

11 May 2021

Tilney Smith & Williamson Limited
("Tilney Smith & Williamson" or the "Company" or the "Group")
Financial results for the Year Ended 31 December 2020 and
Trading Update for the first quarter ended 31 March 2021

Assets Under Management (AUM) increased to £51.6 billion at end of Q1 2021, following on from a record year for New Business, Operating Income and Adjusted EBITDA in 2020

Tilney Smith & Williamson is pleased to announce its financial results for the year ended 31 December 2020 as well as an update on AUM and business flows for the first quarter of 2021.

2020 Financial and Business Highlights¹:

- Completed the transformational merger of Tilney and Smith & Williamson on 1 September to create a leading integrated wealth management and professional services group
- Strong organic growth achieved with record gross new business inflows of £3.3 billion (FY 2019: £2.8 billion) representing 12.5% of opening assets and a 6.7% increase in net inflows to £704.1 million (FY 2019: £660.0 million).
- AUM increased to £51.2 billion at year end (FY 2019: £26.3 billion) including £22.3 billion acquired on 1 September through the merger with Smith & Williamson.
- Operating income increased by 47.5% to £305.8 million (FY 2019: £207.3 million) inclusive of a four-month contribution from Smith & Williamson as part of the combined Group
- Adjusted EBITDA² increased by 34.8% to £115.4 million (FY 2019: £85.6 million)
- Implemented a major new technology solution that supports investment managers, trading and provides an in-house, scalable custody and settlement platform that will facilitate future growth
- Invested in new talent including the strengthening of the Executive leadership team

Q1 2021 Update for the three-months to 31 March 2021:

- Delivered gross new business inflows of £1.7 billion (Q1 2020: £1.5 billion*), representing 13.1% of opening assets under management on an annualised basis.
- Net inflows were £489 million (Q1 2020: £109 million*), representing 3.8% of opening assets under management on an annualised basis.
- Successfully disposed of a range of single asset class non-core pooled funds; this reduced AUM by £522 million
- Total AUM increased to £51.6 billion at 31 March, excluding £350 million of assets relating to the acquisition of HFS Milbourne which will be added in the second quarter

* Pro forma comparison provided i.e. inclusive of both Tilney and Smith & Williamson flows

¹ Full-year 2019 figures and opening assets represent Tilney Group Limited unless stated otherwise. Tilney Group Limited changed its name to Tilney Smith & Williamson Limited following completion of the Smith & Williamson transaction on 1 September 2020.

² Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation is defined as operating profit of £11.2 million (2019: £17.7 million), adding back merger related exceptional costs of £38.2 million (2019: £10.0 million), other non-recurring costs of £1.3 million (2019: £5.7 million) and amortisation and depreciation totalling £64.7 million (2019: £52.2 million).

Chris Woodhouse, Chief Executive, commented:

“Despite the challenging backdrop of the COVID-19 pandemic for both clients and colleagues, 2020 was a landmark year for the business with completion of the merger of Tilney and Smith & Williamson on 1 September and continued strong organic growth. Our teams adapted incredibly well to the move to remote working and have demonstrated both great personal resilience and a relentless focus on supporting our clients throughout a period of uncertainty.

“The merger has created a business with an unrivalled range of expertise spanning both wealth management and professional services. At a time when the pandemic has caused so much disruption and uncertainty for both individuals and businesses, we are uniquely well-equipped to help clients with both the management of their personal wealth and business interests. The breadth of our services means we can support clients with a wide range of needs including raising capital or restructuring a business, tax advice, putting in place a personal financial plan and managing their investment portfolios.

“Our financial results for 2020, which saw adjusted EBITDA increase to £115.4 million and operating income rise to £305.8 million, reflected just four-months of Smith & Williamson as part of the Group. The full-year benefit of the merger in terms of operating income contribution and cost synergies will be reflected in 2021. On a pro forma basis, had the two business been merged since the start of 2020, rather than since September, we would have generated £505.6 million in operating income and £165.2 million in adjusted EBITDA.

“With an enhanced client offering and a deeper pool of expertise we began 2021 better positioned than ever to support our clients. We have made an encouraging start to the year with £1.7 billion of gross new business in the first quarter and further assets of £350 million to be added in Q2 from our recent acquisition of HFS Milbourne in Guildford. We have also continued to attract new talent in both professional services and financial services and the Board has been strengthened too with the appointment of Bill McNabb, former CEO and Chairman of Vanguard, as a Non-Executive Director. We have made good progress with integration projects and our digital development agenda is gathering pace, which will both improve client experience and support the scalability of the business.”

