Mattioli Woods plc

Impressive start to next leg of growth journey

16 September 2022

Mattioli Woods (MW) is an AIM-listed wealth and investment management business which operates throughout the value chain. It has a team of 185 client-facing consultants which gives it control over distribution; it operates its own administrative platform which allows it to capture operational economies of scale; and it has a differentiated suite of investment products which provide consultants with an advantage over competitors. Products include risk-rated multi-asset funds, specialist funds, property, and private equity investments.

MW has a record of setting and achieving ambitious goals. In 2014, with client assets of £4.5bn and revenue of £29m, it set medium-term goals of £15bn of client assets and £100m of revenue. It hit those in FY22 while growing adjusted EBITDA* margin to 30.1%. When the above goals were in sight, MW updated them, and is now targeting **£30bn of AUM, £300m in revenue,** and **£100m in EBITDA.**

FY22 (to 31 May 22) has seen an impressive start to this journey. Client assets grew 23% from £12.1bn to £14.9bn, revenue 73% from £62.6m to £108.2m, and adjusted EBITDA 88.4% from £17.3m to £32.6m. The balance sheet is strong, with net assets of £230m, cash and equivalents of £54m, and no debt. A dividend of 26.1p has been proposed, producing a yield of 4.0%.

Compelling investment case

Our fundamental valuation is 950p per share (44% above share price), using a DCF methodology (page 29) with what we believe are conservative assumptions, and note that MW's PER of 13.7 (using adj. PAT**) is at the peer group median level of 13.7, which we believe is low given its prospects.

MW also has the potential to exceed our forecasts: it is operating in a huge market with substantial tailwinds (page 4); its business model provides significant competitive advantages (page 6); and it has a track record of finding and executing value accretive acquisitions (page 20).

In particular, we think the growth prospects of specialist fund manager Amati Global Investors (MW owns a 49% stake) and the profit potential of the recently acquired Maven Capital Partners (from profitable private equity exits) are not yet fully factored into the share price.

Key Financials

Year-end 31 May	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Total client assets, £bn	9.4	9.3	12.1	14.9	15.9	17.2
Rev, £m	57.5	58.4	62.6	108.2	118.0	127.6
Adj EBITDA*	14.1	18.9	17.3	32.6	34.0	37.1
Adj EBITDA margin	24.5%	32.4%	27.7%	30.1%	28.8%	29.1%
Adj PAT**	9.8	12.9	11.5	23.9	25.6	26.5
Statutory PAT	7.7	9.5	1.4	4.1	14.0	17.0
EPS basic, p	28.9	34.9	5.1	8.3	27.5	33.1
EPS adjusted, p	36.7	47.6	41.1	48.3	50.1	51.4
PER (on adj. PAT)	18.0	13.9	16.1	13.7	13.2	12.8
Div, p	20.0	20.0	21.0	26.1	27.4	29.9
Yield	3.0%	3.0%	3.2%	4.0%	4.2%	4.5%
Net assets, £m	76.4	81.5	86.1	230.1	232.2	236.6
Net cash, £m	23.2	26.0	21.9	53.9	56.3	62.9

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: ***660p***

** excluding items that are non-cash or affect comparability between periods, calculated as statutory operating profit before financing income or costs, tax, depreciation, amortisation, impairment and acquisition related costs, share of profit from associates (net of tax), gain on bargain purchase and contingent consideration recognised as remuneration*

*** statutory PBT excl: amortisation of acquired intangibles, acquisition related costs, gain on bargain purchase, contingent consideration recognised as remuneration, acquisition related notional interest, less tax at standard rate of 19% (25% Apr '25)*

Company Data

EPIC	MTW
Price (last close)	660p
52 weeks Hi/Lo	893p/632p
Market cap	£337m
ED Fair Value/share	950p
Net cash	£54m
Avg. daily volume	80k

Share Price, p

Source: ADVFN

Company Description

Mattioli Woods was founded in 1991 and listed on AIM in 2005.

It provides financial advice, administration, and investment management services to mass affluent and high-net-worth private clients, and employee benefits services to corporate clients.

It has five business segments:

- Investment and asset management
- Pensions consultancy and administration
- Private equity management
- Property management
- Employee benefits

Client assets 31 May 22: £14.9bn

Next Event: Trading update, Jan 23 22

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About Mattioli Woods

Mattioli Woods (MW) is a wealth and investment management group. It was founded in 1991 and listed on AIM in 2005. It advises over 11,000 clients, manages or administrates £14.9bn of client assets (as of 31 May 2022), generated £108m of revenue in its latest financial year (12m to 31 May 22), and employs around 850 people in 34 offices around the UK. The business is still founder-led, with Ian Mattioli the CEO, plus a highly experienced executive team to lead the business into the future (refer Appendix 2). It has five operating segments which could also be considered as the primary product offerings:

- **Investment and wealth management** (47% of revenue), which includes:
  - *Financial advice and planning*: the heart of MW's proposition (it describes itself as being 'advice-led'), where around 185 in-house consultants (financial advisers, financial planners etc) service primarily mass affluent and high-net-worth individuals; and
  - *Investment management*: where MW runs a discretionary portfolio management (DPM) service and operates a range of investment products with the bulk of AUM coming from advised clients (forming an integrated investment management and financial planning service) while some AUM comes from clients who are not MW-advised (sourced from other advisers, platforms etc).
- **Pension advice and consultancy, including administration** (18% of revenue): advising on and providing administrative services for Self Invested Personal Pensions (SIPP), Small Self Administered Pension Schemes (SSAS), and bespoke pension arrangements.
- **Private equity management** (24% of revenue): a relatively new business segment arising from the acquisition of Maven Capital Partners in June 2021, which delivers private equity investment opportunities via Venture Capital Trusts and directly on a deal-by-deal basis to institutional investors, family offices and high net worth individuals.
- **Property management** (6% of revenue): via subsidiary Custodian Capital Limited (CCL), commercial property investments are offered to and managed for clients, using 1) Custodian REIT plc (a UK real estate investment trust listed on the Premium Main Market of the London Stock Exchange, with CCL being its investment fund manager), and 2) private investor syndicates, managed by CCL, which facilitate direct commercial property investments, and mezzanine finance.
- **Employee benefits** (5% of revenue): providing employee-related services to corporate clients, including consultancy, design, implementation and administration services on defined contribution and defined benefit pension schemes, workplace savings, healthcare, international benefit solutions, risk benefits, employee wellbeing and financial education.

The business also owns a 49% share of fast-growing **Amati Global Investors Limited**. Amati is a specialist active fund manager, managing the Amati AIM VCT, Amati AIM IHT Portfolio Service, TB Amati UK Smaller Co's Fund, TB Amati Strategic Metals Fund, and the TB Amati Strategic Innovation Fund. AUM has more than doubled in the last two years, via organic growth only, reaching £1.2bn on 31 May 2022.

MW runs an integrated business model and competes across the industry value chain, operating as an adviser, administrator, and investment manager. One of the key reasons for this is that management sees competitive advantages to having control over all these links, where it can adapt MW offerings and operations to suit client demand, without being dependent or over-reliant on external distribution or providers. This facilitates greater fee income and retention of the value chain, while providing a more comprehensive service and potentially lower cost to clients.

MW has a record of setting and achieving ambitious goals. In 2014, when client assets totalled around £4.5bn, revenue £29m, and the EBITDA margin was 22.6%, MW set medium-term growth goals of reaching £15bn of client assets, £100m in revenue, while maintaining an adjusted EBITDA margin of +20%. It reached these client asset and revenue growth goals in FY 22, with EBITDA margin growing to 30.1%.

During FY21, when the above strategic goals were in sight of being delivered, MW updated its medium goals, and is now targeting £30bn of AUM, £300m in revenue, and £100m in profit.

Large and growing market

MW operates in a market with highly attractive fundamentals**,** providing significant growth opportunities.

The value of personal liquid investable financial assets held by UK households is estimated at c. £2 trillion[1] (implying a MW market share of around 0.75%). Furthermore, another c. **£1.9 trillion** resides in defined benefit pension liabilities i.e., much of these funds will be transferred to UK households over time.

Approximately £1.2 trillion of this investable wealth is held as 'client assets' by various forms of advisory businesses[2]: financial advisers, wealth managers, private banks, etc. This is mostly the wealth of 'mass affluent' (between £85k to £850k of investable assets) and 'high net worth' individuals (>£850k of investable assets)[3].

We expect MW's market to experience robust growth over the medium to long term and highlight **four fundamental growth drivers:**

1. 'Organic' client asset growth

This arises from:

- **inflows from savers and investors** who keep contributing to and topping up their investment and retirement pots, with these flows often accelerating over an individual's pre-retirement life as their earnings and wealth increases over time,
- **financial assets appreciating over the longer term** (although valuation pullbacks are inevitable from time to time), and
- **increased transactional activity** which increases the chargeable services provided by MW.

2. Ageing population

The ONS estimates that in 20 years' time **nearly 5 million more people will be aged 65 or over in the UK**, as this age bracket's proportion of the population increases from 18.5% in 2019 to 23.9% by 2039.

