

TATTON ASSET MANAGEMENT

Preliminary Results for the twelve months ended 31 March
2018

INVESTOR AND ANALYST PRESENTATION
June 2018



Tatton

ASSET MANAGEMENT PLC

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AGENDA

- Introduction to the team
- Key highlights
- Financial performance
- Divisional analysis
- Strategy for growth
- Summary



INTRODUCTION TO THE TEAM

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Paul Hogarth, CEO



Lothar Mentel, CIO



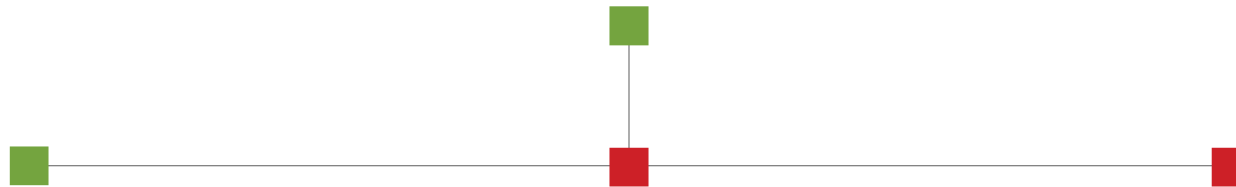
Paul Edwards, CFO

- Over 30 years' experience at Board level in the financial services sector
- Founder of Tatton Asset Management Group, specifically Paradigm Partners, in 2007 and subsequently of Tatton Capital Limited in 2012
- Co-founder of Tatton Capital Limited in 2012
- Ex CIO of Octopus. Has held senior investment positions with NM Rothschild, Threadneedle, Barclays Wealth, and Commerzbank AG
- Joined Tatton Asset Management Plc as Group CFO in May 2018
- Previously Group Finance Director of Scapa Group plc and NCC Group plc

GROUP STRUCTURE



Tatton Asset Management PLC ("TAM" or "Group")



Paradigm Partners ("Paradigm" or "PPL")

IFA support services

- Compliance services
- Technical support
- Business consultancy



Paradigm Mortgage Services ("PMS")

Adviser support services

- Mortgage aggregation
- Protection
- Other insurance aggregation

Tatton Capital Limited ("Tatton" or "TCL")

Challenger model DFM

- On-platform only
- Complimentary in-house fund range
- Low cost



KEY HIGHLIGHTS

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EXCELLENT DEBUT

- Revenue and profit growth in all three divisions
- Tatton Capital's discretionary assets under management ("AUM") increased 25.6% to £4.9bn (2017: £3.9bn)
- Average AUM inflows of over £80m per month maintained
- Group Revenue increased 30.7% to £15.5m (2017: £11.9m)
- Adjusted Operating profit* up 44.7% to £6.5m (2017: £4.5m)
- Adjusted Operating profit* margin increased to 42.1% (2017: 38.0%)
- Reported profit before tax increased to £3.6m (2017: £2.0m), after charging exceptional items of £2.0m and share option costs of £1.0m
- Final dividend of 4.4p giving a full year dividend of 6.6p
- Adjusted EPS* increased 49.5% to 9.6p (2017: 6.5p)
- Strong financial position, with net cash of £10.6m (2017: £nil)

KEY HIGHLIGHTS

(CONTINUED)

- Successful IPO on AIM completed on 6 July 2017 raising £51.6m
- TCL, the Group's investment management business, has continued to expand, delivering strong organic growth in AUM and has introduced three new blended funds
- TCL increased its member firms to 341 (2017: 237) and number of accounts to 48.8k (2017: 39.6k)
- PPL, the Group's compliance services business, increased new members 4.5% to 368 (2017: 352)
- PMS, the Group's mortgage and protection distribution business, performed strongly, with gross lending via its channels during the period of £6.8bn (2017: £4.8bn), an increase of 41.7%. PMS now has 1,220 mortgage firms using its services (2017: 1,069)



