

Investec plc





Business update

21 May 2021

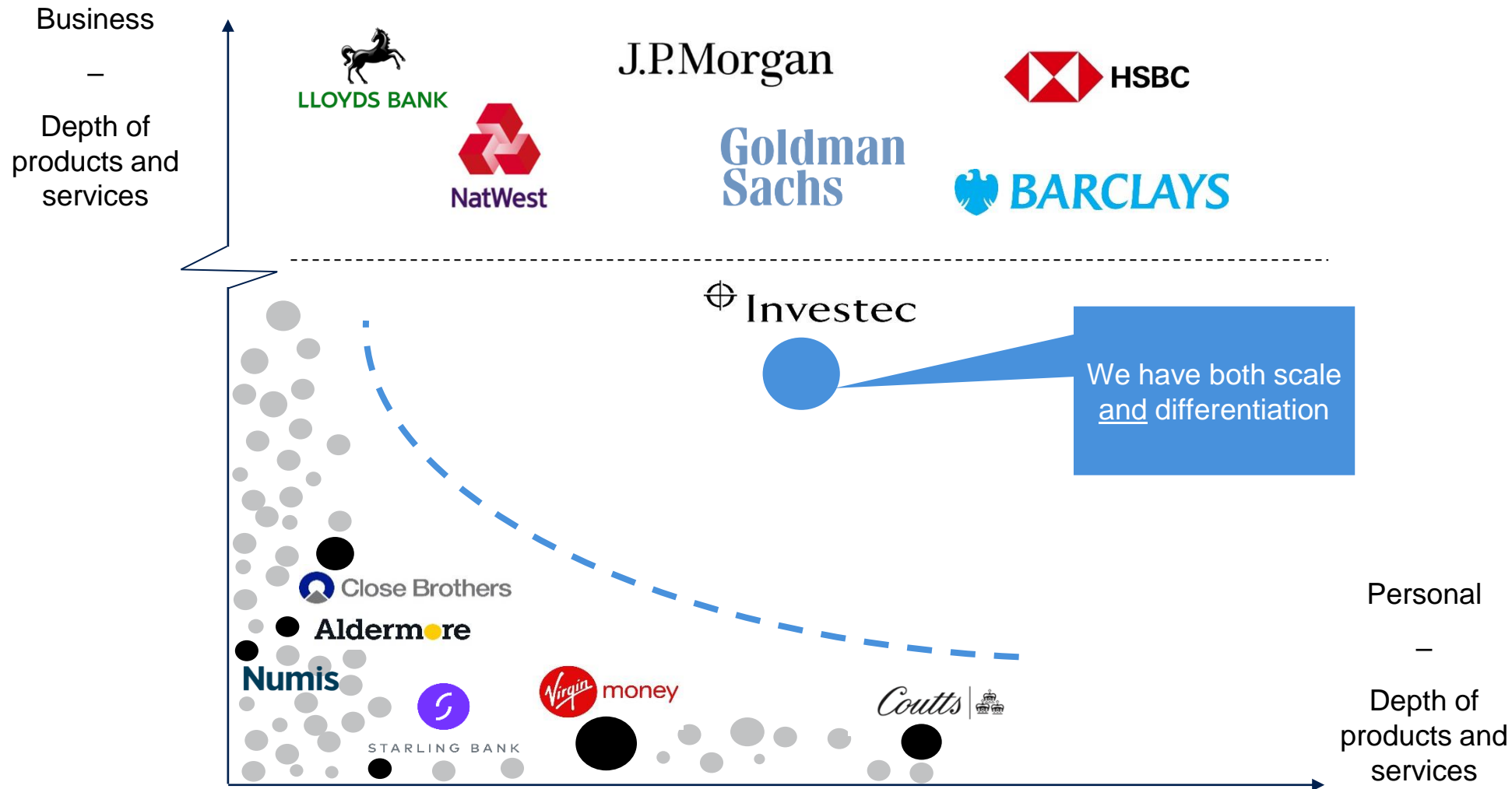


Market Position

Uniquely positioned in between mass consumer banking and multi-national corporate banking with a strong wealth and investment proposition

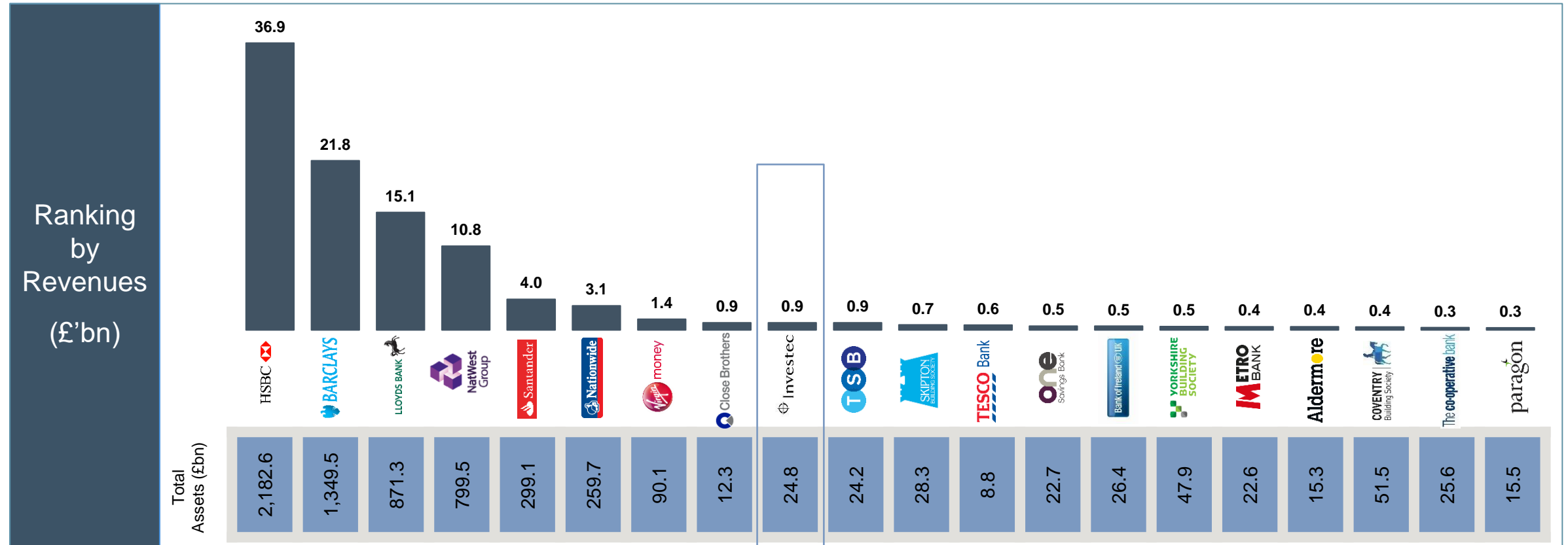
-  **DOMESTICALLY RELEVANT, INTERNATIONALLY CONNECTED**
Recognisable brand in a large and growing UK domestic market
-  **FOR CORPORATE CLIENTS LOOKING FOR A LONG-TERM GROWTH PARTNER**
Tailored offering to meet the needs of high-growth, mid-market companies with an entrepreneurial mind-set
-  **FOR AMBITIOUS AFFLUENT AND HNW CLIENTS THAT WANT TO CREATE AND OPTIMISE THEIR WEALTH**
Holistic range of lending, wealth planning and investment services built around the client needs and profile
-  **BESPOKE OFFERING DELIVERED THROUGH HIGH-TECH, HIGH-TOUCH SOLUTIONS TO TARGET MARKET**
High level of service by being, flexible, nimble and innovative

Differentiation through capabilities is clear



Domestically relevant, internationally connected

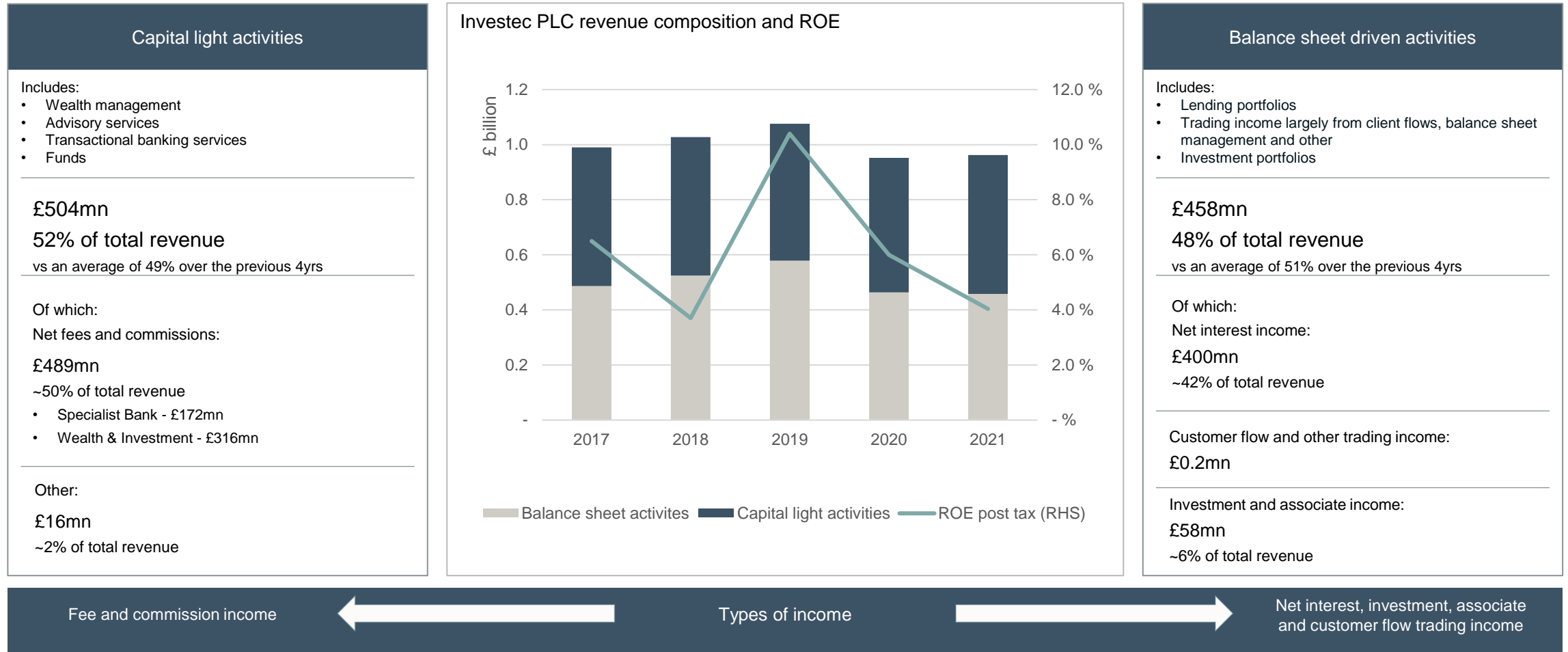
Investec is a substantial business generating revenues of £963mn for the 12 months to 31 March 2021, ranking number 9 in terms of revenue