Couple this with the fact that **the demand for financial advice and wealth management services ratchets up as people approach or enter retirement** (their retirement pots are larger and their financial needs are more complex e.g., managing the decumulation phase of their investment life cycle) and during periods of uncertainty such as the Covid-19 pandemic or war in Ukraine, and it should be clear that the proportion of the UK's total personal financial assets managed through adviser and wealth manager channels is likely to increase.

3. Regulatory shifts

Recent **regulatory shifts** such as pension reforms, have given individuals new freedoms to access and manage their pension assets but have also placed increased responsibility on individuals to manage these assets (with less responsibility taken by the state and employers). This again leads to an increased demand for financial advice and wealth management.

Another specific trend related to pension reforms, which works in MW's favour, is that of individuals transferring their defined benefit pensions into other pension wrappers such as SIPPs (an area of particular expertise for MW), which are often serviced by wealth mangers (c. **£26bn of DB transfers** entered the wealth management industry in 2019 – out of the total outstanding DB liability value of £1.9 trillion[1]).

[1] *LEK Consulting, 2022, UK Wealth management: Spotlight on Value Creation*
[2] *Ibid*
[3] *Most definitions tend to use investable assets in US$ (mass affluent: between $100k and $1m, HNW:>$1m)*

Indeed, some of the consequences of trends two and three above are already in evidence, such as the **number of individual financial advisers (advising on retail investments) growing steadily** over the last few years from around 25,600 in 2016 to over 27,800 in 2021[4]. [The number of financial advisory firms has declined slightly over the same period, from 5,218 to 5,118 as industry consolidation broadly cancels out the number of new firms entering the market.]

4. Shortage of financial advisers in the UK

In its 2022 report, *UK Wealth management: Spotlight on Value Creation*, LEK Consulting wrote: *"Over 80% of UK consumers felt they needed financial advice, but only 20% sought it. While there is much noise surrounding 'robo-advisors', the concept has failed to achieve scale, as human-to-human interactions are still highly valued by young and old consumers alike. After a period of regulatory change, the industry's numbers have recovered to c.28,000 advisors, but advisors are still in short supply because our estimation indicates that they can only service two to three million clients on an ongoing basis."*

[4] *FCA, The retail intermediary market 2021 (and prior reports)*

Differentiated model

MW has built an integrated business that competes across the industry value chain in the UK wealth management market. Key reasons for selecting this model include:

- Enhanced ownership of the client relationship,
- Ability to adapt and tailor offerings and operations to suit client demand,
- Greater share of revenue across the value-chain is retained in-house,
- Greater efficiency and economies of scale,
- Potentially lower cost to clients,
- Flexibility exists to choose from the best 'in-house' versus outsourced option.

This is summarised below, with a description of how MW's operations differ from other common models.

MW's integrated model compared to common practices

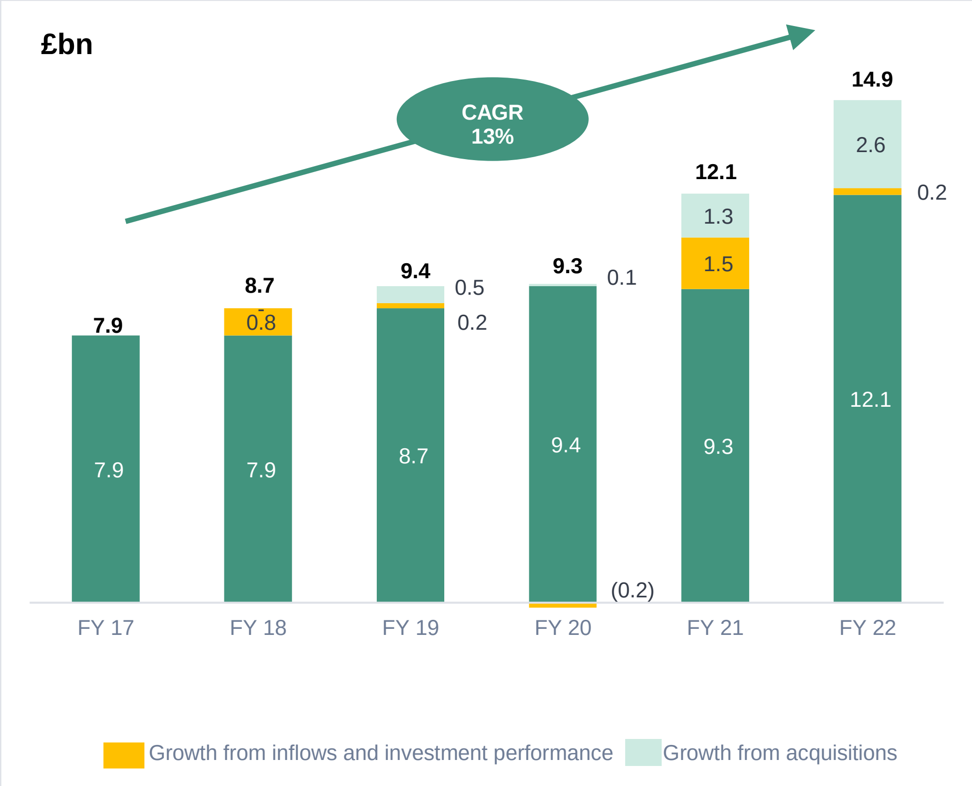
Mattioli Woods	**Mattioli Woods**	**Mattioli Woods**
Team of 185 in-house consultants Through its long-established academy, training can be adapted quickly to keep up with changing market needs Knowledge-sharing and best-practice sharing between consultants Young team positions MW to capture 'next generation' wealth (average age of MW consultants 39, compared to wider market with 50% of advisers aged 50+)*	Core expertise in pensions advice and administration (founding product of group), well positioned to keep up with changing regulatory environment MW technology platform can be adapted to suit changing requirements, while 3rd party platforms can still be used when advantageous to do so Administration and platform operations benefit from economies of scale and operational efficiency	DFM service with access to in-house and 3rd party investment products i.e., 'whole of market' DFM can work very closely with in-house advisers who have deep client relationships to design optimum portfolio for clients Differentiated suite of in-house investment products to meet varied demands of clients, including multi-asset funds, specialist funds, property investment vehicles, private equity etc. Future developments can be based on client needs
Other common models	**Other common models**	**Other common models**
Most advice is provided via smaller independent advisory firms (5.1k advisory firms in the UK; 4.5k with 5 or fewer advisers)** Smaller advisory firms provide personalised service but can be restricted in the scope of their expertise (cannot rely on broad in-house expertise), and typically use 3rd party 'platforms' for access to investment products which can restrict product access to that available 'on-platform' Some wealth managers also have in-house advisers but retain fewer revenue streams internally	Predominant model in market is for 3rd party platforms (e.g., Transact, Nucleus, Embark) to act as the link between advisers and investment product providers and to provide outsourced administration and technology These platforms provide efficiency and product access to smaller advisers, but product offering can be restrictive Some larger wealth managers have in-house administration and platforms	Most DFM services and investment product providers (fund managers etc), rely on platforms and 3rd party advisers for distribution

Source: Company reports, ED commentary
*******FCA, response to Freedom of Information request, May 2021*
***FCA, The retail intermediary market 2021*

This differentiated model has enabled MW to achieve robust growth over the last 5 years, with **client assets growing at a CAGR of 13%**, from £7.9bn at the end of FY17 to £14.9bn at the end of FY22. Just under 40% of the growth has been organic (from net client inflows and investment performance) and just over 60% from acquisitions.

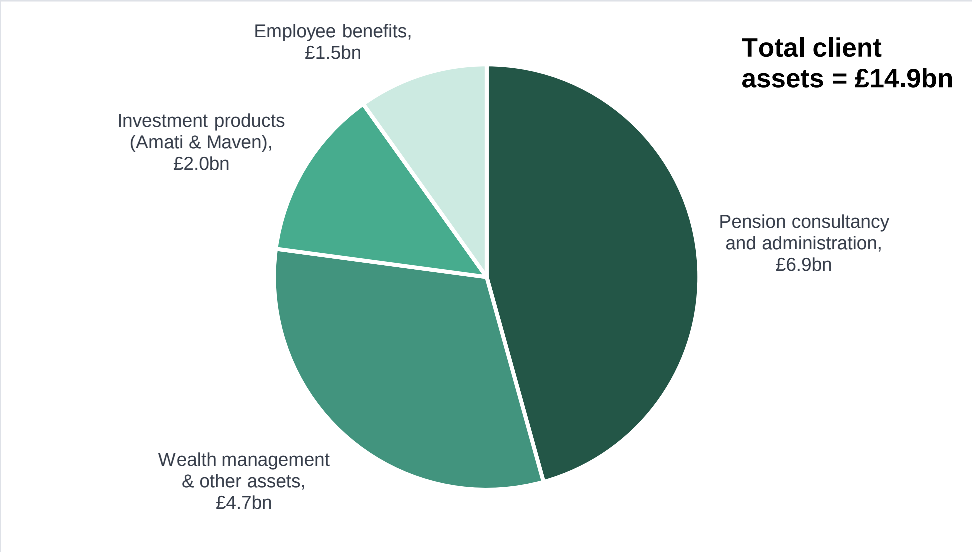
This growth trend, and the split in client assets by business segment, is shown in the charts below.

