



RATHBONES

# 2024 INTERIM RESULTS

July 2024  
Rathbones Group Plc





## YOUR TEAM TODAY



**PAUL STOCKTON**  
Group Chief Executive Officer



**IAIN HOOLEY**  
Group Chief Financial Officer

# **BUSINESS UPDATE: FOCUSED ON DELIVERY**

**Paul Stockton  
Group Chief Executive**

# H1 2024 KEY MESSAGES

## Improving flows

- Total FUMA **+3.4%** in H1 to **£108.9bn** (FY23: £105.3bn)
- Total Q2 gross inflows<sup>[1]</sup> **up 7.8%** on Q1
- IW&I outflows **23.7% lower** in Q2 vs Q1

## Underlying margin progression

- Underlying operating profit of **£112.1 million** (H1 23: £50.8m)
- Underlying operating margin of **25.1%** (H1 23: 21.3%)

## IW&I integration on track

- Client consent **well underway**
- Synergy delivery **ahead of plan**
- Rationalised property footprint

## InvestCloud launched

- First stage **InvestCloud** functionality launched
- **Enhancements** planned for H2
- **Complementary** IW&I applications

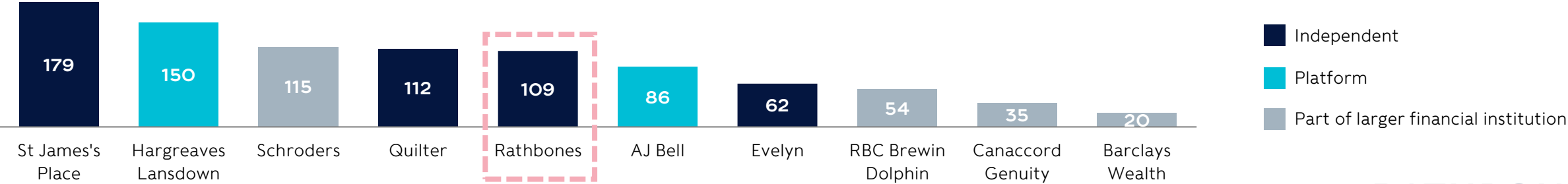
<sup>[1]</sup> RIM discretionary and managed gross inflows plus IW&I gross inflows

# AN INCREASING NEED TO SAVE, PLAN FOR AND GROW LONG-TERM WEALTH

## Why Rathbones?

BRAND AND SCALE	PROPOSITIONS	MARKETING & DISTRIBUTION	INFRASTRUCTURE AND PEOPLE	ROBUST FINANCIALS
<ul style="list-style-type: none"><li>Well-established, <b>trusted brand</b></li><li>Benefits of scale</li><li><b>Consolidation</b> continues</li></ul>	<ul style="list-style-type: none"><li><b>Investment and advice propositions:</b><ul style="list-style-type: none"><li>Bespoke investment management</li><li>Financial planning</li></ul></li><li><b>Asset management:</b><ul style="list-style-type: none"><li>Single strategy funds</li><li>Multi asset funds</li></ul></li></ul>	<ul style="list-style-type: none"><li><b>693</b> investment/asset managers, <b>115</b> financial planners</li><li><b>Dedicated</b> marketing and distribution teams:<ul style="list-style-type: none"><li>Direct/indirect/digital</li><li>Specialist</li></ul></li><li>Vision and Investec Bank</li></ul>	<ul style="list-style-type: none"><li><b>Strong</b> digital client engagement</li><li><b>Best of breed</b> applications</li><li><b>Stable</b> and <b>resilient</b> culture</li><li>Training and people development focus</li></ul>	<ul style="list-style-type: none"><li><b>Competitive</b> revenue margin</li><li><b>Recurring</b> income stream</li><li><b>Healthy</b> capital surplus</li><li><b>Progressive</b> dividend</li></ul>

UK Wealth Management ranking by AUM<sup>[1]</sup> (£bn)



<sup>[1]</sup> Public company accounts and Global Data

# IW&I INTEGRATION PROGRESSING WELL

## Propositions

- Increasing alignment
- Streamlining MPS
- Adding SIPP administration
- Investec Bank
- Ongoing development

## Investment process

- Common philosophy
- Best of both research
- Leveraging RAM

## Colleagues

- Focus on engagement
- Key leadership changes below Group Exec level complete
- Client facing turnover low

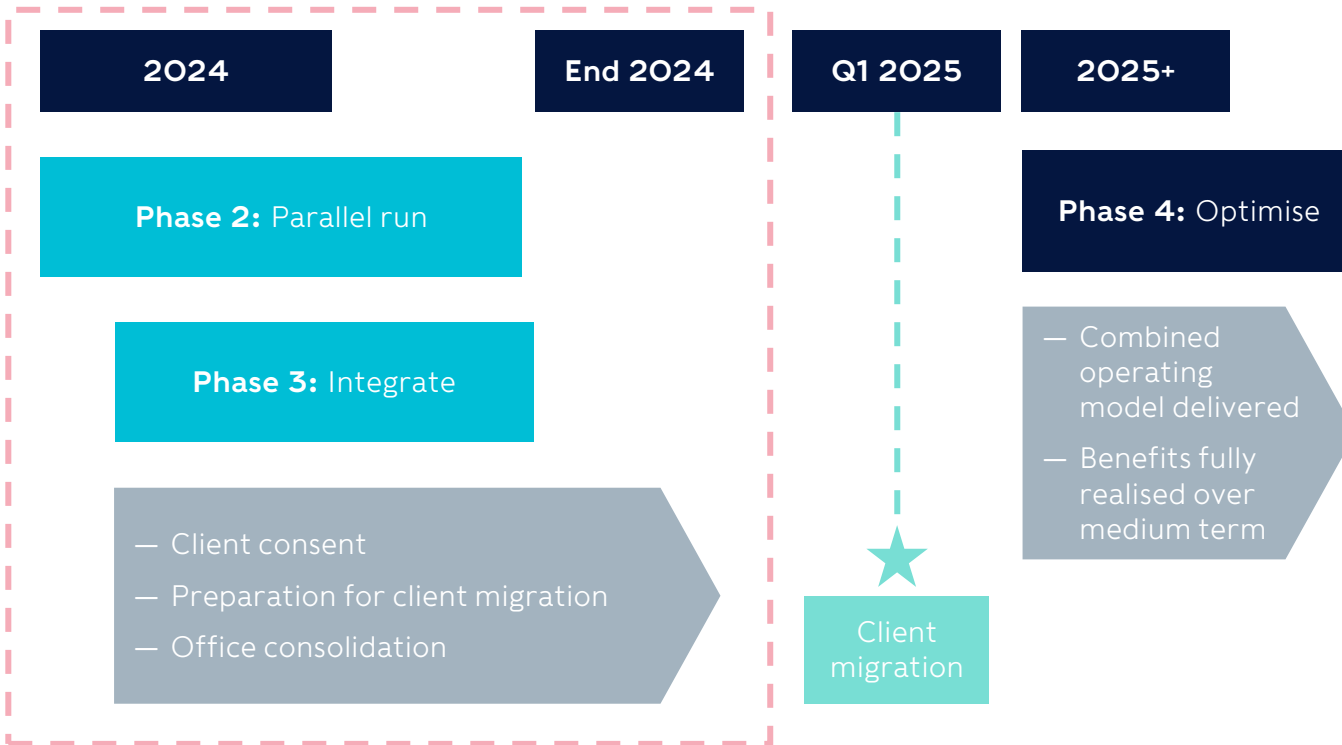
## Office consolidation

- Combined six offices
- London office move to Gresham Street completed in early July
- Re-let 8 Finsbury Circus
- Liverpool/Bristol in H2

