathbones and its clients

1

On strategy acquisition of a like-minded business with primary focus on delivering quality client outcomes

2

Further strengthens Rathbones' financial planning capability and enhances the wider wealth proposition we provide to HNW and UHNW clients with a combined 80 in-house financial planners

3

An opportunity to deliver meaningful growth in highly attractive market segments focused on HNW professional clients with complex needs

4

Reinforces Rathbones' industry positioning with pro forma FUMA of c.£61bn²

5

Delivers value creation for shareholders underpinned by revenue and cost synergies, EPS accretion of c.10% and ROIC of c.12% in the third year following completion

Rationale for Saunderson House and its clients

1

Long-term stable home for Saunderson House and its clients in a client-centric and culturally aligned business

2

Enhanced investment management proposition by leveraging Rathbone Funds, Rathbones Investment Management ("RIM") and Greenbank expertise resulting in a wider range of investment solutions

3

Opportunity to expand from the South East and work closely with Rathbones offices

1. Before a locked box adjustment mechanism with an additional impact of £3.4m for excess net working and regulatory capital. Initial consideration includes repayment of £45.0m debt. Saunderson House means the acquisition of CastleCo Limited, the holding company of the Saunderson House group

2. Based on Rathbones FUMA as at 31 March 2021 and Saunderson House FUMA as at 31 Dec 2020

Saunderson House: taking our strategy forward



Proposition

Saunderson House will further broaden Rathbones' financial planning capability to provide clients with deeper expertise, and widen the choice of services we offer them



Growth

Saunderson House will increase our capacity to provide financial planning to existing RIM clients, as well as being a source of new business from an important UK wealth sector over the long-term



People

Saunderson House is a strong cultural fit, adding a broader community of like-minded financial planning and investment professionals and creating wider career development opportunities in the larger group

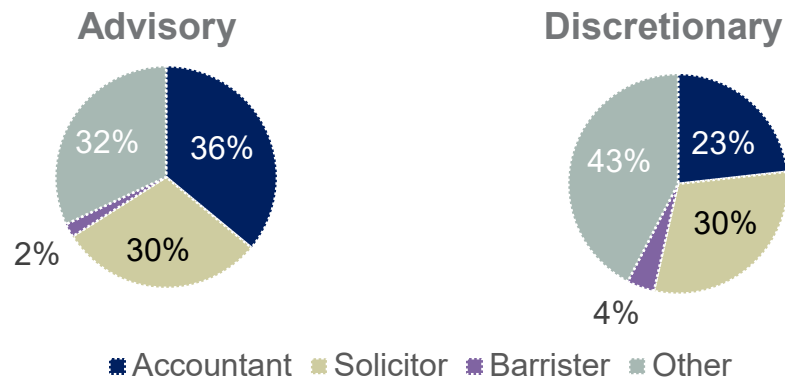


Efficiency

Saunderson House adds scale and presents opportunities to streamline operational processes to drive efficiency and productivity

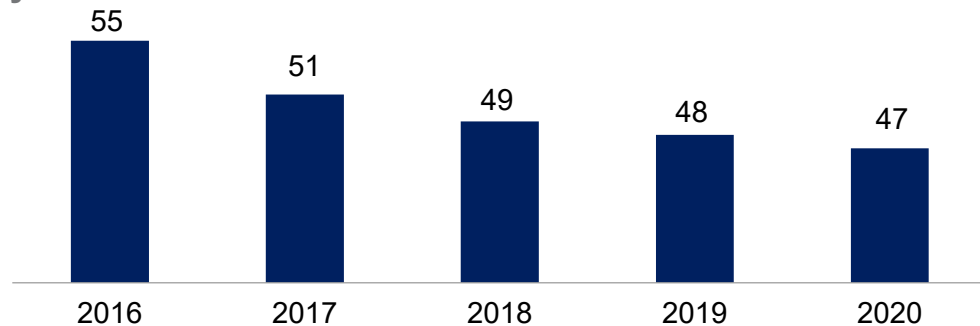
Delivering meaningful growth in highly attractive market segments

Saunderson House's client mix grows our share of professional clients¹



Progressively younger client focus¹

Median age of new Saunderson House client wins each year



1. Source: Saunderson House

- Saunderson House embeds its client relationships through its streamlined process for professional services firms' partners who are required to adhere to complicated portfolio compliance requirements
- Clients are typically senior individuals in their chosen specialism and wealthy but often "time poor" when it comes to managing their complex financial affairs
 - Complexity requires financial planners to have greater expertise and specialism
- Increasing client focus on individuals earlier on in their life and careers, with a longer period of wealth accumulation ahead of them
- Combining Saunderson House's scale with Rathbones' investment management capability will enable an improved client service offering, driving increased penetration of these market segments
- Rathbones Financial Planning team received the Gold award for Financial Advisory Firm of the Year at the Citywealth Magic Circle Awards 2021
- Saunderson House, with their historical focus on this attractive segment, will complement the Rathbones team