Sources of growth in Total Client Assets



Source: Company reports

Breakdown of Total Client Assets



Source: Company reports
Data as at 31 May 22

Business segments

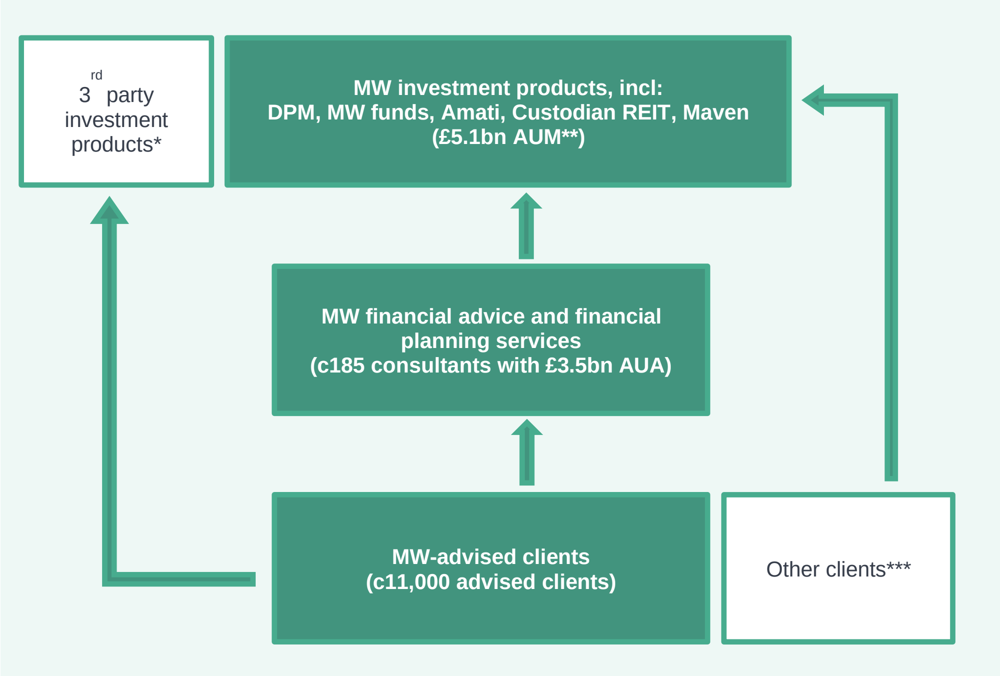
Investment and asset management

This business segment, making up around 47% of group revenue, consists of two main activities:

- *Financial advice and planning*: the heart of MW's proposition (it describes itself as being **'advice-led'**), where around 185 in-house consultants (financial advisers, financial planners etc) service primarily mass affluent and high-net-worth individuals including controlling directors and owner-managers, professionals, executives, and retirees; and
- *Investment management*, where MW:
    - runs a discretionary portfolio management (DPM) service, i.e.: operating with a delegated client mandate, and armed with an understanding of clients' financial affairs such as financial goals and risk appetite gathered via its consultants, it will make investment decisions such as portfolio construction, asset allocation and investment product selection on clients' behalf; and
    - operates a range of investment products (in-house MW funds, Custodian REIT, Maven and Amati investment products), with the bulk of AUM coming from advised clients via MW's in-house consultants. Additional AUM comes from clients who are not MW-advised i.e., other advisers can access some MW products via adviser platforms such as Transact; retail investors can access them through D2C platforms such as AJ Bell; with Custodian, Maven and Amati also sourcing clients independently of MW.

It would however be fair to say that MW's primary proposition is **an integrated asset management and financial planning service** (dark-green blocks below), where consultants advise clients and provide them with access to both in-house and third-party investment products.

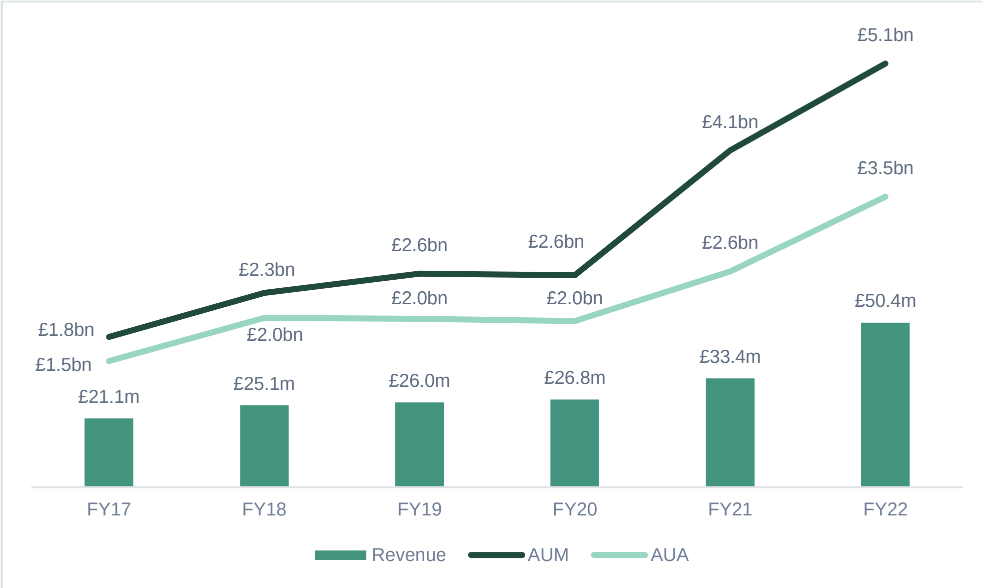
Investment and wealth management: structural overview



Source: Mattioli Woods, ED
** Where client need is best served by non-MW investment products*
***Includes assets in DPM service, Custodian REIT, Individual Structured Products, & funds managed by Maven & Amati*
**** Maven & Amati clients sourced through non-MW channels, and 'external' investment in MW funds, including clients who can access some MW investment products through channels such as D2C or adviser platforms*

This model has been a proven success and driven substantial growth in AUM, AUA and revenue, as depicted in the chart below:

Investment and asset management: AUM, AUA, revenue



Source: Company reports
Note: Revenue excludes that generated by Custodian Capital for services provided to Custodian REIT (reported in 'Property management' segment), Maven revenue (included in 'Private equity management' segment), and Amati revenue (accounted for as an associate company hence revenue not shown in MW accounts, only MW share of Amati profits).

Looking forward, in addition to the market tailwinds previously described, there are **four MW-specific primary drivers of organic growth** of the investment and asset management business segment (acquisition opportunities are discussed separately, see page 20).

Growth driver 1: capitalise on the capacity of consultants

This is by far the largest opportunity for this business segment and is best explained by referencing the chart below, which shows the distribution of revenue generated per consultant.

Number of wealth-management consultants per revenue band

Source: Company

From the right-hand side of the chart above it can be seen that the best performing (generally experienced) consultants have earning potential of over £0.75m of fees per annum, with the very highest performers earning the group over £2m.

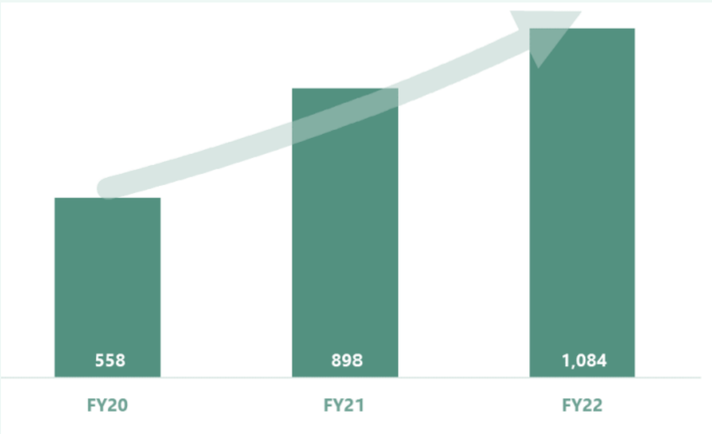
However, from the left-hand side of the chart it can be seen that MW has many (mostly early-career) consultants who are still relatively low earners, but with the potential to progress from the left-hand side of the chart to the right-hand side of the chart as their careers develop, with this potential being called 'capacity' by MW. Capacity is an indicator of the group's organic growth potential without the need for additional headcount. MW has a track record of seeding clients with consultants.

Having a significant proportion of earlier-career consultants is a deliberate strategy of MW which places a **huge emphasis on ongoing recruitment and training**, and on providing its consultants with the opportunity to build a long career with the group and increase their earnings over time. There are two main factors driving consultants' fee-earning growth over time:

- **winning new clients** as their career progresses and thus increasing the number of clients in their portfolio, and
- **adding new monies**, by assisting clients to accumulate wealth over time, thus increasing MW AUA/AUM per client (younger consultants tend to win younger, generally less-wealthy clients, but these clients have large earnings and wealth accumulation potential as their own careers progress).