## Synergies

- Run-rate year one synergies of £20 million; timing ahead of plan
- Total synergy expectations remain in line with guidance

# IW&I CLIENT MIGRATION REMAINS ON TRACK



## Consent process well underway

- c.58,000 accounts to be migrated
- c.25,000 clients contacted with **good acceptance rates**
- Remaining clients **contacted by end-September**
- Utilising both **digital** and **post**
- Client data migration in Q1 2025
- Consent process simpler than SHL, where proposition change required formal advice

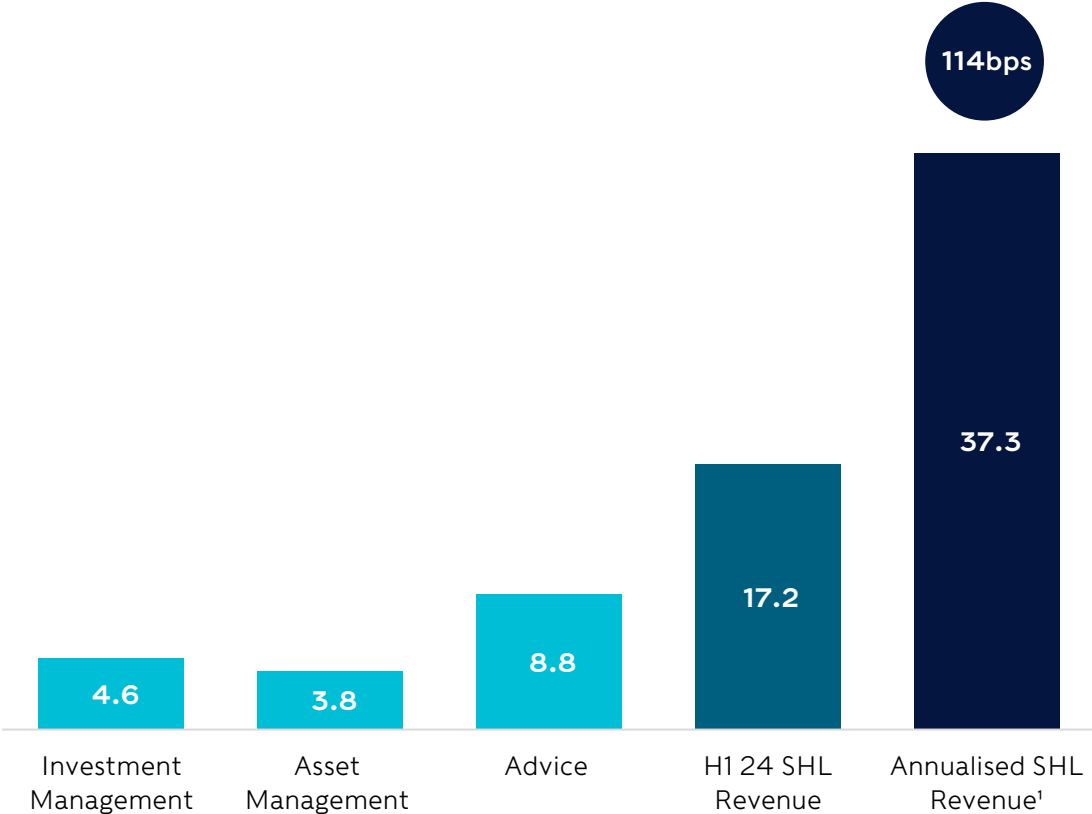


# SAUNDERSON HOUSE MIGRATION SUBSTANTIALLY COMPLETE

## Migration substantially complete

- £4.3bn of SHL connected FUMA at 30 June 2024
- Revenue synergies largely crystalised
- Annualised revenue based on FUMA migrated 30 June, will increase further as remaining assets complete, and also from new business won
- Of £0.8bn remaining in SHL at 30 June 2024, £0.2bn are yet to engage
- Expense synergies largely delivered by end 2024

## Saunderson House Migrated Asset Revenue (£m)



<sup>[1]</sup> Annualised June 2024 revenue



# IMPROVING OUR DIGITAL CAPABILITY

## WHAT HAS BEEN DELIVERED

- Core InvestCloud functionality launched
- Continued to develop Charles River
- Launched Salesforce and Xplan
- Increased MyRathbones usage
- Comprehensive suite of applications supports IW&I client migration
- All solutions move to BAU delivery from 2025

## IMMEDIATE BENEFITS

- InvestCloud allows IMs a single view of client
  - Provides consolidated view of new and existing business pipeline
  - Increases data efficiency
  - Modern design and scalable
- Charles River managing assets in RAM
- Xplan supporting financial planning teams
- Salesforce supporting intermediated distribution teams

## FUTURE BENEFITS

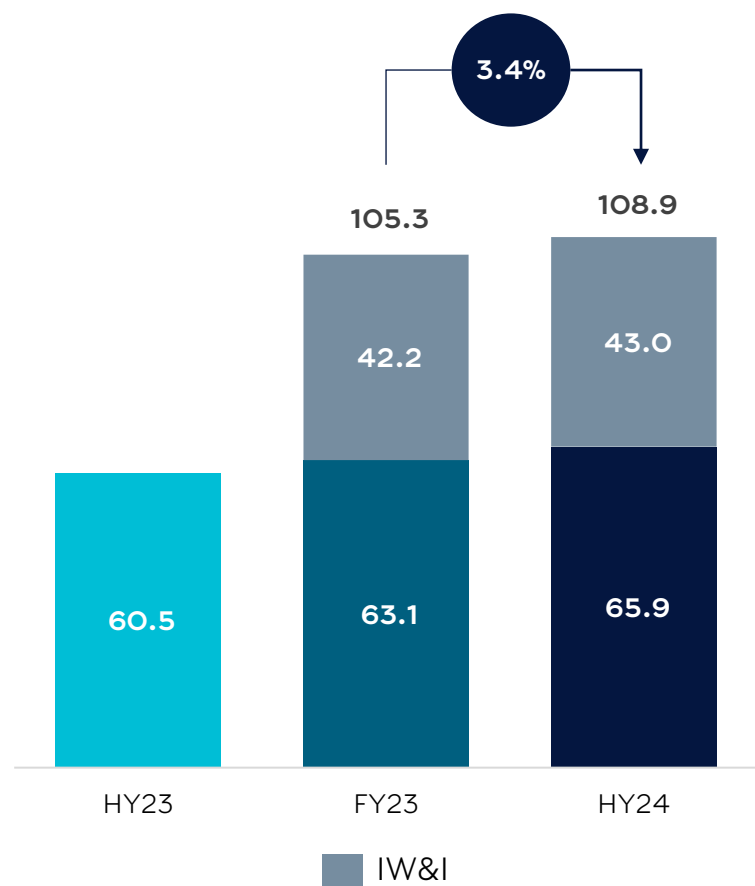
- Further automation of key business processes
- Improving system connectivity across group
- Further digitisation of onboarding process
- Benefit from solution provider product roadmaps, including use of AI
- Greater use of My Rathbones by clients and advisers, including self service

