



# Mattioli Woods

Pension Consultants  
Retirement Wealth Management  
Trustees and Administrators

Interim results for the  
six months ended 30 November 2009



# Important information

These presentation slides contain forward-looking statements and forecasts with respect to the financial condition and the results of Mattioli Woods plc.

These statements are forecasts involving risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this presentation should be construed as a profit forecast.

Nothing in this presentation should be seen as a promotion or solicitation to buy shares in Mattioli Woods plc. It should be remembered that the value of shares can fall as well as rise and therefore you could get back less than you invested.

Information in this presentation reflects the knowledge and information available at the time of its presentation.



# Overview

## History of profitability and growth

- Full-service pension consultancy formed in 1991
- Experienced management team
- High net-worth clients
- Robust fee-based model
- Strong client retention (consistently c.97%)
- Recurring revenues (consistently c.60%)
- Strong balance sheet – no debt
- Cash generative and dividend paying

# Highlights

## Continued progress

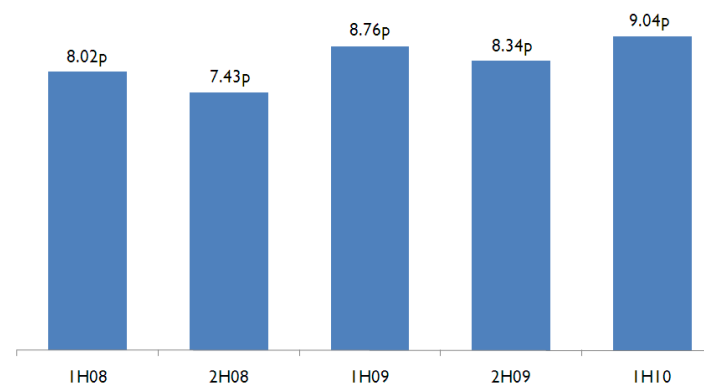
- Adjusted EPS<sup>1,2</sup> up 3.2% to 9.04p (1H09: 8.76p)
- PBTA<sup>1</sup> up 1.4% to £2.16m (1H09: £2.13m)
- Interim dividend up 26.1% to 1.45p (1H09: 1.15p)
- EBITDA margin improved to 34.4% (1H09: 31.8%)
- Revenue down 3.8% to £6.59m (1H09: £6.85m):
  - Impact of banking crisis in 1H09
  - Historic bias towards second half
- Net cash at period end of £4.66m (1H09: £1.50m)

Notes:

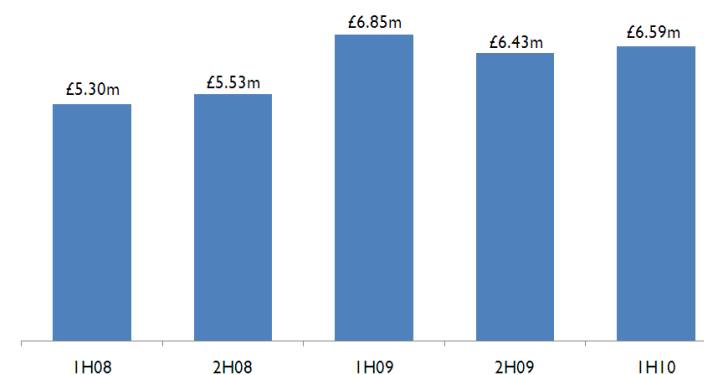
1 Before amortisation of intangible assets other than computer software.

2 Basic EPS up 3.6% to 8.33p (1H09: 8.04p).

Adjusted EPS



Revenue



# Highlights

## Poised for future growth

- FUT<sup>3,4</sup> up 5.7% to £1.48bn (1H09: £1.40bn)
- Scheme numbers<sup>3</sup> up 2.7% to 2,584 (1H09: 2,517)
- Appointed agent to The Freedom SIPP Limited
- Strong client retention:
  - Overall attrition rate<sup>5</sup> of 2.4% (1H09: 1.3%)
  - Retention of acquired clients better than expected
- Current trading in line with expectations

Notes:

