



CURTIS BANKS 2022 INTERIM RESULTS

6 months to 30 June 2022

Presented 8 September 2022

Your future, Our focus





AGENDA

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2 Financial highlights

3 Operational delivery

4 Interest and treasury function

5 Conclusion and outlook

6 Questions and answers

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1. HIGH-LEVEL SUMMARY



H1 – DEMONSTRATING A RESILIENT BUSINESS MODEL

A resilient business model despite the challenging market backdrop

- Group revenue maintained at £32.2m with fixed fee model providing protection.
- Core SIPP business is stable, growing at 1.9% with strong underlying gross organic growth in our Mid SIPP of 9.3%.
- Service recovery has driven a 50% reduction in complaints and 1% improvement in attrition.
- Strong balance sheet and regulatory capital surplus providing good dividend cover.
- Fintech segment delivered lower than expected results but medium term outlook remains positive.
- Overall performance has held up well despite headwinds.
- Outlook headwinds remain but opportunities exist to further improve operating performance.





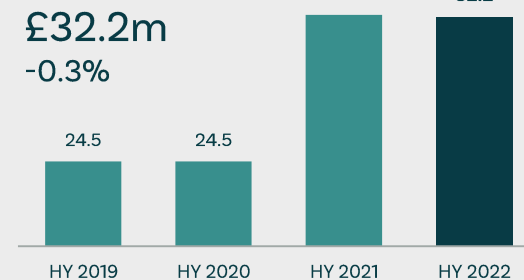
2. FINANCIAL OVERVIEW



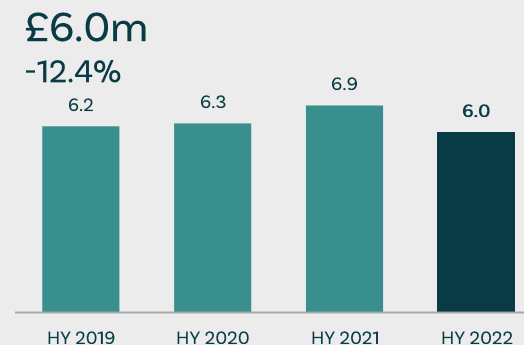
FINANCIAL HIGHLIGHTS

- Group revenue maintained at £32.2m:
 - Pension administration revenue increased by 4.0% to £28.1m.
 - FinTech revenue from external customers declined by 21.2% to £4.1m (2021: £5.2m).
- Adjusted operating margin of 20.1%.
- Adjusted profit before tax decreased by 12.4% to £6.0m.
- Loss before tax of £5.3m, impacted by a £9.8m goodwill impairment charge in respect of Dunstan Thomas
- Adjusted diluted EPS of 7.3p.
- Proposed interim dividend of 2.5p.
- Organic growth in core Mid and Full SIPP products of ~2% despite challenging market backdrop.
- Fixed fee model with inflation protection and recurring nature of revenues provides natural hedge against falling markets.
- Assets under Administration (“AuA”) increased by 3% to £37.1bn (June 2021: £36.0bn)
- Strong outlook for interest margin reflecting rising rates.

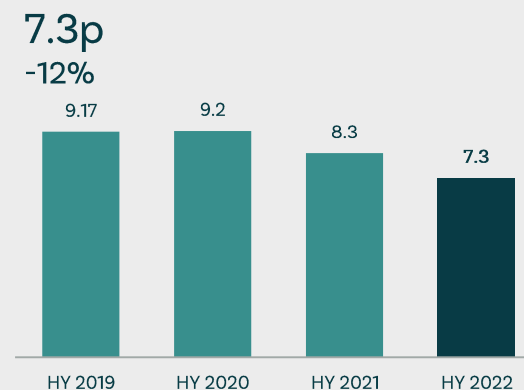
REVENUE (£'m)



ADJUSTED PROFIT BEFORE TAX (£'m)



ADJUSTED DILUTED EPS (p)



PROFIT & LOSS ACCOUNT

- Stable underlying performance in a challenging macro environment.
- Effective cost control demonstrating resilience of the Profit & Loss.