FINANCIAL PERFORMANCE

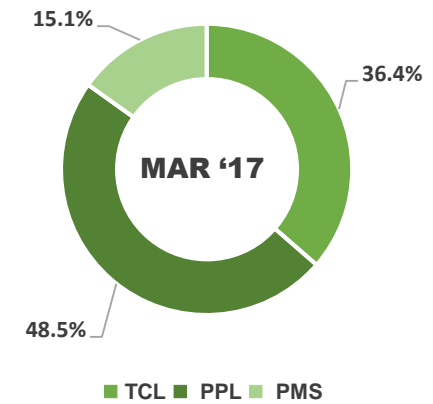
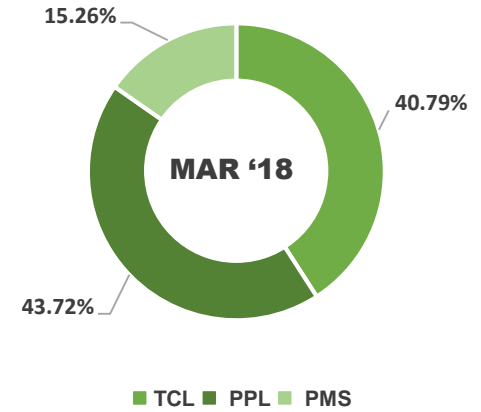
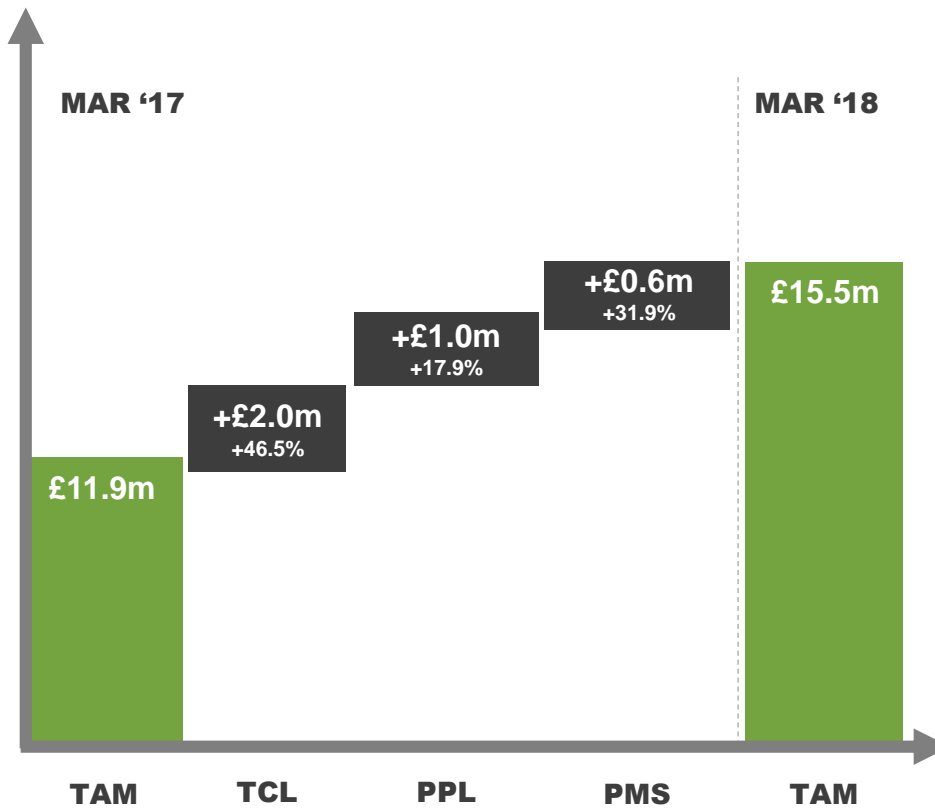
PROFIT & LOSS

Year ended 31 March 2018 Currency: £'000	2018	2017	
Revenue	15,507	11,864	Revenue increased 30.7%
Admin expenses	(8,981)	(7,354)	Investment in cost base of 22.1%
Adjusted Operating profit*	6,526	4,510	Operating profit increased 44.7%
Margin %*	42.1%	38.0%	Margin increased 410 bps
Share based payments (IFRS2)	(986)	(75)	£(846k) relates to Pre-IPO scheme
Exceptional charges – IPO costs	(1,964)	(2,412)	
Operating profit	3,576	2,023	
Finance costs	(26)	(36)	
Profit before tax	3,550	1,987	
Corporation tax	(1,110)	(834)	Underlying tax rate 18.4%
Basic earnings per share	4.1p	2.1p	
Adjusted earning per share*	9.6p	6.5p	Adjusted EPS increased 49.5%
Dividend	6.6p	-	Final dividend of 4.4p (interim 2.2p)