3 SSAS and SIPP schemes, excluding “third-party” administration-only and group schemes.

4 Core Funds Under Trusteeship.

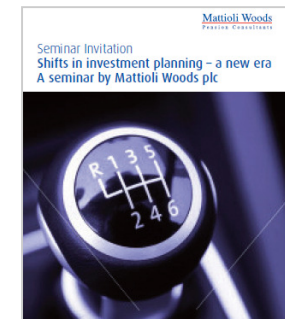
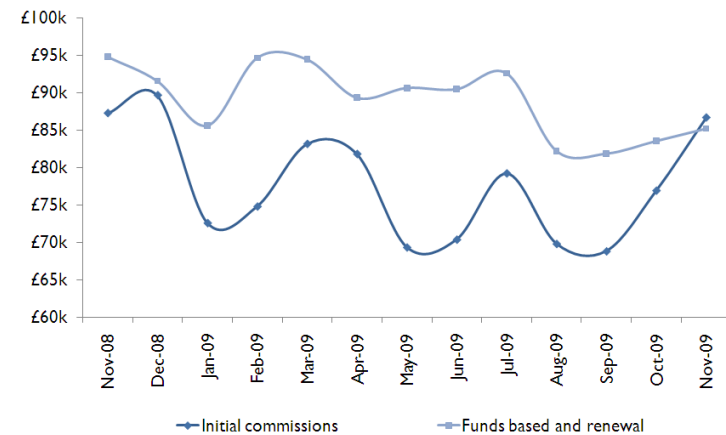
5 Core SSAS and SIPP schemes lost as a result of death, annuity purchase, external transfer out or cancellation as a percentage of average scheme numbers during the period.

# Reacting to change

## Driving future growth

- Increasing investment activity
- Organic growth through:
  - Restructured consultancy team
  - Seminars to intermediaries and prospective clients
  - Development of group scheme initiative
- Developing wider product offering
- Increased focus on acquisitions:
  - Fragmented SSAS market
  - Approximately 60 small SIPP operators
  - Proven ability to integrate

Six month moving average commission receipts



# Revenue streams

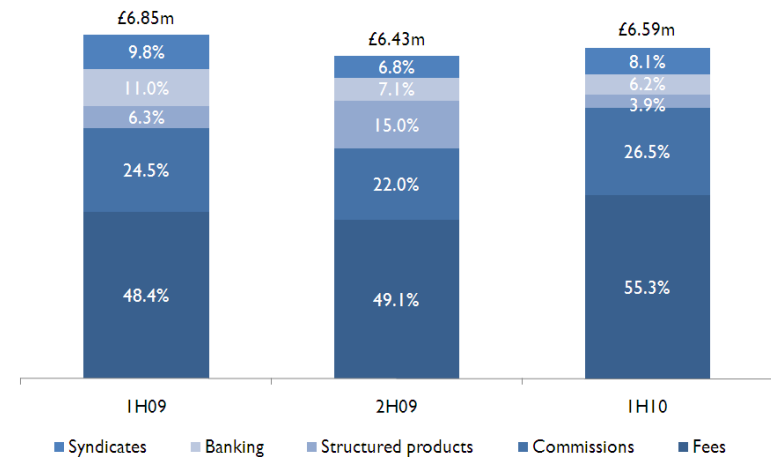
## Robust revenue model

- Growth in revenues from:
  - SSAS/SIPP fees and commissions
  - Group schemes
  - Acquired portfolios
- Low base rate impacting:
  - Banking income
  - Structured product revenues
- Syndicate AMCs<sup>6</sup> impacted by falling values
- Credit crisis increased activity in 1H09
- Strong recurring revenues

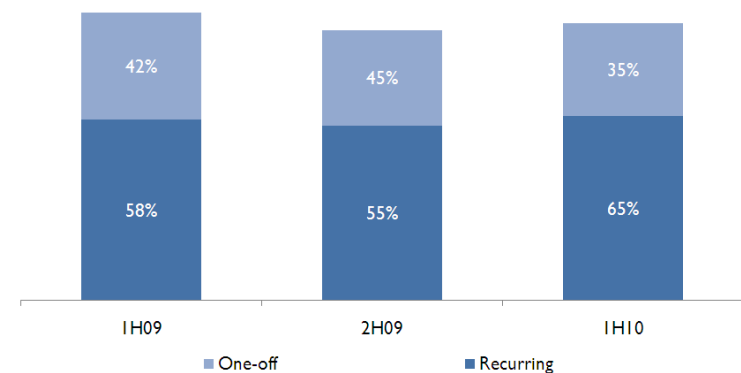
Notes:

6 Annual management charges of £0.32m (1H09: £0.39m).

Revenue mix

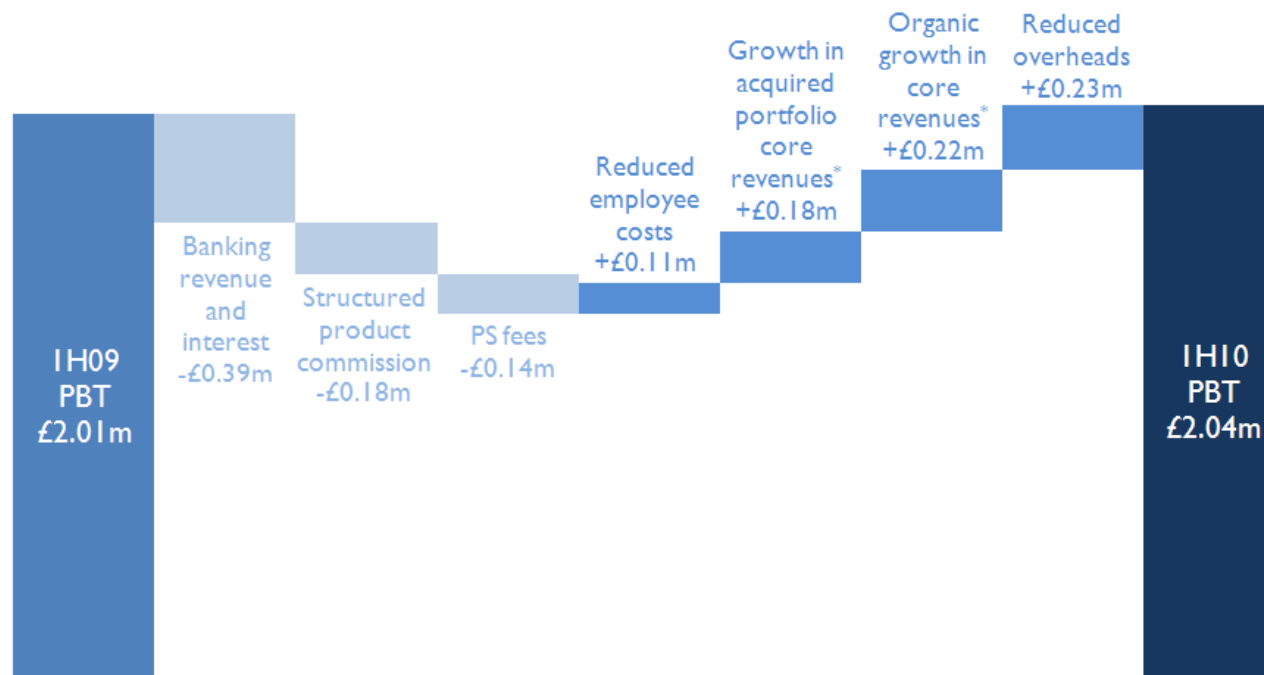


Recurring revenue



# Profit before tax

**PBT up 1.5% to £2.04m**

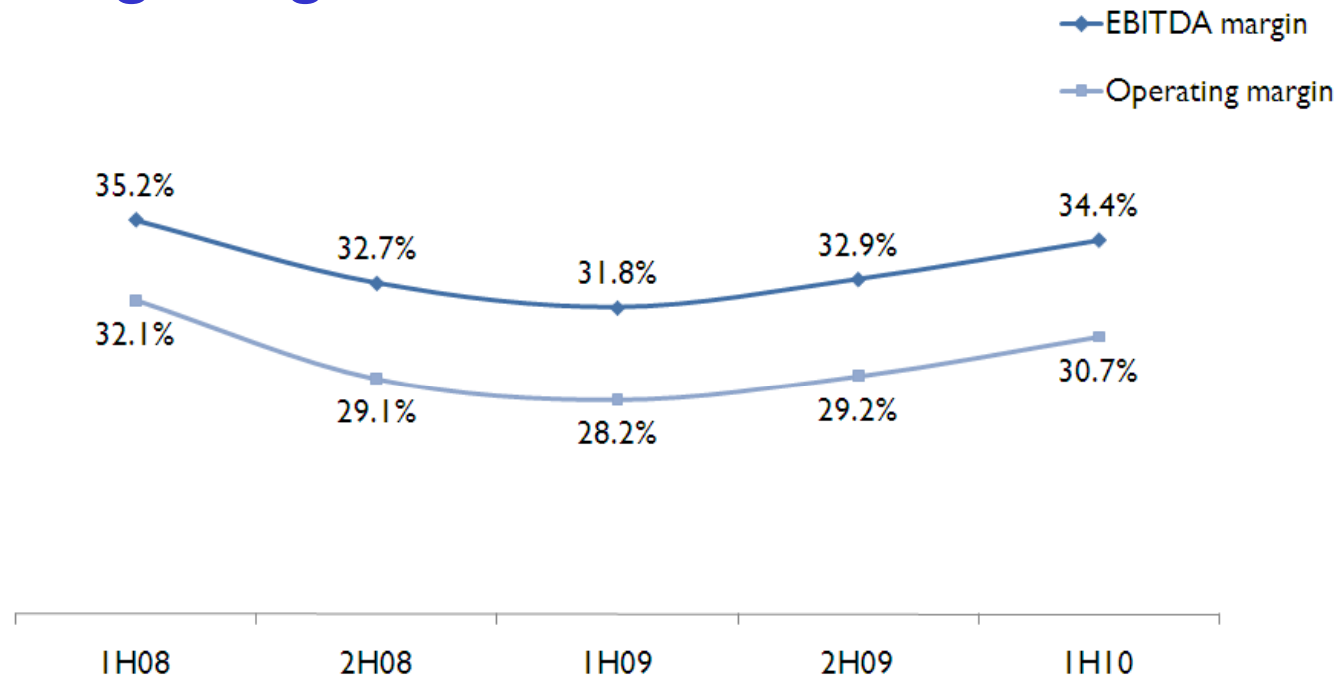


\*Time-based fees and investment commissions

- Average headcount 160 (1H09: 155)
- Performance-based remuneration