All figures are based on 31 December 2020 disclosures, with the exception of Investec and Virgin Money UK plc which are shown as at 31 March 2021, Tesco Personal Finance Group plc which is shown at 28 February 2021, Close Brothers Group plc which is shown at 31 January 2021, Nationwide Building Society which is shown at 30 September 2020 and Aldermore Group plc which is shown at 30 June 2020. Revenues have been annualised for Nationwide Building Society, Virgin Money UK plc and Close Brothers Group plc whose latest disclosures are at half year.

Balanced business model

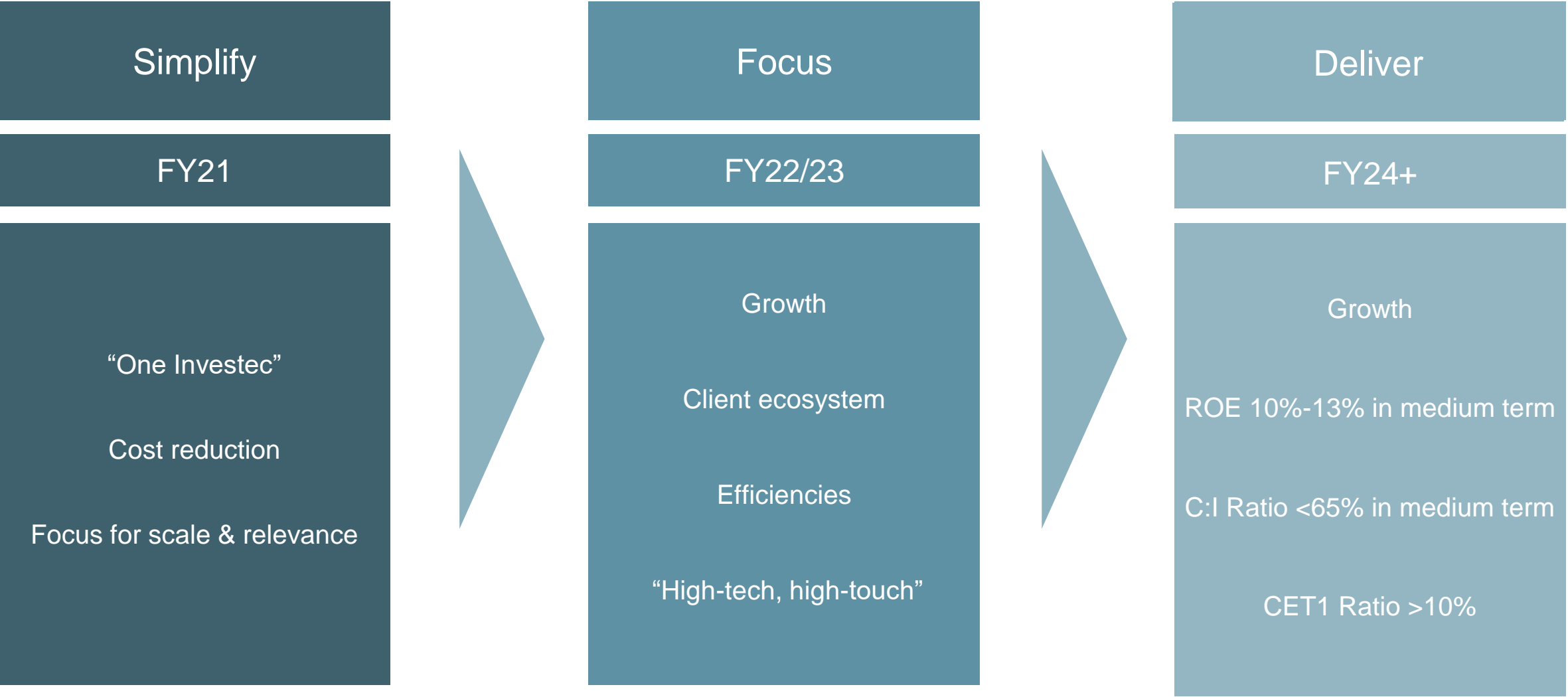
Focused on growing capital light businesses



UK & Other Specialist Bank – Ruth Leas, Chief Executive



Journey to deliver improved shareholder returns



Significant actions to simplify and focus



Capital allocation

Building scale and relevance for client franchises in the UK

Exit of
Australia

Wind down &
exit of
Financial
Products

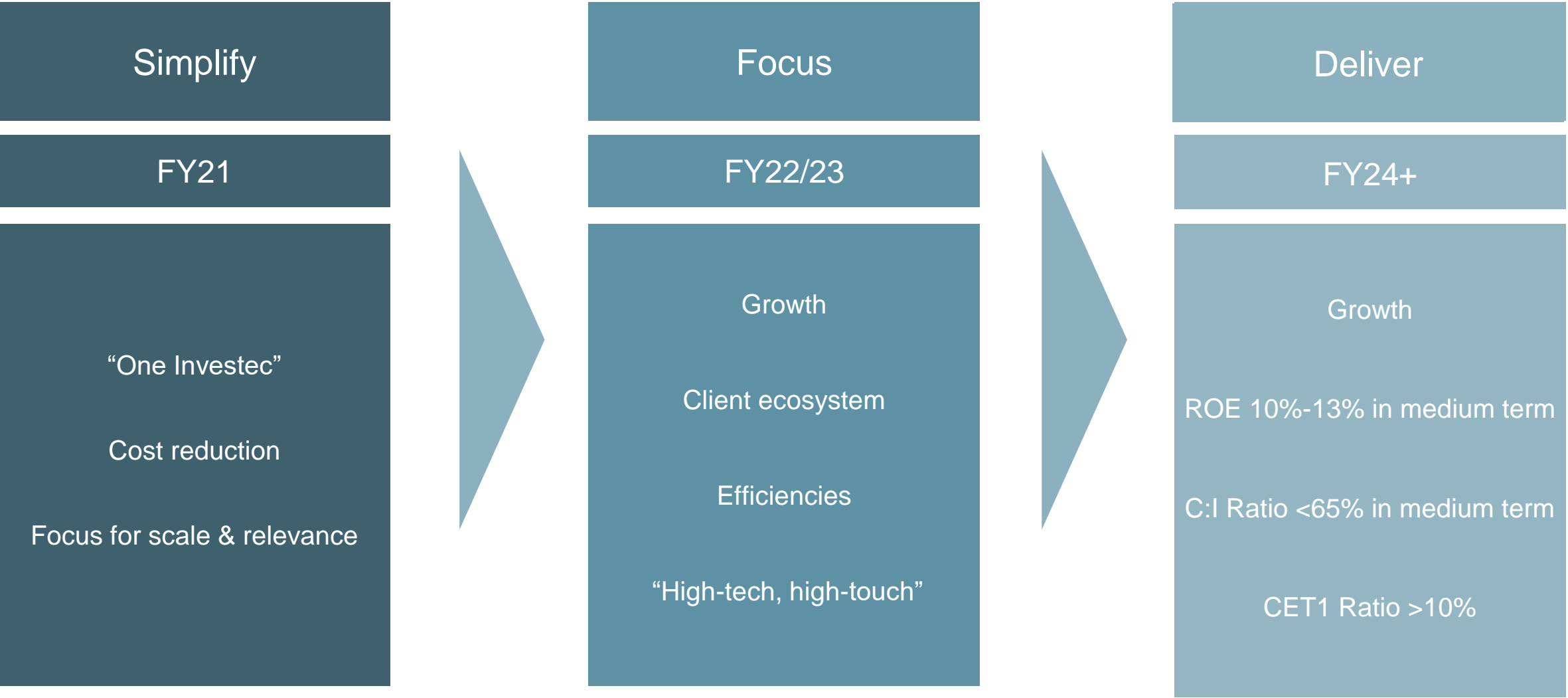
Closed
Resource
Finance UK

Exited Fund
Solutions US

Rationalised
Hong Kong
activities

Domestically relevant, internationally connected

Journey to deliver improved shareholder returns



Resilient FY21| Well positioned for growth

	Mar 2019	Mar 2020	Mar 2021
Operating profit pre-Financial Products run down	£192mn	£132mn	£138mn
ROE / C:I pre-Financial Products run down	11.2% / 72.1%	8.0% / 68.4%	5.6% / 70.7%
Financial Products run down	-	(£29mn)	(£93mn)
Operating profit	£192mn	£103mn	£45mn
ROE / C:I	11.2% / 72.1%	6.2% / 71.7%	1.2% / 81.3%