* Operating profit before exceptional items and IFRS2 share-based costs

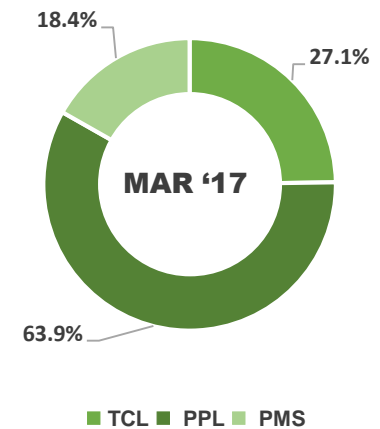
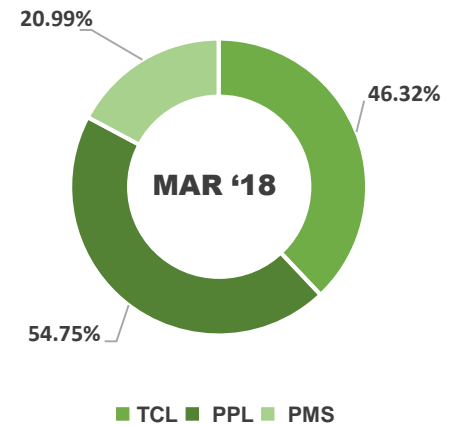
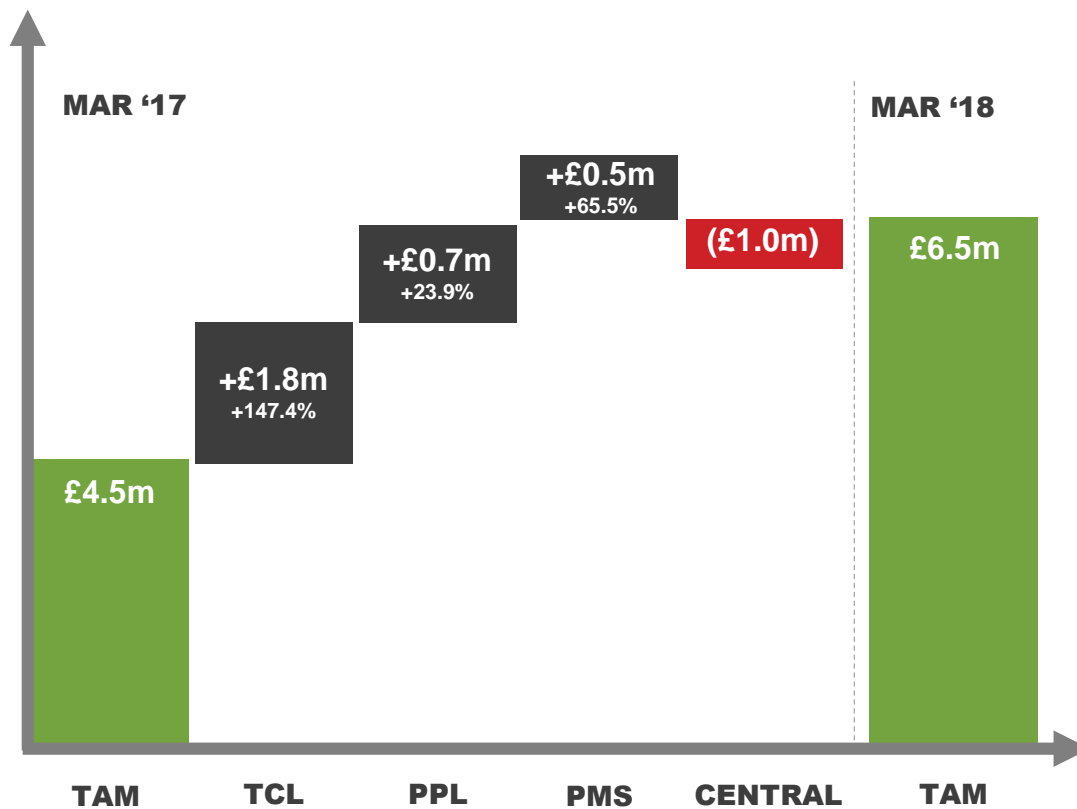
REVENUE