- Employee benefits 51.6% of revenue (1H09: 51.3%)
- Focus on cost control

# Normalised margins

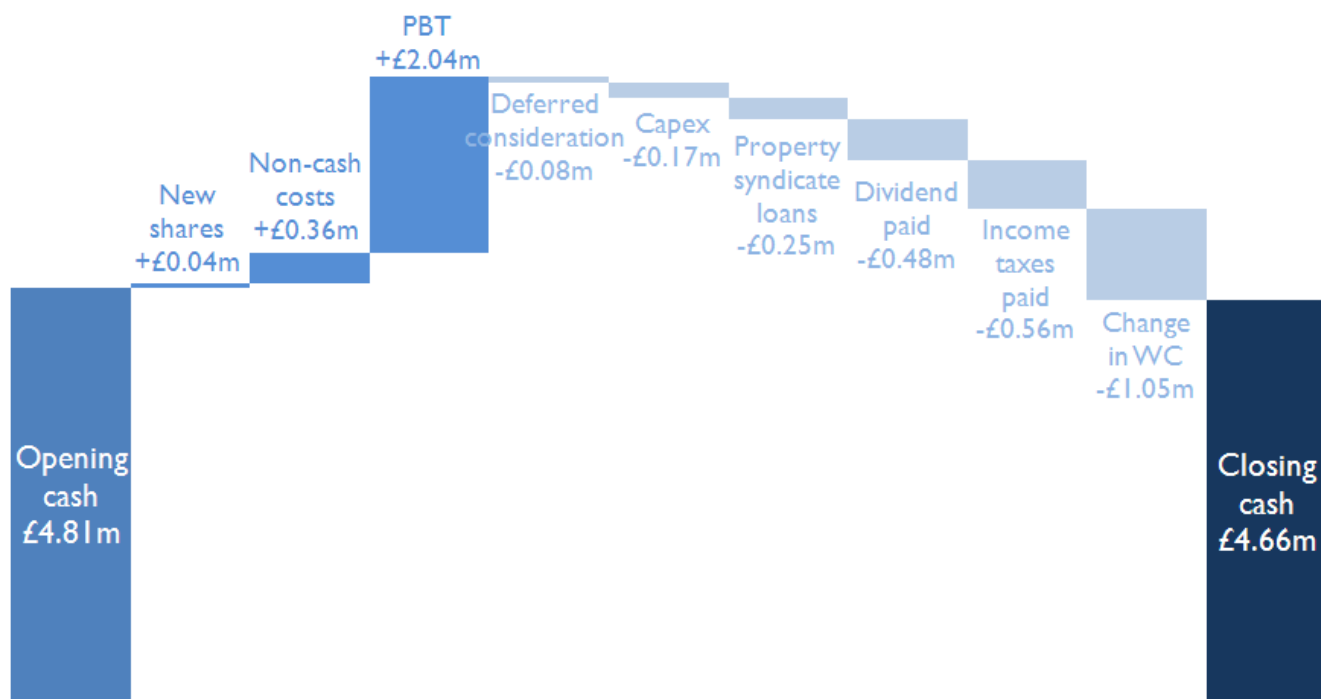
## Enhancing margins



- Investing for growth over last two years:
  - Headcount
  - Infrastructure
- Integration of acquired portfolios
- Improved recovery of time costs
- Controlling overheads

