



2019 INTERIM RESULTS

6 MONTHS TO 30 JUNE 2019

FIRST PRESENTED ON 5 SEPTEMBER 2019



AGENDA & INTRODUCTION

- Summary
- Key performance indicators
- Financial review
- Operational review
- Strategy update
- Business Case
- Appendix

Will Self, Chief Executive Officer

Jane Ridgley, Chief Operating Officer

Dan Cowland, Chief Financial Officer



SUMMARY

Continued profitable growth and high quality recurring earnings, demonstrating a resilient business with the energy and appetite to change and invest for the future

Sustained financial performance despite challenging market conditions

Delivering consistent financial performance in line with expectations

Pension transfer market remains challenging while the retail investment market is subdued

Increasing interim dividend by 25% to 2.5p

Strategy for IT and operational simplification defined

Clear roadmap to migrate the entire business onto a single operating system and simplified architecture

£4m planned expenditure over 5 years with anticipated run rate savings of £1.2m p.a. upon completion

Operational model continuing to evolve with staff consultation underway

Product and sales strategy implemented

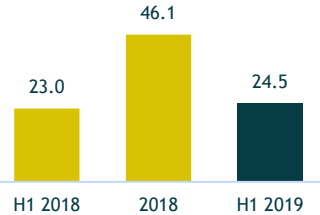
Target digital capability achieved together with a significant increase in new productive adviser relationships

Legacy product portfolio on target to achieve aligned pricing, Terms and permitted investments before the end of H2

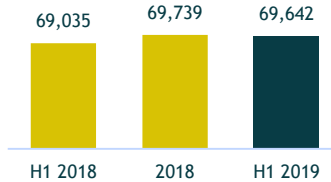


KEY PERFORMANCE INDICATORS

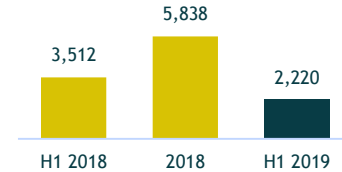
Revenue (£'m)
£24.5
+6.7%



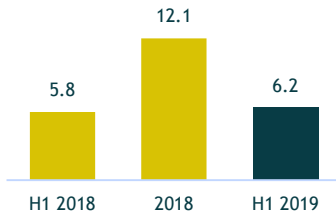
Own SIPPs (Excludes TPA plans)
69,642
+0.8%



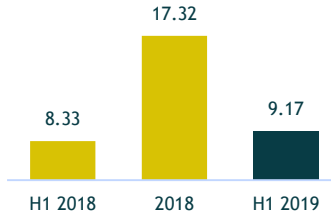
Gross increase to own SIPPs
2,220
+6.4%



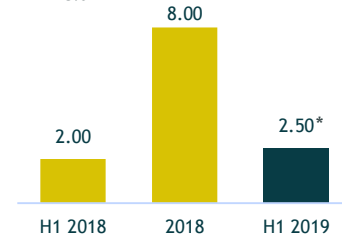
Adjusted profit before tax (£'m)
£6.2
7%



Adjusted diluted EPS (p)
9.17p
10%



Dividends (p)
2.5p
+25%



FINANCIAL HIGHLIGHTS

| | H1 2019 | Movement on H1 2018 |
|---|---------|------------------------|
| Operating revenue | £24.5m | +6.7% |
| Adjusted profit before tax ¹ | £6.2m | +6.9% |
| Adjusted operating margin ² | 26.3% | +0.1% |
| Profit before tax | £5.4m | +14.0% |
| Adjusted diluted EPS | 9.17p | +10.1% |
| Assets under administration | £27.5bn | +9.6% |

Interim dividend of 2.5p (2018: 2.0p)

¹ Profit before tax, amortisation and non-recurring costs

² The ratio of operating profit before net finance cost, amortisation and non-recurring costs to operating revenues