CHANGING SHAPE OF GROWTH



OPERATING PROFIT*

GROWTH / LEVERAGE



* Adjusted for exceptional items and share based charges

DIVISIONAL ANALYSIS

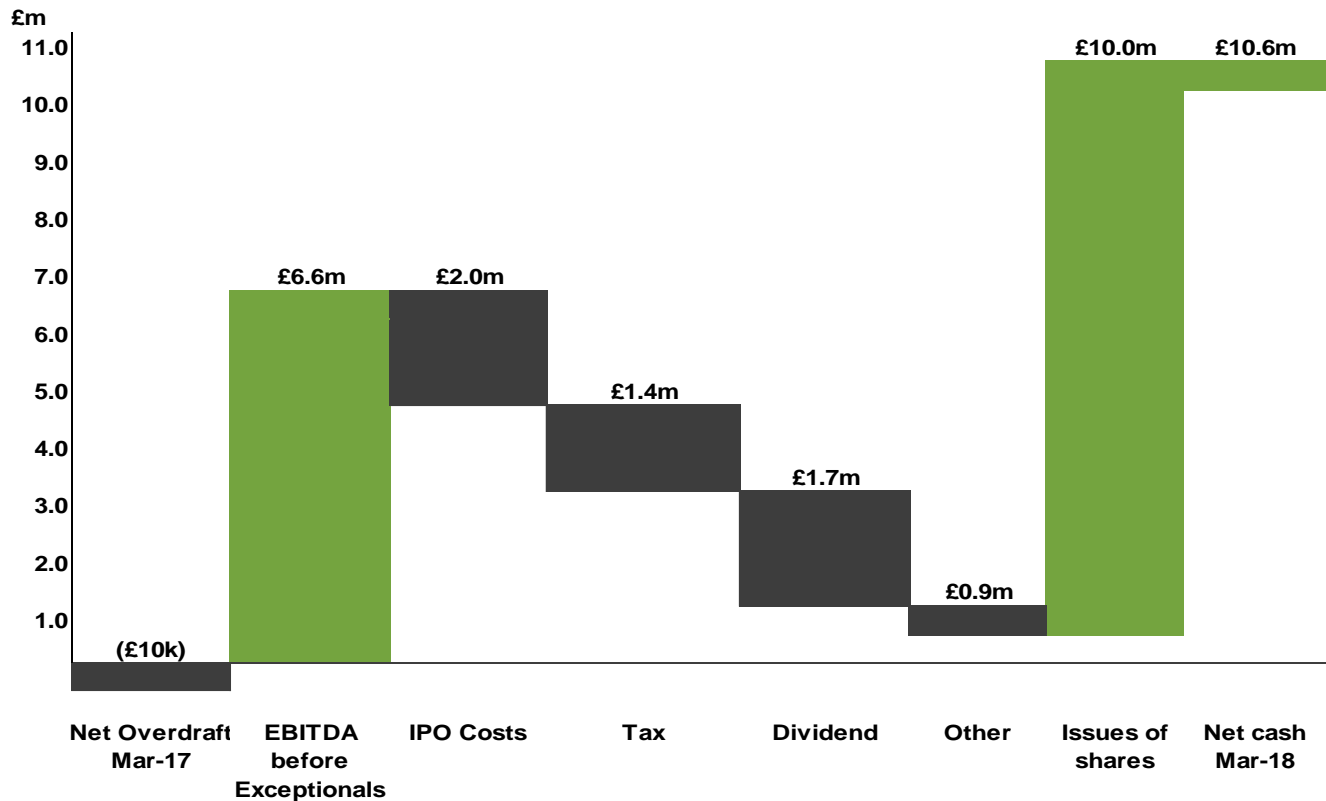
£000's	TCL	PPL	PMS
Revenue	6,325 Growth 46.5%	6,780 Growth 17.9%	2,366 Growth 31.9%
EBIT*	3,023	3,573	1,370
Margin %	47.8%	52.7%	57.9%

KPI's & Attributes

£4.9bn AUM +25.6%	-	£6.8bn gross lending +41.7%
341 Firms & 48,800 Clients	368 Members +4.5%	1,220 Members +14.1%
Recurring = Yes	Recurring = Yes	Recurring = No
Drop through = 90%	Drop through = 70%	Drop through = 83%

