

22 June 2017

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FOR IMMEDIATE RELEASE

22 June 2017

Tatton Asset Management plc

Announcement of intention to float on the London Stock Exchange

Proposed Placing of 6,410,256 New Ordinary Shares and 26,679,075 Existing Ordinary Shares at 156 pence per Ordinary Share and Admission to trading on AIM

Tatton Asset Management plc (the "Company" or "TAM" and together with its subsidiaries the "Group") today announces its intention to apply for admission of its issued and to be issued ordinary shares to trading on the AIM market of the London Stock Exchange ("Admission") and associated placing. Zeus Capital Limited ("Zeus Capital") is acting as Nominated Adviser and Sole Broker to the Company.

The Company has conditionally raised approximately £10.0 million (before expenses) from an institutional placing of 6,410,256 ordinary shares of £0.20 each in the capital of the Company ("Ordinary Shares" or "Shares") at a placing price of 156 pence and approximately £41.6 million (before expenses) for selling shareholders by way of an institutional placing of 26,679,075 Ordinary Shares at a placing price of 156 pence (together, the "IPO" or the "Placing"). Admission is expected to occur at 8 a.m. on 6 July 2017 with a market capitalisation of £ 87.2 million.

Key Highlights

- The Placing will raise approximately £10.0 million (before expenses) for the Company and approximately £41.6 million (before expenses) for selling shareholders by way of a conditional placing of Ordinary Shares.
- The new Ordinary Shares will represent approximately 11.5 per cent. of the enlarged share capital of the Company at Admission and the existing Ordinary Shares being sold by the selling shareholders will represent approximately 47.7 per cent. of the enlarged share capital of the Company at Admission.
- Following the Placing, 63.5 per cent of the Ordinary Shares will be held in public hands (shares in public hands exclude, *inter alia*, persons who have an interest in 10 per cent. or more of the Shares).
- Zeus Capital is acting as Nomad and Broker in connection with the Placing and Admission.
- The Board believes that the Placing and Admission will position the Group for its next stage of development and will provide it with an optimal capital structure for future growth. In particular, the Directors believe the Placing and Admission will:
 - enhance the Group's public profile and status with existing and potential clients;
 - assist in the incentivisation and retention of key management and employees;
 - create a liquid market in the Ordinary Shares for existing shareholders;
 - provide the selling shareholders with an opportunity for a partial realisation of their respective shareholdings in the Group; and
 - provide access to the capital markets to aid future growth, when required.
- Each of the Directors, Proposed Directors and selling shareholders who are retaining some shares in the Company will be subject to a 12 month lock-up, with certain customary exemptions. They will also be subject to 12 month orderly market arrangements.
- Full details of the structure of the Placing will be included in the Admission Document to be published in connection with the IPO and Admission.

Group Overview

The Group was founded in 2007 by current Chief Executive Officer, Paul Hogarth. The Group provides a range of services to the FCA directly authorised financial adviser ("DA IFA") marketplace encompassing discretionary fund management, regulatory and compliance services and mortgage services.

The Group has three operating subsidiaries offering services to the core member base of the Group and in the case of its DFM business, to additional third party IFAs:

Tatton Capital Limited ("TCL") representing 36 per cent. of total net revenues

- Launched its discretionary portfolio management ("DFM") service in early 2013.
- As at 2 June 2017, had over £4 billion of AUM with historical monthly growth of c. £80m on average.
- Low cost, TER (Total Expense Ratio); friendly and "challenger" model pricing.
- DFM Service designed for, and exclusively available via platforms.
- Currently operates on ten UK adviser WRAP platforms, and can be easily integrated.
- Lower charge than traditional DFM propositions and no minimum investment size restrictions.

Paradigm Partners Limited ("PPL") representing 49 per cent. of total net revenues

- An independent financial services business, providing support services, such as compliance and other related services to the IFA marketplace.

- Membership income is generated from contracted compliance services and platform/WRAP fees.
- Currently, PPL services a membership of 353 DA IFAs, employing an estimated 1,100 advisers.

Paradigm Mortgage Services LLP (“PMS”) representing 15 per cent. of total net revenues

- One of the UK’s leading mortgage distributor businesses, providing mortgage and related support services to a membership of 1,034 DA IFAs, employing c. 3,000 regulated advisers.
- Acts as an aggregator for its member firms, providing access to the majority of the UK’s banks’ and building societies’ mortgage products.
- Placed c. £4.7 billion of new business lending in 2016, representing c. 2.8 per cent. intermediary market share.