PROFIT & LOSS ACCOUNT

Income growth coupled with effective cost control delivering a resilient P&L

| Profit and Loss (£'000) | H1 2019 | H1 2018 | % Change |
|----------------------------------|---------|---------|----------|
| Revenue: | | | |
| <i>Fee income</i> | 18,300 | 17,772 | 3.0 |
| <i>Interest income</i> | 6,191 | 5,188 | 19.3 |
| Total revenue | 24,491 | 22,960 | 6.7 |
| Administrative expenses: | | | |
| <i>Staff costs</i> | 11,656 | 10,918 | 6.8 |
| <i>Property costs</i> | 954 | 848 | 12.5 |
| <i>Operational costs</i> | 5,449 | 5,174 | 5.3 |
| Total administrative expenses | 18,059 | 16,940 | 6.6 |
| Adjusted Operating profit | 6,432 | 6,020 | 6.8 |
| <i>Adjusted operating margin</i> | 26.3 | 26.2 | 10bps |
| Finance Costs (net) | 189 | 179 | 5.6 |
| Adjusted profit before tax | 6,243 | 5,841 | 6.9 |
| Non Recurring Costs | 168 | 357 | (52.9) |
| Amortisation | 627 | 706 | (11.2) |
| Profit before tax | 5,448 | 4,778 | 14.0 |
| Tax | 956 | 770 | 24.2 |
| Total comprehensive income | 4,492 | 4,008 | 12.1 |

83% of fee revenue is recurring



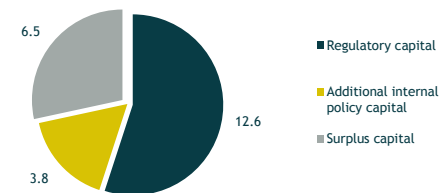
BALANCE SHEET

A robust and well-capitalised business with a strengthening balance sheet

| Balance Sheet (£'000) | H1 2019 | H1 2018 |
|------------------------------------|---------------|---------------|
| Intangible Assets | 43,937 | 43,910 |
| Property Plant and Equipment | 6,629 | 1,130 |
| Deferred Consideration | (380) | (602) |
| Deferred Income | (11,594) | (11,255) |
| Borrowings | (12,892) | (16,005) |
| Remaining Net Assets | 122 | 7,074 |
| Cash | 25,731 | 21,929 |
| Net Assets | 51,553 | 46,181 |
| Share Capital + Share Premium | 33,720 | 33,720 |
| Retained Earnings + Option Reserve | 17,833 | 12,461 |
| Shareholder's Equity | 51,553 | 46,181 |

- IFRS16 impact
- Deferred income - cash flow timing/pre-payment of fees
- Net cash (after debt) increased to £12.8m (2018: £5.9m)
- Increase in distributable reserves

Capital position as at 30 June 2019 (£m)



Regulatory capital surplus inclusive of interim results £14.8m

CASHFLOWS

Effective cash management has improved H1 cash flows despite increase in dividends paid

| Cash flows (£'000) | H1 2019 | H1 2018 |
|--|----------------|----------------|
| Profit before tax | 5,448 | 4,778 |
| Adjustments for non cash flow expenses | 1,725 | 1,221 |
| Adjustments for interest expenses | 261 | 226 |
| Changes in working capital | (2,344) | (4,009) |
| Tax paid | (1,070) | (625) |
| Net cash flows from operating activities | 4,020 | 1,591 |
| Purchase of intangible assets | (454) | (23) |
| Purchase of property, plant and equipment | (770) | (282) |
| Purchase of treasury shares | - | (498) |
| Consideration paid on business acquisitions | - | (193) |
| Net cash flows used in investing activities | (1,224) | (996) |
| Equity dividends paid | (3,212) | (2,557) |
| Net repayment of borrowings | (1,572) | (1,579) |
| Interest paid | (298) | (203) |
| Net cash flows used in financing activities | (5,082) | (4,339) |
| Net decrease in cash | (2,286) | (3,744) |