* Adjusted for exceptional items and share based charges

CASH FLOW



- Highly cash generative Group
- Delivered dividend commitment
- £10.6m of cash for future investment
- New facilities to be put in place this year

OUR MARKET

- TAM plc champions of the IFA sector
- Consumer demand and ineffective competition means IFA sector in rude health - TAM plc helps meet this demand
- Adviser platform market continues strong growth with asset growth of 22.4% to £520 billion*
- DFM MPS on platform £25 billion
- Increased understanding by IFA principals of need to outsource investment decisions
- TCL continues to be the largest DFM, MPS player

TATTON UNIVERSE

Total number of IFA firms	13,250	Total FUM	£520 billion
Tatton number of user firms	341	Tatton FUM	£5 billion

Each IFA firm has an average £40m under control on platform

DEDICATED TATTON SALES TEAM

Justine Randall SALES DIRECTOR

Chartered financial planner with nearly 20 years financial services experience, Justine joined Tatton from Retirement Advantage where she spent 8 years as Head of Sales and Strategic Partnerships

Ryan Seaton BDD*

Ryan joined the financial services industry in 2012 as a graduate at WRAP platform Amber Financial and was formerly an investment Development consultant at Paradigm Partners

Simon Church BDD*

Simon previously worked at Quilter Cheviot, Charles Stanley and MetLife leading RDR initiatives to help support advisers to transition their businesses through the RDR

Steve Martell BDD*

Steve brings over 3 decades of investment market experience, including 16 years in senior management positions for Just, Living Time, The Hartford and Prudential

Jack Bennett BDM*

Financial coordinator for deVere and partners, and worked on GFI's south East Asia FX options desk

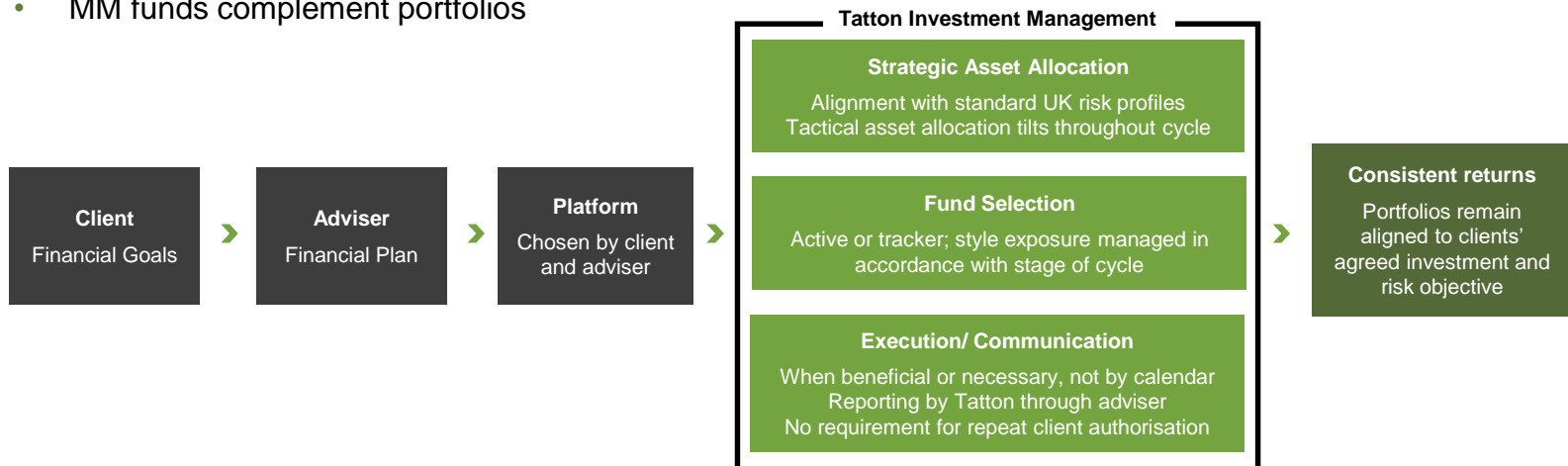
WHAT'S CHANGED

Comparison of DFM (on-platform) charges	
DFM	Annual Fee % (inc VAT)
Tatton IM	0.15
Seven Investment Management	0.30
Vestra	0.30
Brewin Dolphin MPS	0.36
Tilney Investment Management	0.36
Quilter Cheviot MPS	0.36
Charles Stanley	0.36
Brooks Macdonald MPS	0.36