Operational costs	H1 2022	H1 2021	% Change
<i>Regulatory costs & PI insurance</i>	1,479	1,494	(1.0)
<i>IT costs</i>	1,718	1,668	3.0
<i>Professional fees</i>	1,090	897	21.5
<i>Other operational costs</i>	2,228	1,953	14.1
Total	6,515	6,012	8.4

Profit and Loss (£'000)	H1 2022	H1 2021	% Change
Revenue:			
<i>Pension administration fees</i>	22,841	22,868	(0.1)
<i>Interest income</i>	5,274	4,204	25.5
<i>Fintech income</i>	4,071	5,214	(21.9)
Total revenue	32,186	32,286	(0.3)
Administrative expenses:			
<i>Staff costs</i>	17,942	17,704	1.3
<i>Property costs</i>	1,275	1,243	2.6
<i>Operational costs</i>	6,515	6,012	8.4
Total administrative expenses	25,723	24,959	3.1
Adjusted operating profit	6,454	7,327	(11.9)
<i>Adjusted operating margin</i>	20.1%	22.7%	(2.6)
Finance Costs (net)	425	443	4.1
Adjusted profit before tax	6,029	6,884	(12.4)
Adjusting Items	146	412	(64.6)
Amortisation & Impairment	11,231	1,418	692.0
Statutory (loss) / profit before tax	(5,348)	5,054	(205.8)
Tax	2,092	931	124.7
(Loss) / profit after tax	(7,440)	4,123	(280.5)



SEGMENTAL PROFIT & LOSS ACCOUNT

Profit and Loss (£'000)		Curtis Banks	Dunstan Thomas	Talbot and Muir	Consol adj.	Total Group
Revenue:	<i>Pension admin fees</i>	20,095	-	2,746	-	22,841
	<i>Interest income</i>	4,928	-	346	-	5,274
	<i>Fintech income</i>	-	4,931	-	(860)	4,071
Total revenue		25,023	4,931	3,092	(860)	32,186
Administrative expenses:	<i>Staff costs</i>	12,971	3,475	1,496	(465)	17,942
	<i>Property costs</i>	971	146	158	-	1,275
	<i>Operational costs</i>	5,623	776	436	(320)	6,515
Total administrative expenses		19,565	4,077	2,090	(785)	25,732
Adjusted operating (loss) / profit		4,673	854	1,002	(75)	6,454
<i>Adjusted operating margin</i>		18.7%	17.3%	32.4%	-	20.1%
Finance Costs (net)		87	329	9	-	425
Adjusted (loss) / profit before tax		4,586	525	993	(75)	6,029

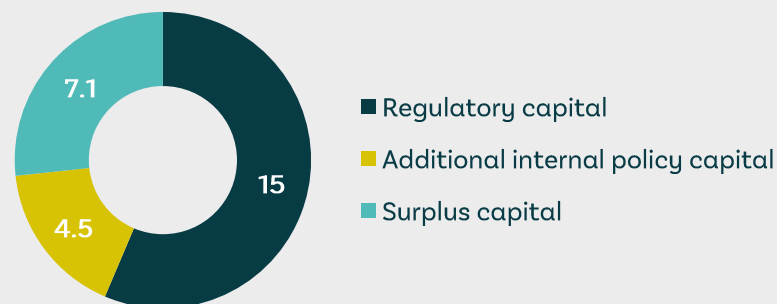


BALANCE SHEET

- Contingent consideration decreased following part settlement of T&M earn out.
- Intangible assets decreased following impairment of DT goodwill.
- Deferred income reflects fees received but not yet taken to the P&L. Increase demonstrates improvement in value of fees billed.
- Borrowings refinanced to 2025; facility not fully drawn.
- Total regulatory capital surplus of £11.6m.