# FINANCIAL UPDATE

Iain Hooley  
Group Chief Financial Officer

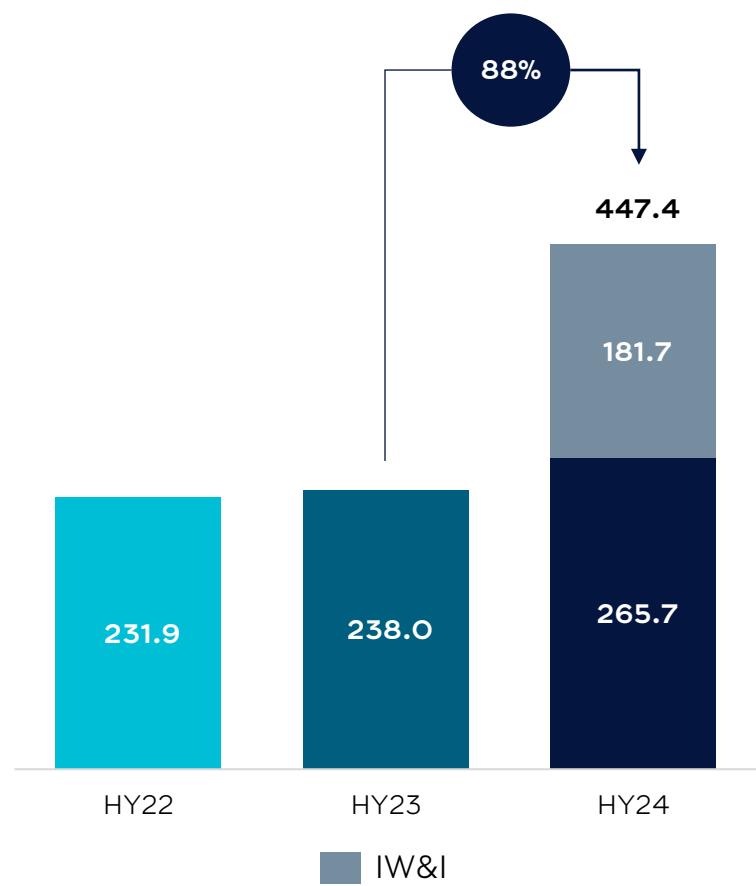
# OPERATING MARGIN IMPROVES AS INCOME AND PROFIT GROW

FUMA (£bn)



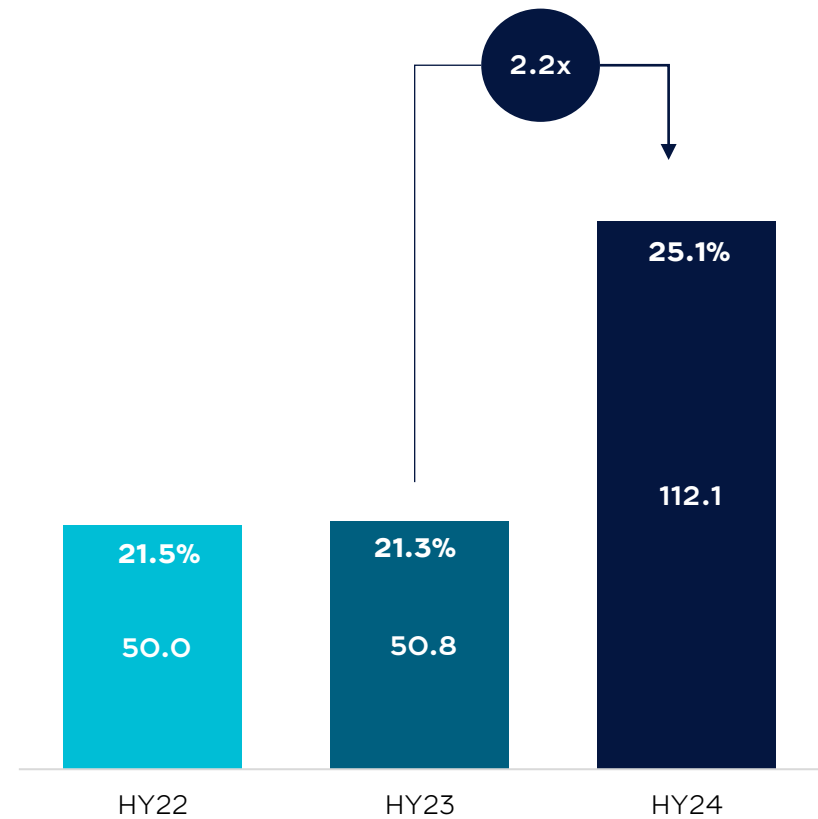
FUMA benefiting from the recovery in global asset values

Operating income (£m)



Increased FUMA and trading volumes drive revenue growth

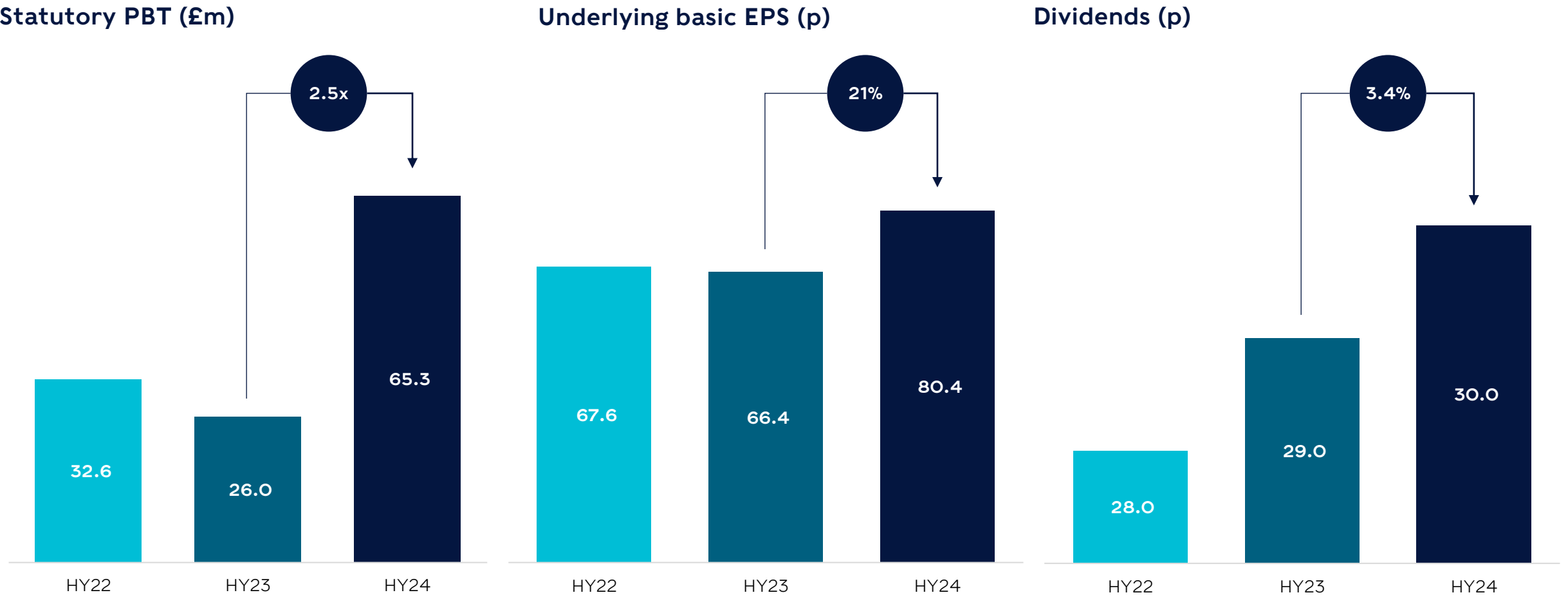
Underlying PBT (£m) and margin (%)



