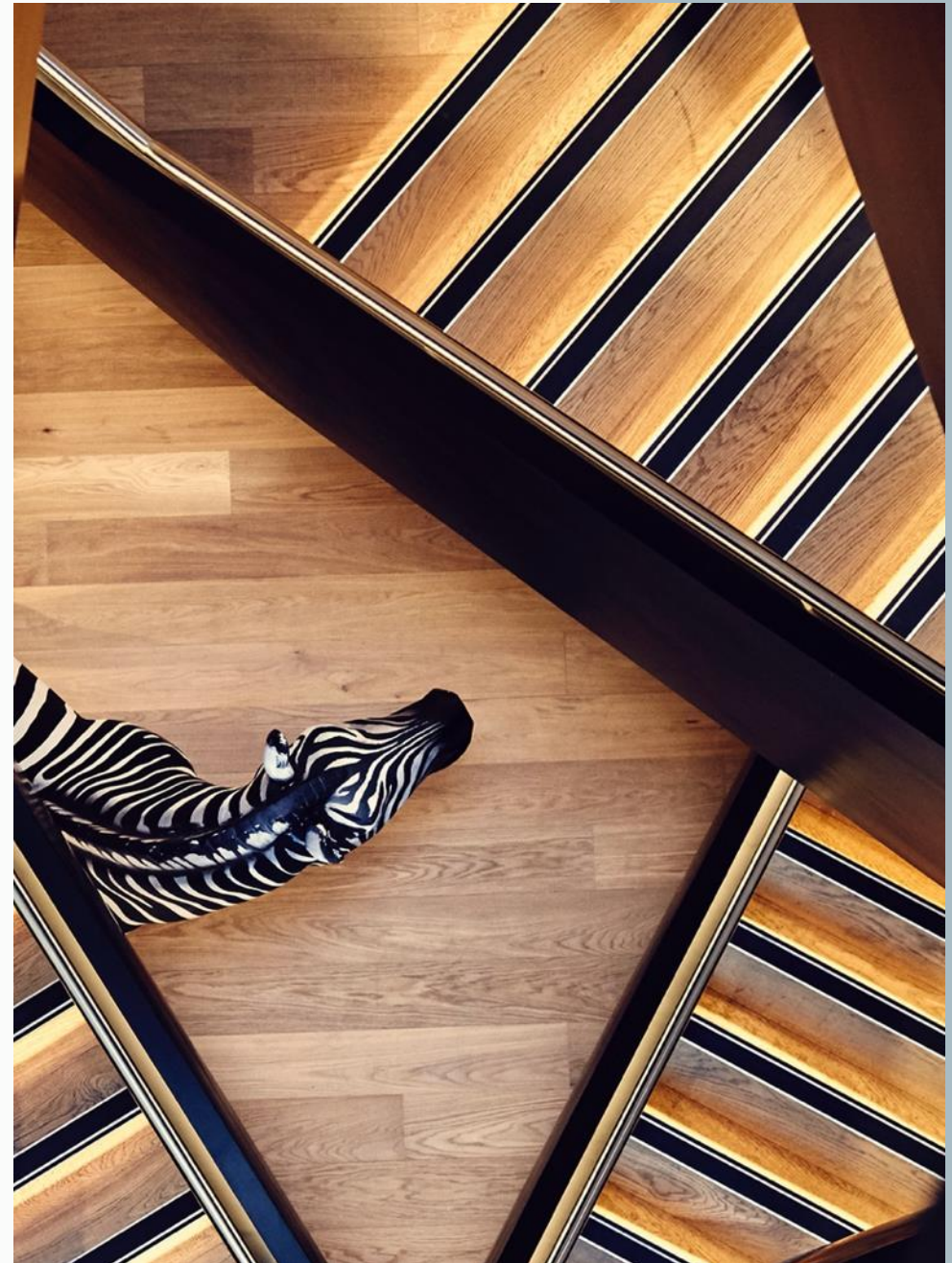










Spotlight: Wealth Management


Sector Update

NOVEMBER 2022



Investec, an international M&A Advisory business

UK & Europe	US
 <p>>150 Private equity and M&A professionals</p> <hr/> <p>9 European offices</p>	 <p>>160 Private equity and M&A professionals</p> <hr/> <p>8 US offices</p>
<p>Other geographies:   </p>	<p> South Africa  Australia  India</p>

M&A Transactions	
 Sale of Novia Financial to AnaCap  Sell-side financial advisor	 £46m recommended offer by Quilter Financial advisor and Rule 3 advisor
Debt and Refinancing	
 Financing to support Aquiline's investment in Wealth at Work Super Senior Term Debt & RCF Aquiline Capital Partners	 Debt facilities to support the refinancing of Hurst Point Group Untranche, RCF & Acquisition Facility The Carlyle Group

Come and talk to us...