Strong cash flow from operations

Increase in dividend payments



OPERATIONAL REVIEW

The close alignment of key operational teams has delivered greater visibility and effective management of legacy issues, providing the foundation for a functional integrated operating model

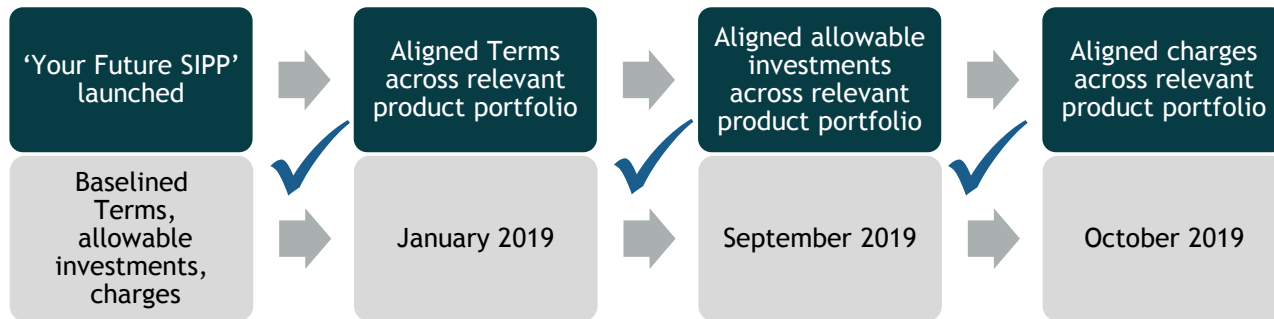
- Product and digital user experience delivered
- Operational alignment update and actions being taken
- Encouraging indicators as a result of Sales team investment



PRODUCT STRATEGY DELIVERED

The completion of our product strategy brings alignment to our proposition

- Ahead of target, originally planned for completion in 2020
- Consistent fees and services across relevant product portfolio, delivering a product platform to facilitate system strategy and Target Operating Model
- Reduced internal friction, competitive market tension and intra-Group transfers
- Ahead of the regulatory curve for read across from closed book review (TR16/2 and FG16/8)