Operating margin progresses to 25.1% after covering our digital investment of £7.1m in the first half



# INTERIM DIVIDEND GROWTH OF 3.4% MAINTAINS PROGRESSIVE DIVIDEND POLICY



HY 24 includes IW&I and the impact of increased amortisation, and integration related costs

Growth in EPS reflects benefits of combination

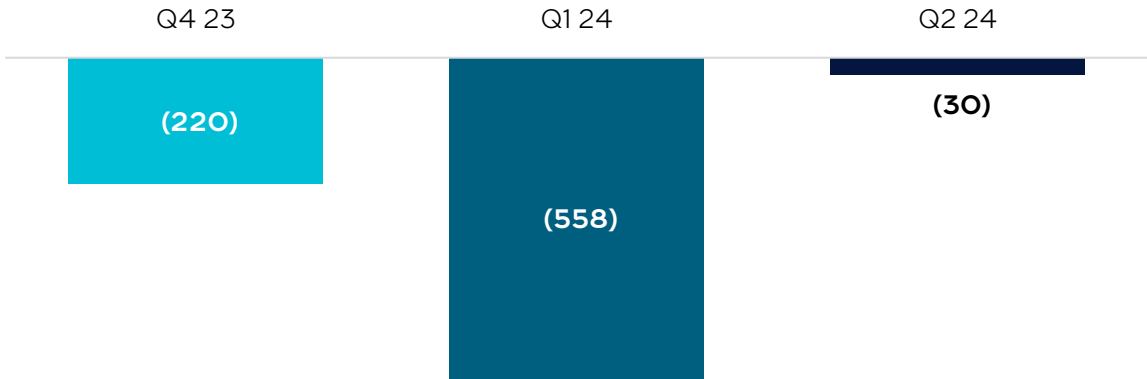
Announcing an interim dividend of 30Op in line with our progressive dividend policy

# SIGNIFICANT IMPROVEMENT IN NET FUMA FLOWS IN SECOND QUARTER

FUMA flows by segment (£bn)

£bn	Wealth management	Asset management	Group eliminations	Rathbones Group
Opening FUMA	96.1	13.8	(4.6)	105.3
Inflows	4.7	2.5	(1.1)	6.1
Outflows	(5.2)	(2.0)	0.5	(6.7)
Net Flows	(0.5)	0.5	(0.6)	(0.6)
Transfers	(0.1)	0.1	-	-
Market movements	3.6	0.9	(0.3)	4.2
Closing FUMA	99.1	15.3	(5.5)	108.9

Group Quarterly net FUMA flows (£m)



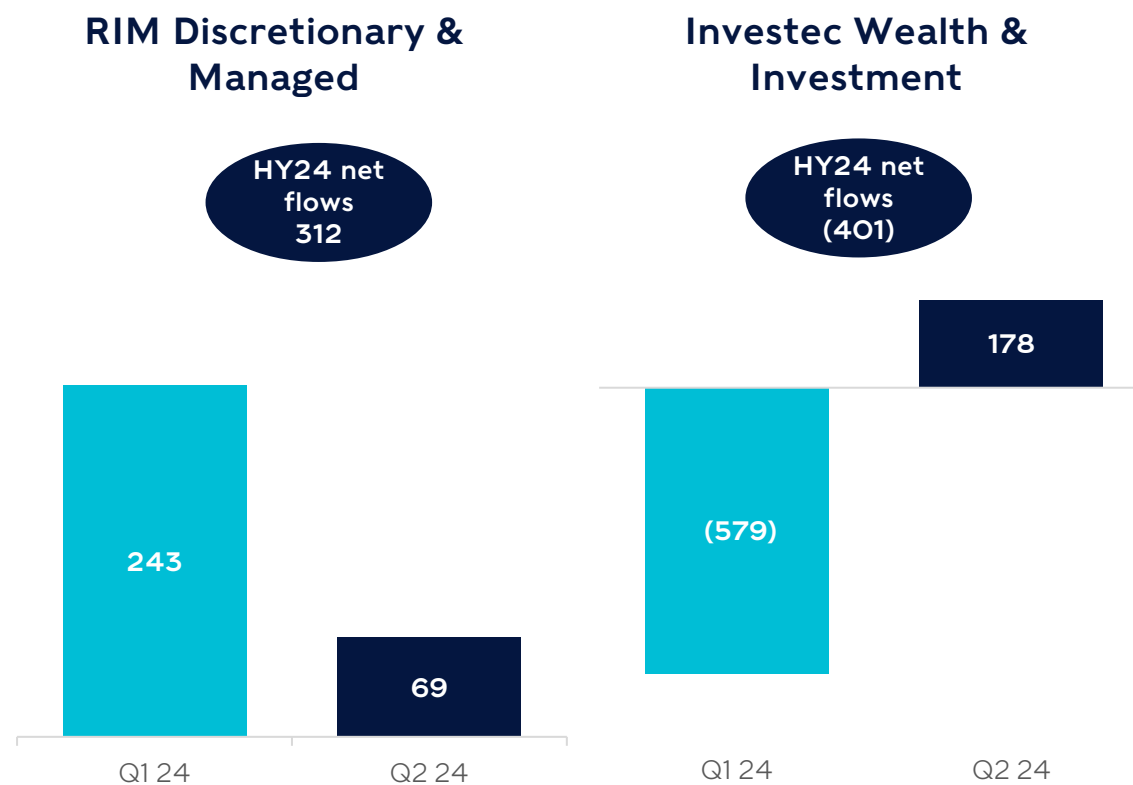
- Significant improvement in net FUMA flows in Q2 2024 as strong gross inflows are maintained and gross outflows reduce materially
- Gross inflows of £6.1bn represent a continuing strong gross annual growth rate of 11.6%

# WEALTH MANAGEMENT SEGMENT FLOWS IMPROVING IN SECOND QUARTER

## Wealth Management FUMA flows for six months to 30 June 2024

£bn	Opening FUMA	Net Flows	Service Transfers	Market Movements	Closing FUMA
RIM Discretionary & Managed	48.8	0.3	0.5	1.8	51.4
IW&I	42.3	(0.4)	(0.2)	1.6	43.3
SHL	1.6	(0.2)	(0.6)	-	0.8
RIM Execution Only	2.7	(0.2)	0.2	0.2	2.9
RIM Non-Discretionary	0.7	-	-	-	0.7
<b>Total</b>	<b>96.1</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>3.6</b>	<b>99.1</b>