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Whether you are a wealth entrepreneur looking to explore strategic options for your business, or an investor / strategic buyer looking for advice in evaluating and financing a wealth acquisition, Investec can help by providing sell-side or buy-side advice, raising debt financing or exploring a potential IPO

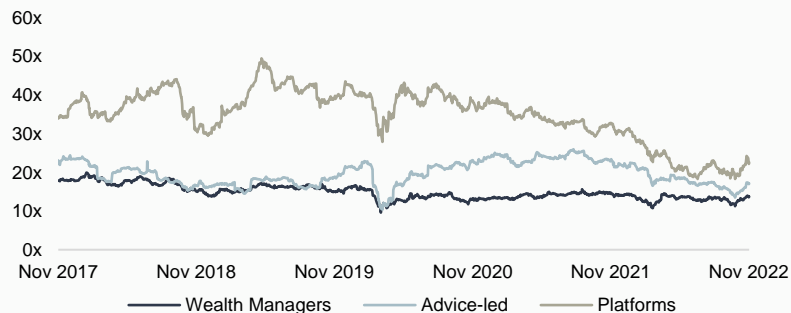
Despite the current macro backdrop, the wealth sector continues to present an attractive opportunity for long-term growth

Public market performance

- Given prevailing macro uncertainties, organic growth has slowed in Q3 2022, with market movements dragging AUM, albeit an expected short-term impact
- The sector has experienced significant compression in PE multiples, with investment platforms in particular trading at lows relative to historic levels
- Current valuation levels present long-term investors with the opportunity to gain exposure to a sector that should see attractive rates of medium-term growth

5 year P/E⁽⁵⁾ performance of selected public wealth cohorts

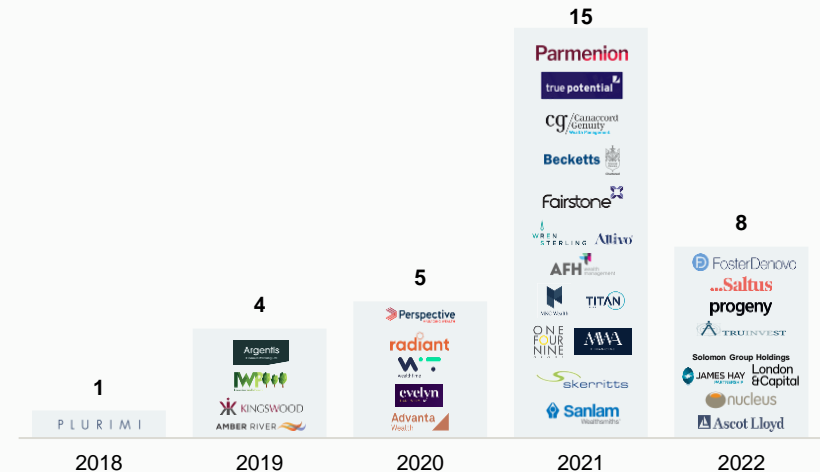
Wealth	Current Avg.	5 year Avg.
Wealth Managers ⁽¹⁾	13.7x	14.9x
Advice-led ⁽²⁾	17.1x	19.7x
Platform ⁽³⁾	22.6x	34.7x



Private market conditions

- Following significant activity in 2021, the pace of private equity investment into standalone platforms slowed in 2022, with a total of 8 new investments as of November 2022. In total, there are over 30 PE backed businesses across the sector
- Trade acquirers looking to deploy capital and extend their footprint within wealth have been notable in 2022, including:
 - Aviva's acquisition of Succession (Mar-22)
 - RBC's acquisition of Brewin Dolphin (Mar-22)