Balance Sheet (£'000)	H1 2022	H1 2021
Intangible Assets	79,639	90,475
Property Plant and Equipment	7,885	9,395
Contingent Consideration	(4,930)	(8,921)
Deferred Income	(16,876)	(16,350)
Borrowings	(17,980)	(21,804)
Other Assets (Liabilities)	(2,559)	(4,306)
Cash	24,826	32,163
Net Assets	70,005	80,652
Share Capital + Share Premium	58,419	58,419
Retained Earnings + Option Reserve	11,586	22,233
Shareholder's Equity	70,005	80,652

Capital position as at 30 June 2022 (£'m)



CASH FLOWS

Positive cash generated from recurring revenues and stable core, with a slight reduction year on year from lower than expected FinTech performance.

Working capital in H1 2021 was inflated by charges, restructuring activity and inclusion of M&A, and H1 2022 reduction reflects increases in interest income receivable.

Product development activity within DT and acquisition of computer software.

Deferred consideration paid on the acquisition of Talbot and Muir.

Repayment of loan capital and interests.

Cash flows (£'000)	H1 2022	H1 2021
(Loss) / profit before tax	(5,348)	5,054
Adjustments for non cash flow expenses	11,960	2,452
Adjustments for finance costs	727	452
Changes in working capital	(2,495)	536
Tax paid	(588)	(1,324)
Net cash flows from operating activities	4,256	7,170
Purchase of intangible assets	(1,189)	(842)
Purchase of property, plant and equipment	(97)	(169)
Purchase and sale of treasury shares	5	301
Consideration paid on business acquisitions	(2,687)	9
Net cash flows used in investing activities	(3,968)	(701)
Equity dividends paid	(4,321)	(4,338)
Net proceeds from issue of ordinary shares	-	290
Net decrease in borrowings	(2,000)	(2,000)
Principal element of lease payments	(572)	(490)
Interest paid	(461)	(277)
Net cash flows from financing activities	(7,354)	(6,815)
Net (decrease)/increase in cash	(7,066)	(346)



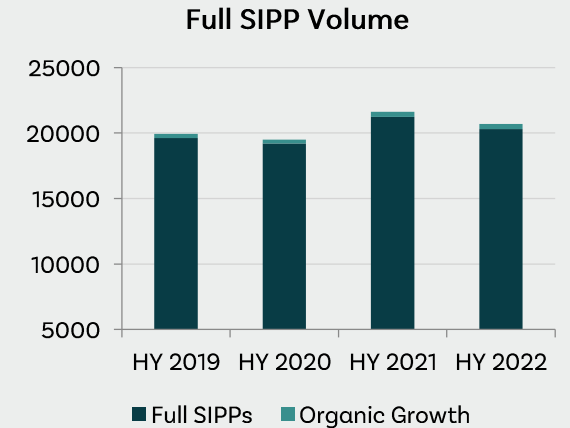
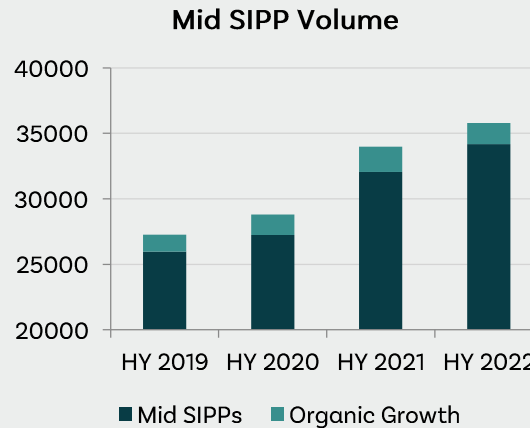