## Quarterly net FUMA flows (£m)



- **RIM Discretionary & Managed:** A continuation of net FUMA inflows with usual quarterly seasonality
- **IW&I:** Reduction in gross outflows as those relating to investment managers who departed IW&I pre-announcement of combination passes expected peak



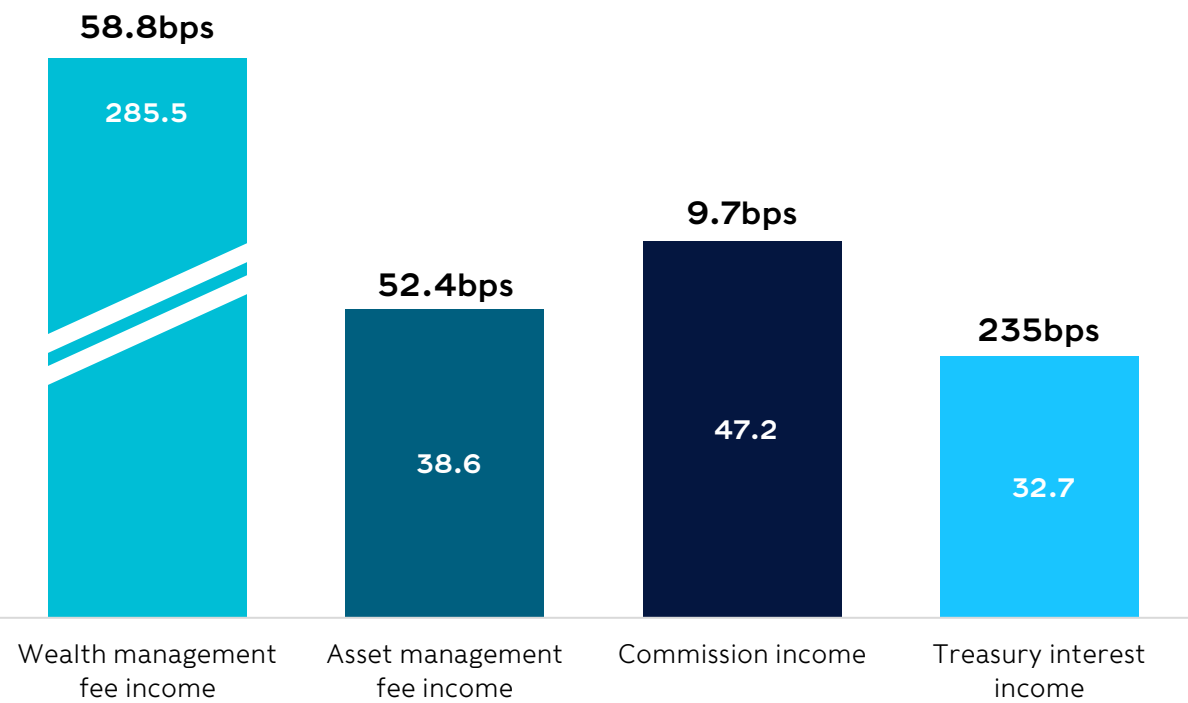
## RATHBONES STANDALONE INCOME UP 11.5%

Income (£m)	H123		H124		%
		Rathbones	IW&I	Group	
Fee income	138.8	148.3	137.2	285.5	6.8%
Funds income	31.1	38.6	-	38.6	24.1%
Commission	23.7	26.4	20.8	47.2	11.4%
Interest	23.0	28.8	3.9	32.7	25.2%
Advice	20.8	22.1	5.6	27.7	6.3%
Other	0.6	1.5	14.2	15.7	250%
<b>Group</b>	<b>238.0</b>	<b>265.7</b>	<b>181.7</b>	<b>447.4</b>	<b>11.5%</b>

- Fee and funds income reflects higher average FUMA at billing dates and continued migration of Saunderson House assets
- Commission income benefits from an increase in trading volumes, which exceeds prior year seasonal increase
- Interest income rose as Q4 2023 revenue margin run rate was maintained
- Continued growth in our advice proposition
- Other income includes £13.7m net interest income generated from client money deposits within IW&I

# INCOME MARGINS

30 June 2024 Income Margins (bps per annum)



- Revenue margins remain strong across all income streams
- FUMA driven margins for Wealth Management and Asset Management fee income are based on gross FUMA of the relevant segment, prior to group eliminations
- Treasury yield based on liquidity managed within Rathbones banking license as opposed to other margins, which are FUMA based. Excludes interest margin and client liquidity within IW&I which remains on a client money model until client migration
- The commission income yield is affected by transaction volumes, which were relatively high in H1 due to seasonal and other factors

\* Margins reported previously were calculated based on FUMA net of group eliminations. The margins shown for the current period are calculated based on the gross FUMA of the relevant segment.

## UNDERLYING EXPENSES

	H123	H124	Var
Fixed staff	88.2	149.6	61.4
Variable staff	43.9	83.8	39.9
<b>Total staff</b>	<b>132.1</b>	<b>233.4</b>	<b>101.3</b>
Other operating	55.1	101.9	46.8
<b>Total</b>	<b>187.2</b>	<b>335.3</b>	<b>148.1</b>
<b>FTE <sup>[1]</sup></b>	<b>2,169</b>	<b>3,437</b>	<b>1,333</b>

- Fixed and variable staff costs reflect the impact of including IW&I headcount
- Fixed costs reflect current year salary inflation of c.3.5%
- Other operating costs include £7.1 million (HY 2023: £6.0m) of CLM spend
- The inclusion of IW&I increases FTE relative to H1 23, but in comparison to FY 23 we have seen a reduction from 3,526 to 3,437

<sup>[1]</sup> FTE represents “business as usual” headcount and excludes short-term FTE working on the IW&I business integration