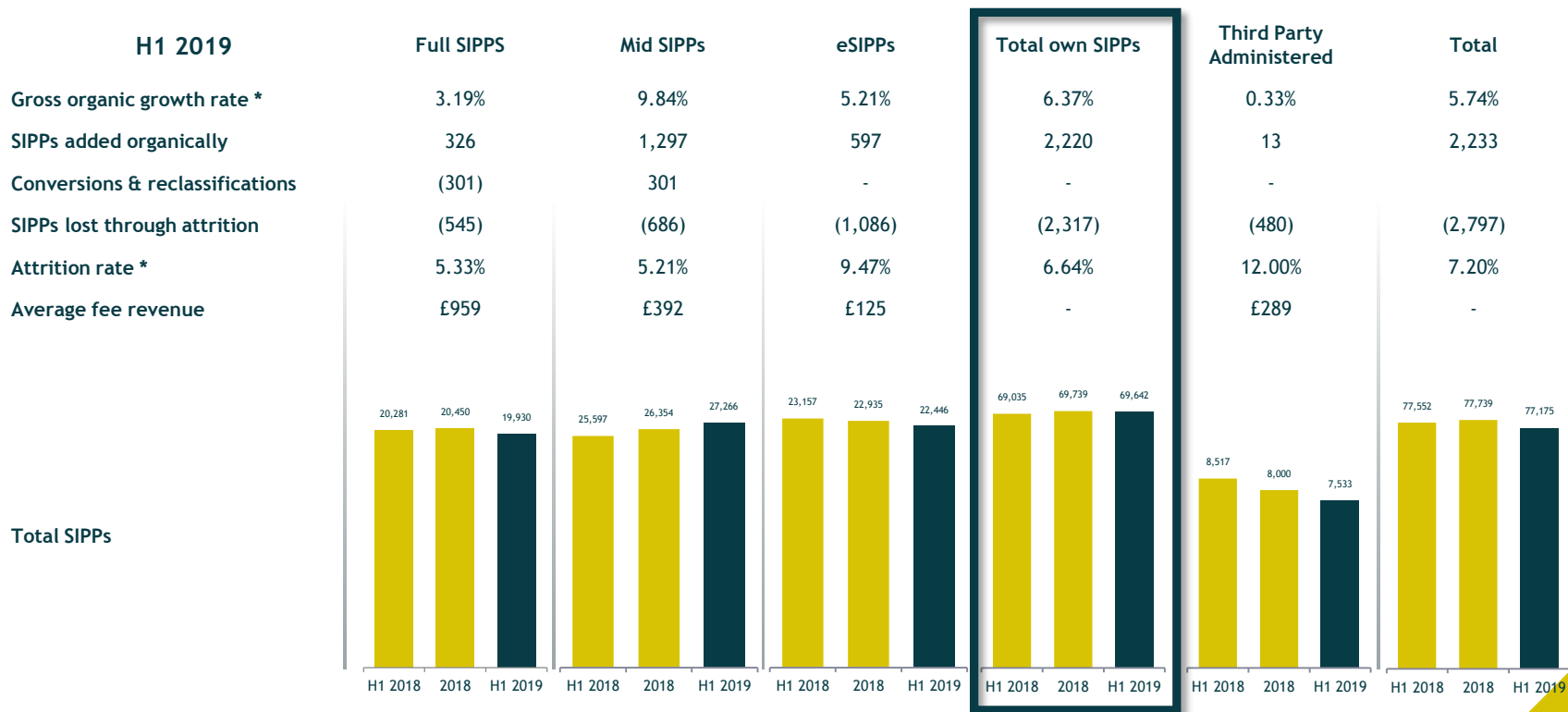
OPERATIONAL ALIGNMENT

Our legacy review has concluded, identifying elements of our product portfolio to cleanse and informing our Target Operating Model

- Ongoing proactive management of product portfolio will continue to rationalise unproductive plans
- Commercial property data cleanse initiative on track for completion by end of 2019 with no further provision anticipated (£0.5m 2018)
- Hargreave Hale SIPP book acquisition integrated into BAU
- Target Operating Model will deliver improved customer experience and risk mitigation
- First significant phase, the centralisation of commercial property administration, has been proposed



SIPP MOVEMENTS



* Organic growth and attrition rates are annualised and based on the number of SIPPs at the beginning of the year



SALES IMPACT AND DIGITAL USER EXPERIENCE DELIVERED

The enhanced digital user experience combined with our national sales reach has delivered positive results despite subdued pension transfer and retail investment markets

- Target digital capability achieved in June 2019
- Digital experience now accessible to all new business clients and over 50% of existing clients
- 61% of new Your Future SIPP applications now made online
- 1,245 advisers registered to secure portal *
- 102 new productive adviser relationships in H1 2019
- Proposition continues to be enhanced, with recent addition of the Prudential Trustee Plan