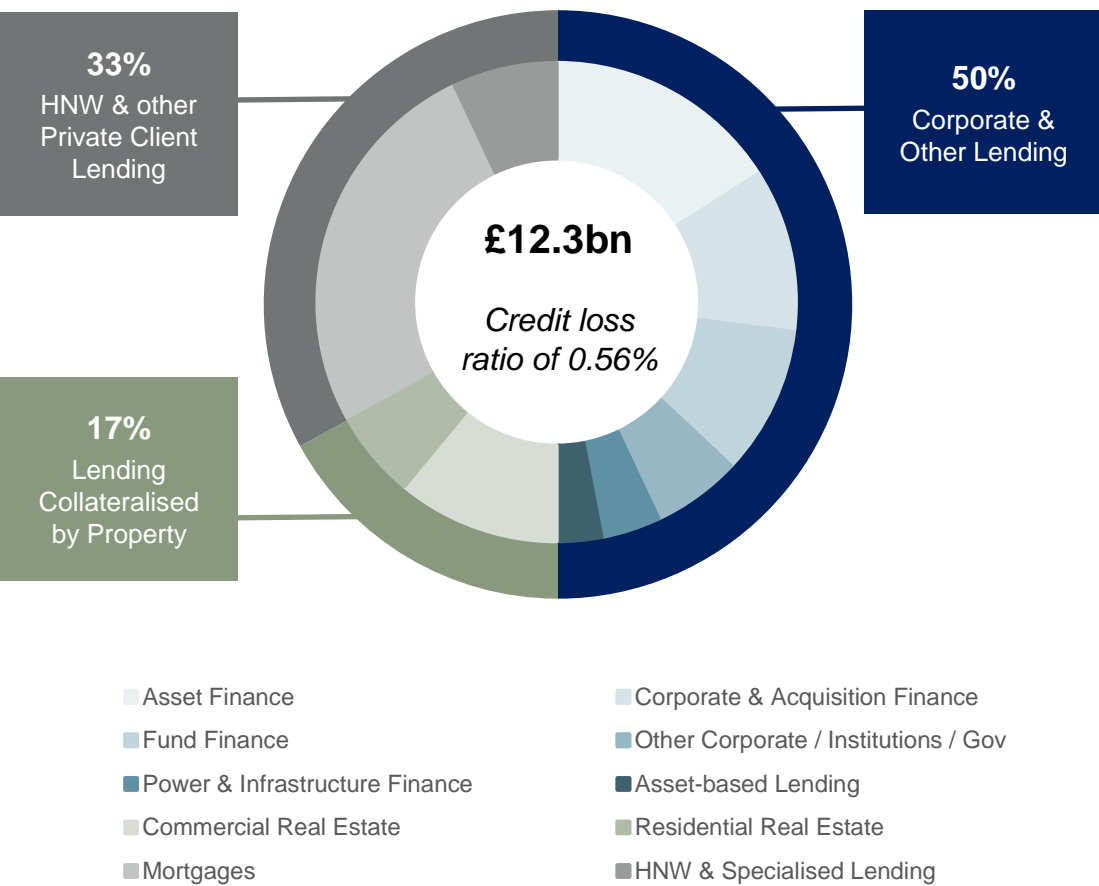
In a challenging environment, our business has proven to be resilient with counter-cyclical features