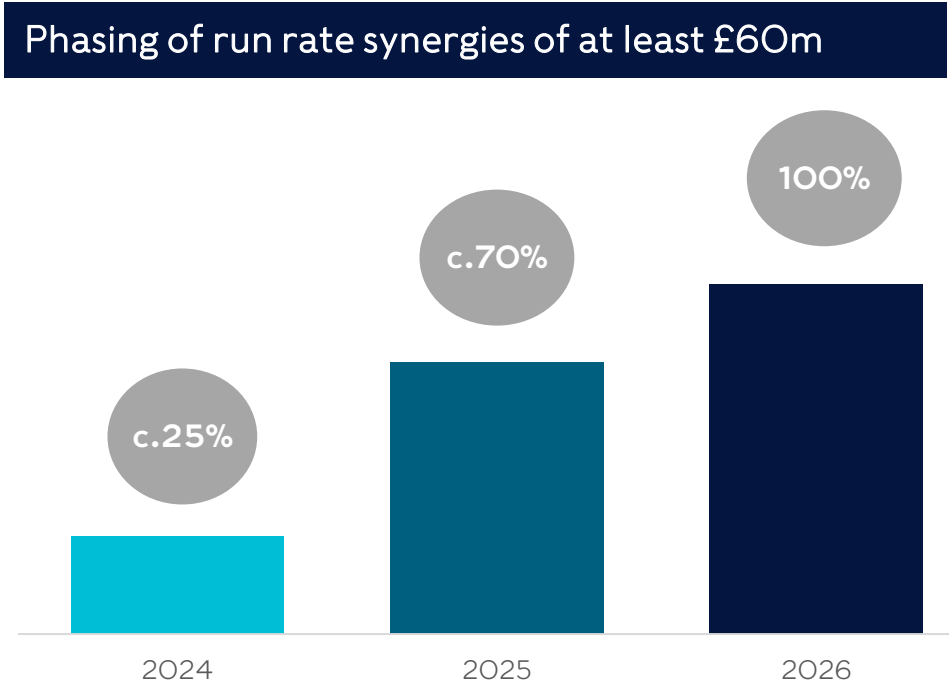


# UNDERLYING EXPENSES BENEFIT FROM EARLY SYNERGY REALISATION

## Actual synergy realisation

(£m)	HY24 P&L	Annualised	2026 Target
Staff	2.4	5.5	-
Non-Staff	0.9	1.7	-
Technology and operations	3.3	7.2	18.0
Staff	3.2	7.5	-
Non-Staff	1.6	4.0	-
Other operational efficiencies	4.8	11.5	32.0
Net Interest Income	0.2	1.1	10.0
Total	8.3	19.8	60.0

## Projected synergy realisation



- We expected to deliver 25% of our synergy goal by the end of 2024, which would equate to a run-rate benefit of c.£15m
- Having reached £19.8m by 30 June 2024 we are ahead of expectations, but total synergy target remains at £60m

## INTEGRATION COSTS RUNNING IN LINE WITH EXPECTATIONS

Profit after tax (£m)	H123	H124	Var
Underlying operating profit	50.8	112.1	61.3
Amortisation	(9.5)	(22.0)	(12.5)
IW&I acquisition & integration costs <sup>[1]</sup>	(11.2)	(22.1)	(11.0)
SHL acquisition costs	(4.1)	(2.7)	1.4
<b>Profit before tax</b>	<b>26.0</b>	<b>65.3</b>	<b>39.3</b>
Tax	(6.3)	(19.8)	13.5
<b>Profit after tax</b>	<b>19.7</b>	<b>45.5</b>	<b>25.8</b>
Effective tax rate	24.2%	30.3%	6.1ppt

<sup>[1]</sup> H123 costs of £11.2m all relate to acquisition related activity and are not therefore included in the expansion of integration costs in the table on the right. FY23 integration costs of £15.2m were all incurred in the H223

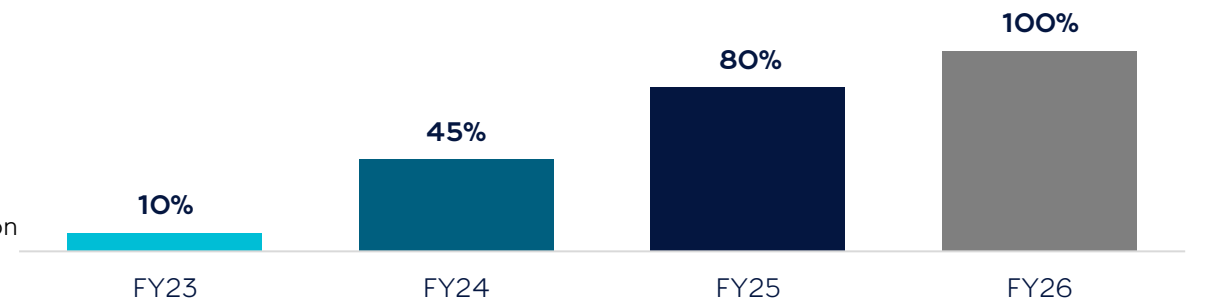
<sup>[2]</sup> Costs to achieve include programme delivery costs and staff redundancy costs

<sup>[3]</sup> Employee incentives include both share and cash awards

<sup>[4]</sup> Non-cash impacts of £4.9m in 2023 and (£12.1m) in 2024 primarily relate to cost to achieve and property integration costs, mainly reflecting the impact of IFRS16 in connection with our exit from 8 Finsbury Circus.

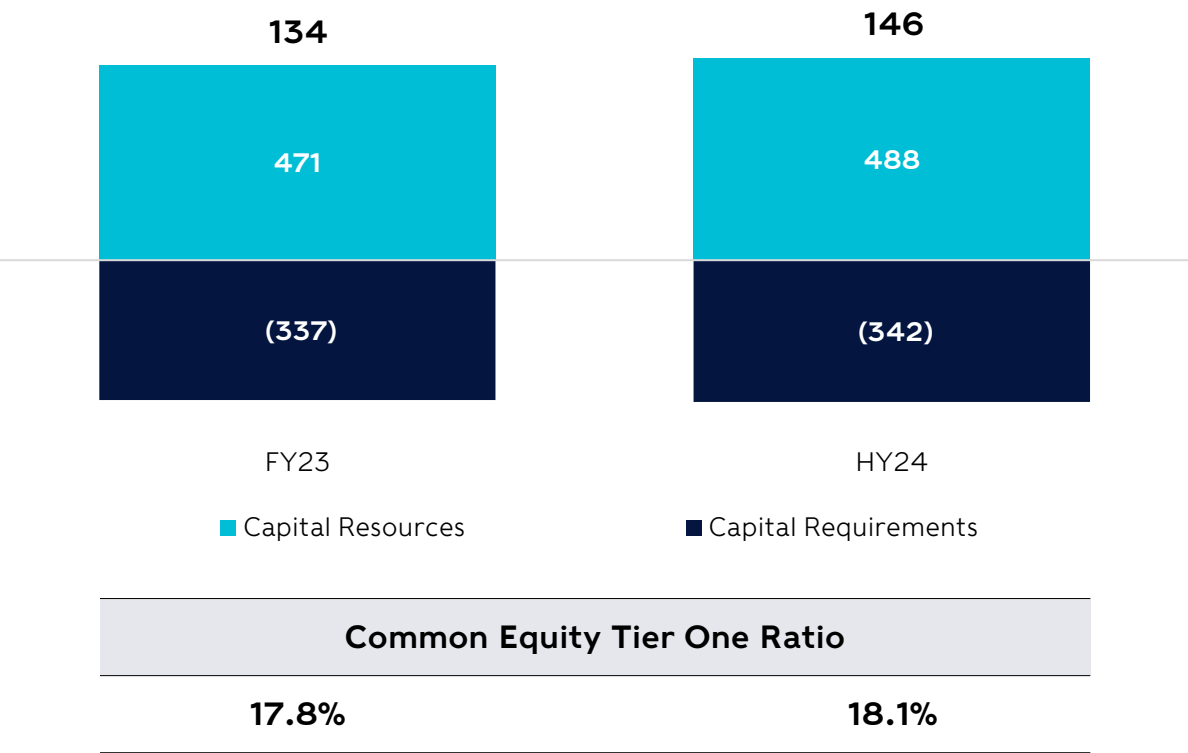
IW&I integration costs (£m)	FY23	H124	Final
Costs to achieve <sup>[2]</sup>	5.9	12.7	98.0
Employee incentives <sup>[3]</sup>	4.3	9.1	65.0
Property	0.1	12.4	14.0
<b>Cash IW&amp;I integration cost</b>	<b>10.3</b>	<b>34.2</b>	<b>177.0</b>
Non-Cash impacts <sup>[4]</sup>	4.9	(12.1)	n/a
<b>P&amp;L IW&amp;I integration cost</b>	<b>15.2</b>	<b>22.1</b>	<b>n/a</b>