The diversity of MW's consulting team also allows empathy across the client spectrum, including age, gender, and ethnicity.

Wealth management: new client wins



Source: Company

Growth driver 2: broaden the investment offering

Another primary focus of MW in recent years has been on broadening its investment offering so that its own consultants (and increasingly, investors not being advised by an MW consultant – see growth driver 3 below) have access to a broad suite of high-quality and differentiated investment products to build their portfolios.

Examples of this broadening has been adding to the longer-standing product range (e.g., MW adventurous, growth, balanced, and cautious multi-asset funds, and the Custodian REIT), with:

- Amati products (from 2017, see page 18 for more details), which focus mostly on small-cap high growth equities;
- Maven products (from 2021, see page 13 for more details), which focus on private equity and property investments;
- Mattioli Woods Responsible Equity Fund, (launched in 2021);
- Mattioli Woods Property Securities Fund (launched in 2021).

Growth driver 3: 'externalise' investment distribution

While MW investment products serve to provide in-house consultants with a powerful investment proposition to present to clients, a further growth opportunity is to distribute these products to a wider pool of investors via 'external' channels such as adviser platforms (e.g. Transact) or D2C channels (e.g. AJ Bell).

While associate Amati and subsidiaries Maven and Custodian Capital have established distribution channels outside of MW's consultants (with MW consultants providing a boost to their distribution which was, in the case of Amati and Maven, part of the acquisition rationale), **in-house MW investment products have only scratched the surface of external distribution**. For example, the Mattioli Woods Adventurous, Growth, Responsible, Balanced, and Cautious funds are available on the UK's second largest D2C platform (AJ Bell), but they are not yet available on the largest D2C platform (Hargreaves Lansdown), which illustrates the credibility and size of this opportunity.

The potential through external channels is probably even higher for more specialised funds such as the relatively recently launched Mattioli Woods Responsible Equity Fund and Mattioli Woods Property Securities Fund.

Growth driver 4: AUA to AUM migration

This is a particularly pronounced opportunity with respect to acquisitions. For example, when MW acquired Ludlow Wealth Management (in 2021), Ludlow had around £1.8bn of AUA, with relatively little of this placed into MW investment products. However, Ludlow management see significant potential to migrate some of this AUA into AUM (i.e., shifting investments to MW products) in the best interest of clients.

Pension consultancy and administration

This segment, making up around 18% of group revenue, is the business upon which MW was founded (in 1991) and remains core to its client proposition.

MW is a leader in the provision of Self Invested Personal Pension (SIPP) and Small Self-Administered Pension Scheme (SSAS) arrangements, which are often central to clients' financial planning strategies.

MW provides **both advisory and administration services** for these pensions, and its pensions offering is further enhanced by its wide investment product offering, which are often accessed via pension structures.

There is not a separate consulting team for MW's pensions business, i.e., the consultants referred to in the above asset and wealth management section have historically acted as advisers on these pension products, as these products often need to dovetail with other client wealth management arrangements.

MW also administers pensions on a non-advised basis for third parties such as independent financial advisers, who may have financial advice capability but not the administrative capability or efficiency demanded by pensions administration.

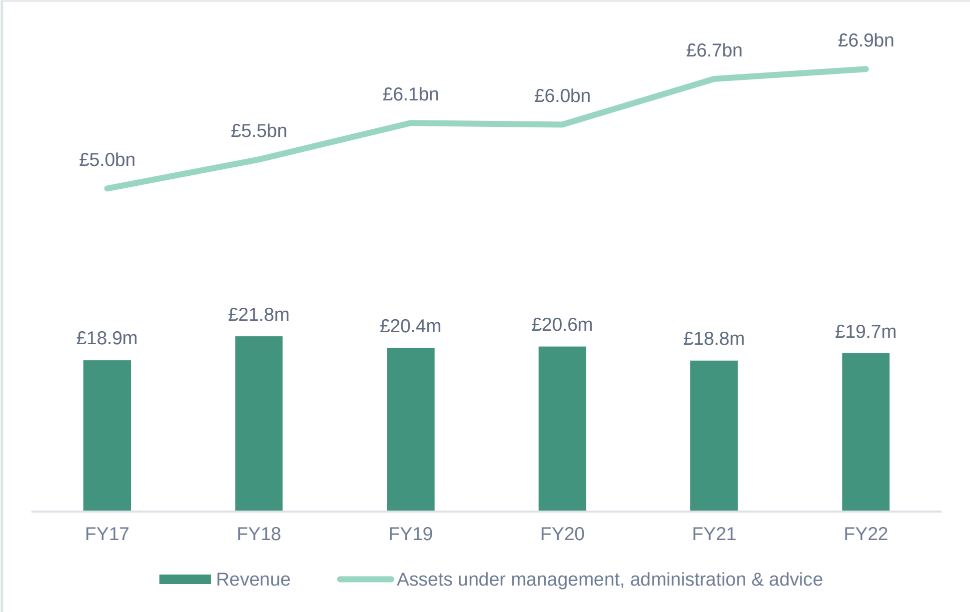
In recent years, primarily because of its deep expertise, MW has been appointed to administer a number of SIPPs following previous operators' failure (e.g., schemes previously administered by Stadia Trustees Limited, HD Administrators, Pilgrim Trustees Services Limited and The Freedom SIPP Limited).

The success of the above pension business sub-segments has translated to solid AUA/AUM growth in recent years (see chart below).

However, it is important to highlight that pensions revenue is mostly charged on a time-costed basis related to activity (such as advising on changes to arrangements or clients' switching investments) and is not fully correlated with AUA/AUM. And because activity levels were depressed during periods of the Covid-19 pandemic, with some statutory requirements for pensions also suspended during this period, activity levels did drop off.

Consequently, revenue fell in FY21 (Apr 20 – May 21), mainly due to these pandemic-related reasons, but has returned to growth in FY22 as expected.

Pension consultancy and administration segment: AUA/AUM, revenue



Source: Company reports

Looking forward, MW anticipates continuing growth of its pensions business:

- SIPP and SASS pension schemes are still benefitting from the 'pensions freedoms' (see page 4) and are favoured by clients as vehicles to have greater access, control, flexibility and responsibility over their pension savings, while still benefitting from the tax advantages offered.
- The long-term nature of pensions creates an opportunity to build new and deepen relationships with 'next-generation' clients i.e., children, spouses, and families of current pensions clients.
- There are significant cross-selling opportunities, particularly for MW's investment and asset management business, where more advised pensions clients have the potential to access the group's strong and growing investment product range, and third-party introducers can enhance their own offerings by providing access to these investment products for their end-clients.
- The market is consolidating, with opportunities for MW to acquire portfolios or smaller businesses.
- Possible new appointments in taking over the administration of other schemes which have fallen foul of the regulator, as scrutiny intensifies on some other SIPP and SSAS operators due to issues arising with DB transfer and esoteric and non-standard investments.

The nature of pensions is that there will always be a degree of 'outflows' as clients in retirement start to draw down their pensions (decumulation). Following the introduction of pension freedoms this is particularly relevant, especially as the baby boomer generation reaches retirement.

But this decumulation is also an opportunity for the group as its focus on multi-generational relationships puts it in a strong position to advise around the cascading of wealth through the generations, including on issues such as inheritance tax and other planning.

Private Equity management (Maven)

This relatively new business segment, arising from the acquisition of Maven Capital Partners on 1 July 2021, makes up around 24% of group revenue.

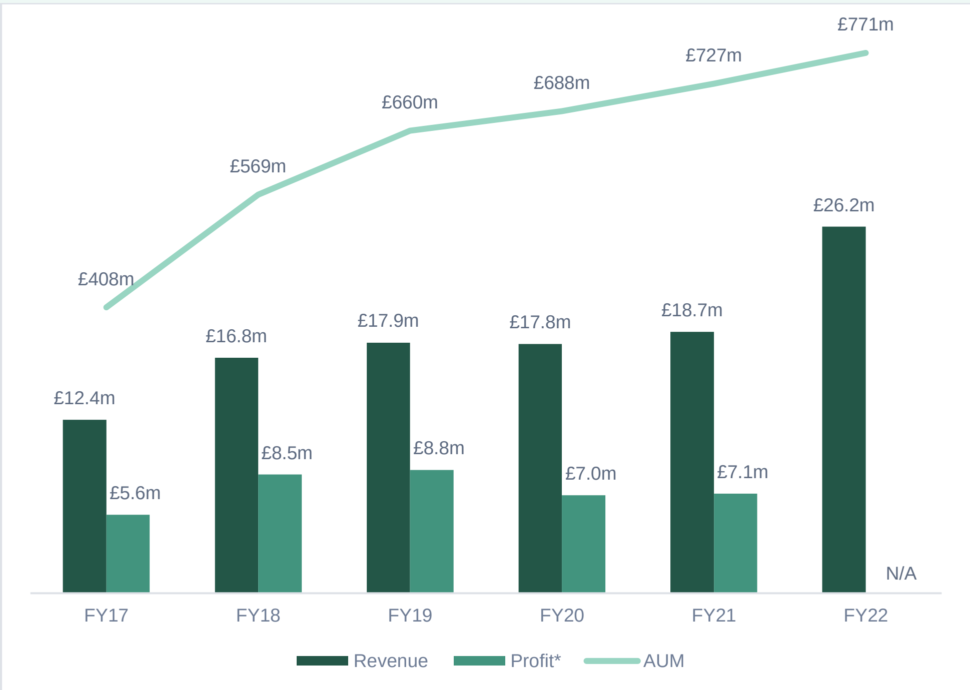
Maven was founded in 2009 following a management buyout of the private equity business of Aberdeen Asset Management plc. It invests mainly in smaller, higher-growth UK private companies and also in AIM-listed companies and UK property. It manages these investments through:

- four Venture Capital Trusts (VCTs) which invest in private and AIM-listed companies,
- a range of regional funds which invest in ambitious SMEs across the Midlands and the North of England,
- an MBO (management-buy-out) fund which supports buyouts in small and mid-market UK companies,
- IPP (Investor Partners Property – for family offices and sophisticated and high net worth investors) which provides equity capital for the development of hotels, student accommodation, offices residential construction and strategic land transactions on a deal-by-deal basis, and
- IPPE (Investor Partner Private Equity - for family offices and sophisticated and high net worth investors) which provides equity capital for smaller MBOs of later-stage SMEs across the UK on a deal-by-deal basis.