Book growth and diversity

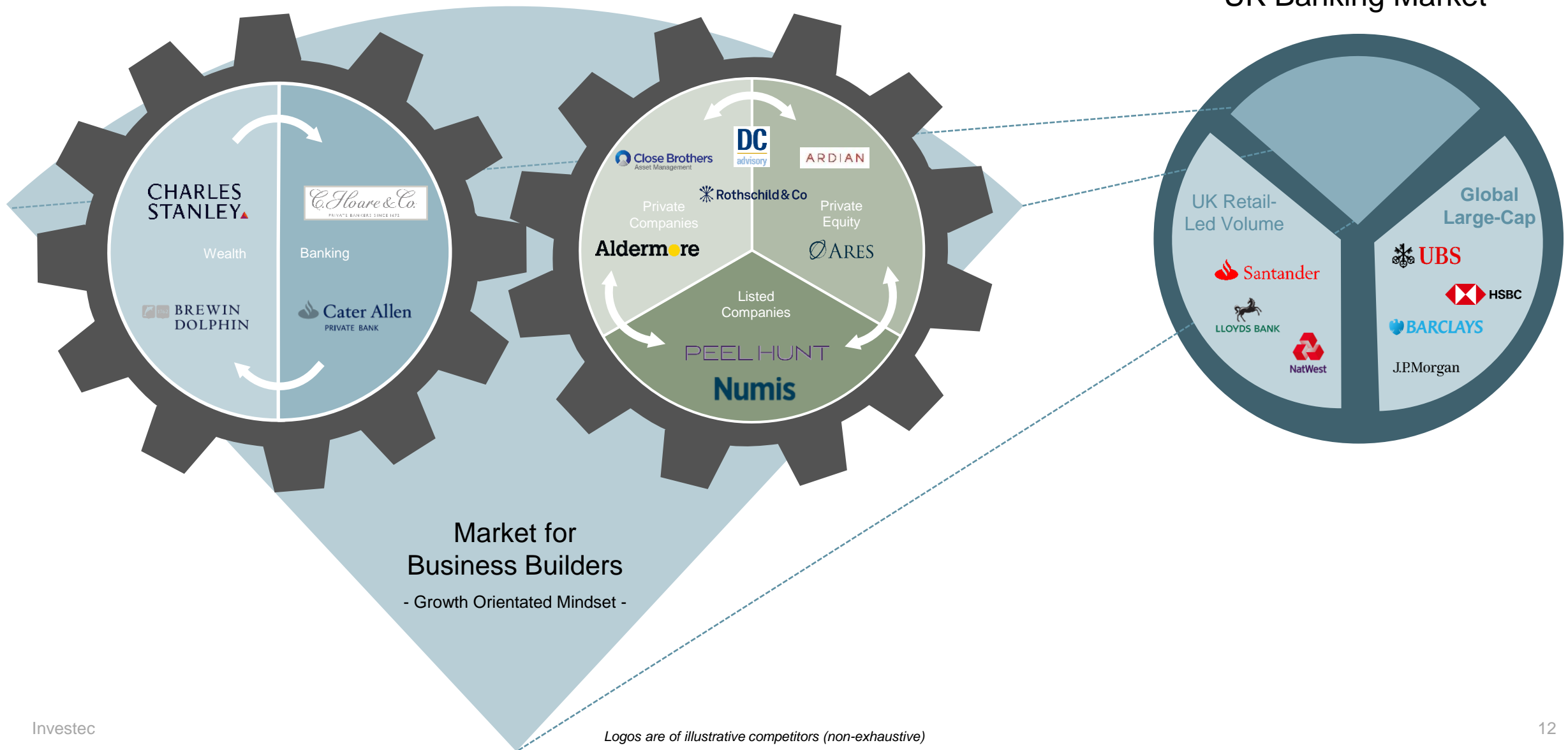
Solid book growth



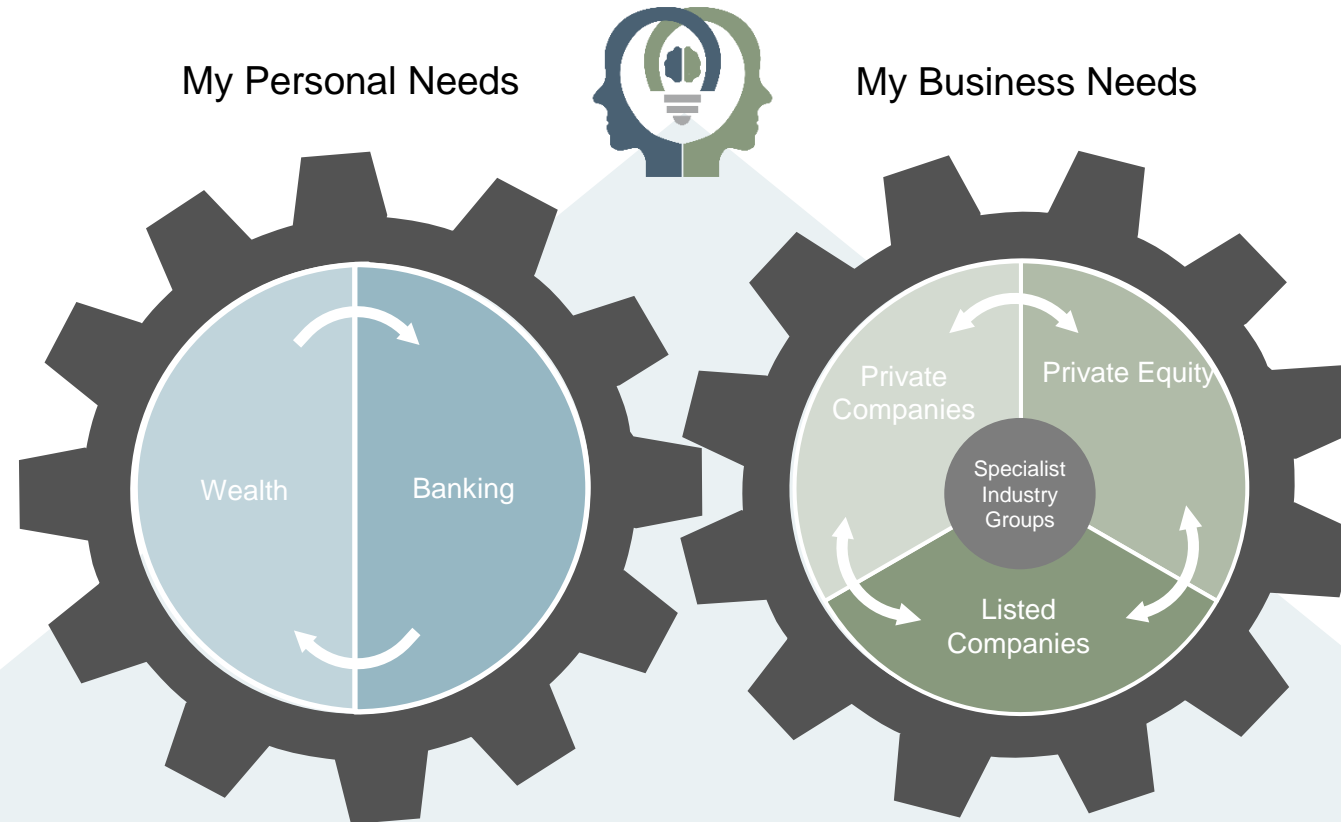
Diversified loan book in FY21



Strong market position; uniquely positioned

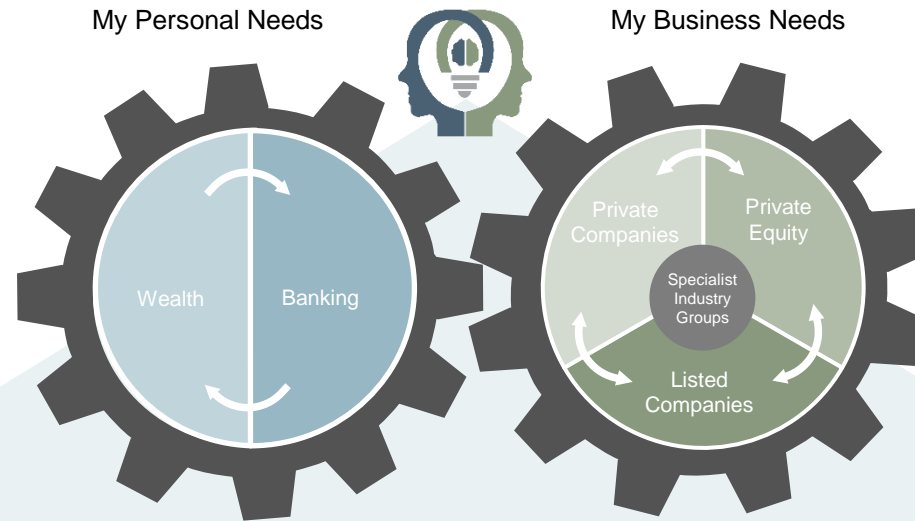


Growing by meeting personal and business needs

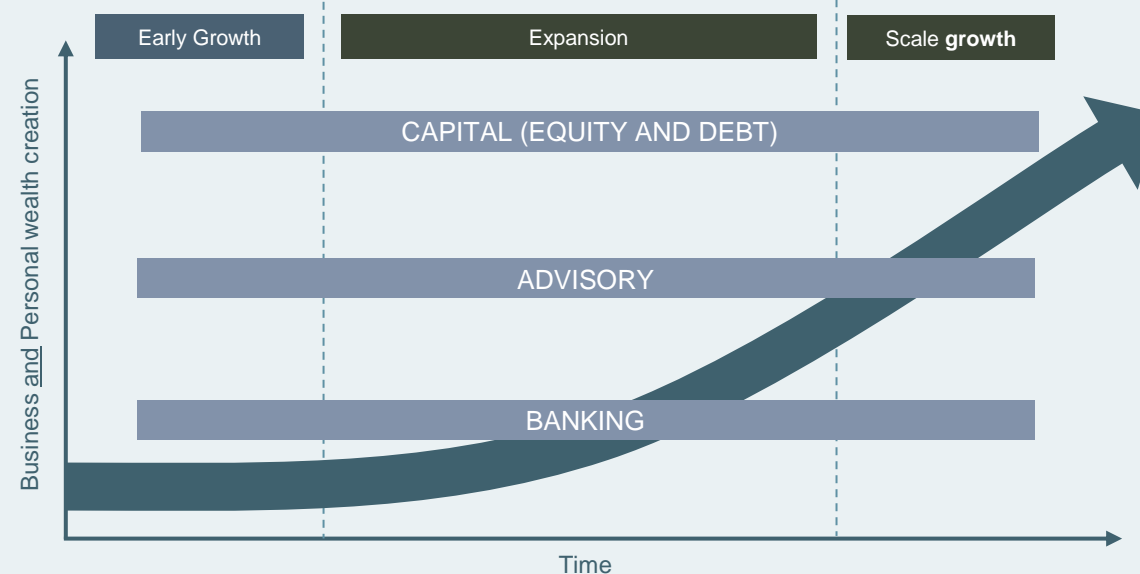


Strong and reinforcing client franchises

Delivering a breadth of capabilities



High quality, agile and personalised service



Delivered by our people who are entrepreneurial, invested in the client and refreshingly human

Private Clients

Now positioned for accelerated growth


Franchise

Large addressable market
90,000 UK individuals meet the target criteria*


Fully invested
Invested in talent, platforms, marketing and digital

Growing to plan
Book growth | 35.2% 4yr CAGR
Private client growth | 26.9% 4yr CAGR

Award winning products



2019



2019

Note: * Entrepreneurially minded, active wealth creators, who are time poor and have at least £300k per annum in income and £3 million in NAV

Growth



Private Companies

Scale of this underserved market represents significant opportunity for growth

Franchise

Scale of UK private companies market

20,000 UK private companies identified as potential new corporate clients

Breadth of solutions

Full suite of banking products for this significant underserved community

Growing to plan

Book growth | 20.7% 4yr CAGR

Asset Finance client growth | 9.8% 4yr CAGR

Award winning products

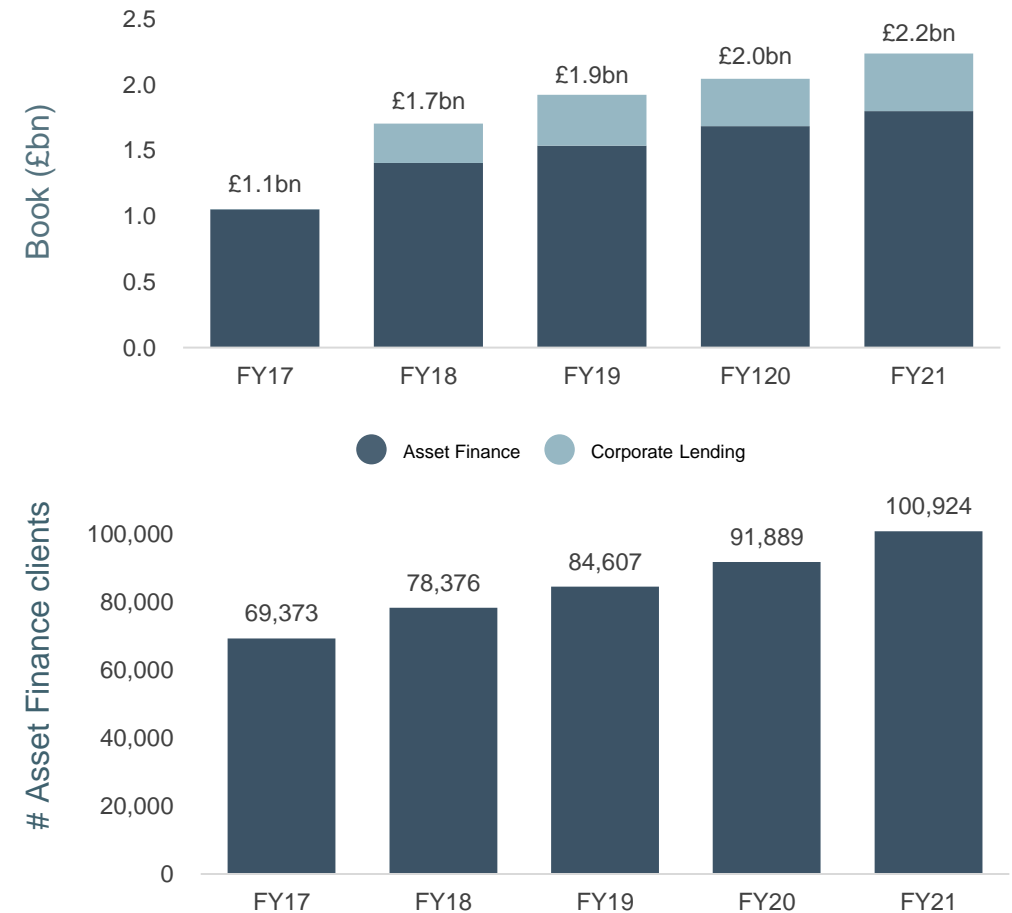


Winner - Best Leasing & Asset Finance Provider ('19 - '21)



Winner - Best Business FX Provider ('21)

Growth



Private Equity

Low capital, low cost intensity model for growth

 Franchise

Large addressable market

c. 200 Funds active across the UK, Benelux and DACH regions

Fully integrated

Scale & diversified client proposition – capital & advice

Growing to plan

Book growth | 4.9% 4yr CAGR

Average revenue per client & average # products per client growing

Award winning products



Investec named 'Bank of the Year' at the 2020 & 2019 Real Deals Private Equity Awards.