# Cash flow

## Improved cash generation

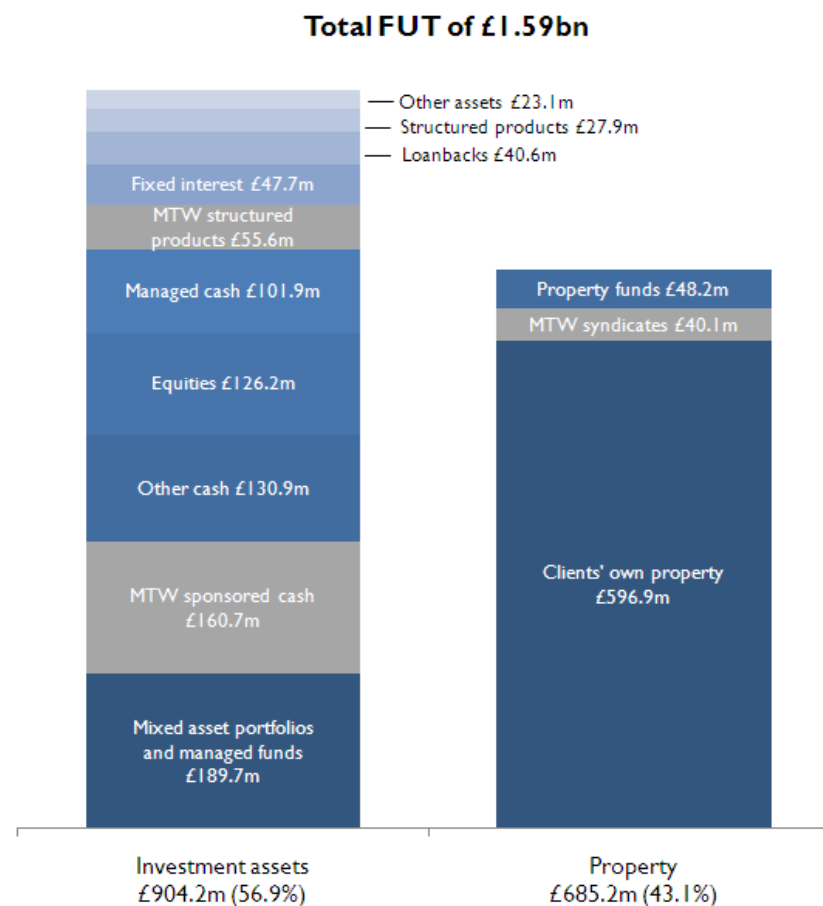


- Cash from ops £1.32m (1H09: £1.16m) • Effective tax rate 29.4% (FY08: 30.8%)
- 58.2% EBITDA to cash (1H09: 53.2%) • £1.30m of bonuses paid in period
- Debtors' days of 70.3 (1H09: 63.7) • Interim dividend up 26.1% to 1.45p

# Client activity

## Lower investment-related revenues

- Focus on:
  - Advising existing clients
  - Migration of admin-only schemes
- Client strategy reviews started in Oct 09
- Caution delaying clients' decisions
- Longer lead time on new business
- Expect increased activity in second half:
  - Over £290m held in cash deposits
  - Low returns on cash



# Property syndicates

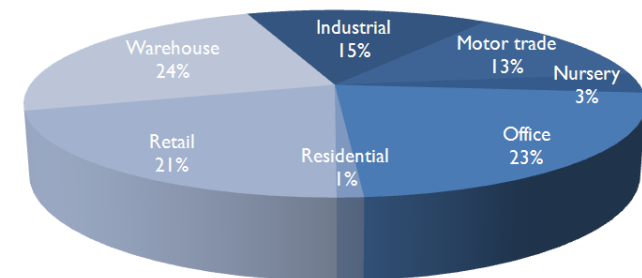
## Delivering high income returns

- Property values near bottom of current cycle
- “Peak to trough” valuations:
  - IPD index fell over 44% July 07 to Aug 09
  - Syndicates fell c.30% Oct 07 to Oct 09
- Increasing activity in syndicate business
- Recruitment of property professional to lead team
- Record quarterly capital growth<sup>7</sup> of 7.4% to Dec 09

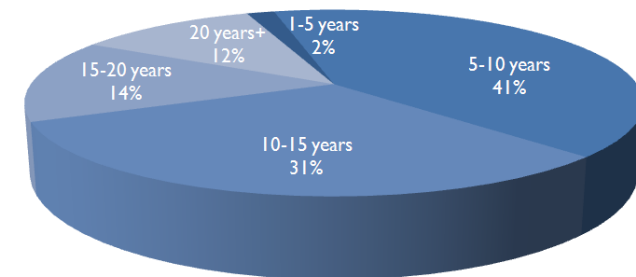
Notes:

<sup>7</sup> Source: IPD UK Monthly Index Statement, December 2009.