3. OPERATIONAL DELIVERY



KEY SIPP METRICS - GROWTH

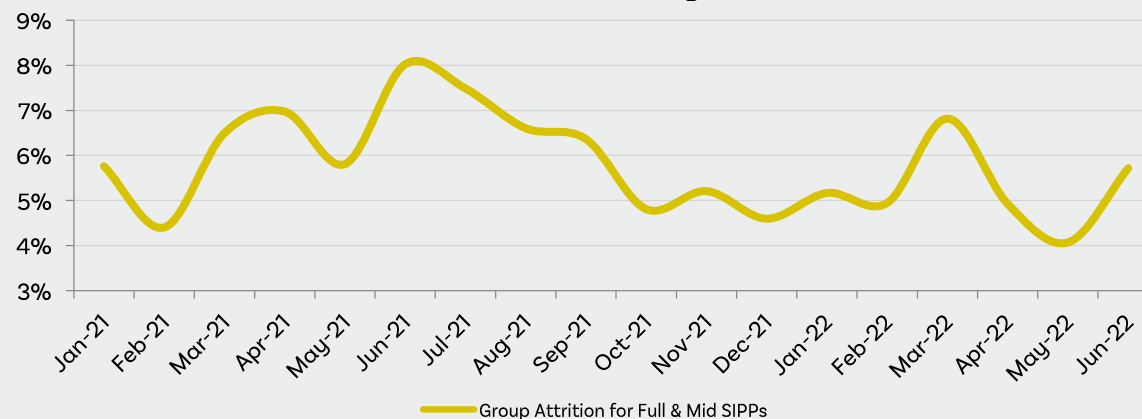
- Annualised gross organic growth of 7.1%
- Comprises 9.3% in Mid SIPP and 3.7% in Full SIPP.
- Annualised net organic growth of Mid and Full SIPP numbers at 1.9%.
- Continuing to capitalise on strong established adviser relationships.
- Building new relationships, with 87 new advisers submitting new business in H1 22.



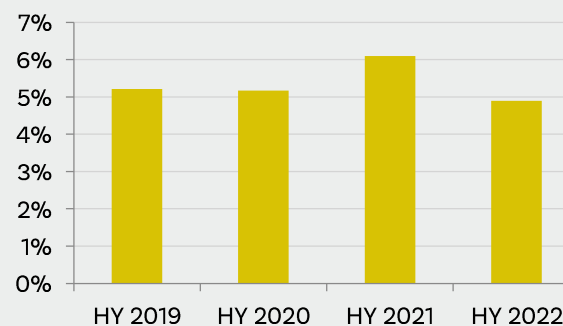
KEY SIPP METRICS

- Annualised attrition rate on Mid and Full SIPP has decreased to 5.3% reflecting;
 - initiatives taken by management to improve customer service.
 - correction of the 2021 COVID impact.
- Total Mid and Full SIPP now 56,485 (June 2021: 55,620).
- Continued managed reduction in lower margin eSIPP.

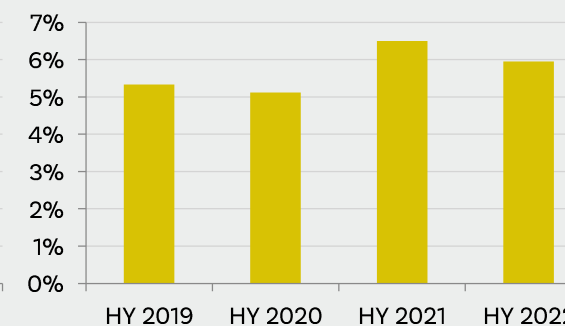
SIPP Attrition Rates Normalising into 2022