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NOTES TO EDITORS:

About Tilney Smith & Williamson

Tilney Smith & Williamson is the UK's leading integrated wealth management and professional services group and was created by the merger of Tilney and Smith & Williamson on 1 September 2020. The Group currently operates through three principal brands: Tilney, Smith & Williamson and online investment service Bestinvest. It has a network of offices in 24 locations across the UK, as well as the Republic of Ireland and the Channel Islands. Through its operating companies the Group offers an extensive range of financial services and professional services to individuals, family trusts, professional intermediaries, charities and businesses. Tilney Smith & Williamson's personal wealth management services include financial planning, investment management and advice, online execution-only investing and personal tax advice. For businesses, its range of services include assurance and accounting, business tax advice, employee benefits, forensic advice, fund administration, recovery and restructuring, as well as corporate finance and transaction services.

For further information please visit: www.tsandw.com

Chief Executive's Review of 2020

Introduction

There can be little doubt that 2020 has come to be defined by the COVID-19 global pandemic. This has had major ramifications for public health, society, businesses and the public finances. According to the Office for National Statistics, the UK economy contracted by 9.8% during the year, the steepest annual decline on record.

The crisis also played out in the financial markets in the form of extreme volatility and the widespread suspension or reduction of dividends. Between late February and the final week of March, equity markets declined by nearly a third of their value as investors reacted to the spread of the virus and priced-in a recession.

Since their late March low point, equity markets rebounded sharply to the end of the year, buoyed by vast injections of liquidity into the financial system by central banks and fiscal stimulus measures by governments. Therefore, 2020 was a remarkable year for the markets both in terms of extreme turbulence in the first quarter, but also the subsequent strong rally in equities and other risk assets through to the end of the year.

Our response to COVID-19

None of us would have wished for a crisis with such a huge cost in both lives and livelihoods, but challenging times also have the capacity to bring out the best in people and accelerate the pace of change. This has certainly been the case for our business.

While the pandemic was unexpected, we had long prepared for abnormal events through a comprehensive Business Continuity Plan as well as investment in secure IT infrastructure to facilitate home-based working if required. We were therefore in a position to respond swiftly, as COVID-19 infections spread, to protect the health of both our clients and colleagues and ensure that the business remained resilient throughout. The vast majority of colleagues were migrated to a home-working model in mid-March, ahead of the first UK lockdown.

Throughout the pandemic, we have embraced new ways of working, including conducting virtual client and team meetings and replacing in-person seminars and events with online webinars. We also significantly increased the frequency of client engagement, ensuring that clients have been kept up-to-date with developments and reassuring them that we are here to help them navigate a period of heightened uncertainty and beyond.

I am immensely proud of the way our teams have adapted to the changes brought about by the pandemic. Above all, they have remained focused on supporting our clients with dedication and professionalism and this has resulted in another strong year for the business.

Completion of merger

Despite the challenging backdrop, 2020 was a year of achievement for the business with a record year for organic growth, strong underlying financial performance and the completion of the landmark merger of Tilney and Smith & Williamson on 1 September.

The merger has been transformational for the business in terms of our scale, breadth of expertise and proposition. It has created a market-leading firm providing both financial and professional services, operating across the UK and in the Republic of Ireland and the Channel Islands. Ranked by AUM, we are a top five UK wealth manager, as well as being the eighth largest UK accountancy firm when measured by fee income. On a pro forma basis, had the two businesses been merged since the start of the year rather than since September, we would have generated £505.6 million in operating income.

With our breadth of expertise across financial planning, investment management and professional services, we are now able to support clients with both the management of their personal wealth and business interests. This is an unrivalled proposition in our market and we are already seeing the benefit as our teams

have begun working together to support clients with multiple needs that we could not have met fully in the past.

Our financial and trading performance

Due to the merger completing on 1 September, our 2020 accounts represent a full year of the Tilney business but only four months of Smith & Williamson as part of the Group. The full-year effect of Smith & Williamson on both revenues and costs will therefore be reflected in the 2021 accounts, along with integration synergies achieved.

The business performed well in 2020, with record new business inflows and increased revenues, against the challenging backdrop of the pandemic.

Our assets under management increased by 94.7% over the year to £51.2 billion (2019: £26.3 billion), reflecting the inclusion of £22.3 billion of assets managed by Smith & Williamson as at 1 September, as well as net new business flows and market movements.

We continued to generate significant new business despite social distancing restrictions and home-working impacting the ability to generate new clients through in-person meetings, events and networking. We delivered a record £3.3 billion of gross new business, a 17.9% increase on the previous year (2019: £2.8 billion). Net flows were also positive, increasing 6.7% to £704.1 million compared to the prior year (2019: £660.0 million). Financial planning fees grew by 29.6% compared to the prior year.