The acquisition enhances the MW investment proposition by providing efficient access to private equity investments, which are of particular interest and suited to wealthier clients. Given the specialist nature of Maven's investments, and the higher risk profile, it is able to price at a premium and enhance the client TER (total expense ratio).

Maven had £771m of AUM on 31 May 22, and is **a highly profitable, cash generative business**, which generates investment management fees and performance fees.

Maven Capital Partners UK LLP: historic AUM, revenue, profit*



Source: *Maven Members' Reports and Consolidated Financial Statements*
**Profit for the year (after tax) available for discretionary division among members*
FY's 17-21: 1 Apr - 31 Mar. FY22 will be 14-month period to 31 May 22 to match MW financial year end.

It is important to highlight that the potential exists for Maven's AUM to be boosted by launching new investment vehicles (VCTs etc), with management suggesting that the current market environment in the UK would make such launches attractive. We would expect to see some activity in this regard, although this is impacted by market conditions.

Another growth driver for Maven, which arises directly from joining the MW group, is having access to MW's significantly larger client base to enhance distribution for its investment options.

Indeed, MW announced in is H1-22 report that a number of cross-sell revenue synergies had already been realised, including a first co-investment between qualifying Mattioli Woods and Maven clients which was oversubscribed. We expect further AUM growth from this channel as the relationship deepens.

Synergies are also expected to be realised by combining the Mattioli Woods Private Investors Club (which provides property investment opportunities for clients), and Maven's property investment offering, which targets family offices and high-net-worth investors.

Importantly, Maven also generates repeatable performance fee income from its investment portfolio (carry), and we would expect to see periodical boosts to Maven's income as it realises profitable exits on its investment portfolio. In FY22, Maven generated £6.9m of performance fees.

Property management

MW's property management business segment makes up around 6% of group revenue and is operated mainly via subsidiary **Custodian Capital Limited** (CCL). CCL's core business is acting as the investment manager to Custodian REIT plc (REIT = real estate investment trust) which is listed on the premium main market of the London Stock Exchange.

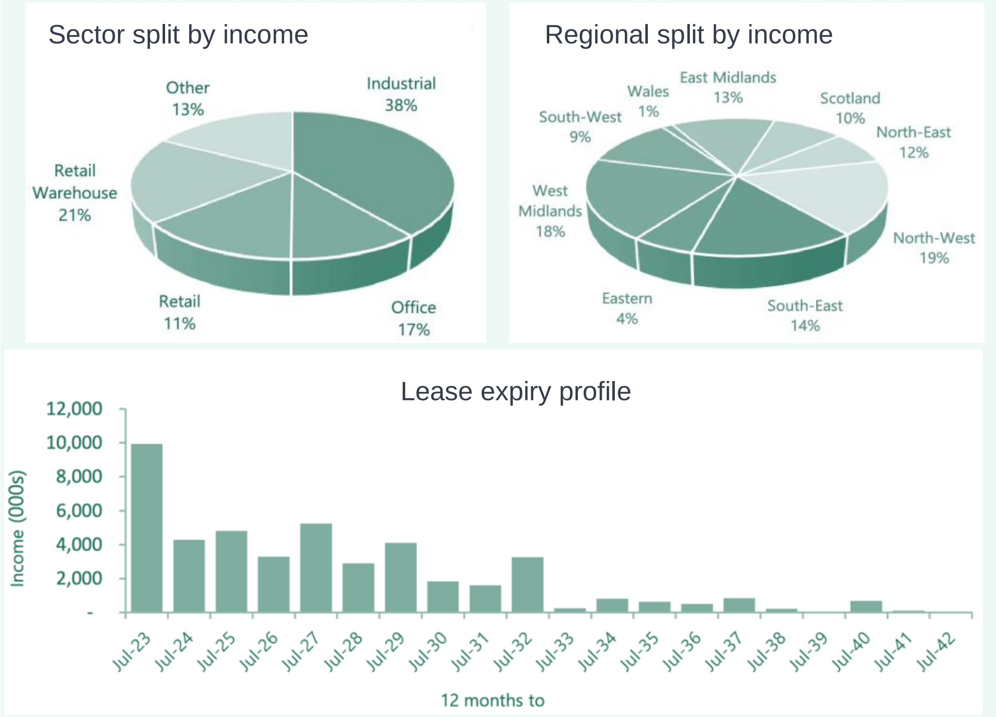
In addition, CCL facilitates direct property ownership on behalf of pension schemes and private clients and manages the Mattioli Woods Private Investors Club, which offers alternative investment opportunities to suitable clients using private investor syndicates.

These property investment products provide MW investors, and other investors, with **easy access to an alternative, attractive investment class** where they can invest a share of their portfolio in 'bricks and mortar', have stability of cashflow via a relatively consistent dividend yield (Custodian REIT plc yield: 5.2% on 12 September 2022), and enhance asset-class diversity in their portfolio.

MW's property portfolio value held via Custodian REIT plc, totals c. **£528m**, comprising around 160 properties with over 300 tenancies has a diverse tenant, regional and sector mix. Its focus is on UK commercial properties, outside London, between £2m and £10m in value, let to institutional-grade tenants on long leases.

The portfolio comprises a mix of industrial, office, retail warehouse, retail, and other properties used by a range of commercial sectors including car showrooms, petrol filling stations, children's day nurseries, restaurants, health and fitness units, hotels and healthcare centres.

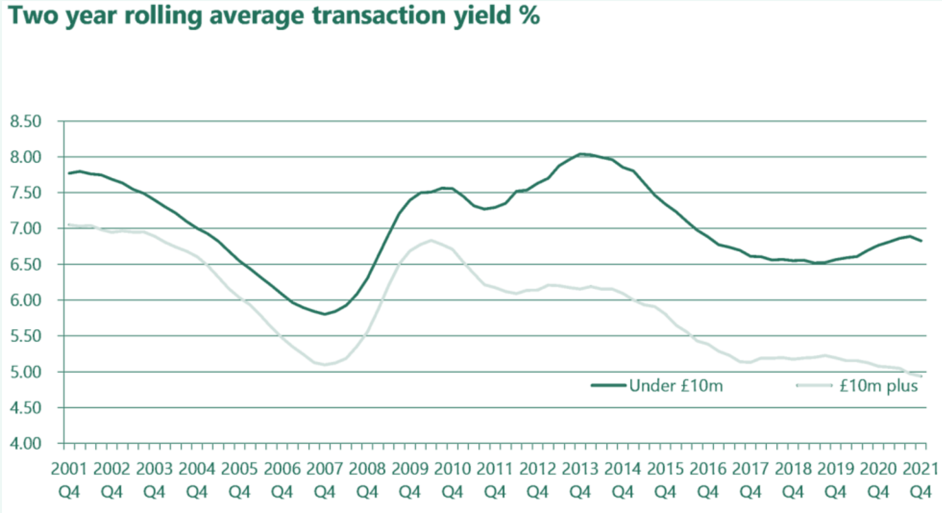
Property portfolio is diversified across a range of metrics



Source: Custodian REIT plc Fact Sheet – July 2022

CCL argues that the property sub-sector in which it operates has **less price competition** compared to higher-value properties and that the higher yield generated by its portfolio (see chart below) is **not associated with higher risk** as demonstrated by the consistency of returns and because of the above diversity of portfolio in terms of number and type of tenants, lease profiles, sectors and regions.