Mid SIPP Attrition



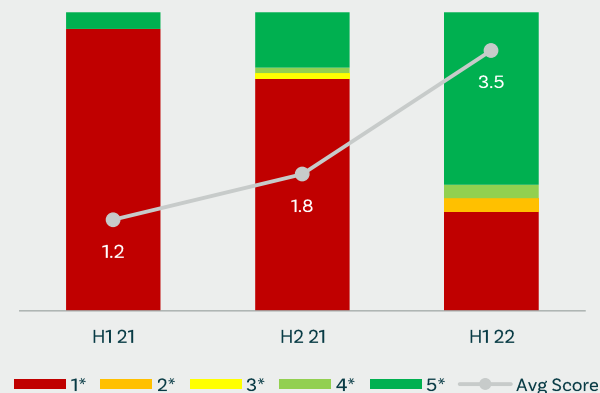
Full SIPP Attrition



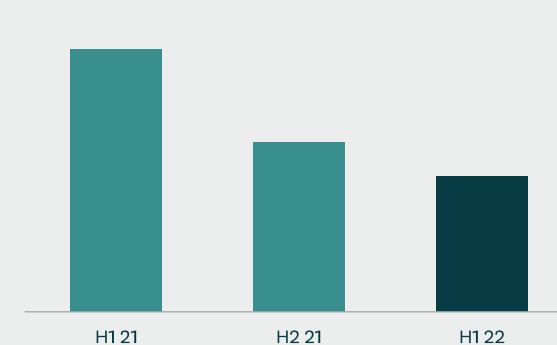
OPERATIONAL UPDATE

- Assets under Administration increased by 3% to £37.1bn.
- Substantial reduction in complaints reflects our focus on outstanding customer service.
- Improvements in Trustpilot score reflects increased engagement and improvements in our service offering.
- Changes to the senior operations management team as we progress the future target operating model.
- Transitioning of the Dundee workforce to home based working resulting in the closure of the Dundee office.

Improvement in Trustpilot Reviews



Improvement in Complaint Volumes



SYSTEMS UPDATE

- Delivery of our Regulatory Change programme continues at pace.
- Imago Connect – Pension Dashboard Integrated Service Provider.
- Chatbot and two adviser tools delivered as part of our CB Labs collaboration with Dunstan Thomas.
- CB Labs considering other technical concepts.
- System strategy has slowed during the period as a result of organisational prioritisation.
- A number of elements have been delivered on time.
- Programme completion target date of Q4 2024 at risk.

Progress towards systems strategy

• Nav support service transition to conclude by end of 2018	Delivered
• Development and build of new digital portal	Delivered
• Decommission of legacy digital infrastructure	Delivered
• Systems build to enable centralisation of Commercial Property Admin	Delivered
• Transition of all Commercial Property Admin from Bristol & Dundee to Ipswich	Delivered
• Upgrade from Nav to Nav BC	Concluding Q4 2022
• Incremental Nav build	Concluding H1 2023
• Final infrastructure consolidation	Target date at risk
• Final consolidation of core infrastructure	Target date at risk
• Removal of legacy SIPP-Pro licences in Bristol & Dundee	Target date at risk



A photograph of an elderly couple hiking on a grassy ridge overlooking a vast valley. The woman on the left is wearing a tan jacket, a bright yellow scarf, and has binoculars hanging from her neck. The man on the right is wearing a dark jacket, a green scarf, and blue jeans. The background features rolling hills covered in trees with vibrant autumn foliage in shades of orange, yellow, and green. A small waterfall is visible in the distance. The sky is bright and slightly hazy.

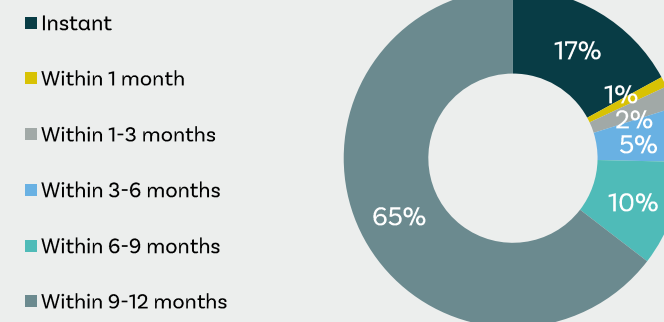
4. INTEREST AND TREASURY FUNCTION



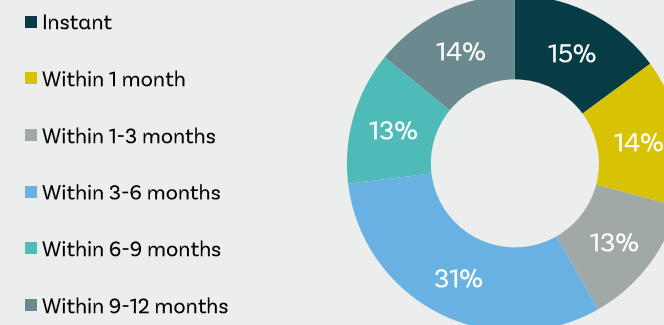
INTEREST – A SUPPLEMENTARY REVENUE STREAM