 Growth



Note: * Book refers to Growth & Leveraged Finance + Fund Solutions UK
Investec

Listed Companies

Market leading broker poised for further growth

Franchise

Top ranked UK Broker

Raised £3.5bn in equity fundraisings across 30 corporate clients in FY21

Breadth of capabilities

‘Not just a broker’ – 39% multi-product clients

Growing to plan

Corporate client growth | 7.9% 4yr CAGR

Award winning products

Institutional
Investor
2020



Corporate Broking team
(2019: 4th)



Research team in 7 sectors
(2019: 1st in 2 sectors)

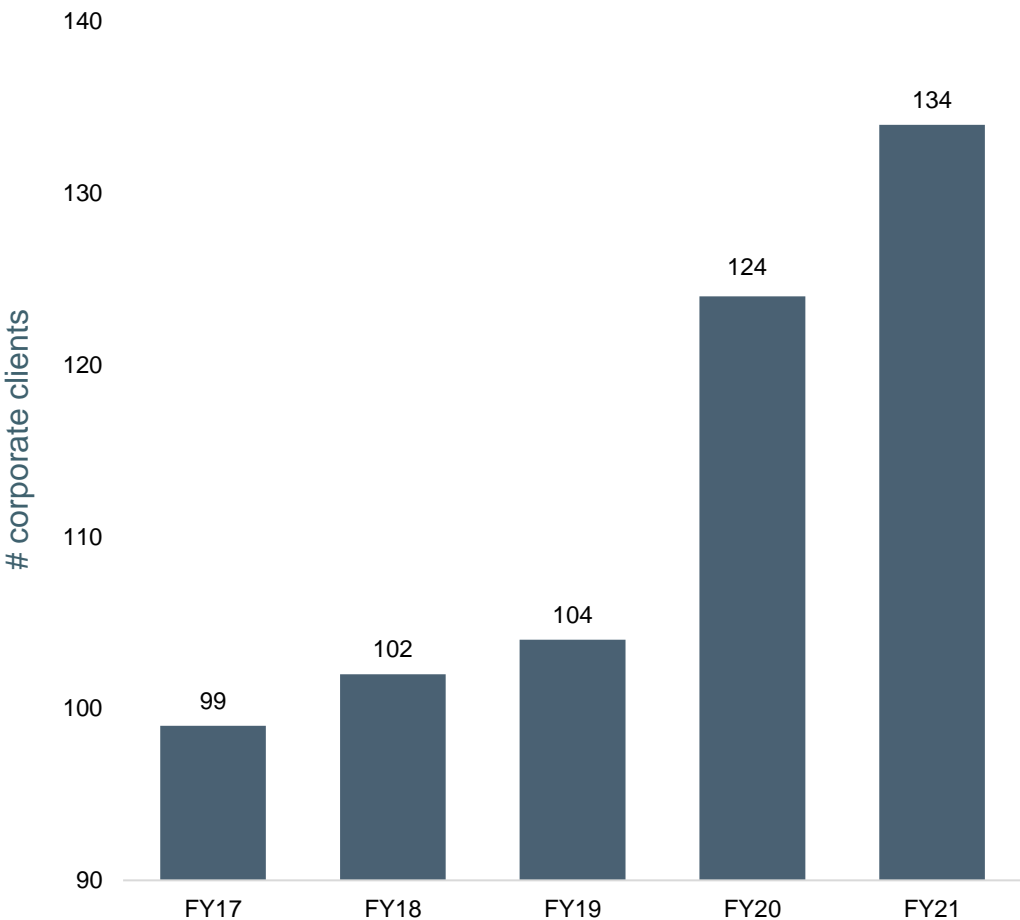


6 top-ranked analysts
More than any other Broker



Equity Sales team
(2019: 3rd)

Growth



Specialist Industry Groups

Deep sector expertise in our award-winning Specialist areas



Aviation

Recognised international leader

Market recovery opportunity

Global airlines & lessors

Current book size	➤	£390mn
Debt Fund AUM	➤	£417mn
Equity Fund AUM	➤	£108mn
Client numbers	➤	31



Power & Infrastructure Finance

US & UK strength

Strong thematic growth

Corporates & funds

Current book size*	➤	£759mn
Client numbers*	➤	100



Real Estate

UK-focused

Resilient target market

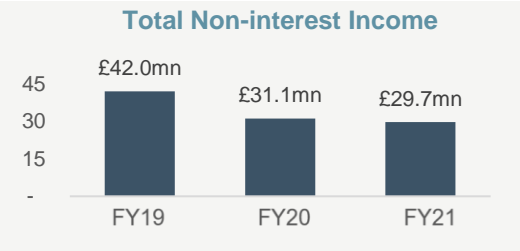
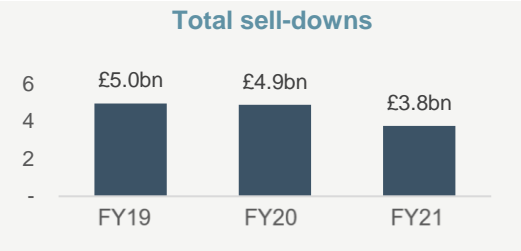
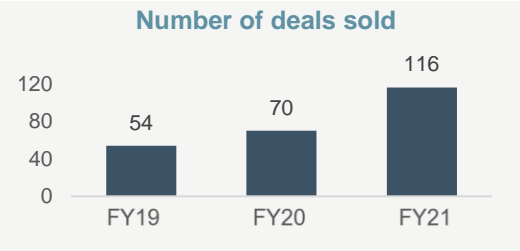
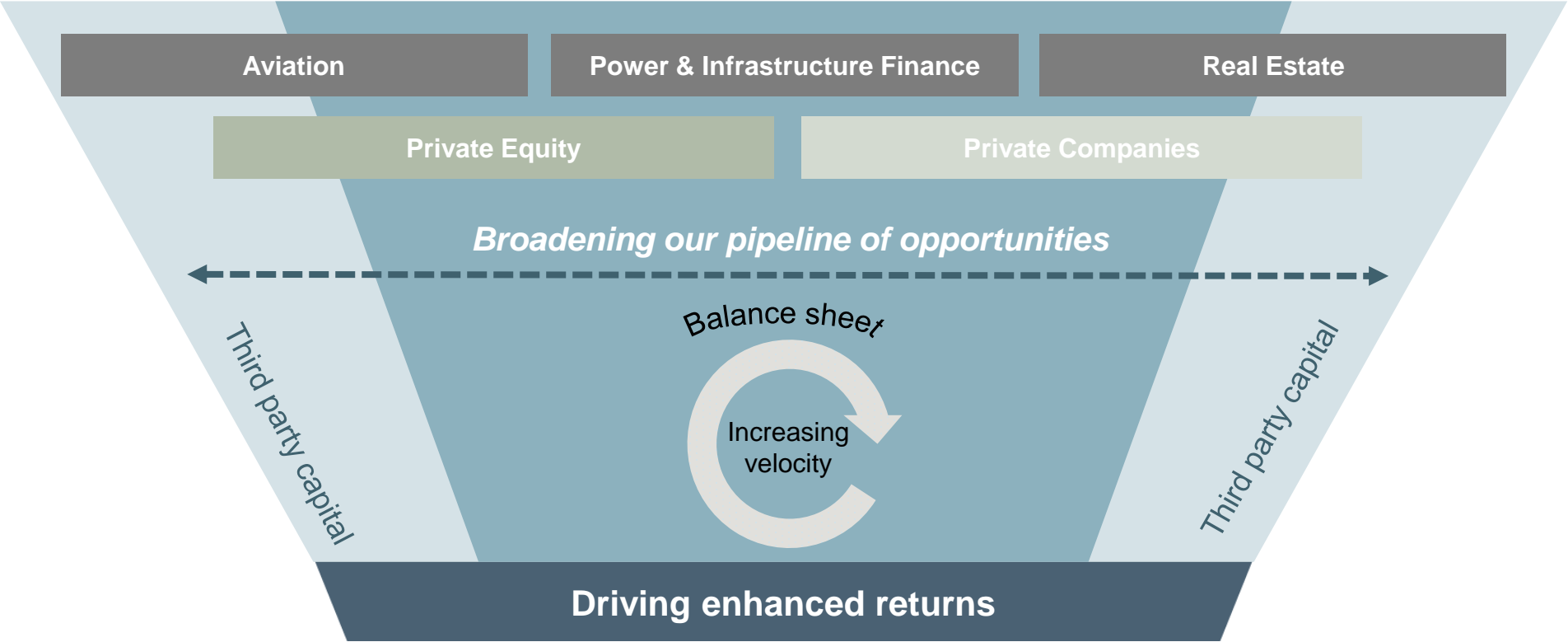
Individuals, corporates & funds