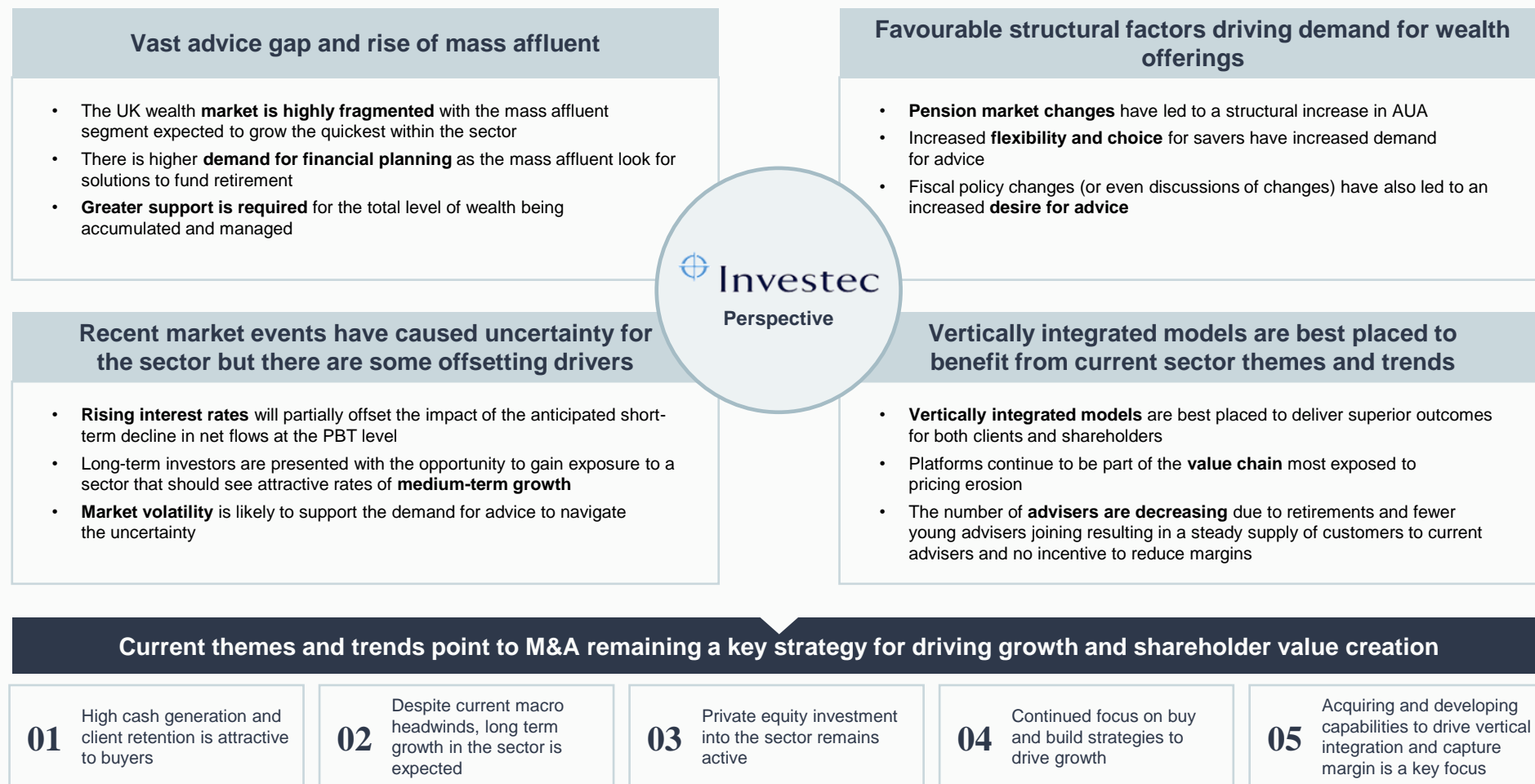
Current PE investment in UK wealth⁽⁴⁾



Source: Factset as at 18/11/2022

Note: (1) Brooks Macdonald, Rathbones (2) Mattioli Woods, St James's Place, Quilter (3) Hargreaves Lansdown, IntegraFin, AJ Bell (4) As at 18 November 2022 (5) LTM PE multiple