- Institutional quality treasury function which is continuing to establish key relationships with new banking partners to ensure the best possible rates are being achieved whilst maintaining existing relationships.
- Interest income remains a supplementary revenue stream to core fee income. In this higher interest rate environment this additional interest income provides opportunities to self fund our strategic initiatives or provide increased returns to our shareholders.
- Market leading interest sharing model being utilised across the group which enables clients to benefit from competitive commercial rates being achieved, which currently results in a rate of 0.28% p.a. being shared.
- All banking counterparties are UK PRA regulated, including those subsidiaries and branches of non-domestic banks.
- Ongoing detailed internal Due Diligence using primary and secondary research for current and potential relationships, in addition to sourcing 3rd party agency ratings for credit risk analysis.
- >80% of cash is placed with A- or better (Fitch LT); 100% is BBB or better.

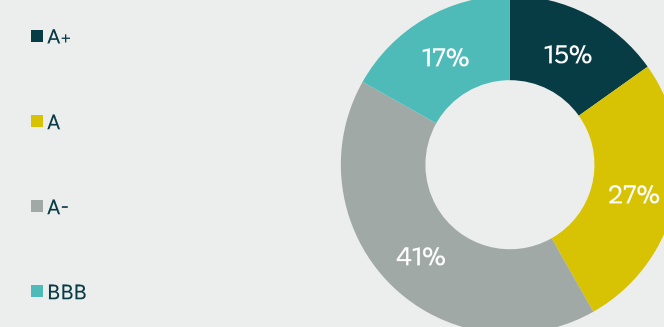
Cash placed split by original term



Cash placed split by term to maturity



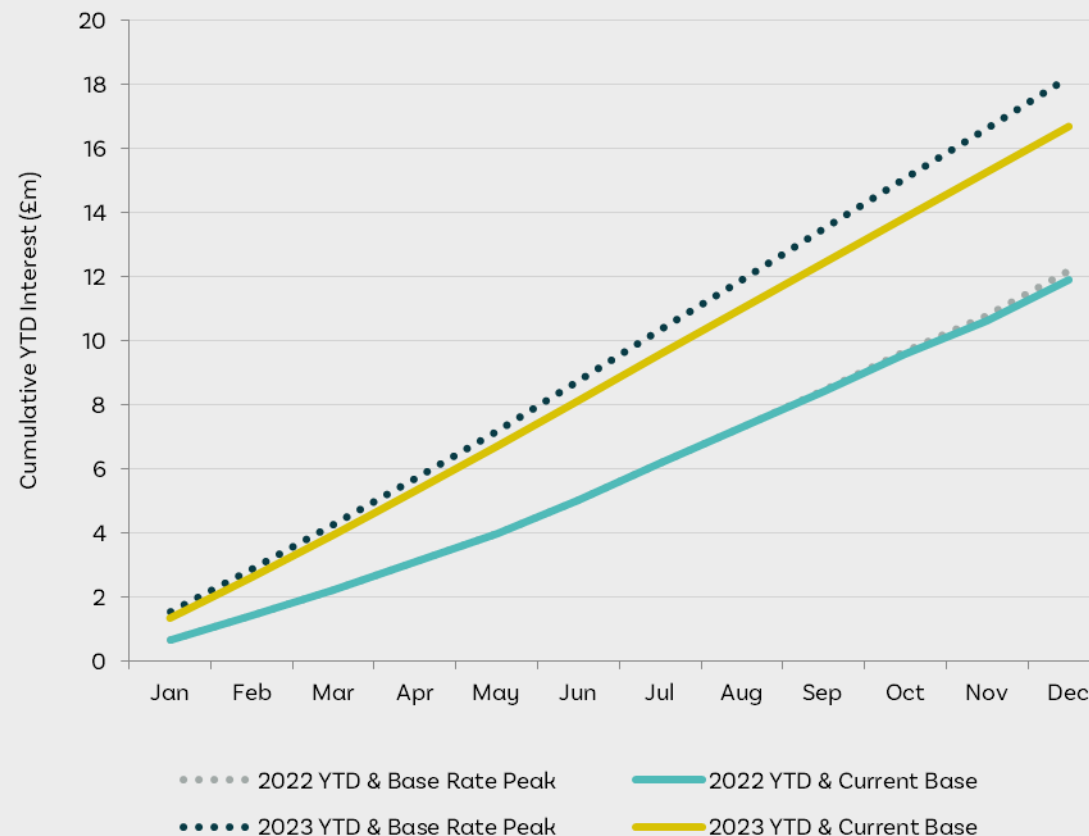
Cash placed split by credit risk



INTEREST UPSIDE OPPORTUNITY

- Interest income provides a sizeable revenue opportunity in 2023, as illustrated opposite.
- The two modelling scenarios are that base remains flat at current levels of 1.75% or that base rates increase by 25bps at every remaining MPC meeting in 2022 finishing the year at 2.50% and then remains flat for 2023.
- Positive for customers and investors

Projected interest income 2022 vs 2023





5. CONCLUSION AND OUTLOOK





CONCLUSION & OUTLOOK

- Results demonstrate a fundamentally solid, resilient business model.
- Modest net organic growth driven by improvements in service and attrition.
- Strong balance sheet with dividend cover.
- Search for Chief Executive Officer underway.
- Interest income continues to benefit from rising interest rates.
- Headwinds remain but opportunity exists to improve operating performance.



A person is seen from the side, sitting in the passenger seat of an airplane. They are holding a camera with a large lens up to the window, taking a photograph. The view outside the window is a vast, rugged mountain range under a bright, low sun, likely at sunrise or sunset. The sun is positioned in the center of the frame, creating a strong lens flare and illuminating the scene. The mountains are dark and silhouetted against the bright sky. In the foreground, the interior of the airplane is visible, including the window frame and the person's hand holding the camera. The overall mood is serene and adventurous.