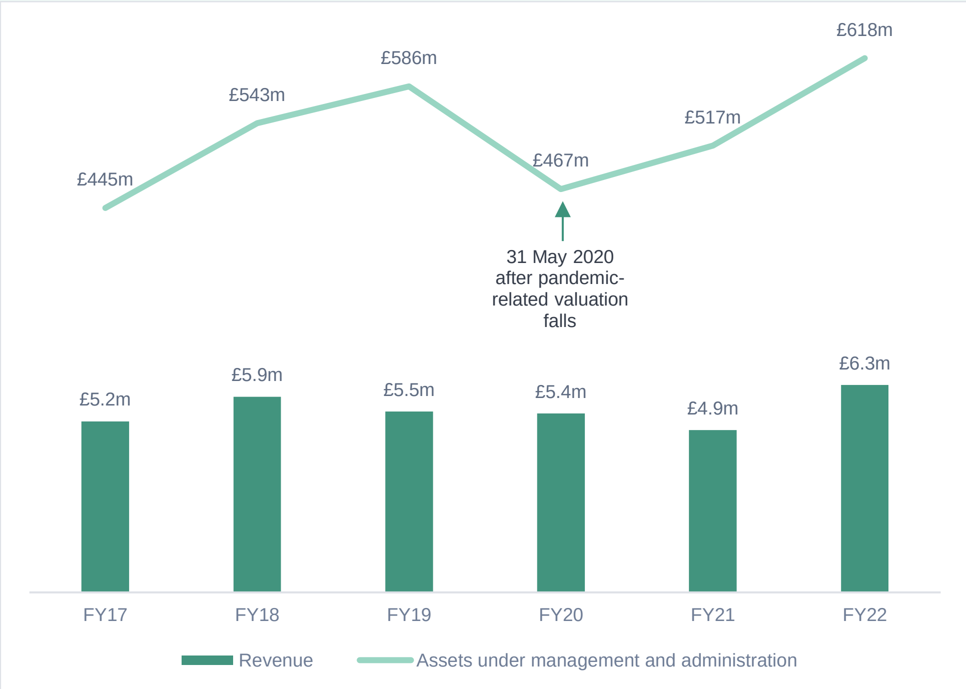
Custodian's lower-value property strategy has generated higher yield



Source: Custodian REIT Investor Update, 26 May 2022 (www.custodianreit.com/presentations/)

Although AUA/AUM can be volatile in certain conditions (e.g. the rapid fall in property values at the height of the Covid-19 pandemic), the property management segment has been a consistent source of revenue which is **now growing again** following the pandemic-related interruptions to the property market.

Property management segment: AUA/AUM and revenue



Source: company

MW also launched a Property Securities Fund in 2021 (in-house, not in CCL), which provides a further route into the commercial property sector for investors.

Looking forward, MW's property segment offers synergies in the combination of Mattioli Woods Private Investors Club and Maven's property investment offering, which targets family offices and high-net-worth investors.

Employee benefits

Employee benefits (EB) makes up around 5% of group revenue.

Over the last few years, the division has undergone **a significant restructuring** from being the 'sum' of a variety of EB businesses (e.g., EB divisions of acquired companies) to being a single business unit within MW with a focussed strategy. The division has also recently recruited senior EB specialists to assist with enhancing the proposition from being a pensions-dominant EB provider (in line with MW's broader expertise) to having a much broader offering as demanded by post-pandemic corporate workplaces – to assist clients with recruitment, retention and workplace morale.

The proposition now encompasses consultancy, design, implementation and administration of EB services such as: defined contribution and defined benefit pension schemes; protection insurance services; workplace savings, financial education and wealth management services for employees; healthcare benefits and employee physical and mental wellness programmes; total reward and flexible benefit systems; and international benefit solutions.

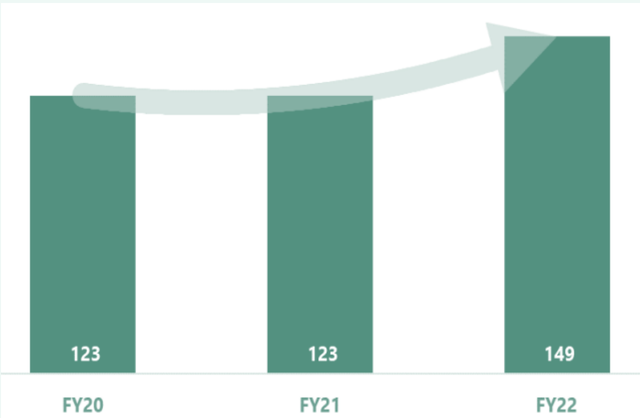
Technology also forms a key part of the offering with MW offering clients a digital platform for companies and staff to use to manage their employee benefits (e.g., viewing and managing all benefits in one place).

The division has around **780 corporate clients**, with a very clear target market of businesses with an employee base of between 50 and 500. Around two thirds of clients have employee numbers in the 50-200 range, with the balance of clients being in the 200 – 500 range. It does need a minimum scale of client to make its service economically feasible e.g., a client would typically be needing pension services, protection insurance services and at least some other additional services offered by MW.

This focus allows MW to provide a very strong offering to this size of corporate client, i.e., it does not generally compete directly with the largest EB providers such as Aon or Mercer who would typically be targeting larger businesses as clients.

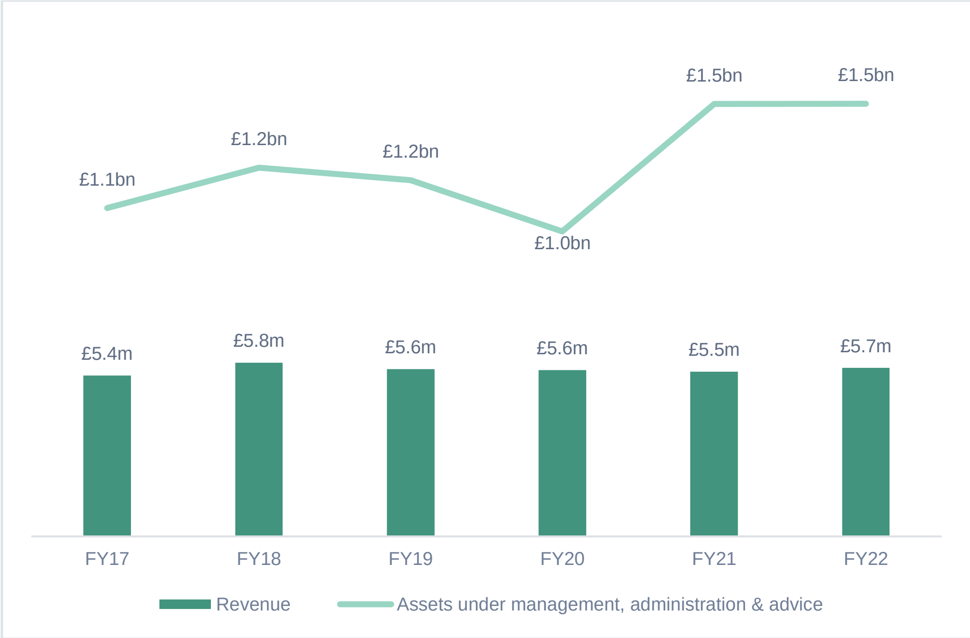
The benefits of the above restructuring and refocusing are now beginning to bear fruit, especially in terms of new client wins, with a small uptick in revenue too. We would expect EB revenue to accelerate should the client win trajectory continue.

Employee benefits: new client wins



Source: Company

Employee benefits segment: AUA/AUM and revenue



Source: Company

Mostly fee income generated for group

It is important to highlight that while MW does report the AUM/AUA numbers for its EB division (as shown in the chart above), **revenue is generally not directly linked to these assets** as EB revenue is mostly **fee income** related to the services provided to each client.

The EB business also has a 'two-way' international element. It provides services to UK clients with non-UK based employees (it is part of the Worldwide Broker Network 'WBN' which allows it to source EB-related products in many countries). This network is also a source of regular referrals to MW from non-UK businesses with UK-based employees.

Importantly, EB is also a significant source of referrals to MW's wealth and asset management business. For example, senior employees of EB corporate clients frequently become MW wealth management clients.

The division will also be looking for strategic acquisitions to boost its scale or to add to its product offerings.

Amati Global Investors

MW owns a 49% stake in Amati Global Investors Limited, which it acquired in February 2017. Amati is accounted for as an associate company (with MW's share of profit after tax reported in the group income statement) and is not an MW business segment. This accounting treatment of the investment means that Amati's impressive revenue growth is excluded from MW group revenues and its organic growth metrics.

However, **it is integral to the group's investment product offering** and greatly enhances MW clients' investment choices with its specialist investment offerings, focussed mainly on small and mid-sized companies (total Amati AUM on 31 May 22 was £1.2bn). These include:

- Amati AIM VCT,
- Amati AIM IHT Portfolio Service,
- TB Amati UK Smaller Companies Fund,
- TB Amati Strategic Metals Fund, and
- TB Amati Strategic Innovation Fund.