Long term fundamentals support a positive view on the UK wealth sector

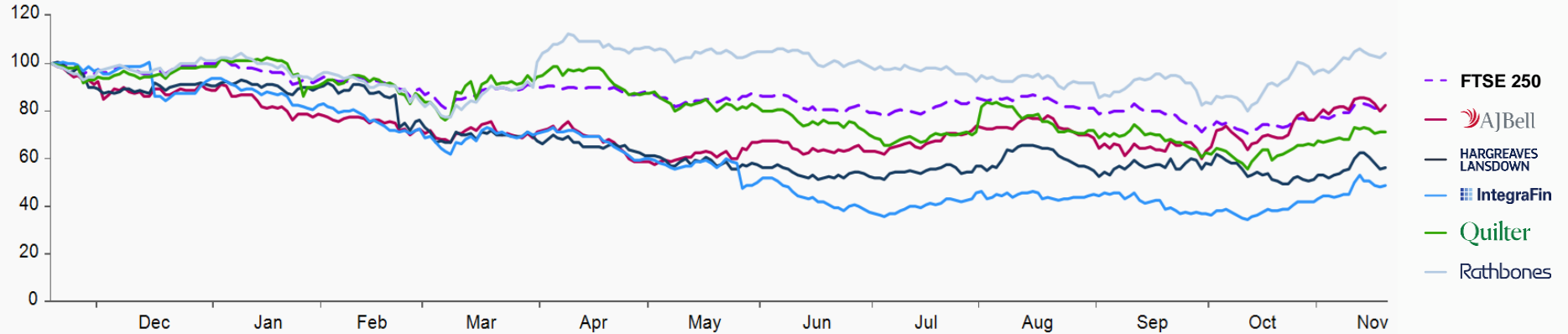


We see good value across the wealth sector



Rahim Karim
Equity Research

1 year share price (Indexed)



AJBell

Market Cap: **£1.1bn**

BUY

"Strong growth in customer numbers supports our view that the group is well positioned to deliver sustained gains in market share and AUA growth in the medium-term, a dynamic that we believe is not reflected in the current share price"

HARGREAVES LANSDOWN

Market Cap: **£4.4bn**

BUY

"The structural concerns in the market do not take the potential interest rate upside into account, we also believe they are well positioned to take advantage of the medium-term opportunity created by the growth in the mass affluent segment and the widening advice gap"

IntegraFin

Market Cap: **£1.1bn**

BUY

"We believe it remains the best-in-class adviser platform, leaving it well placed to win share in a market that is likely to continue to enjoy medium-term structural tailwinds"

Quilter

Market Cap: **£1.5bn**

BUY

"The group's evolving hybrid model, alongside its diverse sources of client origination and scale of its financial planning footprint has positioned it to capitalise on the medium-term growth opportunity within the mass affluent segment and increasing demand for advice"

Rathbones

Market Cap: **£1.3bn**

BUY

"With the group's strategic initiatives progressing well, we believe it is appropriately positioned for the medium-term, and we see it well placed to benefit from the themes of structural growth and consolidation within wealth management"

Key Metrics	22E	23E
AUA (£bn)	69.1	77.0
P/E (x)	26.5	21.9
P/AUA (%)	1.8	1.6
Div. yield (%)	2.6	3.0

Key Metrics	22E	23E
AUA (£bn)	123.8	130.0
P/E (x)	15.8	14.0
P/AUA (%)	3.1	2.9
Div. yield (%)	5.0	5.7

Key Metrics	22E	23E
AUA (£bn)	50.1	55.8
P/E (x)	14.5	18.5
P/AUA (%)	1.5	1.3
Div. yield (%)	4.4	4.1

Key Metrics	22E	23E
AUA (£bn)	101.0	110.0
P/E (x)	14.5	12.7
P/AUA (%)	1.3	1.2
Div. yield (%)	4.2	4.7

Key Metrics	22E	23E
AUA (£bn)	58.9	62.8
P/E (x)	14.2	13.7
P/AUA (%)	1.9	1.8
Div. yield (%)	4.6	4.7

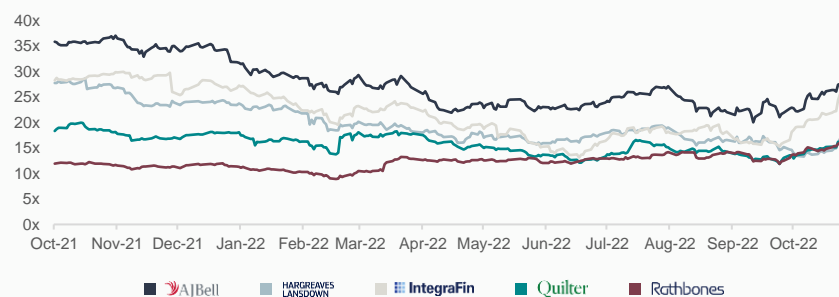
Source: Investec research, Factset



Rahim Karim
Equity Research

Current valuations appear to overly discount near-term risks and fail to reflect the long-term fundamentals of the sector