### Cumulative integration cost projections



# ROBUST CAPITAL WITH PROGRESSIVE DIVIDEND POLICY MAINTAINED

## Capital surplus (£m)



- Consistent common equity tier one ratio provides ongoing evidence of robust and resilient capital position
- Increased capital surplus includes the impact of:
  - Increased capital resources reflecting profits, partially offset by dividends
  - Marginal increase in capital requirements driven by operational and credit risk increases aligned to the increased size of the business
- Benefit to capital position from pension ‘buy-in’ expected during H2, subject to regulatory approval

n.b. The capital surplus is presented in accordance with the requirements relating to capital resources and capital requirements, as prescribed by the Capital Requirements Regulation as applied in the UK by the Prudential Regulation Authority (PRA), and include verified profits for the year ended 31 December 2023



# GUIDANCE

**DIGITAL**

Strategic investment complete this year with total costs of c.£45m in line with expectations

**UNDERLYING MARGIN**

Expect to deliver full-year mid-twenties underlying profit margin in 2024, progressing to 30+% from Sept 2026

**DIVIDEND**

Progressive dividend policy continued

**SYNERGIES**

Remain committed to delivering £60m run-rate synergies by end 2026

## WELL POSITIONED FOR GROWTH

A **well-established** and **trusted brand** where clients feel supported by a business with **increasing scale** in a fragmented market

Opportunity to **strengthen** marketing and distribution capability alongside ongoing product development that offers **greater choice** to clients and advisers

**Strong financials**, underpinned by a responsibly managed financial position with a **healthy capital surplus**

A **digital** presence that **complements** our **face-to-face** approach

**Personal, long-term relationships** with clients and advisers

**Low staff turnover** of professionals and colleagues, supported by **informed** investment and advice processes and a **stable** infrastructure