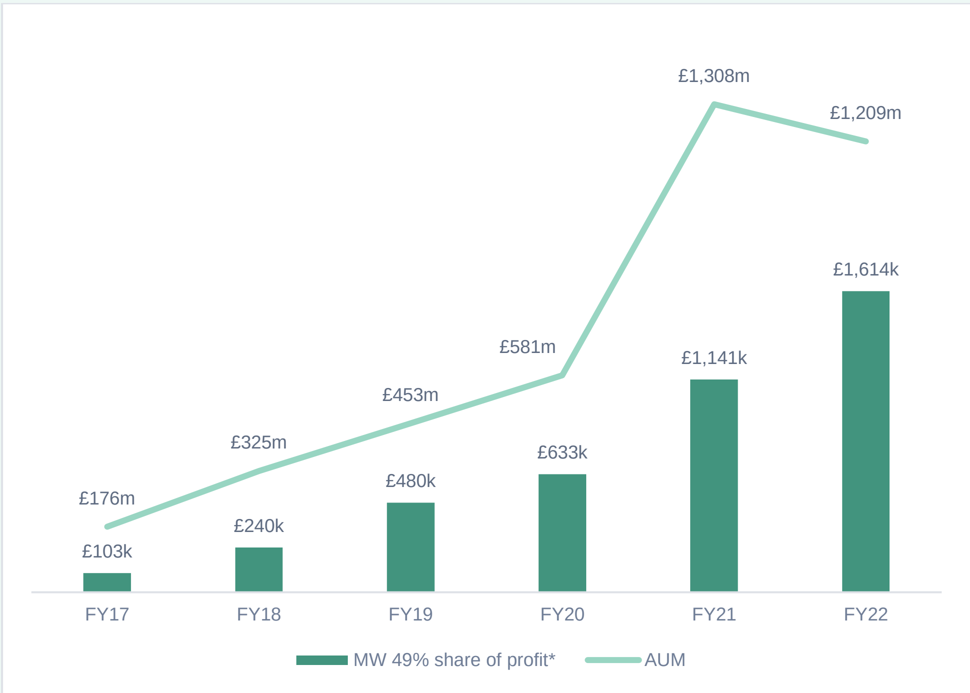
Strong performance and recognition

Amati has won a string of awards over the years, including: *Boutique Manager of the Year* and *Investment Company of the Year* at Investment Week's 2020 awards; being highly commended at the 2021 *Fund Manager of the Year* awards; the Amati AIM VCT winning the 2021 Investment week *VCT AIM Quoted* category; and more recently, the Amati AIM VCT being announced as a finalist in Investment Week's *Investment Company of the Year* Awards 2022 as well as being selected as a finalist for *Best Venture Capital Trust Provider* at the Investment Life & Pensions Moneyfacts Awards 2022.

MW's investment has been an unequivocal success

There are substantial returns being racked up on its original £3.4m investment (its cumulated share of Amati profits to date total £4.2m after tax). Amati's AUM growth and MW's share of profits is shown in the chart below:

Amati: Gross AUM and MW share of profit*



Source: company
**after tax (share of associate profit is reported in group income statement after tax)*

MW's acquisition strategy

MW's strategy has been, and remains, to accelerate its growth with strategic acquisitions.

It has deep expertise, experience, and a successful track record of acquisition dealmaking and post-deal integration. This comes from having acquired 33 businesses or client portfolios since its admission to AIM in 2005 up until the date of this publication.

It follows a rigorous process to find and execute each deal, and assesses the suitability of each deal on the following set of criteria:

- Strategic and cultural fit
- Enhances distribution
- Enhances client proposition
- Access to technology/IP
- Ability to integrate
- Nature and quality of client base
- Deliverable synergies
- Sustainable margins
- Deal structure that mitigates risks.

A strategic and cultural fit with the MW group is the first filter applied to any potential acquisition.

Then, criteria 2-4 above describe the types of 'business enhancements' to its own offering that MW seeks to gain from acquisitions (enhanced distribution or client proposition or access to technology/IP). **Most commonly, this would involve acquiring advisory businesses to enhance distribution, or acquiring investment product providers to enhance its product offering to clients** (further details of these types of acquisitions below).

Meanwhile, the bottom five criteria (ability to integrate … deal structure that mitigates risks) describe deal-specific criteria that must be met for the deal to be feasible against financial, operational, and risk criteria. Typical deal structures are also explained in more detail below.

1. Enhancing distribution

These would involve acquiring a financial advisory/financial planning/wealth management business and would be the most common type of acquisition for MW. These deals would typically add an existing client portfolio to the group and enhance distribution – such as adding a team of advisers/consultants in a geography that isn't already well covered by the group.

Such businesses would be expected to accelerate their growth post-integration as they benefit from having access to MW's: in-house investment product range (which may not be matched by the investment products available to these firms on the third-party platforms which they typically use); administration capabilities; technology; training programmes; and knowledge-sharing/best-practice-sharing etc.

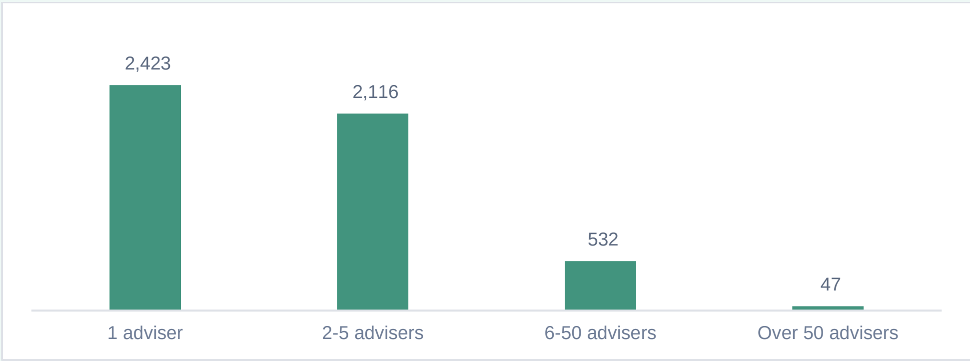
In addition to the enhanced distribution and ownership of an improved business (post-deal), these deals benefit MW by adding scale which assists with driving down group-wide unit costs in areas such as administration etc; and increasing AUM (not just AUA). That is because **acquired firms often migrate some client assets from third party investment product providers (pre-deal) to MW in-house investment products**.

The UK has a huge pool of these types of business: on 31 December 2021 there were 5,118 financial adviser firms with 27,839 adviser staff[5] (staff that advise on retail investments).

[5] *FCA, The retail intermediary market 2021*

These firms vary greatly in size but skew towards small firms with five advisers or less. However, there is an ample pool of 'medium' sized firms (with 6-50 advisers) and some larger firms which also provide opportunities for MW.

Size distribution of financial adviser firms in the UK



Source: FCA, The retail intermediary market 2021

The recent range of acquisition sizes by MW reflects this market diversity. Over the last two financial years (in this category of acquisition) it acquired Hurley Partners (adding c£542m to MW group AUA/AUM), Montagu Limited (£80m), Pole Arnold Financial Management Limited (£245m), Caledonia Asset Management Limited (£55m), Richings Financial Management Limited (£70m), and Ludlow Wealth Management Group Limited (£1,622m)[6].

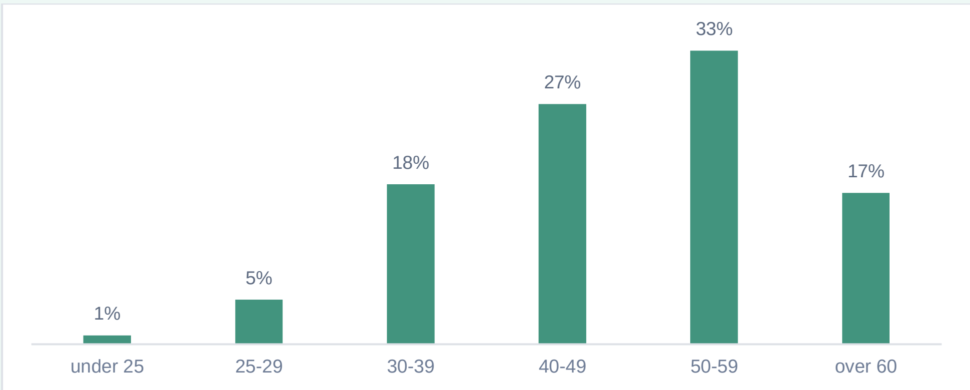
To illustrate the variation of staff sizes of acquired businesses: Ludlow had 61 employees including 22 advisers at the time of acquisition, while Richings had a staff complement of just four.

We expect a steady flow of these types of deals to continue, as consolidation continues in the financial advice sector, and in particular, many owners of advisory firms look for 'retirement sales' whereby they can secure an exit from their firm following an 'earn-out' period over the last few years of their career.

MW is a particularly attractive option for these owners, especially for those that wish to secure a continued high level of service for their clients, with MW becoming a destination of choice for many owners.

One of the obvious drivers of this potential source of deal flow is the very high average age of advisers in the UK, with **50% of advisers over the age of 50** (in stark contrast to MW's consultants, which have an average age of **39**).

Age distribution of financial advisers in the UK



Source: FCA, response to Freedom of Information request, May 2021

[6] *AUA/AUM at the time of acquisition as disclosed in MW financial statements*

2. Enhancing client proposition

These types of acquisitions will mostly (but not exclusively) involve acquiring businesses that would enhance MW's investment product offering, with Maven and Amati (previously discussed) being the obvious examples. Maven enhanced MW's private equity investment options while Amati added a range of more specialist, small-mid-cap listed-equity funds.