Rental income by sector



Period to lease expiry (by income)



Note: Excludes Phoenix Park and Lenton syndicates, which have multiple tenants

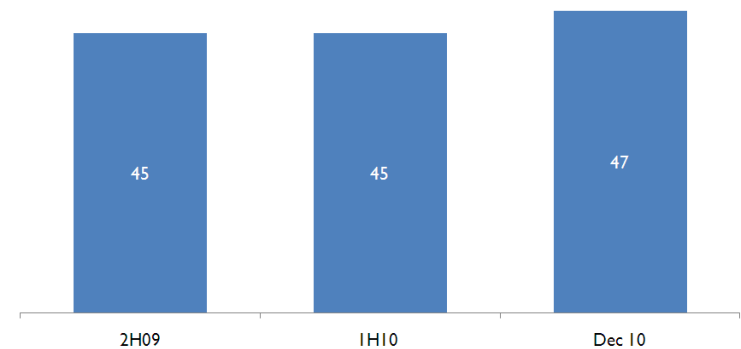
# Small to Big

## Capacity, control and efficiency

- Revised management structure
- Releasing capacity for growth:
  - Larger administration teams
  - Developing specialisms
  - MWeb
  - New wing at Gateway House
- Increasing average caseloads
- Acquisitions offer economies of scale

s2BIG

Average account manager caseload



# Regulation

## Increased burden to drive consolidation?

- Review of Retail Distribution (RDR):
  - Well-positioned to adapt to changing commission model
  - Expect consolidation in IFA sector
- Thematic review of SIPP's - highlights need for advice
- Prudential rules for Personal Investment Firms:
  - Increasing capital resources requirements from 2011
  - Additional burden may force some firms to exit market
  - FSA to consider pension administrators separately
- Tax changes expected to increase demand for advice
- Impact of change in government?

# Freedom SIPP

## Stability and security for members

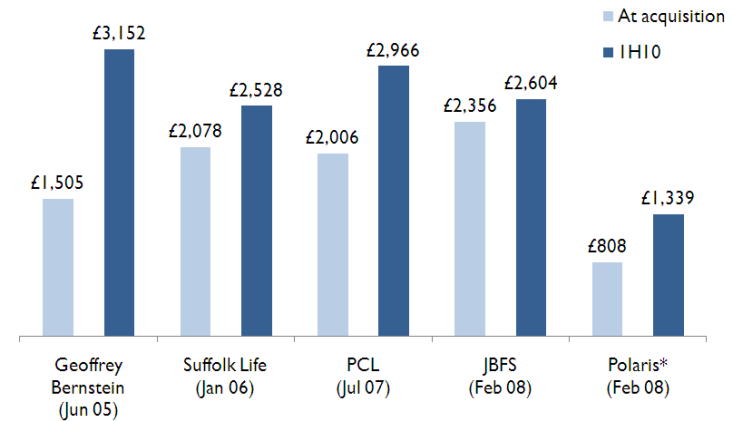
- Worked with FSA and liquidator to develop solution
- Appointed as agent by liquidator:
  - Carry out functions of scheme administrator
  - Complete winding-up of scheme
- Endorsement of Mattioli Woods' capabilities
- Avoids deregistration of scheme and punitive tax charges
- Offers members continuity through us or alternative provider
- Estimate circa 180 members

# Strategic plan

## Deliver shareholder value

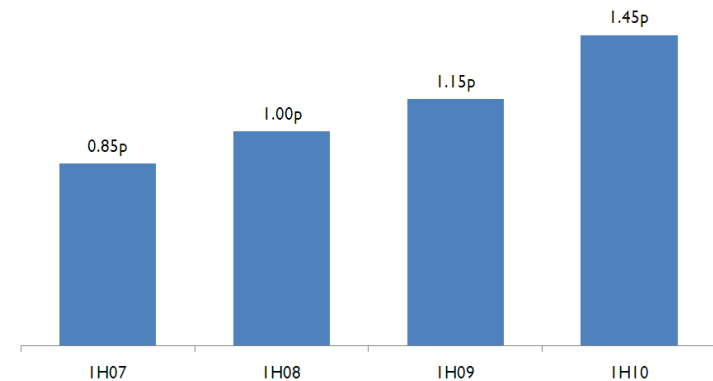
- Increased focus on acquisition opportunities
- Develop existing client relationships
- Add new clients
- New products and services:
  - Active cash management
  - Alternative asset classes
  - Tax-efficient personal investments
- Progressive dividend policy