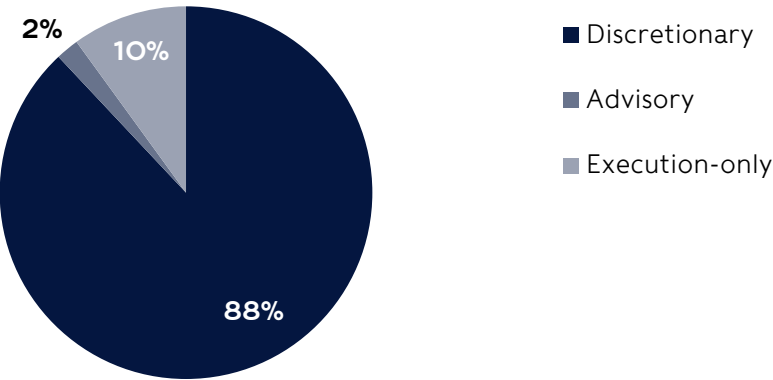
# APPENDIX



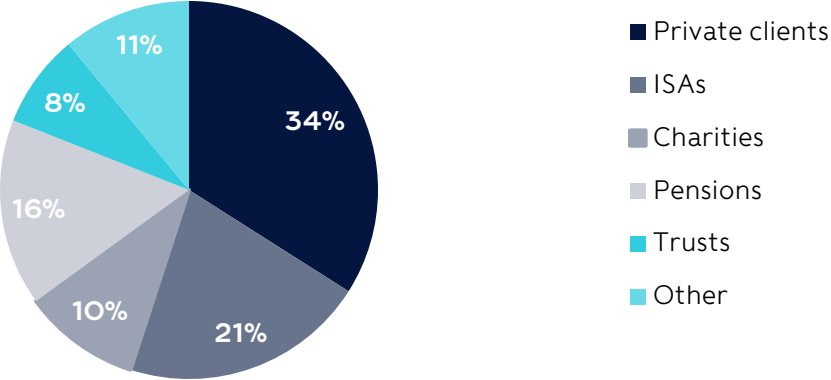
# INVESTMENT MANAGEMENT CLIENT BASE

## Analysis of funds under management<sup>1</sup>

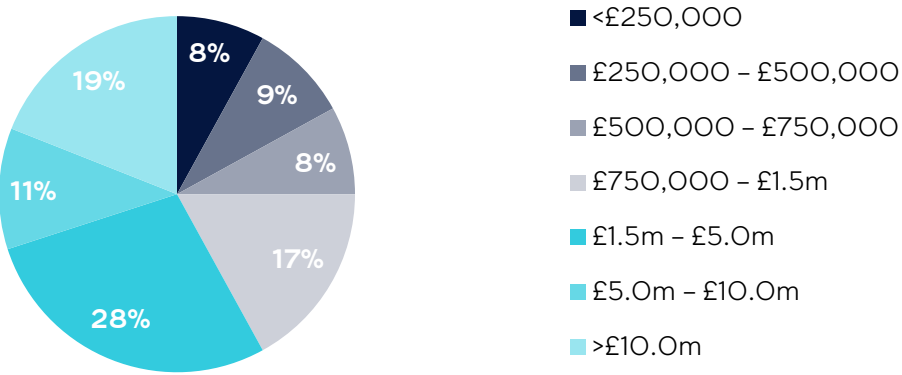
### Service level by FUM



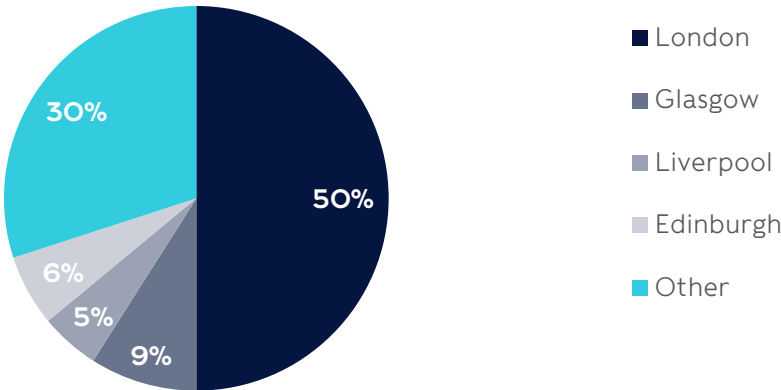
### Fund type by FUM



### Size of client relationship by FUM

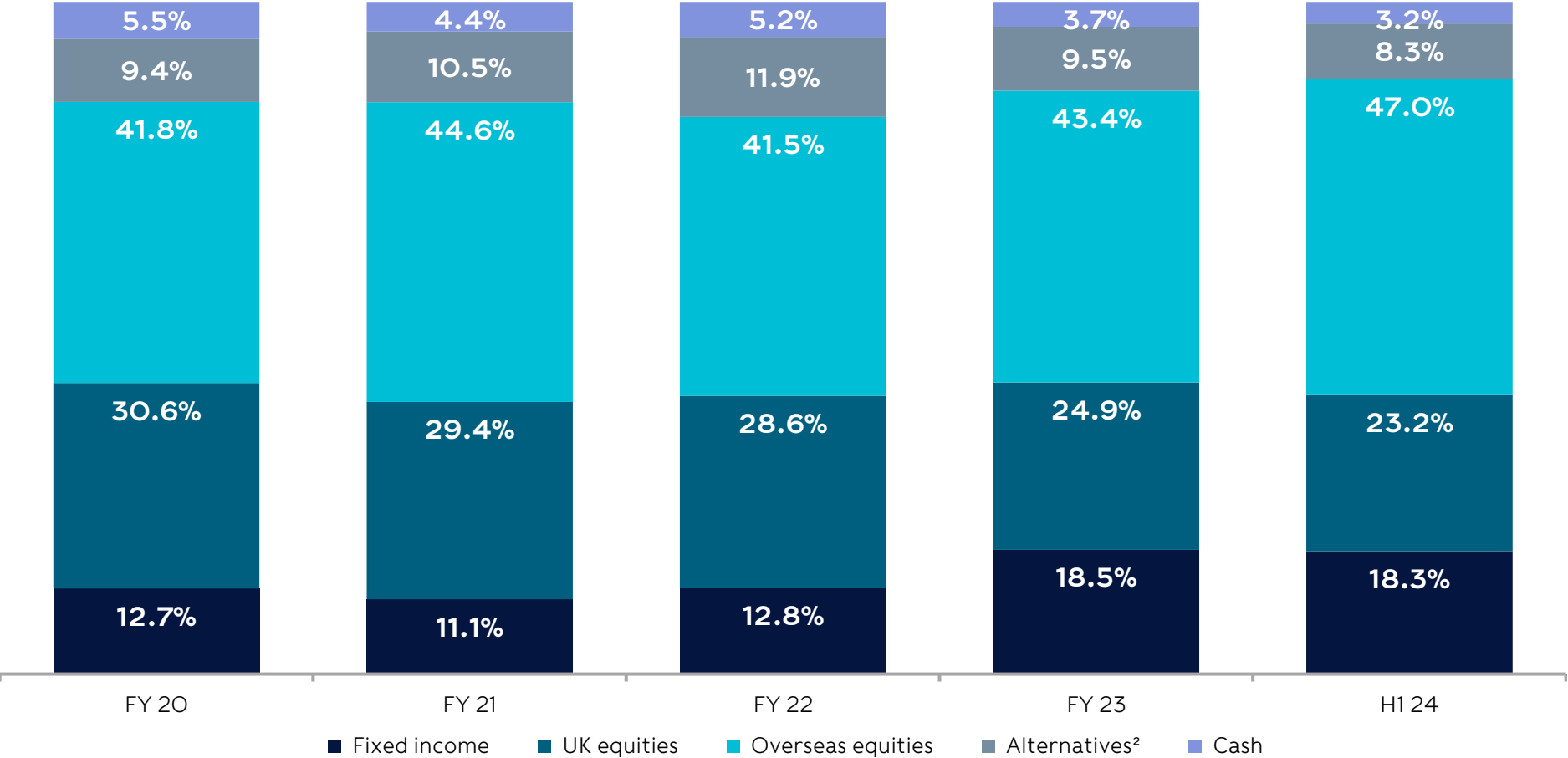


### FUM by location



<sup>1</sup> As a percentage of total funds under management at 30 June 2024 (including IW&I)

# WHERE OUR CLIENTS' ASSETS ARE INVESTED<sup>1</sup>



Total Rathbones Investment Management at Q2 24 (excluding IW&I)  
Including fund of hedge funds and structured products

# RECONCILIATION OF PROPOSITION & SEGMENTAL DISCLOSURES FOR FUMA & FLOWS

← Per proposition disclosure →

£bn	Closing FUMA	Gross Wealth Management	Net Asset Management	Group Eliminations	Gross Asset Management
Rathbones Investment Management	51.4	51.4	-	-	-
Bespoke Portfolios	46.7	46.7	-	(0.6)	-
Managed via in-house funds	4.6	4.6	-	(4.6)	-
Multi-asset funds	3.0	-	3.0	5.0	8.0
Rathbones discretionary & managed	54.4	51.4	3.0	(0.2)	8.0
Non-discretionary service	0.7	0.7	-	-	-
Investec W&I	43.3	43.3	-	(0.2)	-
Saunderson House	0.8	0.8	-	(0.1)	-
Total Wealth Management	99.2	96.2	3.0	(0.5)	8.0
Single strategy funds	6.8	-	6.8	0.5	7.3
Execution Only	2.9	2.9	-	-	-
Total	108.9	99.1	9.8	-	15.3

↑ New gross segmental disclosure ↑







## ANALYSING THE BALANCE SHEET

Assets	Unaudited 30 June 2024 £m	Audited 31 December 2023 £m
Cash and balances with central banks	1,033.0	1038.3
Settlement balances	371.7	165.7
Loans and advances to banks	230.3	266.9
Loans and advances to customers <sup>1</sup>	120.3	115.6
Investment securities – fair value through profit or loss	-	1.2
Investment securities – amortised cost	1,392.9	1,294.6
Prepayments, accrued income and other assets	244.2	225.3
Property, plant and equipment	39.4	16.1
Right-of-use assets	51.6	64.5
Current tax asset (UK)	6.4	3.9
Intangible assets	997.8	1025.3
Defined Benefit Pension Scheme Asset	0.4	7.0
<b>Total assets</b>	<b>4,488.0</b>	<b>4,224.4</b>

Liabilities	Unaudited 30 June 2024 £m	Audited 31 December 2023 £m
Deposits by banks	19.4	12.4
Settlement balances	406.4	172.1
Due to customers	2,298.8	2,253.3
Accruals and other liabilities	194.0	209.6
Lease liabilities	48.3	74.9
Current tax liabilities	0.9	0.5
Net deferred tax liability	79.8	86.0
Provisions	33.2	25.5
Subordinated loan notes	39.9	39.9
<b>Total liabilities</b>	<b>3,120.7</b>	<b>2,874.2</b>

Equity	Unaudited 30 June 2024 £m	Audited 31 December 2023 £m
Called up share capital	5.4	5.4
Share premium/other reserves	1,078.0	1,081.1
Retained earnings	283.9	263.7
<b>Total equity</b>	<b>1,367.3</b>	<b>1,350.2</b>

<b>Total liabilities and equity</b>	<b>4,488.0</b>	<b>4,224.4</b>
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	Banking operational and shareholder cash		Financing related
	Working capital		Equity capital related

<sup>1</sup> Loans and advances to customers largely consist of the investment management loan book, but also include overdrafts, trust and financial planning debtors and other debtors

## IMPORTANT INFORMATION

**The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase.**

Information valid at date of presentation.

Tax regimes, bases and reliefs may change in the future.

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Rathbones and Rathbones Financial Planning are trading names of Rathbones Investment Management Limited.

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