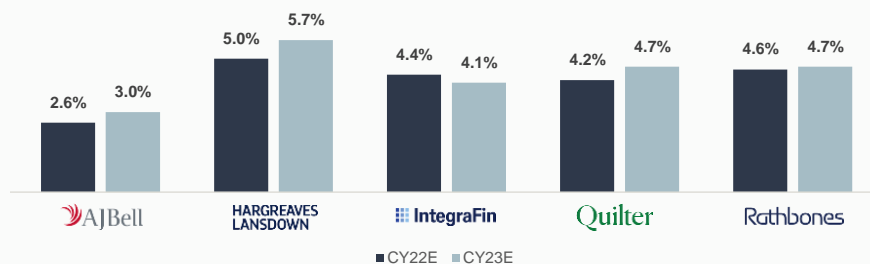
The sector has experienced significant PE multiple compression



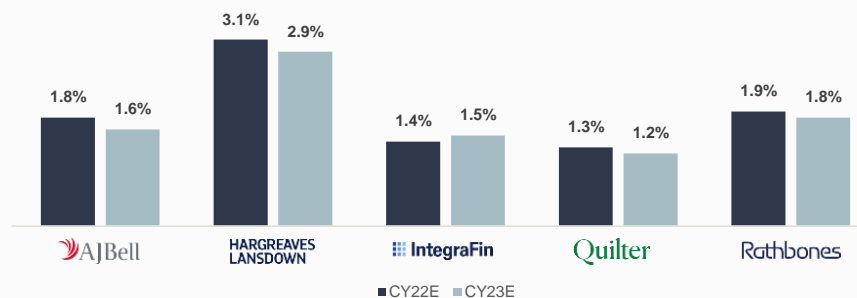
And trades materially below its average 12 month forward PE



Sector dividend yields





Sector P/AUA



Source: Investec research, Factset

Significant recent deal activity driven by both strategic and private equity buyers