Operating income increased by 47.5% to £305.8 million (2019: £207.3 million) and were both impacted negatively by the sharp market declines in the first quarter, and positively by the aforementioned four-month contribution from Smith & Williamson. On a full year, pro forma basis, the two legacy businesses generated £505.6 million in operating income during 2020. One of the key financial benefits of the merger is that it diversifies our sources of income to include professional services fees and, in doing so, this will help moderate the potential impact of future market volatility.

The Board regards adjusted EBITDA as a more appropriate measure of the underlying financial performance of the business both because it adjusts for non-cash accounting charges and non-recurring exceptional costs, such as those incurred on completing a major transaction, and because it is one of the key measures used to reward executive performance. Adjusted EBITDA, which more closely resembles the cash-generating profit, increased 34.8% to £115.4 million (2019: £85.6 million) as a consequence of increased operating income. Adjusted EBITDA as a percentage of operating income, a key measure of business profitability and efficiency, has decreased to 37.7% (2019: 41.3%) due to increased costs such as Financial Services Compensation Scheme Levy and the inclusion of four months' costs of Smith & Williamson.

On a statutory reported basis, which includes both exceptional costs and non-cash items such as amortisation and depreciation, we made an operating profit of £11.2 million (2019: £17.7 million).

The Consolidated Balance Sheet increased significantly, with total equity of £1,339.3 million at 31 December 2020 (2019: £399.9 million), due to the inclusion of Smith & Williamson.

'Now is the Time to Talk' campaign

While we supported all of our clients with the challenges faced last year, we identified that the pandemic had created a particular set of issues for business owners, professional partners e.g. accountants, solicitors and senior executives. These included dividend cuts, business closures, delays to the sale of businesses and assets and retirement plans thrown into uncertainty. To respond to this, we developed a targeted campaign - Now's the Time to Talk - to encourage business owners, professional partners and senior executives to take immediate action. The campaign encompassed social media and digital marketing, webinars and a dedicated hub with videos and topical articles. The campaign generated many new leads and raised our profile among these key client categories.

As part of this renewed focus on professional partners, we also entered a content partnership with the Institute of Chartered Accountants in England & Wales (ICAEW), running webinars, videos and articles specifically tailored to their members. We are continuing the partnership into 2021 and have also now

developed additional strategic partnerships with the Law Society and the Association of Corporate Treasurers.

Investing in our digital future

As I noted earlier, the pandemic has accelerated the pace of change in many areas with the main commercial beneficiaries being technology-enabled companies. Across many sectors, new technology has disrupted traditional business models. In our market, embracing digital innovation represents a major competitive opportunity, but also a serious threat to those firms that fail to invest and adapt.

The benefits of our programme of digital development were clear during 2020, with a significant increase in use of MyTilney, our digital portal, and the successful migration to home working and virtual meetings. To inject further pace into our digitalisation agenda, we have created a new Digital Technology & Solutions function under Mayank Prakash, who joined us as Chief Technology Officer from Centrica where he was Chief Consumer Digital & Information Officer.

One of the core benefits of our scale has been our ability to invest significantly in new technologies to enhance client experience and improve productivity. We see this as a strategic imperative to achieving our growth ambitions.

As we know from our experience in implementing new financial planning and investment management technology solutions three years ago, major systems transformation programmes are complex, but they lead to long-term benefits including enhanced client service delivery, improved productivity and supporting the scalability of the business. In September last year, we rolled out a new Core Wealth solution providing custody and settlement capability across the former Smith & Williamson business, a project that had been in development since 2018.

Having implemented industry-leading financial planning, investment management, custody and settlement technology solutions, we have commenced a key strategic programme to deliver an integrated, data-powered financial services platform. This will be a front-to-back solution, completely tailored to our needs and able to support both financial planners and investment managers with a seamless experience and real-time insights. The strategically significant development of our financial services platform will also enable us to offer our high quality, in-house custody and settlement capabilities to more of our clients.

As part of our programme to build a digital multi-channel solution for clients, we are using data to leverage artificial intelligence, predictive analytics, natural language understanding and machine learning technologies to improve client experience and engagement. Our technology investment programme also involves migrating to public cloud services and scaling our cyber-security protection.

Hybrid digital advice service

Among the key growth initiatives for 2021 will be the launch of a new hybrid service in the latter part of the year. This will bring together digital tools and journeys with access to regulated, personal advice provided by qualified professionals. This will help us extend our reach to a much wider segment of the population including those who are currently under-served by the traditional wealth management industry by providing a modern, accessible and competitively priced advice service that leverages new technology. We also believe this service will greatly appeal to potential customers from across the wealth spectrum who prefer the convenience of interacting primarily through a digital service.

