

RATHBONES GROUP PLC

FIRST QUARTER TRADING UPDATE

Rathbones Group Plc (“Rathbones” or the “Group”) announces a trading update for the three months ended 31 March 2024

Paul Stockton, Group Chief Executive Officer of Rathbones, said:

“Rathbones has made a positive start to 2024, with operating income 13.6% higher than the first quarter of 2023 on a like-for-like basis, and 89.8% higher incorporating Investec Wealth & Investment (“IW&I”). Total funds under management and administration (“FUMA”) increased by 2.1% in the quarter (Q1 2023: 1.1%) to £107.6 billion. Despite outflows remaining elevated overall, Rathbones Investment Management (“RIM”) continued to deliver strong gross inflows in discretionary & managed services, achieving an annualised net organic growth rate of 2.8% (Q1 2023: 2.6%).

“The integration of IW&I is progressing well with run-rate synergies now £10.6 million, up from the £8.0 million reported at 31 December 2023. Work to combine the Group’s offices in locations where both Rathbones and IW&I have offices is also progressing well, with Birmingham, Cheltenham, Exeter, and Glasgow colleagues already working in combined premises and others, including our London head office, to follow during this year. We also remain on track to launch our digital Client Lifecycle Management system in June this year.

“While economic uncertainty and headwinds remain in the UK and abroad, Rathbones is well-equipped to navigate challenging market conditions. We remain confident in our integration and synergy targets and are well-positioned to take advantage of the future benefits of the Group’s scale.”

Financial highlights:

- Total FUMA reached £107.6 billion at the end of the first quarter (31 December 2023: £105.3 billion) comprising:
 - £49.2 billion in RIM (31 December 2023: £48.0 billion).
 - £42.4 billion in IW&I (31 December 2023: £42.2 billion).
 - £1.0 billion remaining in Saunderson House (31 December 2023: £1.3 billion) after FUMA of £0.4 billion were migrated into Rathbones propositions in the quarter. We have received client agreement to migrate a further £284 million of FUMA which is currently presented as Saunderson House FUMA pending completion of the migration process.
 - £15.0 billion in Rathbones Asset Management (“RAM”) (31 December 2023: £13.8 billion).
- Market and investment performance added £2.8 billion to Group FUMA in the quarter.
- Total net flows in wealth management were negative in the quarter as positive inflows in Rathbones were offset by outflows in IW&I:
 - Rathbones discretionary and managed net inflows for the quarter totalled £0.4 billion (Q1 2023: £0.4 billion).
 - Net outflows in IW&I were £0.6 billion, with the impact of previously disclosed investment manager departures in line with the prior quarter. Total outflows were also impacted by the withdrawal of funds from low margin mandates in the period, equating to c.£0.2 billion. Post-combination investment manager turnover continues to be low in both entities.
- Net inflows into our multi-asset fund range totalled £0.1 billion in the quarter. Net outflows in RAM single strategy funds of £0.2 billion were resilient against the wider asset management industry backdrop.
- Underlying net operating income totalled £223.6 million for the three months ended 31 March 2024 (31 March 2023: £117.8 million), representing growth of 13.6% relative to 2023, excluding the contribution of £89.8 million from IW&I during the period.

- We continue to expect underlying operating margin for full year 2024 to be mid-20% and to incur non-underlying costs in line with those stated at the year-end.
- The final dividend for the year ended 31 December 2023 of 24 pence per share will be paid on 14 May 2024, subject to shareholder approval at the Annual General Meeting on 9 May 2024.

Operational highlights:

- In March 2024, we confirmed a new tenant for our London office, 8 Finsbury Circus. Rathbones' London-based employees will move to 30 Gresham Street later this year where they will work alongside their IW&I colleagues. The assignment of the lease is a key milestone in the integration process and has been achieved ahead of plan.
- In April 2024, the Trustees of Rathbones' two defined benefit pension schemes entered into an agreement with Canada Life to fully insure the benefits of members of both schemes in a "Buy-In" arrangement. The arrangement involved a total cash contribution of £3.7 million by the Group to effect the insurance contract purchases, and a write-down of scheme assets by £10.1 million, both taken through reserves.