Current book size**	➤	£2.1bn
Client numbers**	➤	93

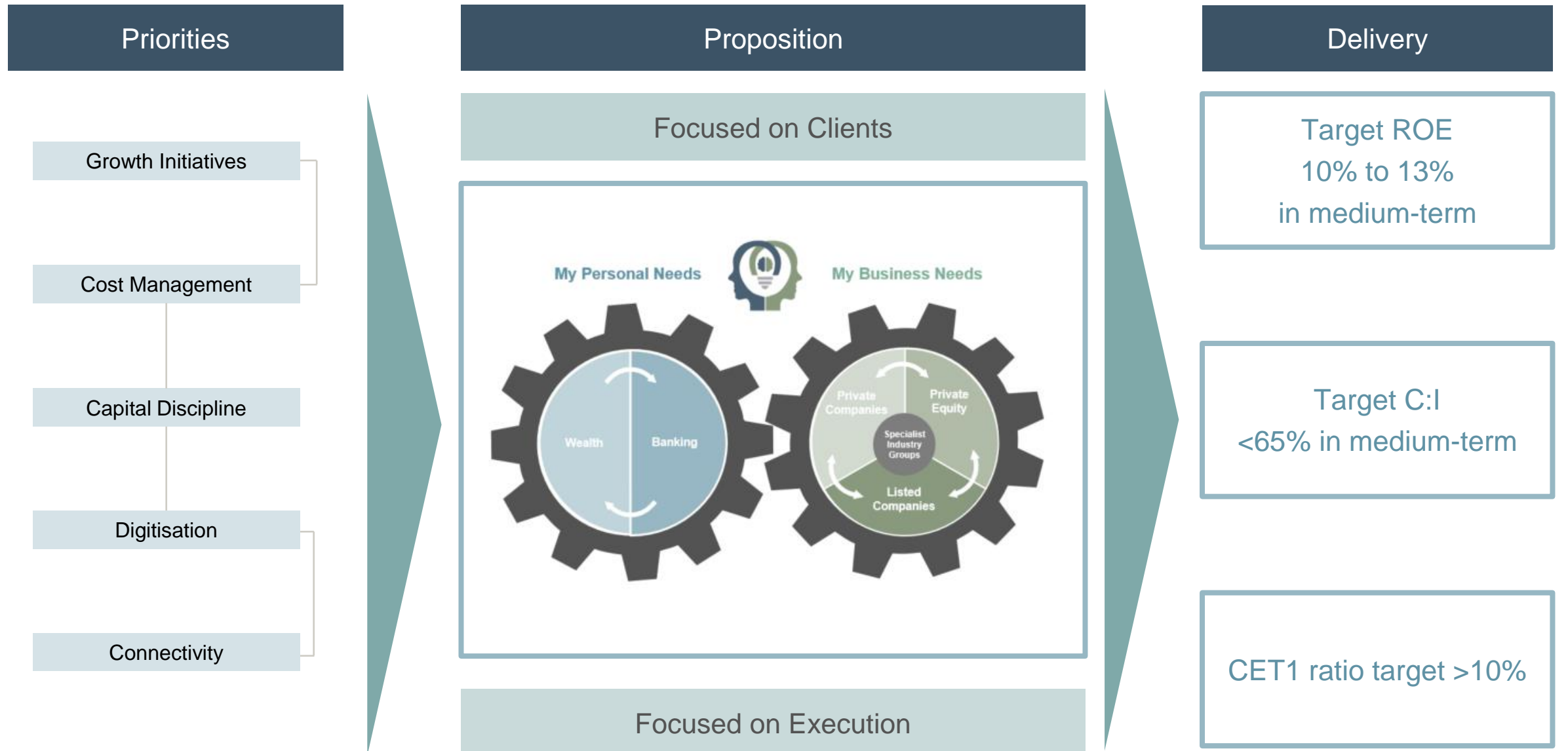


Note: * UK + US; ** London + Channel Islands

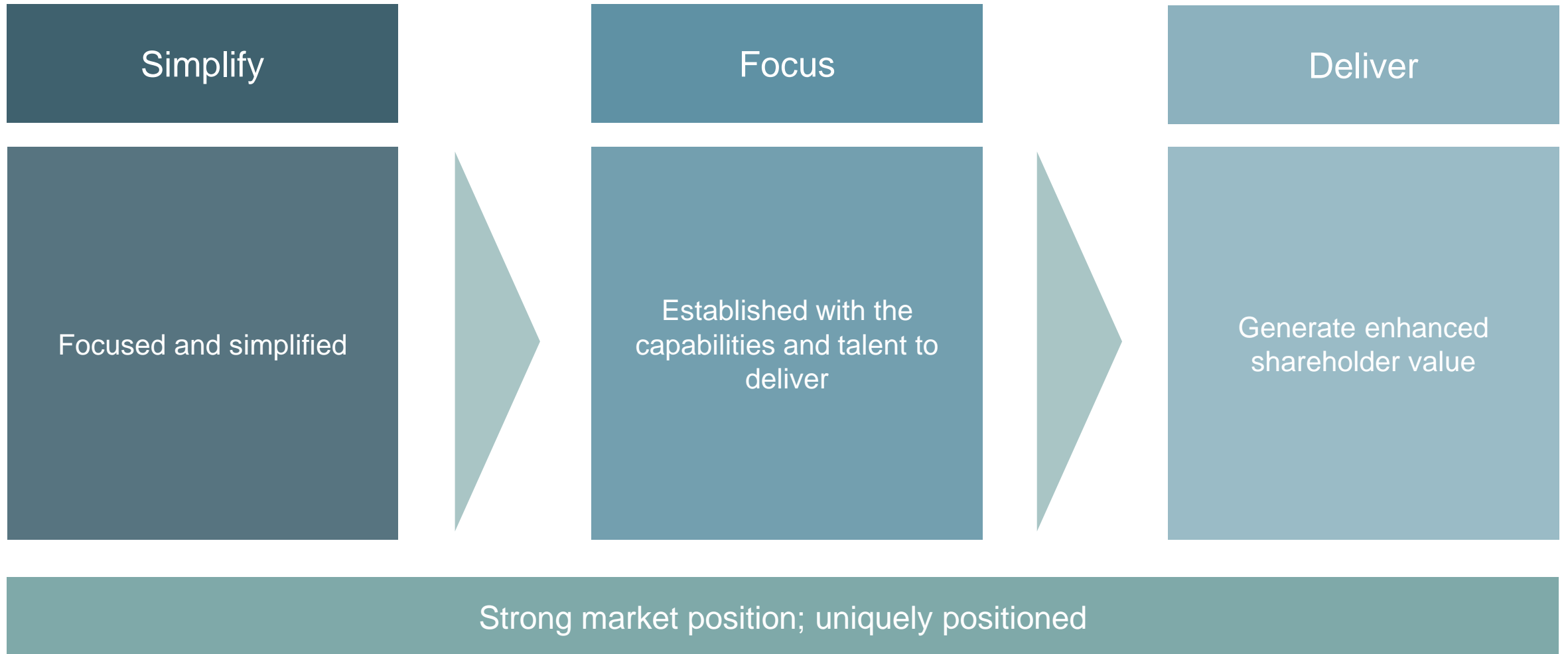
Highly successful origination and distribution capability



Delivering sustainable and enhanced shareholder returns



Conclusion



UK & Other: Wealth and Investment – Ciaran Whelan, Chief Executive



Our business model

UK & Channel Islands business - investment-led proposition with a focus on increasing advice capability

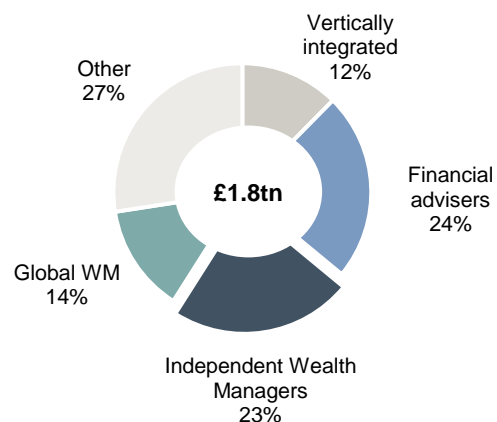
Clients	Private clients	Intermediaries	Charities
	Investment Management		
	Discretionary	Advisory	Execution Only
Overview	<p>Manage clients portfolios on their behalf</p> <p>Discretion over the relevant portfolio to take investment decisions based on clients' investment objectives and risk profile</p>	<p>Client retains full control and is responsible for all investment decisions</p> <p>Provide recommendations based on specified investment objectives and risk profile</p>	<p>Transactions undertaken on an "execution only" basis</p> <p>Services provided when trades executed on behalf of clients without providing advice or recommendations</p>
Key Products	Multi-asset class and product range catering to risk profile and client lifecycle planning needs from equities and funds through ISA, SIPP and CGT planning		
Number of Relationships	34,900	1,100	3,700
FUM ¹	£35.7bn	£1.8bn	£3.8bn
	Financial Planning		
	Dedicated team of fully qualified financial planners working on bespoke mandates with investment managers on estate, structuring and retirement needs of clients		<div>£3.5bn AuA⁽²⁾</div> <div>3,600 Clients</div>

Note: Data as of March 2021. (1) Reflects the FUM of the UK & Channel Islands business on a standalone basis and therefore excludes £1.2bn of FUM that is managed by the Switzerland business and group consolidation adjustments to remove circa £0.8bn of FUM that is jointly managed with the SA business. (2) Overlap of £3.1bn with Investment Management FUM.

Market context

UK Market Landscape

UK Long-Term Savings Assets under Administration



Source: Oliver Wyman

Sector Themes

Attractive demographic backdrop – long-term structural growth

Evolving distribution environment – move to financial planning and advice

Fragmented market with diverse range of business models

Increasing pressure on fee margins across the value chain

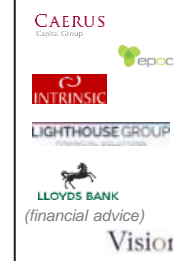
Cost pressures from increasing regulation and investment in technology

Industry Reactions

Financial Planning

- Growing appetite for in-house financial planning
- Expansion of intermediary channel
 - Outsourced Discretionary Fund Management (DFM) / Managed Portfolio Service (MPS)

Recent Deals



Greater Vertical Integration

- Emergence of vertically integrated propositions
- Capture more of value chain
- However, model continues to face regulatory scrutiny

Examples



Drive to Scale and Consolidation

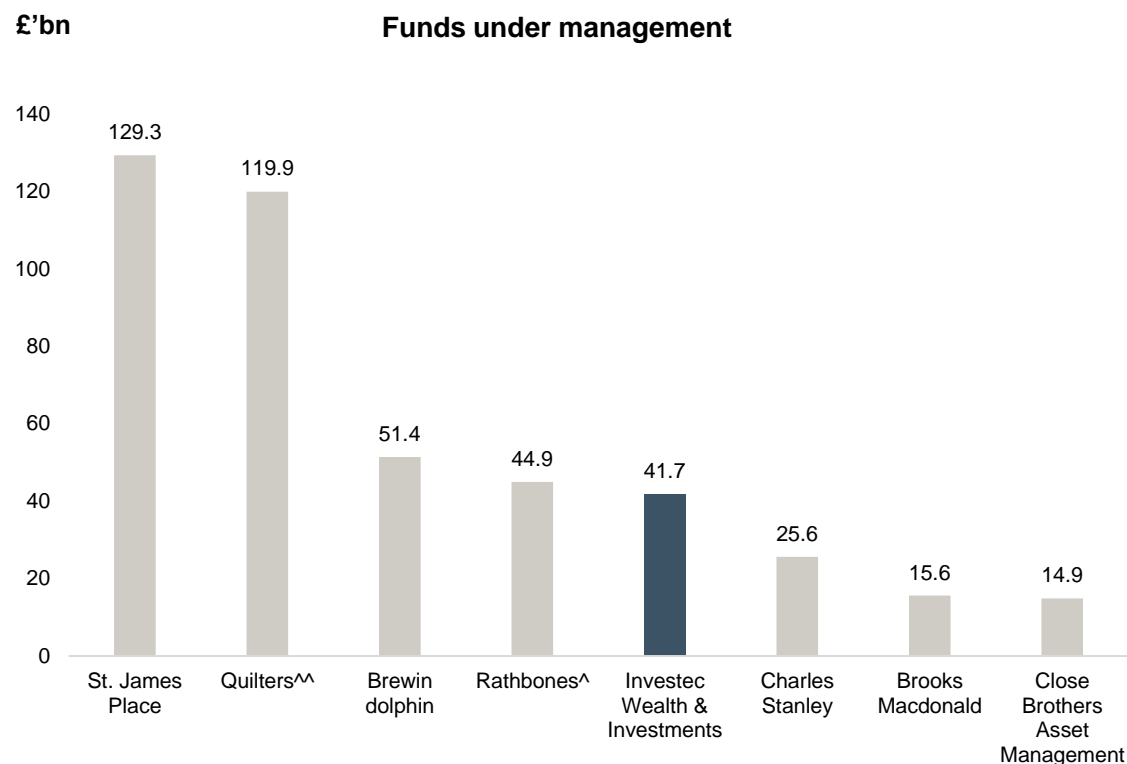
- Increased M&A:
 - Mergers / bolt-ons
 - IFA consolidation
 - Platforms

Recent Deals



Unique market positioning drives competitive advantage in the UK market

One of the largest Wealth Managers in the UK



Funds under management (FUM) are as at 31 March 2021 for IW&I, Charles Stanley, Brooks Macdonald and Quilter Cheviot, 31 December 2020 for St James Place, Rathbones and Brewin Dolphin and 31 January 2021 for Close Brothers Asset Management.