Preparing for Brexit

The UK's departure from the European Union, single market and customs union was a drawn-out process and source of considerable uncertainty over a number of years. We had prepared for this over a long period. In last year's review I reported that we had merged a previously UK-domiciled fund range into an Irish Collective Asset Management Vehicle (ICAV), leading to both cost efficiencies and preserving their marketability in the EU as well as the UK. In 2020, we successfully transferred the assets in a further five UK-domiciled sub-funds specifically aimed at overseas investors, into a new ICAV where they are now branded as the Tilney Global Active Portfolios.

With the UK leaving the European Economic Area (EEA) at the end of 2020, we identified a number of EEA based clients who were offered the opportunity to be serviced from our Dublin office by Smith & Williamson Investment Management (Europe) Limited, which is regulated by the Central Bank of Ireland.

Removal of VAT on MPS

In December, we announced that, following discussions with HMRC, we would cease applying VAT to the fees on our Managed Portfolio Services (MPS) from 1 January. Both legacy Tilney and Smith & Williamson provide MPS solutions targeted at financial advisers, providing them with outsourced investment management solutions for their clients at low minimum asset thresholds. In August, we extended our MPS offering to UK financial advisers, making a Sustainable MPS range available. The removal of VAT on our MPS will ensure we remain competitive in this area as we seek to grow our Business-to-Business (B2B) presence further.

Our people

A prolonged period of home-working has undoubtedly brought many challenges to individuals and families. Some of these challenges have been practical in nature, but others relate to physical and mental wellbeing. Our colleagues have shown great fortitude in coping with this and we have encouraged everyone to talk openly about the numerous challenges. We have supported them with a wide range of internal and external resources and regular communications, both to help them overcome the practical obstacles of working from home and to support their physical and mental wellbeing.

In a people-focussed business like ours, we recognise and value the importance of a team that is rich in its diversity and can attract people from the widest pool of talent possible, irrespective of their background. We have continued to make progress this year both in terms of hiring and providing training to help colleagues recognise unconscious bias in the workplace. We have also established a Diversity and Inclusivity Committee actively to champion this agenda.

Transfer of pooled funds to Sanlam

On 4 January 2021, we announced that we had concluded a transaction to transfer investment management responsibility for a number of single asset class funds to Sanlam Investments UK Limited during the first quarter of 2021. These comprised eight funds managed by Smith & Williamson Investment Management LLP, as well as the Smith & Williamson Global Gold & Resources fund which is sub-delegated to AGF Investments in Toronto. As part of the transaction, ten members of the pooled funds team, including six fund managers, have since moved across to Sanlam. The transfer will enable us to focus our pooled funds business on our multi-asset funds which are targeted at our core audience of private investors and their families.

While the terms were agreed on 24 December 2020, the transaction completed in 2021 and therefore has no impact on our 2020 assets under management or Consolidated Balance Sheet. The funds transferred represent £1.24 billion of assets, of which £0.56 billion is held within portfolios under our management and will therefore continue to form part of our assets under management.

Acquisition of HFS Milbourne

On 2 March 2021, we announced that we had completed a transaction to acquire HFS Milbourne Holdings Limited and its subsidiary HFS Milbourne Financial Services Limited, a wealth management business based in Guildford with assets under management of approximately £350 million. HFS Milbourne provides both holistic personal financial planning and investment advice, as well as corporate financial planning and employee benefits services. The acquisition will further strengthen our presence in Surrey, where both legacy Tilney and Smith & Williamson have offices in Guildford. As this transaction completed in 2021, it has no impact on our 2020 assets under management, operating income or our Consolidated Balance Sheet.

Outlook

While the near-term economic outlook remains challenging, the roll-out of COVID-19 vaccines provides hope that an end to the pandemic is in sight. Our business has not only demonstrated its operational and financial

resilience during the most testing times in recent history, but it has also continued to grow during this period and deliver our strategic goals.

While we are undoubtedly a large business in our sector, we still have a small share in what is a huge, but fragmented, growth market. The disruption of the pandemic will likely accelerate the pace of consolidation of our sector, as smaller and medium-sized firms see the benefits of becoming part of a larger group. We will therefore continue to explore selective M&A while focusing on completing the integration and capitalising on the organic growth opportunities created by our enhanced proposition.

To conclude, we look ahead to 2021 excited at our prospects. We now have a stronger business with a greatly expanded team of talented and committed colleagues who are ambitious for our future. We have a broader range of services, a deeper pool of expertise and a scalable model that give us a major competitive edge. We begin 2021 in a better position than ever to support our clients, attract and retain talent and create value.

This leaves me confident that Tilney Smith & Williamson is exceptionally well-placed for the future.

Chris Woodhouse
Group Chief Executive