The Buy-In of members' benefits removes the future obligation on the Group to fund these benefits and substantially de-risks the Group's balance sheet. We expect the associated capital benefit to be reported by the end of this financial year, subject to regulatory approval.

Additional disclosures:

- The transaction to combine with IW&I, which resulted in Investec Plc ("Investec") holding an economic interest of 41.25% of Rathbones' issued share capital currently necessitates that Investec reports its share of Rathbones' profit, as an associated undertaking, in its results which will be announced later this month. To support this reporting requirement, Rathbones announces the following unaudited results for the three months ended 31 March 2024:
 - Underlying profit before tax of £59.3 million, representing an underlying margin of 26.5% for the quarter, reflecting the effects of seasonality in the first quarter, and the timing of FSCS levy costs (which are recognised in full on 1 April each year).
 - Statutory profit before tax of £39.1 million, reflecting non-underlying costs of £20.2 million, comprising £10.7 million in relation to the amortisation of intangible assets and £9.5 million in relation to integration and acquisition costs.
 - Statutory profit after tax of £27.4 million.

AGM and Interim results dates:

Annual General Meeting

The Annual General Meeting ("AGM") will be held today, 9 May, at 11:00am at our London head office at 8 Finsbury Circus, London EC2M 7AZ. This year, the board has made arrangements to enable members to attend and participate in the meeting electronically should they wish to do so. Instructions on how to attend and participate electronically are set out in the Notice of AGM.

Interim results

The interim results for the six months to 30 June 2024 will be announced on 31 July 2024.

DETAILED FINANCIAL INFORMATION

NET OPERATING INCOME

3 months ended 31 March

	2024 Group (£m)	2024 IW&I (£m)	2024 Rathbones (£m)	2023 Rathbones (£m)	Change (%)
Investment Management					
- Fees	141.2	67.3	73.9	69.5	6.3
- Commissions	25.0	10.6	14.4	12.5	15.2
- Net interest income	15.9	1.8	14.1	8.6	64.0
- Fees from advisory services & other income ¹	21.9	10.1	11.8	11.2	5.4
	204.0	89.8	114.2	101.8	12.2
Rathbones Asset Management	19.6	-	19.6	16.0	22.5
Net operating income	223.6	89.8	133.8	117.8	13.6

MSCI PIMFA Private Investor Balanced Index on principal charging dates² 1,815 1,853 1,698 9.1

- Including income from trust, tax, financial planning services, Vision Independent Financial Planning, Saunderson House and interest on client money deposits of £6.9 million (mainly recognised in IW&I).
- The principal charging dates for Rathbones Investment Management clients are 5 April, 30 June, 30 September and 31 December. Rathbones Asset Management income accrues on daily levels of funds under management. The principal charging dates for IW&I are 29 February, 31 May, 31 August and 30 November. Until the IW&I business is fully integrated in the first quarter of 2025, its existing quarterly billing date schedule will be maintained. IW&I FUMA at 29 February were £41.9 billion.

FUNDS UNDER MANAGEMENT AND ADMINISTRATION

(I) BREAKDOWN OF FUMA AND FLOWS BY SERVICE LEVEL

Quarter ended 5 April 2024 ²	Opening FUMA (£m)	Gross Inflows (£m)	Gross Outflows (£m)	Net Flows (£m)	Transfers ³ (£m)	SHL Migrated Assets (£m)	Market & Investment Performance (£m)	Closing FUMA (£m)	Ann Net Growth ⁴ (%)
Rathbones Investment Management	48,763	1,276	(1,033)	243	19	439	959	50,423	2.0
Bespoke portfolios	45,008	1,127	(958)	169	(141)	174	889	46,099	1.5
Managed via in-house funds	3,755	149	(75)	74	160	265	70	4,324	7.9
Multi-asset funds ⁵	2,545	322	(211)	111	84	-	186	2,926	17.4
Rathbones discretionary & managed	51,308	1,598	(1,244)	354	103	439	1,145	53,349	2.8
Non-discretionary service	752	5	(13)	(8)	(8)	-	(7)	729	(4.3)
Investec W&I	42,267	855	(1,434)	(579)	(183)	-	1,166	42,671	(5.5)
Saunderson House ⁶	1,590	17	(58)	(41)	-	(440)	10	1,119	(10.3)
Total wealth management	95,917	2,475	(2,749)	(274)	(88)	(1)	2,314	97,868	(1.1)
Single-strategy funds	6,677	393	(572)	(179)	-	-	406	6,904	(10.7)
Execution only	2,746	86	(194)	(108)	88	1	95	2,822	(15.7)
Total group	105,340	2,954	(3,515)	(561)	-	-	2,815	107,594	(2.1)