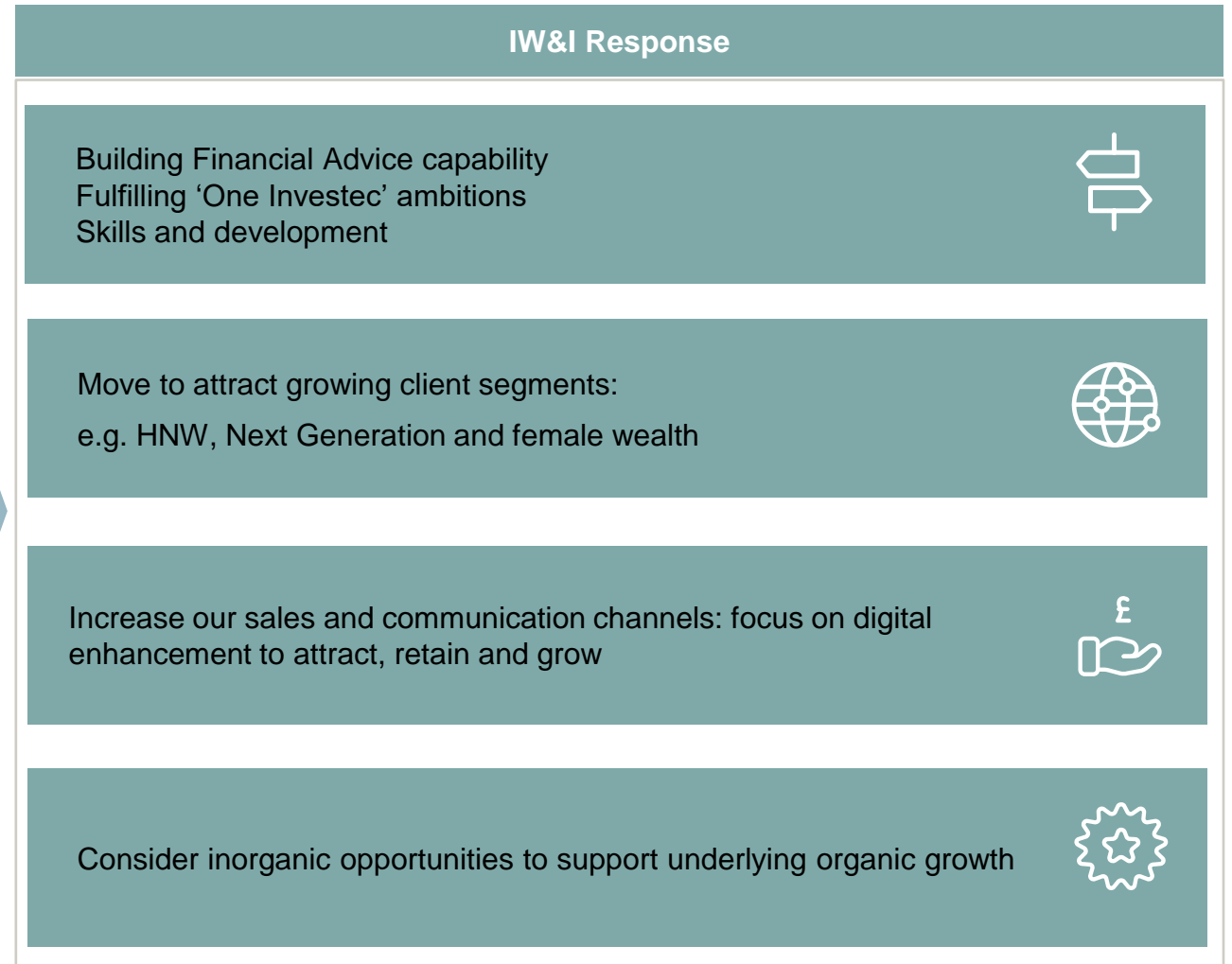
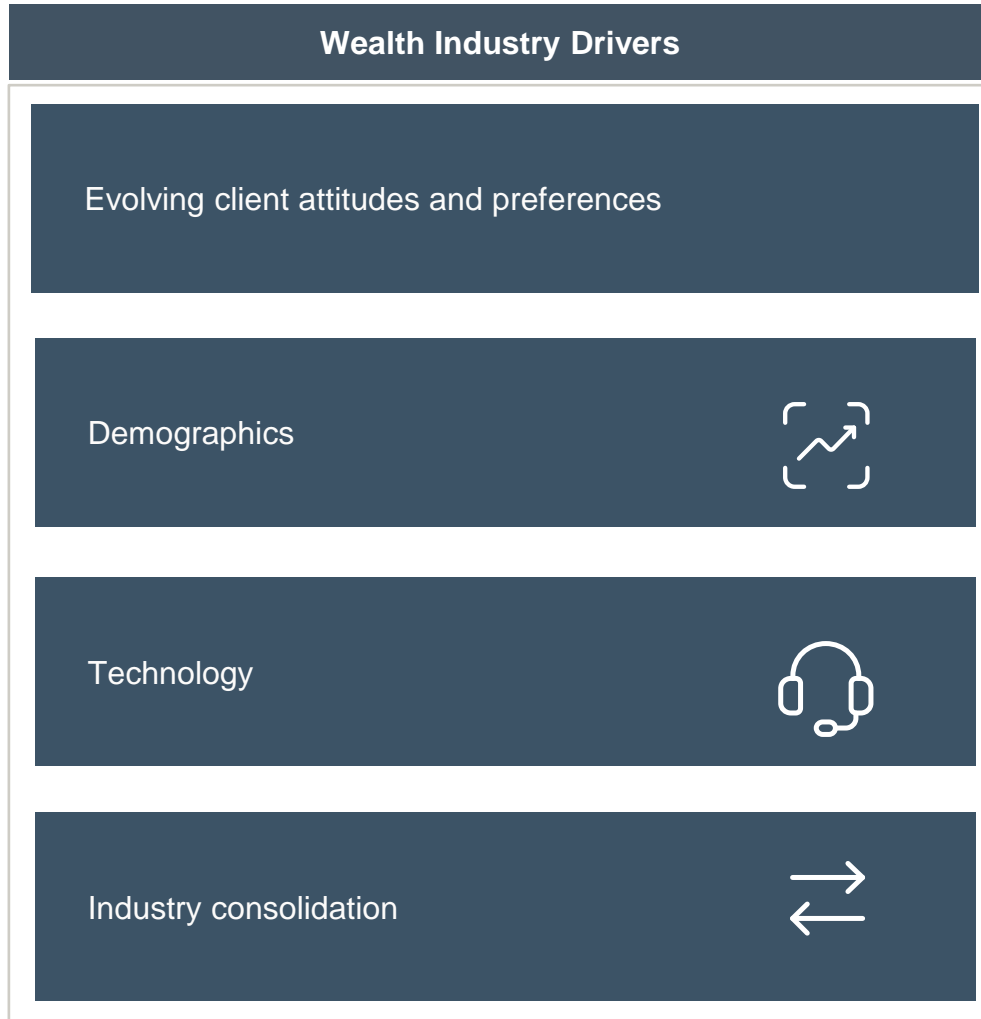
^ Excludes FUM relating to the unit trust business.

^^Quilter plc – includes Wealth Platform FUM.

Our key differentiators

- Single consistent global investment process, delivering tailor-made and innovative solutions across jurisdictions
- Domestically relevant with offshore capabilities
- Recognised international brand and balance sheet strength attracts investment managers and supports client acquisition
- Size allows us to be agile but with the scale and strength to compete successfully
- Relationship-driven approach to serving private clients
- Experienced leadership team with proven ability to execute M&A successfully, ensuring IW&I is well placed for expected industry consolidation

Wealth industry drivers



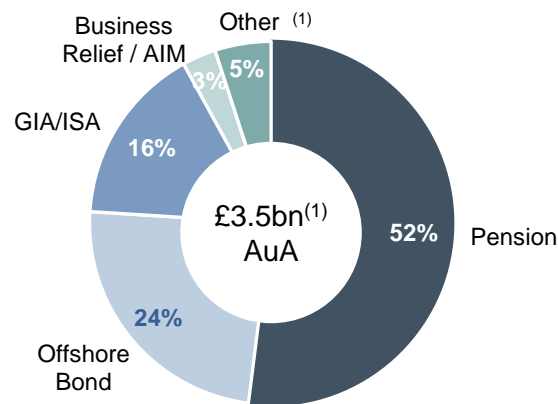
On a journey to become a trusted advisor with breadth and depth of proposition

Holistic advice is key to our strategy

We offer restricted initial and ongoing financial planning advice

UK & Channel Islands business			
£3.5bn AuA		3,600 Clients	
£957,000 Average Client Size		£11.6m Last 12 Month Income	
102 Total Staff			

Breakdown of AuA by Product



Note: (1) Other includes Onshore Bond, Protection, EIS/VCT, and Other.