The main drivers of revenue growth are expected to be growth in AUM for TCL and a larger membership pool of IFAs. The Directors believe the business is highly scalable and that there are significant continuing cross-selling opportunities between the three subsidiaries.

Financial Summary

The Group’s revenues comprise a mix of AUM and platform fees, membership fees and product service fees, which by nature are repeatable and sustainable. The Group has a low capital requirement, is debt free and is cash generative which the Board believes gives the Group the capability to deliver a c.70 per cent. dividend pay-out ratio. In the twelve month period to 31 March 2017, the Group generated:

- Total net revenues of £11.9 million; over 70 per cent. recurring in nature.
- Pro forma adjusted operating profit of £5.5 million.
- Pro forma adjusted operating profit margin of 43 per cent.

As at 2 June 2017, TCL had over £4 billion of AUM, reflecting strong growth since its formation and has delivered a historical AUM growth of c. £80 million per month on average.

Investment Highlights

The Directors believe the business has the following attractive investment characteristics:

- **Growth with a scalable model:** The business can benefit from operational economies of scale as it grows its number of member firms and its AUM.
- **Predictable and recurring revenues:** Recurring revenues represents over 70 per cent. of revenue for the twelve months to 31 March 2017.
- **Attractive margins:** The scalability of the Group’s operations should underpin the underlying operating margin of over 40 per cent., as reported in the twelve months to 31 March 2017.
- **High cash conversion:** In the last three years ending 31 March 2017, the business benefitted from a high operating cash conversion ratio of over 90 per cent.
- **Attractive dividend pay-out ratio:** The Group has the capability to deliver a c.70 per cent. dividend pay-out ratio.
- **Capital light model:** The Group’s business model does not require a significant level of capital.
- **Low attrition rate** of the Group’s IFA client base.
- **Cross sales strategies** within the business are accelerating with new member growth across the group now providing a source for expansion.

- **Proven management team** with considerable industry experience both in the asset management industry and IFA sector.

Paul Hogarth, Founder and CEO of Tatton Asset Management plc, commented:

“At the centre of our business philosophy has been always to champion the DA IFA sector and provide services that help support them and the needs of their retail clients. We believe that there is a continuing and vital requirement to offer a value for money, low cost service proposition for the mass affluent market place serviced by the IFA sector. As such, the Group represents a new model asset manager that is exploiting such opportunities and challenging the existing off-platform, traditional incumbents whose discretionary fund management services have normally been reserved only for the very wealthy.

“The IPO of the Tatton Asset Management plc marks a very important and exciting milestone in the development of the Group, allowing us to build our market profile further, reward our staff and other stakeholders, and provide access to the capital markets when needed in the future.

“I look forward to working with our new institutional shareholders in continuing to build our business further.”

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Group Strategy

The Group's strategic objective is to provide access to all major products and services that an IFA requires to service its retail clients, thereby continuing to grow recurring revenue. The Directors believe there are considerable development opportunities across the Group both organically and, where appropriate, through acquisition. The main drivers of revenue growth are expected to be growth in AUM for TCL and a larger membership pool of IFAs. The Directors believe the business is highly scalable and that there are significant continuing cross-selling opportunities between the three subsidiaries.

TCL: The Directors believe there are continued opportunities to grow AUM and it is the intention to accelerate recruitment of IFA groups from beyond the wider Group membership and to continue expansion into other wrap platforms. The Group aims to remain agnostic to which platform IFAs choose to use. TCL will continue to extend its product reach and public profile. The Directors will also consider the acquisition of sub-scale DFMs.

PPL: The Directors expect to expand its sales resources in order to grow its membership and cross sell to IFAs who are using TCL's DFM services but are not members of PPL. Further expansion into other services is planned and, where appropriate, the Board will consider acquisitions.

PMS: The Directors believe that there is still great scope for expansion against competitors (the largest two being provider-owned) and PMS continues to widen the product and service offering for its growing membership base.

Dividend Policy

The Directors' and the Proposed Directors' intention is to implement a progressive dividend policy in line with the growth in future earnings, subject to the discretion of the Board and to the Company having sufficient distributable reserves.

For the year ending 31 March 2018 (being the first financial period end as an AIM quoted company), subject to the discretion of the Board, having taken into account the current and expected future trading performance of the Company, and to the Company having sufficient distributable reserves, it is the Directors' and the Proposed Director's intention that the total dividend pay-out ratio will be c. 70 per cent. of earnings.