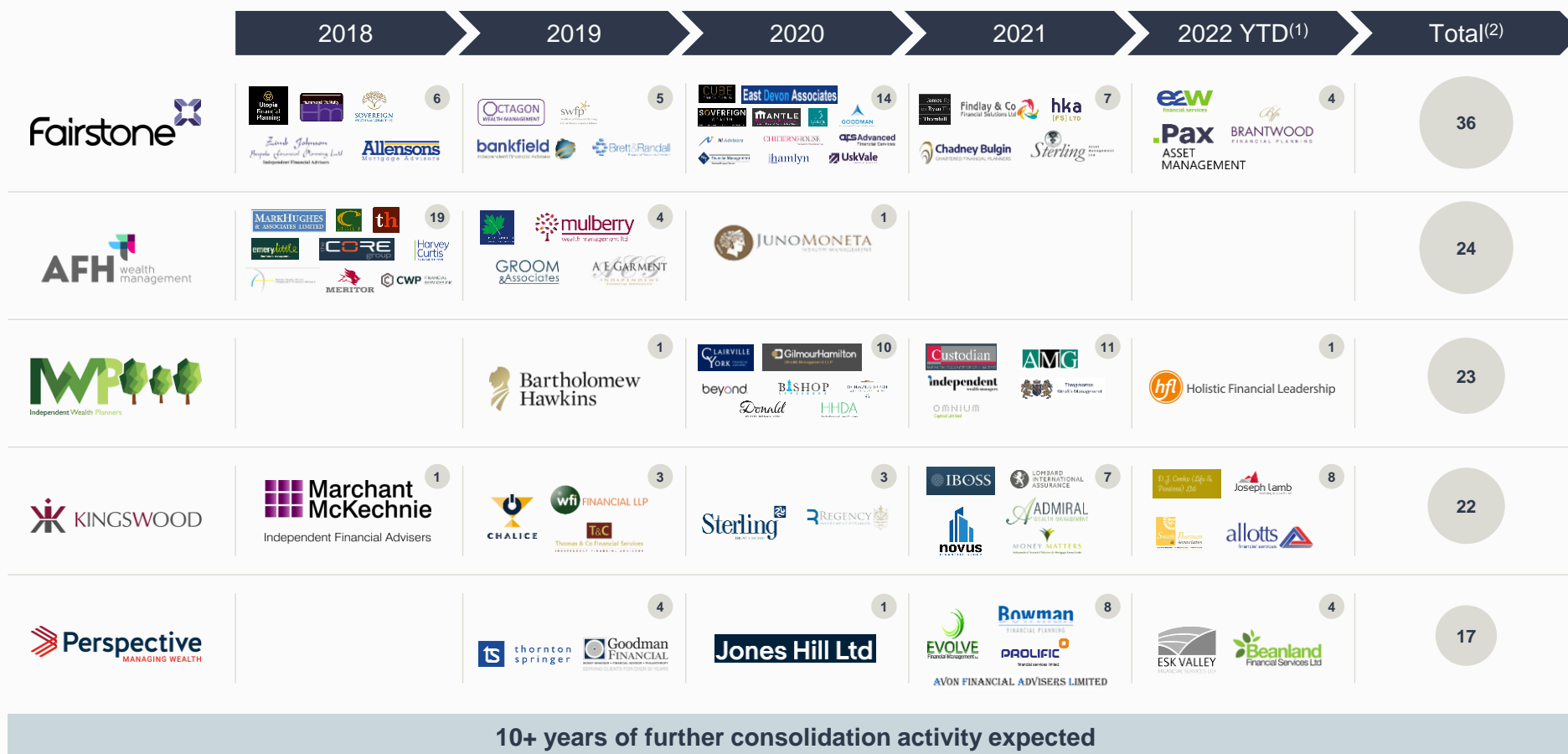
Target	Acquirer	
		
£1.6bn acquisition	£59bn AUM ⁽¹⁾	
UK FTSE 250 discretionary wealth manager March 2022		
Deal summary RBC announced a recommended cash offer for Brewin at 515 pence per share (a premium of 62.0% to its latest close position) in March 2022 which was accepted. The deal completed following FCA approval in September 2022.		
Deal highlights Highlights and strategic rationale include: <ul style="list-style-type: none"> • Creation of a #3 player in UK and Ireland • Provision of a broader range of products and services • Expansion of distribution channels and leveraging global presence • Cost synergies from overlapping functional and administrative areas • Compelling revenue opportunities via the provision of tailored banking capabilities into the Brewin client base 		
Valuation Metrics		
2.5% EV / AUM	3.7x EV / Sales	16.8x EV / EBITDA
Strategic		

Target	Acquirer	
		
£385m acquisition	£9.5bn AUM ⁽¹⁾	
UK independent financial advice firm March 2022		
Deal summary Aviva announced a recommended cash offer for Inflexion owned Succession of £385m in March 2022. The deal completed following FCA approval in August 2022.		
Deal highlights Highlights and strategic rationale include: <ul style="list-style-type: none"> • Strengthens and enhances Aviva's wealth offering and accelerates its ability to offer high-quality financial advice to a significant number of its 6 million pension and savings customers without an existing adviser • Enables Aviva to retain more of the c.£6 billion of pension and heritage assets that leave to be invested with competitors each year • Aviva's scale and capabilities will support the expansion of Succession Wealth's leading client and planner proposition in the UK's attractive wealth market 		
Valuation Metrics		
4.0% EV / AUM	6.2x EV / Sales	16.0x EV / EBITDA
Strategic		

Target	Acquirer	
		
Non-disclosed acquisition	£9.5bn AUM ⁽¹⁾	
UK independent financial advice firm April 2022		
Deal summary Nordic Capital entered into an agreement to acquire Ascot Lloyd from Oaktree in April 2022. The deal completed following FCA approval in October 2022.		
Deal highlights Highlights and strategic rationale include: <ul style="list-style-type: none"> • Nordic Capital will partner with Ascot Lloyd's management to support the company's client offering, which will include: <ul style="list-style-type: none"> • Further developing its digital proposition, • Accelerating organic and inorganic growth, and • Further increasing its focus on sustainable savings. 		
Valuation Metrics		
Not Disclosed	Not Disclosed	Not Disclosed
Strategic		