6. QUESTIONS AND ANSWERS





7. APPENDICES



CURTIS BANKS INVESTMENT CASE

STRUCTURAL GROWTH OPPORTUNITY

- ✓ Growing, attractive UK wealth management market with c.£2trn of total market financial assets
- ✓ Long-term tailwinds remain strong:
 - (i) ageing population;
 - (ii) intergenerational wealth transfer;
 - (iii) regulatory and fiscal freedoms;
 - (iv) ongoing shift from DB to DC

SCALE AND EXPERTISE WITHIN THE UK SIPP MARKET

- ✓ Pre-eminent SIPP provider in the UK with £37.1bn of AUA across 78,990 clients
- ✓ Recognised specialist with advisers, evidenced by industry awards and ratings
- ✓ Conservative approach to risk

FOCUSED PROPOSITION, CLEAR TARGET MARKET

- ✓ Comprehensive SIPP and SSAS offering for the full client wealth spectrum, with a focus on affluent and HNW clients
- ✓ Suite of investment choices across standard and non-standard investments
- ✓ Market-specialist in commercial property administration

STRONG DISTRIBUTION CAPABILITY

- ✓ Broad distribution reach with long-standing relationships across over 800 adviser firms and wealth managers
- ✓ Track record of attracting new adviser firms, with 87 new adviser relationships in H1'22

ATTRACTIVE CLIENT BASE

- ✓ Loyal and high-quality client base with an average case size of over £460k
- ✓ Customer retention rate of over 94% on core SIPP products - one-third of our clients have been with the business for over 10 years
- ✓ Dunstan Thomas client tenure strong with average relationship length of 10 years

TECHNOLOGY-LED ORGANISATION

- ✓ Dunstan Thomas is a leading Fintech provider, delivering technology solutions and services for wealth managers, platforms and providers
- ✓ Growing collaboration between Curtis Banks and Dunstan Thomas

RESILIENT FINANCIAL MODEL

- ✓ Fixed fee pricing provides high level of recurring fees, inflationary fee increases and protection in the current volatile markets
- ✓ Institutional quality treasury function - interest income provides a revenue opportunity in H2'22 and into FY23

BALANCE SHEET STRENGTH

- ✓ Strong underlying cash generation
- ✓ Well capitalised with a strong balance sheet, supporting sustainability of future dividends



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