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FOR IMMEDIATE RELEASE

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

23 June 2021

Rathbone Brothers Plc

Acquisition of Saunderson House

Summary

- Acquisition of Saunderson House, the largest professional services-focused financial planning business in the UK with £4.7bn of FUMA
- Further strengthens Rathbones' financial planning capability, enhancing its ability to offer a wider wealth proposition to HNW and UHNW clients, and adding scale to financial planning FUMA totalling £8.3 billion on a pro forma basis
- Delivers a meaningful growth opportunity in highly attractive market segments focused on HNW professional clients
- Offers a strong cultural fit, with both businesses resolutely focused on delivering a quality service and positive outcomes for clients over the long term
- Supports Rathbones' strategy to enhance propositions to service growing specialist markets
- Reinforces Rathbones' UK wealth management industry standing, increasing pro forma FUMA to c.£61bn
- Total consideration of £150.0m¹ comprising initial consideration of £135.1m (£130.2m cash and £4.9m in new shares) and £14.9m deferred consideration
- Rathbones has agreed to pay up to £7.5m in employee incentive plan awards aligned to the value creation of the transaction by the end of 2024
- Funded from internal cash resources and a proposed £50.0m placing separately announced today
- Expected underlying EPS accretion of approximately 10% and return on investment of approximately 12% in the third year following completion; the transaction is expected to be EPS accretive on an underlying basis in the first full year following the acquisition

The board of Rathbone Brothers Plc ("Rathbones") today announces that it is to acquire 100% of the issued share capital of CastleCo Limited, the holding company of the Saunderson House group ("Saunderson House"), subject to regulatory approval. Saunderson House is the largest professional services-focused financial planning business in the UK with £4.7bn of FUMA, c.2,200 clients and 55 financial advisers.

Saunderson House is a UK-based advice-led wealth management business, with a focus on professional services clients in London and the South East. It provides tailored services to accountants and lawyers with long-standing relationships with large accountancy firms and leading law firms in particular. Saunderson House serves c.2,200 high net worth clients with an average portfolio size of £2.2m and typically complex financial affairs. Saunderson House employs talented adviser teams, providing high-quality advice and exceptional client service. Its long-term client relationships are founded on its ability to offer financial planning and investment solutions that can be tailored to the needs of professional services partners who are required to adhere to complicated portfolio compliance requirements.

Rathbones is a leader within the UK wealth management industry, with a long track-record of successful acquisitions. Shared values, cultural alignment and focus on client outcomes are principles at the heart of Rathbones' acquisition strategy and these will build firm foundations for welcoming Saunderson House into the group where its employees and clients will now have a long-term home. Saunderson House and its clients are expected to benefit from access to the strength and depth of Rathbones' investment management capability and

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. Initial consideration includes repayment of £45.0m debt.

the expertise and range of investment solutions available across its private client, Greenbank and funds operations. This will support both positive client outcomes and future growth.

The acquisition of Saunderson House further strengthens Rathbones' financial planning capability and enhances its ability to offer a more holistic wealth management proposition to clients when appropriate. Saunderson House advisers also increase Rathbones' capacity to provide financial planning to existing Rathbones Investment Management ("RIM") clients where there is untapped latent demand for high-quality in-house financial planning.

There is an increasing demand for financial advice in the UK market driven by a number of factors including: pension freedoms and the complexity of associated options; the responsibility for retirement planning increasingly being passed to individuals as a result of the decline in Defined Benefit pension schemes; and the creation and increased promotion of tax wrappers.

In accessing the financial advice market, Rathbones offers dynamic services that both support client relationships with investment managers, and allow flexibility in the way they work with financial advisers whether internal or external to the group. Rathbones offers holistic wealth solutions, direct investment-led services to clients and advisers, as well as complementary risk-targeted and single-strategy funds. Rathbones also operates the Vision Financial Planning group ("Vision"), an independent adviser network in the UK with £2.3bn of FUMA.

The acquisition of Saunderson House further strengthens Rathbones' financial planning capability, increasing the number of in-house financial planners from 25 to 80. Pro forma FUMA will increase from £3.7bn to £8.3bn, and we expect that strong demand for high-quality financial planning will further drive organic growth across the group and present a meaningful growth opportunity in the highly attractive HNW professional clients sector. Vision will continue to operate independently, remaining an important part of the group as it continues to grow its adviser footprint in the UK and widen its service offerings.

The transaction reinforces Rathbones' wealth management industry standing, increasing pro forma FUMA to c.£61bn, making it the third largest wealth manager in the UK.