Annualised core revenues per scheme



\*Polaris schemes currently excluded from core scheme numbers

Interim dividend





# Outlook

## Capitalise on acquisition opportunity

- Robust business model
- Strong position in growth market:
  - SIPP market growth
  - Demographic drivers
  - Well-positioned for regulatory changes
- Innovating new products and services
- Proven ability to integrate acquisitions
- Strong balance sheet – no debt



# Appendices

# Executive directors

## **Bob Woods**

Executive Chairman

- Co-founder in 1991
- Over 30 years' experience in pensions industry
- Developed UK's second SIPP

## **Ian Mattioli**

Chief Executive

- Co-founder in 1991
- Over 25 years' experience in pensions industry
- Previously with Pointon York and Phoenix Assurance

## **Nathan Imlach**

Finance Director

- Joined in 2005
- Previously with Johnston Carmichael Corporate Finance and Ernst & Young
- Over 15 years' corporate finance experience

## **Murray Smith**

Sales and Marketing Director

- Joined in 1995
- Pension transfer specialist with over 15 years' experience in financial services
- Manages consultancy team

## **Mark Smith**

Operations Director

- Joined in 2000
- Compliance and Money Laundering Officer
- Over 20 years' financial services experience

# Mattioli Woods

## Track record of profitable growth



|      |   |
|------|---|
| 2010 | Appointed as agent of The Freedom SIPP Limited            |
| 2009 | £13m+ revenue   |
| 2008 | JB Group acquisition and £10m+ revenue                    |
| 2007 | Funds Under Trusteeship of £1bn+                          |
| 2007 | Introduction of SIPP regulation and PCL acquisition       |
| 2006 | Suffolk Life SSAS portfolio acquired and “A-Day”          |
| 2005 | First acquisition, move to Leicester and admission to AIM |
| 2003 | Mattioli Woods Pension Consultants Limited incorporated   |
| 2001 | FSA regulation of investment firms                        |
| 1997 | £1m+ revenue  |
| 1995 | Developed first SIPP                                      |
| 1992 | Initiated graduate recruitment model                      |
| 1991 | Established as a Partnership                              |

# Mattioli Woods' services

## TROUBLESHOOTING

Non-recurring income  
**Problem solving**  
**Court settlements**  
**Divorce**  
**Professional opinions**

## PROPERTY CONSULTANCY

Recurring / Non-recurring income  
**Commercial and residential**  
**Property projects**  
**Business property requirements**

## COMPANY INVESTMENTS

Recurring / Non-recurring income  
**Deposits**  
**Unit trusts**  
**Offshore**

## PERSONAL INVESTMENTS

Recurring / Non-recurring income  
**PEP/ISA**  
**Property syndicates**  
**Bonds**  
**IHT Trusts**  
**Life assurance**  
**FURBS**  
**Private Equity / VCT**  
**Structured products**

## SSAS/SIPP

### CORE BUSINESS

Recurring income  
**Annual scheme fees**  
**Compliance**  
**Revenue returns**  
**Banking**  
**Investment fees and commissions/renewals**  
**Actuarial and legal**  
**Property syndicate management fees**  
**PAYE**  
**Documentation updates**

Non-recurring income  
**Initial scheme establishment**  
**Retained benefit reviews**  
**Consultancy**  
**Investment fees and commissions**  
**Retirement planning**  
**Lump sum planning**  
**Structured products**

### AVERAGE ANNUAL REVENUE PER CLIENT

|                                |                |
|--------------------------------|----------------|
| Core business income           | £3,000+        |
| Ancillary business income      | £2,000+        |
| <b>Total income per client</b> | <b>£5,000+</b> |

## GROUP PENSION

Recurring income  
**Fees for planning**  
**Fees for administration**  
**Fees for investment documentation**  
 Non-recurring income  
**Personal advice leading to:**  
 - **SSAS/SIPP, personal planning**  
 - **Business advice on acquisitions**

## KEY EXECUTIVES

### PENSION AND INVESTMENTS

Recurring / Non-recurring income  
**EPPs**  
**Personal pensions**  
**SIPPs**  
**SSAS**  
**Bonds**  
**PEP/ISA**  
**Life assurance**  
**IHT**

## CORPORATE PLANNING

Recurring income  
**Business consultancy**  
**Advice provided in respect of:**  
 - **Sale and business succession**  
 Non-recurring income  
**One-off business project/s**  
**Corporate finance**  
**Insolvency advice**