Financial Highlights

Table below sets out a summary of the Group's financial results for the years ended 31 March 2015, 2016 and 2017

	Year ended 31 March		
	2015 £000's	2016 £000's	2017 £000's
Continuing Operations			
Revenue	8,451	9,160	11,864
Operating profit	3,086	3,000	2,098
Exceptional and non-recurring income/(costs) within operating profit.....	270	(264)	(2,412)
Operating profit before exceptional and non-recurring items.....	2,816	3,264	4,510
Finance costs	(42)	(60)	(36)
Profit before tax	3,044	2,940	2,062
Tax.....	(81)	(134)	(749)
Profit and total comprehensive income for the year .	2,963	2,806	1,313
Attributable to:			
Owner of the Operating Group	2,243	2,423	1,201
Non-controlling interests.....	720	383	112
	2,963	2,806	1,313

Current Trading

The Group's performance since 31 March 2017 has remained in line with the Board's expectations. AUM managed by TCL at 2 June 2017 was over £4 billion. At 31 May 2017, the net number of DA IFAs who were in the process of applying to become a PPL member was twelve, with current PPL members standing at 353. In April 2017, PMS had aggregated £361 million of mortgages for its members. Its membership has grown to 1,087, a net increase since the year end. In connection with the Placing and Admission, the Group anticipates incurring incremental running costs in relation to PLC costs of approximately £0.8 million for the year ending 31 March 2018.

Expected Timetable of Principal Events

Publication of Admission Document	23 June 2017
Admission and commencement of dealings in the Enlarged Ordinary Share Capital on AIM	6 July 2017
Delivery of Ordinary Shares in CREST accounts (where applicable)	6 July 2017
Dispatch of definitive share certificates (where applicable)	20 July 2017

Key Statistics

Placing price per Ordinary Share	156p
Total number of Ordinary Shares in the Placing	33,089,331
- <i>to be placed by the Company</i>	6,410,256
- <i>to be sold by the Selling Shareholders</i>	26,679,075
Gross proceeds of the Placing receivable by the Company	£10.0 million
Gross proceeds of the Placing receivable by the Selling Shareholders	£41.6 million
Number of Ordinary Shares in issue at Admission	55,907,513
Estimated market capitalisation of the Company at Admission	£87.2 million
Percentage of shares in public hands	63.5%

Important Information

Disclaimer

The contents of this announcement, which has been prepared by and is the sole responsibility of the Company, have been approved by Zeus Capital solely for the purposes of section 21(2)(b) of the Financial Services and Markets Act 2000 (as amended).

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The Ordinary Shares referred to in this Announcement have not been and will not be registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or under the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Ordinary Shares have not been and will not be approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing

authorities passed upon or endorsed the merits of the Placing or the accuracy or adequacy of this announcement. Any representation to the contrary is a criminal offence in the United States.

Any subscription for or purchase of Ordinary Shares in the proposed Placing should be made solely on the basis of the information contained in the final Admission Document to be published by the Company in connection with the Placing and Admission. The information in this announcement is for background purposes only and does not purport to be full or complete. No reliance may or should be placed for any purposes whatsoever on the information contained in this announcement or its accuracy, completeness or fairness. The information in this announcement is subject to change. However, the Company does not undertake to provide the recipient of this announcement with any additional information, or to update this announcement or to correct any inaccuracies, and the distribution of this announcement shall not be deemed to be any form of commitment on the part of the Company to proceed with the Placing or any transaction or arrangement referred to in this announcement. This announcement has not been approved by any competent regulatory authority.

In connection with the Placing, Zeus Capital and/or any of their respective affiliates, acting as investors for their own accounts, may subscribe for or purchase Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in the Admission Document, once published, to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt in should be read as including any offer to, or subscription, acquisition, placing or dealing by Zeus Capital and/or any of their respective affiliates acting as investors for their own accounts. In addition, Zeus Capital and/or their respective affiliates may enter into financing arrangements and swaps in connection with which Zeus Capital and/or their respective affiliates may from time to time acquire, hold or dispose of Ordinary Shares. Zeus Capital has no intention to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

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The anticipated timetable for Admission, including the publication of the Admission Document and/or the date of Admission, may be influenced by a range of circumstances, including market conditions. There is no guarantee that the Admission Document will be published or that Admission will occur and investors should not base their financial decisions on the Company's intentions in relation to the Placing and Admission at this stage.

The price of shares and any income expected from them may go down as well as up and investors may not get back the full amount invested upon disposal of the shares. Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.

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