* As at 1 August 2019

STRATEGY UPDATE

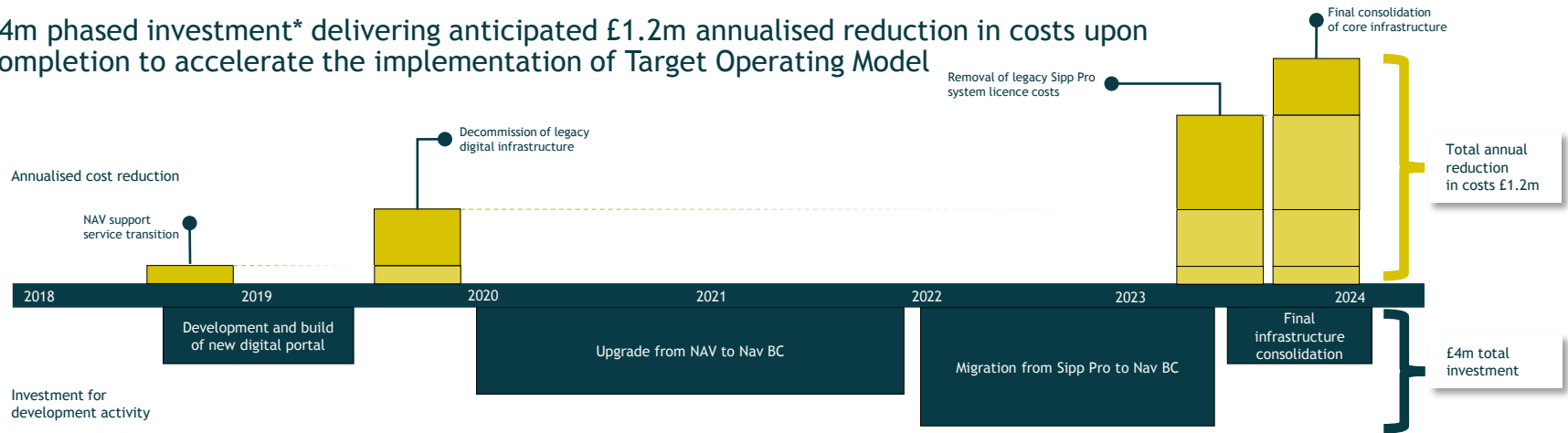
- System strategy
- Growth strategy



SYSTEM STRATEGY

We have a clear strategy to transition the entire business to a single administration system, paving the way to deliver our Target Operating Model and the accompanying efficiencies

- The business currently operates two primary administration systems, Dynamics NAV and multiple instances of SIPP~Pro
- These will be consolidated into a single architecture, Dynamics NAV Business Central, in a controlled, phased journey
- £4m phased investment* delivering anticipated £1.2m annualised reduction in costs upon completion to accelerate the implementation of Target Operating Model



* We anticipate capitalising the relevant aspects of this investment in accordance with our existing policy.

THREE-PRONGED GROWTH STRATEGY

Acquisition

Hargreave Hale SIPP Book acquisition completed and integrated into BAU

600 net new mid-SIPPs (H2 2018)

Fewer opportunities in the market, with quality business priced at a premium

Limited appetite for lower quality/cheap assets

Organic

Sales team now fully embedded and have driven 102 new productive adviser relationships

Target digital and product capability now achieved

Muted pension transfer and retail investment markets

Well-positioned to benefit from market up-turn

Diversification

Demand proven for the advantages of expert legal and complementary property services

Scaling efficient operations nationally has proven to be challenging

Some services will be considered to be mandated to these internal suppliers

Acquisitions to accelerate growth will be considered



RISKS, OPPORTUNITIES & MITIGATIONS

Our business is well-placed to mitigate the risks present in the SIPP market and sees continued opportunities from some

| Risks | | Opportunities & mitigations |
|---|--|---|
| Regulatory direction for non-workplace pension providers challenges parts of our business model | | May drive acquisition opportunities and delivers a further opportunity to diversify the business |
| Pension transfer market continues to slow and dulls organic growth | | 83% of fee revenue is recurring, clear plan in place to improve efficiencies with Target Operating Model |
| SIPP market increasingly targeted by claims management companies | | Limited liabilities and financial exposure coupled with effective in-house complaints and claims management |
| Processes and controls cannot keep pace with fast rate of growth | | Evolving a three line defence model and Target Operating Model centralises controls and mitigates risk |
| Political uncertainty including Brexit related outcomes | | Business is focussed on UK centric customers and has limited ongoing exposure to material political change |