(II) BREAKDOWN OF INVESTMENT MANAGEMENT FUMA AND FLOWS BY CHANNEL

Quarter ended 5 April 2024 ²	Opening FUMA (£m)	Gross Inflows (£m)	Gross Outflows (£m)	Net Flows (£m)	Transfers ³ (£m)	SHL Migrated Assets (£m)	Market & Investment Performance (£m)	Closing FUMA (£m)	Ann Net Growth ⁴ (%)
Total direct	34,416	807	(760)	47	(50)	-	714	35,127	0.5
Total financial adviser linked	14,347	469	(273)	196	69	439	245	15,296	5.5
Total discretionary service	48,763	1,276	(1,033)	243	19	439	959	50,423	2.0
Execution only	2,746	86	(194)	(108)	88	1	95	2,822	(15.7)
Non-discretionary service	752	5	(13)	(8)	(8)	-	(7)	729	(4.3)
Total Investment Management	52,261	1,367	(1,240)	127	99	440	1,047	53,974	1.0
Investec W&I	42,267	855	(1,434)	(579)	(183)	-	1,166	42,671	(5.5)
Total Investment Management for enlarged group	94,528	2,222	(2,674)	(452)	(84)	440	2,213	96,645	(1.9)

(III) TOTAL GROUP FUMA

Quarter ended 5 April 2024 ²	Opening FUMA (£m)	Gross Inflows (£m)	Gross Outflows (£m)	Net Flows (£m)	Transfers ³ (£m)	SHL Migrated Assets (£m)	Market & Investment Performance (£m)	Closing FUMA (£m)	Ann Net Growth ⁴ (%)
Rathbones Investment Management	52,261	1,367	(1,240)	127	99	440	1,047	53,974	1.0
Rathbones Asset Management	13,770	1,285	(1,033)	252	84	-	870	14,976	7.3
Investec W&I	42,267	855	(1,434)	(579)	(183)	-	1,166	42,671	(5.5)
Saunderson House ⁶	1,590	17	(58)	(41)	-	(440)	10	1,119	(10.3)
Total	109,888	3,524	(3,765)	(241)	-	-	3,093	112,740	(0.9)
Group eliminations ⁷	(4,548)	(570)	250	(320)	-	-	(278)	(5,146)	28.1
Total	105,340	2,954	(3,515)	(561)	-	-	2,815	107,594	(2.1)

3. Transfers represent client FUMA which has transferred from one service to another and other intra-group movements. These are excluded from net inflows.

4. Annualised net growth in flows calculated as net flows/opening FUMA.

5. Net inflows into multi-asset funds include direct flows and flows into managed solutions via in-house funds.

6. Total funds under advice by Saunderson House, including those clients transferred to fellow group companies totalled £4.3 billion at 31 March 2024 (31 March 2023: £4.2 billion).

7. Group eliminations represent RAM funds which are held within portfolios managed by RIM (£4.8 billion), IW&I (£0.2 billion) teams and Saunderson House (£0.1 billion) teams. Consequently, after excluding the RAM funds, the FUMA of each entity is £49.2 billion in RIM, £42.4 billion within IW&I and £1.0 billion within Saunderson House.

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Rathbones Group Plc

Rathbones provides investment and wealth management services for private clients, charities, trustees and professional partners. We have been trusted for generations to manage and preserve our clients' wealth. Our tradition of investing and acting for everyone's tomorrow has been with us from the beginning and continues to lead us forward.

Rathbones has over 3,500 employees in 23 locations across the UK and Channel Islands; its headquarters is 8 Finsbury Circus, London, EC2M 7AZ.

www.rathbones.com