Note: (1) AUM as at 31 December 2021

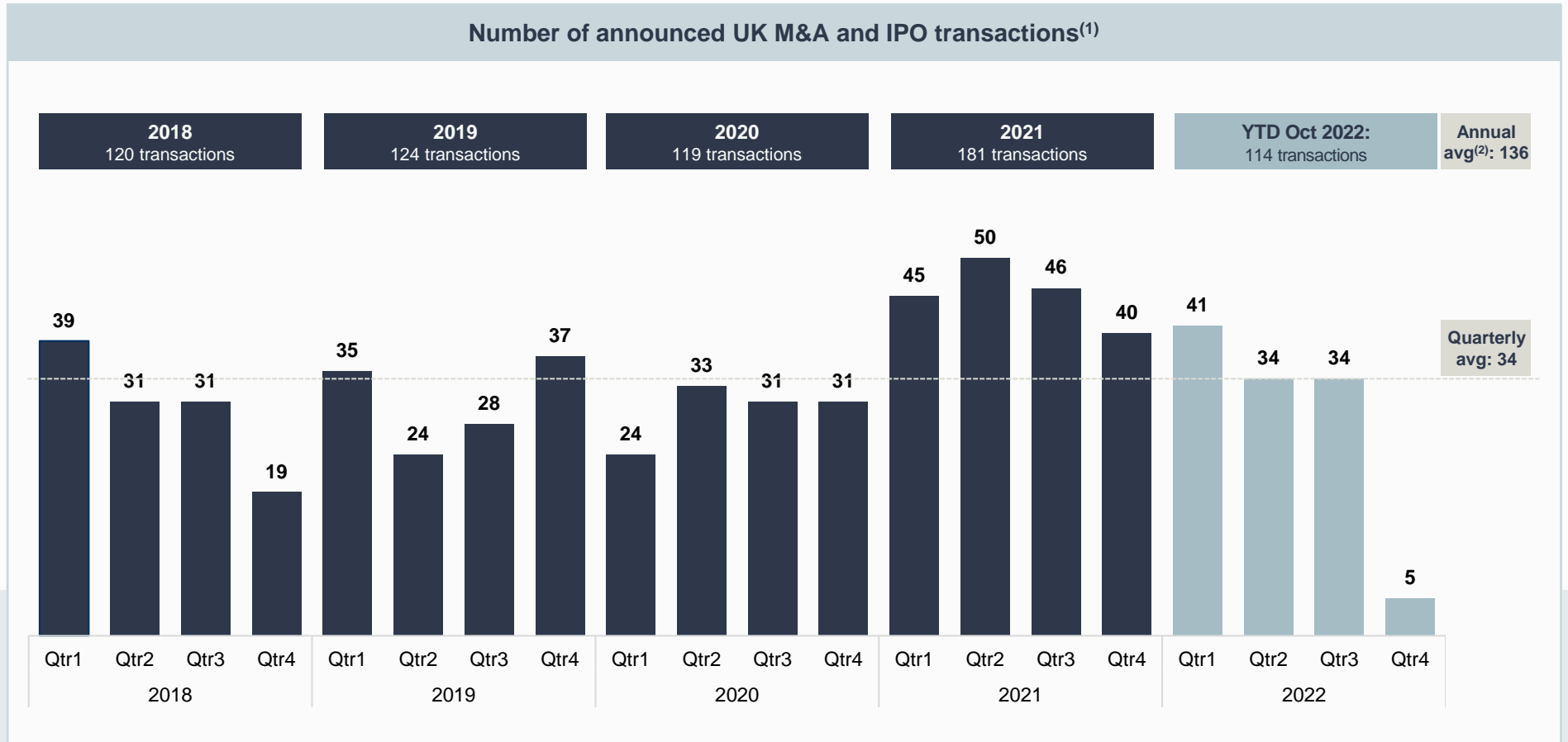
The top 5 largest consolidators by volume have announced over 120 acquisitions since 2018



Source: Investec analysis.

Note: (1) Investec analysis based on publicly disclosed information as at October 2022 (2) Based on publicly disclosed information (3) Logos for acquisitions shown where available, total annual acquisitions documented in the bottom right circles

Deal activity in the wealth space has continued to be resilient over the last 3 years



Source: Investec analysis

Note: (1) Based on publicly disclosed information (2) Excludes YTD22

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