DELIVERING THE CURTIS BANKS BUSINESS CASE

- Sustained financial performance despite challenging market conditions
- Complementary IT and operational strategies to lower costs, mitigate risk and drive efficiencies
- Pathway to Target Operating Model in delivery with first proposed steps underway
- Digital and sales strategy implemented, winning new adviser relationships and business
- Product portfolio aligned
- Increased dividend



APPENDIX



STATEMENT OF COMPREHENSIVE INCOME *

| Statement of Comprehensive income (£'000) | Group | Policyholder | Shareholder |
|---|--------------|--------------|--------------|
| Revenue | 257,008 | 232,517 | 24,491 |
| Administrative expenses | (250,576) | (232,517) | (18,059) |
| Finance costs (net) | (189) | - | (189) |
| Adjusted Profit Before Tax | 6,243 | - | 6,243 |
| Non-recurring costs | (168) | - | (168) |
| Amortisation | (627) | - | (627) |
| Profit before tax | 5,448 | - | 5,448 |
| Tax | (956) | - | (956) |
| Total comprehensive income | 4,492 | - | 4,492 |

* split between insurance policyholders and the group's shareholders for the period ended 30 June 2019



BALANCE SHEET *

| Balance Sheet (£'000) | Group | Policyholder | Shareholder |
|---------------------------------------|---------------|--------------|---------------|
| Intangible Assets | 43,937 | - | 43,937 |
| Property Plant and Equipment | 6,629 | - | 6,629 |
| Investments | 3,232,658 | 3,232,616 | 42 |
| Deferred Consideration | (380) | - | (380) |
| Deferred Income | (24,532) | (12,938) | (11,594) |
| Borrowings | (79,561) | (66,669) | (12,892) |
| Net Current Assets | 1,083 | 1,003 | 80 |
| Cash | 412,710 | 386,979 | 25,731 |
| Non-participating insurance contracts | (3,540,991) | (3,540,991) | - |
| Net Assets | 51,553 | - | 51,553 |
| Share Capital | 33,720 | - | 33,720 |
| Retained Earnings + Option Reserve | 17,833 | - | 17,833 |
| Shareholder's Equity | 51,553 | - | 51,553 |

* split between insurance policyholders and the group's shareholders as at 30 June 2019



CONSOLIDATED STATEMENT OF CASHFLOWS *

| Cash flows from operating activities (£'000) | Group total | Policyholder | Shareholder |
|--|-----------------|-----------------|----------------|
| Profit before tax | 5,448 | | 5,448 |
| Adjustments for non cash flow expenses | 1,263 | | 1,263 |
| Adjustments for interest expenses | 261 | | 261 |
| Adjustment for share based payment expense | 462 | | 462 |
| Policyholder adjustments | (5,053) | (5,053) | 0 |
| Changes in working capital and tax paid | (4,991) | (1,574) | (3,417) |
| Net cash flows from operating activities | (2,610) | (6,627) | 4,017 |
| Purchase of intangible assets | (454) | | (454) |
| Purchase of property, plant and equipment (net) | (5,304) | (4,534) | (770) |
| Purchase of treasury shares | | | |
| Net cash flow from acquisitions | | | |
| Net cash flows from investing activities | (5,758) | (4,534) | (1,224) |
| Equity dividends paid | (3,212) | | (3,212) |
| Net decrease in borrowings | (6,988) | (5,416) | (1,572) |
| Interest paid | (298) | | (298) |
| Net cash flows from financing activities | (10,498) | (5,416) | (5,082) |
| Net decrease in cash & cash equivalents | (18,866) | (16,577) | (2,289) |

* split between insurance policyholders and the Group's shareholders for the period ended 30 June 2019





CURTIS BANKS

Will Self

Paul Tarran

Jane Ridgley

Chris Macdonald

Bill Rattray

Jules Hydleman

Chris Banks

Founder & strategic adviser to the Board

Rupert Curtis

Founder & strategic adviser to the Board

Dan Cowland



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