Acquisition delivers attractive financial metrics

Value creation

- Attractive revenue synergies earned from:
 - Aligning the Saunderson House service proposition with that of Rathbones
 - Leveraging the strength of Rathbones' brand and platform to drive further origination
 - The continued trend of clients converting from an advisory mandate to discretionary arrangements
 - Cost synergies earned principally from the streamlining of operational processes
 - Delivery of synergies will be phased over time to maintain operational stability and quality of service throughout the transition

Underlying c.10% EPS accretion & c.12% return on investment

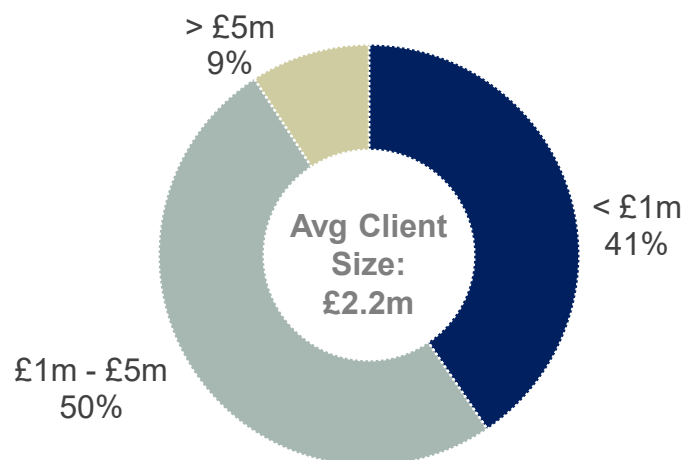
- Underlying EPS accretive in the first full year following the acquisition
- Underlying EPS accretion of approximately 10% in 2024, the third year following completion
- Underlying return on investment of approximately 12% in 2024, the third year following completion

Capital

- Strategic deployment of surplus capital
- Capital levels continue to remain robust incorporating a management buffer
- Capital surplus sufficient for further small acquisitions in a consolidating market

An overview of Saunderson House

Client breakdown by portfolio size



Key financial metrics¹

	FY Dec-20
FUMA ¹	£4.7bn
Revenue	£34.7m
Operating Profit	£6.0m
Operating Profit Margin	17%
Revenue Margin ³	0.72%
Gross Assets	£20.6m

1. As per FY20 statutory accounts

2. Source: Saunderson House

3. Gross revenue over average FUMA of 2019 and 2020 as per statutory accounts

- A UK-based advice-led wealth management business, with a focus on professional services clients
- Provides a wider wealth proposition of financial planning and investment management (provided in-house)
- Award winning client and service proposition is associated with highly tailored advice
- Tailored services to accountants and lawyers with long-standing and embedded relationships with leading accountancy and law firms
- Has £4.7bn¹ FUMA across c.2,200 clients²; 85% advisory and 15% discretionary²
- High net worth client base with average portfolio size of £2.2m²
- Team of 55² certified financial advisers based in London

Meeting a growing demand for financial advice

The importance of timely financial advice

- Increasing need for financial advice in the UK market driven by a number of factors including:
 - Pension freedoms and complexity of associated options
 - Decline of DB pension schemes / responsibility for retirement planning increasingly passed to individuals
 - Creation and promotion of tax wrappers and increased interest in stock market investing
 - High savings ratios
- The ‘advice gap’

Our current three-pronged approach

- Rathbones Financial Planning – in-house team providing whole of market advice through employed financial planners
 - Currently sub-scale
- Vision Independent Financial Planning, an independent IFA network committed to discretionary fund management investment solution
 - Self-employed advisers
- Distribution of investment services to external IFAs with a combined RIM/Rathbone Funds sales team and market presence
 - Provision of direct investment services