TATTON INVESTMENT MANAGEMENT

WHAT WE DO

- Discretionary investment management
 - Segregated, fund based, non-bespoke private investor portfolios (MPS based DFM)
- Exclusively available on adviser platforms and only B2B through directly FCA authorised advisers
- Platform agnostic, now available on 11 platforms
- Avoidance of fixed cost overheads allows charging at marginal cost of 0.125% plus vat while benefitting from substantial scale benefits - no client relationship management and no inhouse back-office
- Pure investment manager – fully resourced investment team
- MM funds complement portfolios



GROWTH IN ASSETS UNDER MANAGEMENT

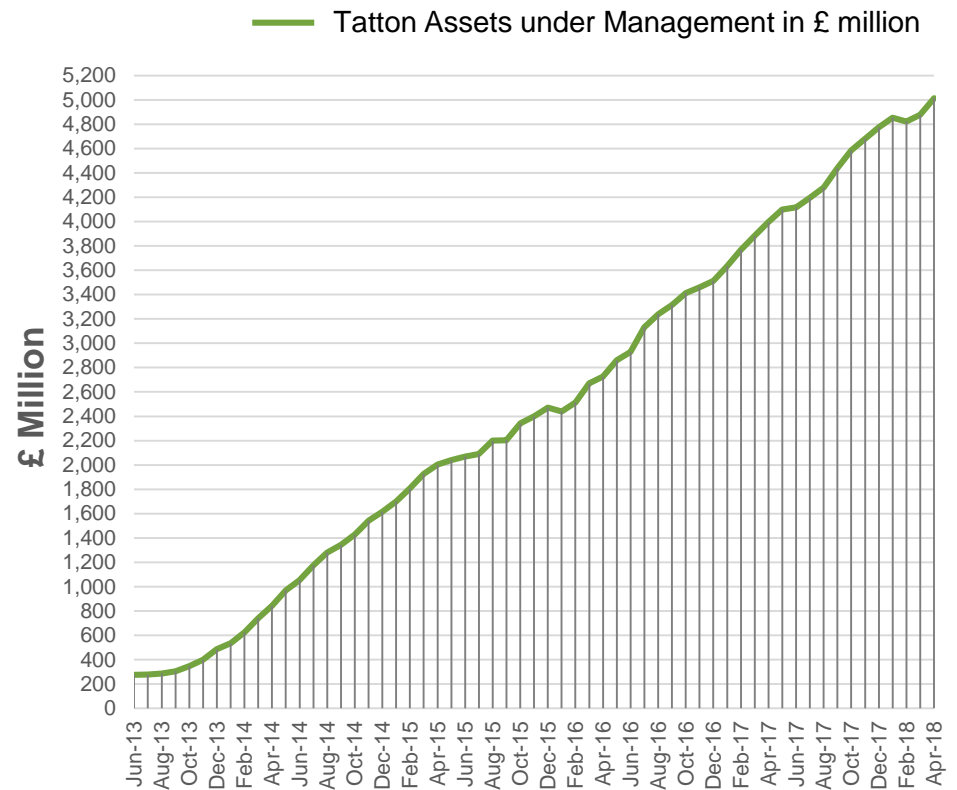
+£1bn

Assets under management

Key AuM milestones

- By June 2014: £1 bn
- By June 2015: £2 bn
- By June 2016: £3 bn
- By May 2017: £4 bn
- Sept 2017: £4.4 bn
- Dec 2017: £4.8 bn
- Mar 2018: £4.9 bn
- By Apr 2018: £5.0 bn

AuM increased by £995 million during the year or +£80 million per month.