# Capital adequacy

## Phased increases from December 2011

- Authorised to operate personal pension schemes :
  - Adjusted Net Current Assets of at least £1
  - EBR of 6/52 of relevant annual expenditure (currently £0.9m)
  - £4.1m surplus on own funds test
- Prudential rules for Personal Investment Firms:
  - Own funds requirement increasing from £10,000 to £20,000 in 2011
  - Extension of Expenditure Based Requirements (EBR) to all firms
  - EBR increases from 4 weeks to 13 weeks over three years
  - Capital resource requirement of c.£2m by 2013?
  - PI policy excess concession requires a further £83,664 of own funds
- FSA to review pension administrators separately in 2010

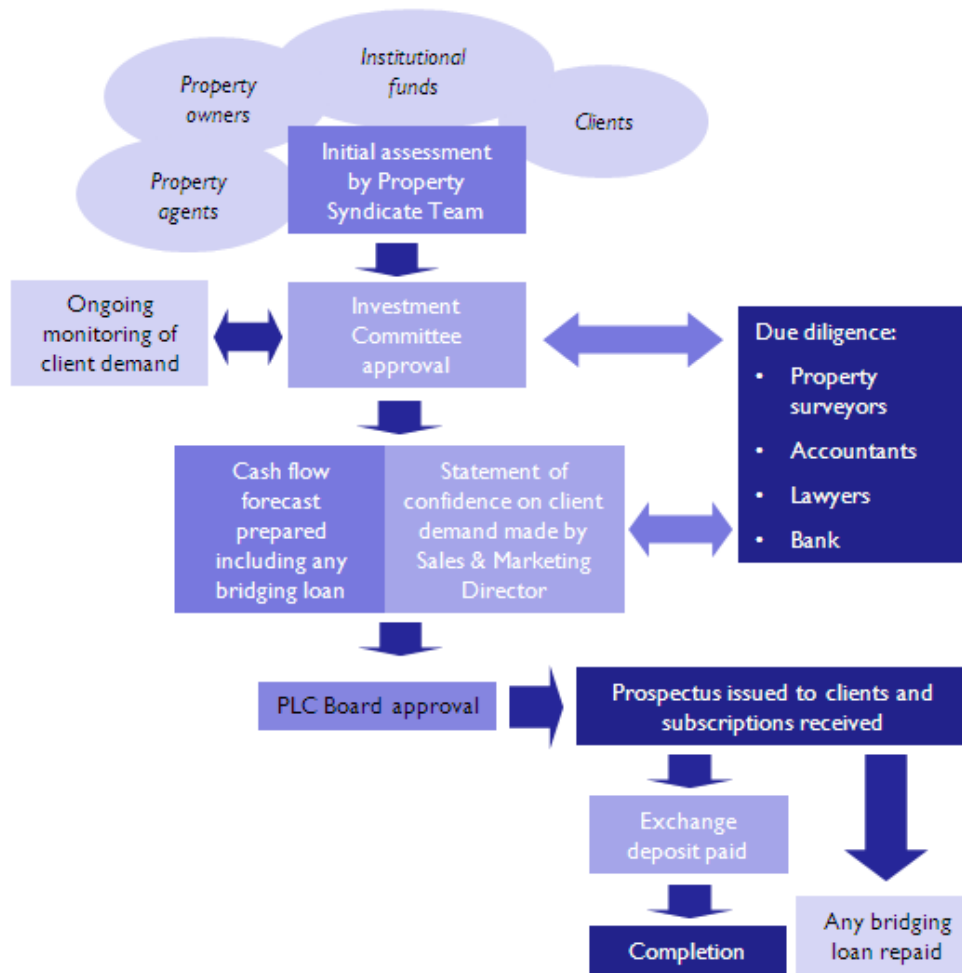
# Finance Act 2009

## Anticipate immaterial impact

- Mattioli Woods' focus is on:
  - Restructuring existing arrangements
  - Takeover of existing SSAS and SIPP schemes
- Limited reliance on new contributions:
  - Pre and post A-Day experience
- Estimate less than 5% of clients impacted by new earnings limits
- Pension contributions remain highly tax-efficient:
  - People earning £100,000 to £150,000
  - Compelling proposition with only basic rate tax relief
- Regulatory changes drive increased demand for advice

# Property syndicates

## Creating a secure income stream for clients



- Long term, low volatility income stream
- Capital value creation
- Direct ownership and control by clients
- Client investment needs assessed quarterly
- Deposits funded by:
  - Short term loan from company
  - Short term loan from clients
  - Short term loan from third party underwriters
- Prime UK commercial properties
- Strong recurring revenue stream