Our strategy

- Expand financial planning and advice capabilities
- Deliver as a central component of our offering
- Wealth planning pilot to scale advice offering
- Invest in hiring experienced financial planners
- Paraplanner career pathway

Core services

- Retirement planning
- Investment and benefit strategies
- Succession and estate planning

Key sources of business







- IW&I discretionary fund managers
- Solicitors/accountants and existing clients
- Investec Private Bank
- Investec Online (new initiative)

Client centric approach

- Long-term partnerships with clients
- High-touch and increasingly high-tech service
- Focus on client service and solutions, not product distribution

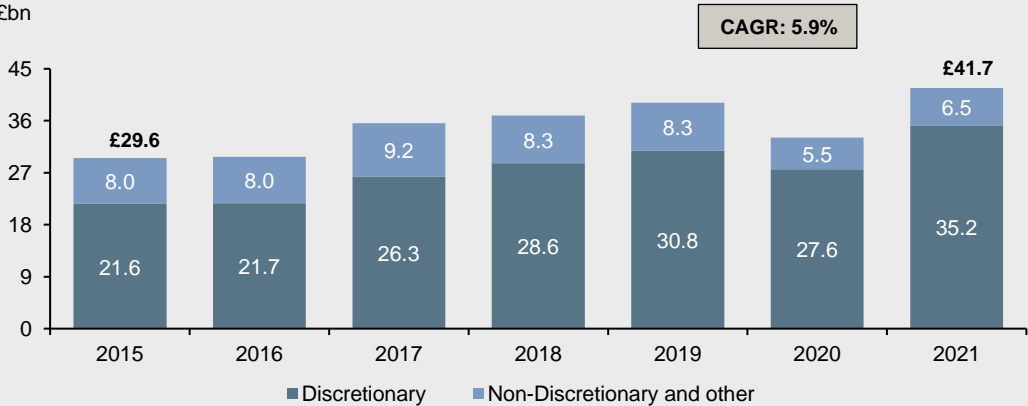
Business snapshot

A leading private client wealth manager in the UK with £41.7bn funds under management

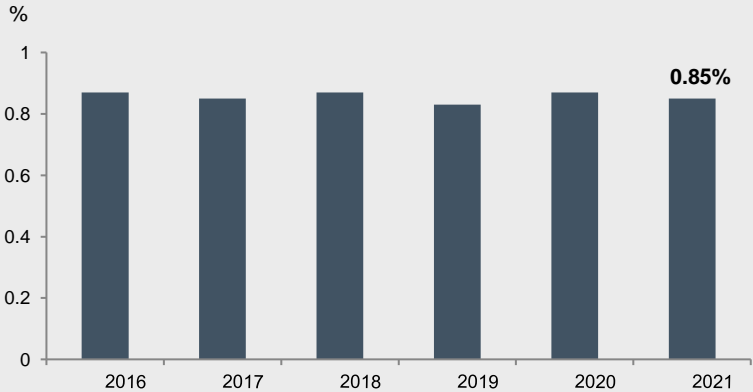
Our service offering	<ul style="list-style-type: none">Financial planning adviceInvestment management, including bespoke portfolio management
Our client groups	<ul style="list-style-type: none">Private clients, including HNW and InternationalClients of professional advisorsCharities
Our distribution channels	<ul style="list-style-type: none">DirectIntermediariesInvestec Private Bank
International recognition	<div> </div>

Key facts	Total FUM	£41.7bn ¹
	% UK Discretionary	86%
	% UK Direct	c.83%
	Operating margin ²	25.3%
	Average yield	0.85%
	Target Client	> £250k
	# of Offices	16
	# of UK client relationships	c.40,000
	# of UK IMs ³	323
	# of UK FPs ³	42

Focused move to discretionary wealth management – getting closer to CMD target of >90% discretionary FUM within three years



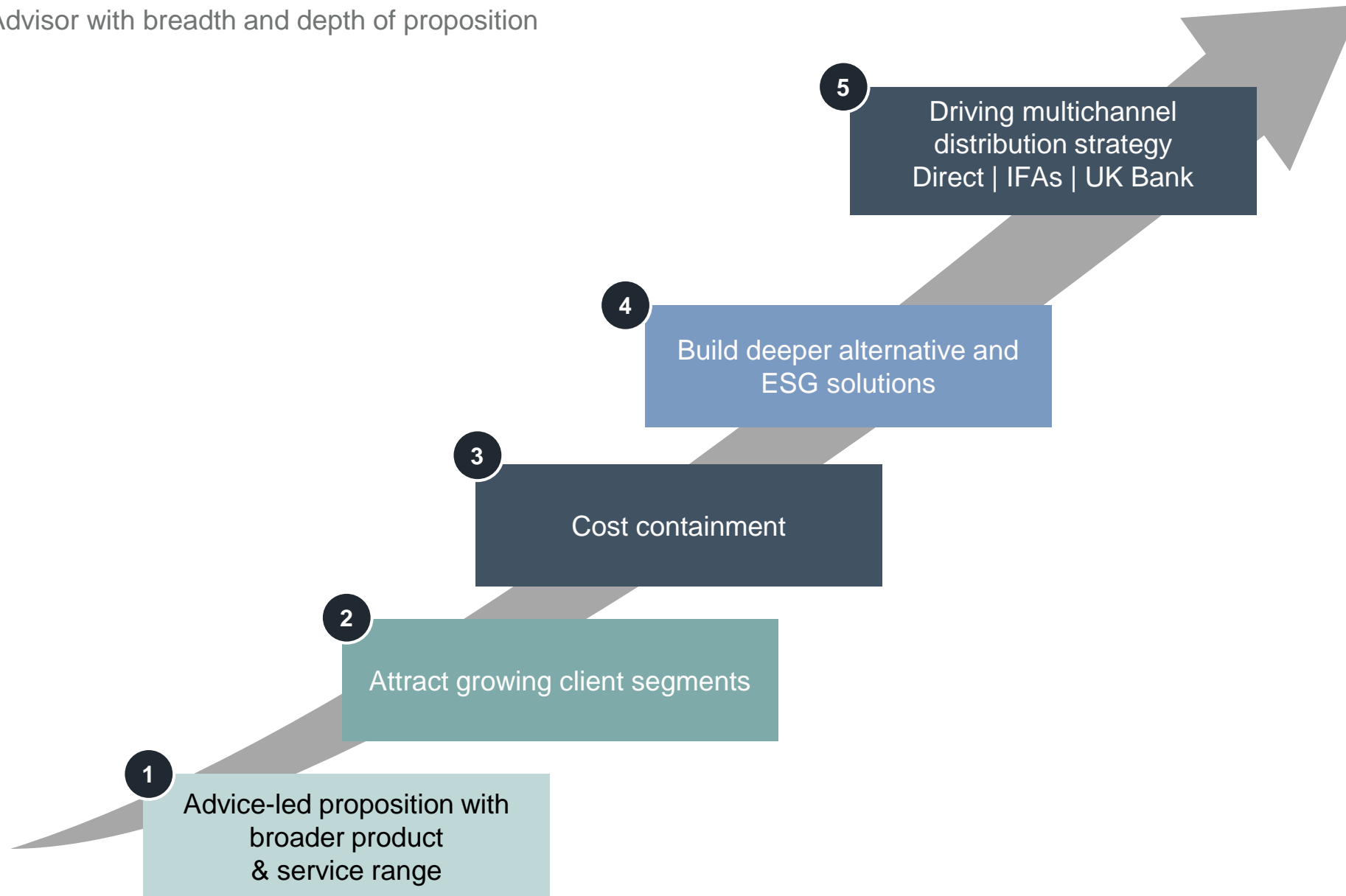
Average income[#] as a % of FUM



¹ Comprises UK & Channel Islands and Switzerland. In October 2019, the Republic of Ireland Wealth & Investment business was sold to Brewin Dolphin. UK & Channel Islands comprises c.97% of total FUM. ² The operating margin of the UK & Channel Islands business (as well as Switzerland) was 23.3% at 31 March 2021. ³ Where IMs is investment managers and FPs is financial planners. [#] The average income yield on funds under management represents the total operating income for the period as a percentage of the average of opening and closing funds under management. This calculation does not adjust for the impact of market movements throughout the period on funds under management or the timing of acquisitions and disposals (where applicable) during the respective periods.

Strategic outlook

Our ambition: Trusted Advisor with breadth and depth of proposition



UK Wealth & Investment | Investment proposition

- STRONG NEW LEADERSHIP TEAM

- EMPOWERING CULTURE

- STRONG BRAND EQUITY IN A GROWING MARKET

Recognised international brand which attracts investment managers and supports client acquisition

- EVOLUTION TO ADVICE-LED BUSINESS

Developing financial planning and advice capabilities as part of an increased focus on advice-led client offerings

- DIVERSIFIED DISTRIBUTION CHANNELS TO GATHER FUM

Expanding IWI's reach and growing FUM using direct channels, IFAs and collaboration with Bank

- RIGHTSIZED THE COST STRUCTURE OF THE BUSINESS

Cost efficiency benefits from recent strategic decisions to rationalise costs

- WELL-POSITIONED TO PARTICIPATE IN INDUSTRY CONSOLIDATION

The UK Wealth Management industry is highly fragmented with rising costs pressures, precipitating industry Mergers and Acquisitions

Closing Remarks— Ciaran Whelan



Closing observations

- STRONG BRAND EQUITY IN A GROWING MARKET
- SHIFTING REVENUE MIX TO ANNUITY INCOME
- EVOLUTION IN RISK APPETITE
- CONNECTED CLIENT ECOSYSTEM
- LEVERAGING INVESTED CAPITAL IN PRIVATE BANKING



Thank you