INVESTMENT PORTFOLIO RETURNS

Ytd 2018 – to 31 May

TCL* Fund performance (per cent.) – core produce set
(1/1/2013 – 31/05/2018,
after DFM charge and fund costs)

	TCL ACTIVE	TCL TRACKER	TCL HYBRID	IA SECTOR**
DEFENSIVE	0.1	0.3	0.2	-0.3
CAUTIOUS	0.8	0.8	0.8	-0.1
BALANCED	1.3	1.0	1.2	0.4
ACTIVE	1.8	1.3	1.6	0.8
AGGRESSIVE	2.4	1.7	2.1	0.6
GLOBAL Eq.	3.2	2.0	2.6	0.6

Since launch 1/2013

TCL* Fund performance (per cent.) – core produce set
(1/1/2013 – 31/05/2018,
annualised after DFM charge and fund costs)

	TCL ACTIVE	TCL TRACKER	TCL HYBRID	IA SECTOR**
DEFENSIVE	5.6	5.8	5.8	4.5
CAUTIOUS	7.7	7.3	7.7	6.1
BALANCED	9.2	8.7	9.1	7.3
ACTIVE	10.7	10.4	10.7	8.5
AGGRESSIVE	11.6	11.7	11.6	8.7

- Anticipation of stronger US\$ and resulting pressure on EM valuations added value
- Fund selection very strong across regional equity markets
- Bond fund selection more challenging

* TCL – Tatton Capital Limited, the regulated subsidiary of TCL

** IA – Investment Association managed fund peer group with comparable asset allocation characteristics

BUSINESS DEVELOPMENTS

- Extension of ESG/Ethical portfolio range across all risk profiles
- Launch of Tatton Blended MM fund range, replicating Hybrid portfolios for legacy platforms that cannot accommodate MPS DFM services;
- Low AMC of 0.3%, leading to one of the lowest OCF levels for MM funds in UK
- Redesign of IT architecture to harness daily platform data more effectively
- Creation of a comprehensive Tatton adviser portal to generate client portfolio proposals
- New Sales Director and Head of Communications allow pitching for larger books of business

PARADIGM PARTNERS

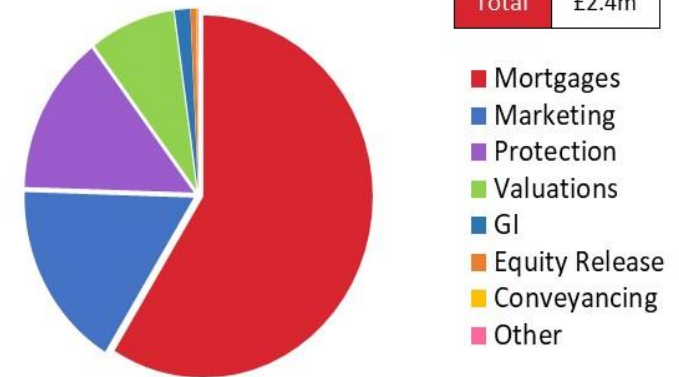


- Paradigm Partners the DNA of TAM Plc
- Re-brand to Paradigm Consulting
- Member growth grew by 4.5%
- Recent regulatory changes, MiFID 2, GDPR
- Increased levels of consulting with Paradigm firms
- Organic growth pipeline
- IFA member firms performing strongly
- IFA academy required

PARADIGM MORTGAGE SERVICES



- 31.9% increase in revenue to £2.4m
- £6.8bn lending, up 43.0% from 16/17
 - 264% increase in Product Transfers, now earning commission
- £7.4bn applications, up 21.9% from 16/17
 - Average £720m apps in last two months of year
 - Apps/comps ratio of 71.5% (PT's excluded)
- 1220 members +14.1%
- 117 new registrations to Paradigm Protect
 - 16.2% increase in Life income
 - 72.1% increase in Group Life income
- 14.5% increase in direct and indirect marketing contributions from Strategic Provider partners





STRATEGY FOR GROWTH

THE OPPORTUNITY

- Growing strength of the IFA sector
- IFA profitability up by 23%*
- Growing adviser wrap platform market up by 22%**
- Growing understanding of need to outsource cost effective solution for mass affluent

STRATEGY FOR GROWTH

Growing the IFA relationships to grow AUM

- Organic – Signing up more new firms
- Continued back book migration
- White labelling
- Strategic Partnerships
- Explore other territories
- M & A activity under consideration



SUMMARY



SUMMARY

- Transformational year for the Group following the IPO in July 2017
- Strong financial performance for the full year to March 2018
- Continued growth delivered in AUM, revenues and profitability
- Balance sheet strong and ready to seize opportunities for acquisitive growth
- Firm path to growth, capitalising on significant demand for low-cost DFM services
- Unrivalled position to capitalise on market opportunities, as more IFAs outsource their investment proposition
- Board confident in the long term prospects for the Group