Further strengthening the delivery of our wealth proposition

Saunderson House has a broad financial planning service offering

**Cash flow
modelling
and
forecasting**

**Estate and
tax planning**

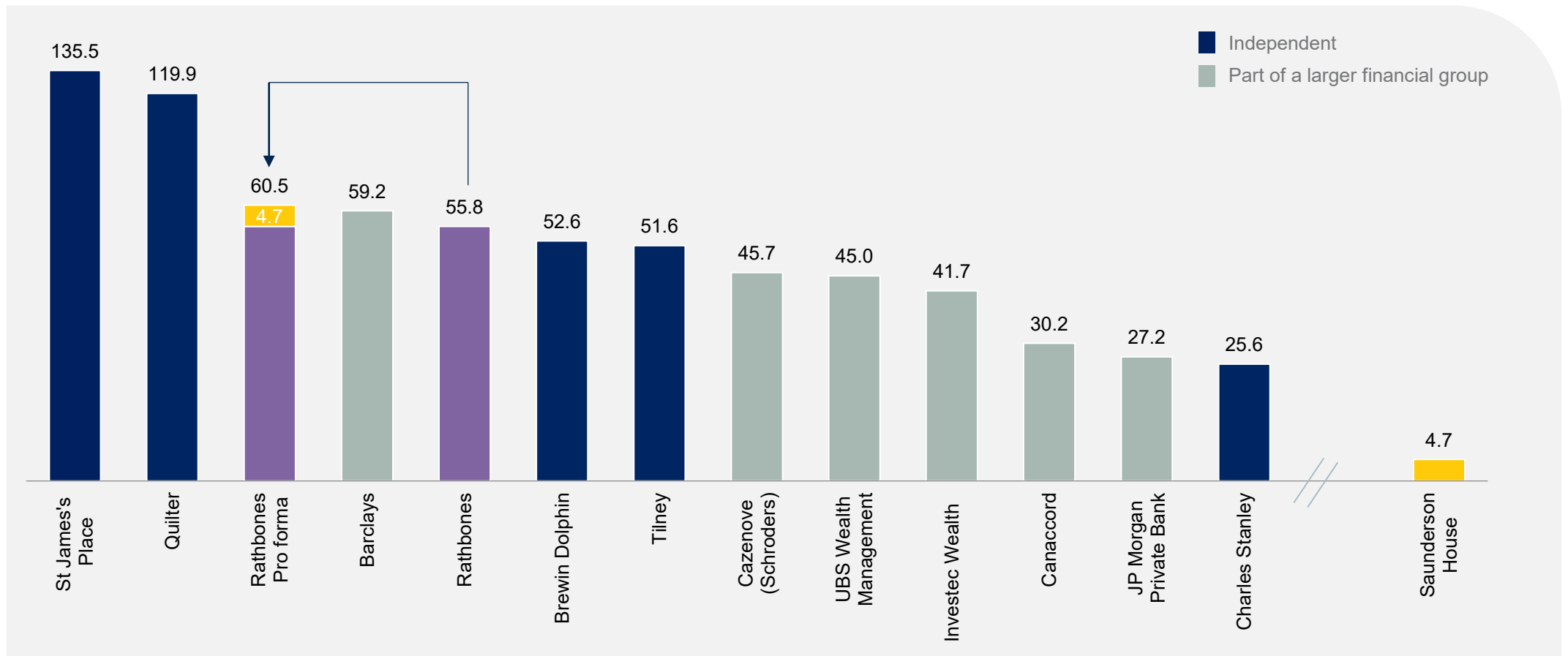
**Pension
planning**

Investments

- Saunderson House's advisers help clients to design and maintain a comprehensive financial plan, navigating the increasingly complex tax and pensions landscape
- The acquisition of Saunderson House:
 - Widens the wealth proposition we can provide to HNW and UHNW clients, helping build stronger institutional relationships
 - Increases the number of in-house financial planners/relationship managers from 25 to 80, (with London increasing from 14 to 69) satisfying untapped latent demand for high quality in-house financial planning
 - Increases Rathbones financial planning FUMA (including Vision) from £3.7bn to £8.3bn

Reinforces Rathbones' industry positioning

Top UK Wealth Managers by FUMA (£bn)¹



1. Rathbones as at 31 March 2021 and Saunderson House as at 31 Dec 2020. Others based on latest available public disclosure or PAM if not disclosed

Consideration structure promotes aligned interests and underpins attractive financial returns

Initial consideration	£135.1m ¹	<ul style="list-style-type: none"> – Funded by a combination of internal cash resources and a proposed £50m placing (c.5% issued share capital) – Includes repayment of £45m of existing debt – Management and employee shareholders will hold a significant proportion of their consideration in Rathbones shares subject to ongoing employment conditions and vesting restrictions
Deferred consideration	£14.9m	<ul style="list-style-type: none"> – Payable on the first anniversary following completion – Majority payable in cash with management and employees who are shareholders receiving Rathbones shares
Employee Incentive plan	Up to £7.5m	<ul style="list-style-type: none"> – Key employees will be eligible for an employee incentive plan award based on achieving growth and operational targets aligned to the value creation of the transaction up to 31 December 2024 – Payable shortly after fiscal year 2024 and in Rathbones shares
Expected completion	Q3 2021	<ul style="list-style-type: none"> – Acquisition subject to FCA approval and other customary closing conditions
Attractive returns	ROIC: c.12% EPS: c.10%	<ul style="list-style-type: none"> – Underlying returns are for the third year following the acquisition – EPS accretive on an underlying basis in the first full year

1. Before a locked box adjustment mechanism with an additional impact of £3.4m for excess net working and regulatory capital. With the locked box adjustment, the initial consideration increases to £138.5m comprised of £133.2m cash and £5.3m in new shares

The acquisition of Saunderson House delivers on our growth strategy

- Achieves our strategic priority of supporting and delivering growth: penetrating specialist markets and driving organic growth
- Significantly increases our financial planning scale, expertise and capacity to grow
- Meets all the key criteria for an acquisition:
 - ✓ Cultural alignment
 - ✓ Client-centric philosophy
 - ✓ Adds to wealth advisory capability
 - ✓ >10% return on investment
 - ✓ Ongoing commitment from Saunderson House management and employees
- Continues to execute on our long-stated strategy to support and deliver growth through strategic and complementary acquisitions

Questions