Under the terms of the transaction, total consideration of £150.0m¹ will be payable to funds advised by Epiris LLP and the management and employees of Saunderson House. This will comprise initial cash and share consideration amounting to £135.1m, including the repayment of debt, structured as £130.2m in cash and £4.9m in new Rathbones shares payable at completion. The initial cash consideration will be funded from a combination of internal cash resources and the proceeds of a proposed £50.0m placing (representing c.5% of Rathbones' issued share capital) separately announced today. The initial share consideration will be locked up for three years from completion and will be subject to ongoing employment conditions for the management and employee sellers.

Rathbones has also agreed to pay deferred consideration of £14.9m on the first anniversary of completion. This will comprise £10.9m in cash and £4.0m to be issued by way of new Rathbones shares. Key employees will also be eligible to participate in an employee incentive plan with a value of up to £7.5m based on achieving growth and operational targets aligned to the value creation of the transaction by the end of 2024. These mechanisms aim to reward the incremental delivery of EPS accretion and return on investment.

The Board of Rathbones expects:

- underlying EPS accretion of approximately 10% and return on investment of approximately 12% in the third year following completion;
- the transaction to be EPS accretive on an underlying basis in the first full year following the acquisition;
- attractive revenue synergies from: aligning the Saunderson House service proposition with that of Rathbones; leveraging the strength of Rathbones' brand and platform to drive further origination; and the continued trend of clients converting from an advisory mandate to discretionary arrangements;
- cost synergies from the streamlining of operational processes having taken advantage of the best of the combined skills and capabilities of both companies;
- delivery of synergies to be phased over time to maintain operational stability and quality of service throughout the transition; and
- capital levels to continue to remain robust incorporating a management buffer and providing sufficient capital for further small acquisitions in a consolidating market.

Paul Stockton, CEO of Rathbones said:

“Saunderson House is a high-quality business with a strong desire to deliver leading wealth management services to clients over the long term, and it will add both scale and capability to Rathbones. Commonly shared values and a resolute focus on delivering quality client outcomes provide a firm foundation from which to take advantage of some exciting growth opportunities. I very much look forward to welcoming everyone at Saunderson House to the Rathbones group as we work to exceed our ambitions together.”

Tony Overy, CEO of Saunderson House, said:

“Over the course of extensive recent engagement between Saunderson House and Rathbones, it has become clear to us that there is a high level of cultural alignment between our two businesses; both have been built on serving clients to the highest standards and building enduring relationships based on trust and integrity. By doing this over many years we have each built a high-quality business with very loyal and satisfied clients. I am absolutely delighted with our decision to partner with Rathbones which I believe will allow us to continue doing exactly this, with access to Rathbones’ significant additional investment management capability and market-leading investment process. This transaction provides long-term ownership stability for Saunderson House to enable us to continue to focus on providing our high level of client service, developing and enhancing our proposition, and providing an excellent environment for our people as part of a well-respected and well-capitalised group.”

The acquisition is subject to approval by the FCA and is expected to complete in the third quarter of 2021.

Rathbones is being advised by RBC Capital Markets (Financial Adviser and Joint Corporate Broker) and Addleshaw Goddard (Legal Adviser) in relation to the transaction. Saunderson House is being advised by Fenchurch Advisory Partners (Financial Adviser) and Macfarlanes (Legal Adviser).

Key financial metrics relating to Saunderson House

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

Conference call and investor presentation details

An analyst and investor conference call will be held at 5:30 p.m. today.

UK: 0800 528 0983

North America: 800 741 8620

Participants should quote the conference code ‘21995596’ to join the call.

Participants will be able to access the presentation slides under the ‘Investor and Strategy Presentations’ tab at the following link:

<https://www.rathbones.com/investor-relations/results-and-presentations>

The information contained in this announcement is inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon publication of this announcement, this inside information is now considered to be in the public domain. The person responsible for arranging this announcement on behalf of Rathbones is Ali Johnson, Company Secretary.

Enquiries:

Rathbone Brothers Plc +44 (0) 20 7399 0000
Paul Stockton, Chief Executive
Jennifer Mathias, Finance Director
Shelly Patel, Head of Investor Relations

RBC Capital Markets (Financial Adviser and Joint Corporate Broker to Rathbones) +44 (0) 20 7653 4000
Oliver Asplin Hearsey
Marcus Jackson
Paul Lim
Elliot Thomas

Peel Hunt (Joint Corporate Broker to Rathbones) +44 (0) 20 7418 8900
Andrew Buchanan
Rishi Shah
John Welch
Jock Maxwell Macdonald

Camarco (Communications Adviser to Rathbones) +44 (0) 20 3757 4984
Ed Gascoigne-Pees
Julia Tilley

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Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this Announcement.