There are fewer small businesses in this category so on average these would tend to be deals which are larger in size than the typical advisory firm acquisition (e.g., Maven had £772m AUM at the time of acquisition). However, there are also some smaller deals to be done in this space, such as the January 2021 acquisition of the Exempt Property Unit Trust ("EPUT") administration business of BDO Northern Ireland. EPUTs are complementary to Mattioli Woods' core SSAS and SIPP proposition.

Deal structures

Deals are mostly structured with a part-upfront, part earn-out payment for sellers to mitigate risk by ensuring sellers are financially incentivised to maintain, integrate and grow client bases and drive business performance more generally for mutual benefit.

In the past, deal payments have mostly been settled in cash, but the size of deals concluded in FY22 resulted in some share-based deal payments too, to ensure alignment with MW's strategic goals.

A summary of MW's three most recent acquisitions, which differ substantially in type, rationale and deal size, but have some similarities in terms of deal structure, is shown below:

Summary of FY22 acquisitions

	AUA/AUM	Total potential price	PE ratio	Upfront payment	Performance-based payment structure
Maven Capital Partners	£772m	£100m*	11.3x (on FY20 EBITDA)	£80.0m (£50.0m in cash, £30.0m in shares****)	Up to £19.2m over 4-year earn-out period
Ludlow Wealth Management	£1,622m	£43.5m**	13.2x (on FY20 adj. EBITDA)	£36.1m (£30.3m in cash, £5.8m in shares****)	One payment up to £7.4m after c24 months
Richings Financial Management	£70m	£1.8m***	5.3x (on FY21 PBT)	£0.9m in cash	Two payments of up to £0.9m (total) in cash after 12 and 24 months

Source: Company
**Including performance-related deferred compensation*
*** Including performance-related deferred compensation but excluding pre-deal profits during c11m 'locked box' period*
****Excluding up to £459k of performance related remuneration for management sellers over a 2-year earn-out period*
*****Subject to lock-in agreements: 100% locked in for 12m, reducing by 25% per year.*

To assist with the funding of the Maven, Ludlow, and a pipeline of smaller future acquisitions, MW raised £112m in an equity fundraise in June 2021. At the end of FY22 (31 May 22), it had **£54m of cash on the balance sheet**, which is after deducting capital resource requirements under IFPR.

This provides an ample 'war-chest' to pursue further acquisition opportunities of around £20m in size.

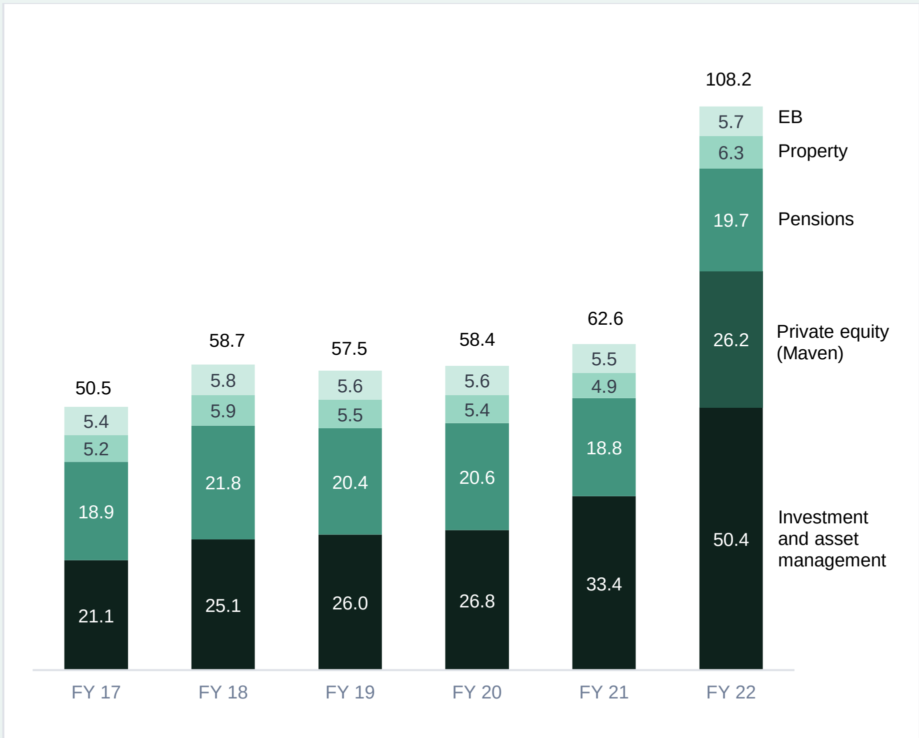
Financial track record and FY22 results

Revenue

Revenue has grown steadily over the last five years but received a boost in FY22, primarily from the acquisitions of Maven and Ludlow. This has transformed the revenue profile of the business.

In FY17, *Investment and asset management* made up 42% of revenue and *Pensions consultancy and administration* 37%. In FY22, those proportions have changed to 47% and 18% respectively, with *Private equity management* (Maven) making up 24% of revenue.

Revenue split by business segment, £m



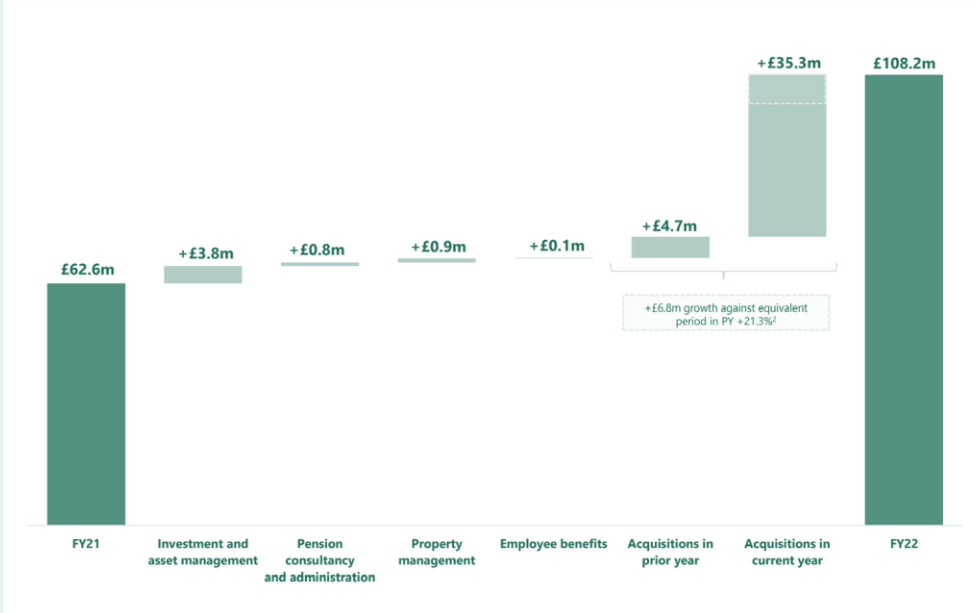
Source: Company reports

Notably, the revenue CAGR over the last five years is 16.5%, higher than the CAGR of Total Client Assets (13.5%), which is reflective of the increased proportion of revenue made up by higher-yielding areas of the business (Discretionary portfolio management average FY22 yield c. 1.2%; Private equity management: average FY22 yield 3.8%), and lower proportion of revenue made up by the lower yielding Pensions consultancy and administration (average FY22 yield 0.29%). Note: average yield calculated as annual revenue divided by average AUA/AUM.

In FY22, **overall group revenue jumped 73%** from £62.6m to £108.2m, driven mostly by the contributions from recent acquisitions, but also by **organic revenue growth of 10%** (FY21: -2.9%).

Revenue grew in all business segments (see chart below).

Split of revenue growth: FY21 to FY22



Source: Company

The level of organic revenue growth is particularly impressive given the sharp market falls in H2 which negatively impacted that proportion of revenue which is linked to AUA/AUM levels (52%). New business generated by the group offset these falls. It is worth highlighting that having a 48% proportion of revenue not linked to AUA/AUM levels is a feature of MW's business model and offers a level of **downside protection from market falls compared to other wealth managers**.

Costs

Employee benefits expense is MW's largest operating cost by some distance which grew 75% from £34.1m in FY21 to £59.6m. However, most of this increase (£20.9m) was as a result of acquisitions (total headcount increased from 663 to 847 with acquisitions adding 154 to headcount levels) with **employee benefit expenses as a proportion of revenue only increasing marginally from 54.5% in FY21 to 55.1%**.

The group continues to invest in building capacity across IT, administration and compliance, with further investment in training being incurred across all parts of the Group.

Other administrative expenses increased 49% from £13.3m in FY21 to £19.8m (far less than the growth in revenue of 73%), with the bulk of the increase again driven mainly by acquisitions (£3.7m). Other overheads, including the regulatory fees and levies incurred by the Group, were broadly in line with the prior year with cost inflation partially offset by cost savings in marketing, travel and premises costs.

Share-based payments costs totalled £1.7m (FY21: £1.5m) which represent the cost of options expected to vest under long-term incentive plans and the cost of matching shares awarded to employees under the Company's Share Incentive Plan.

The effective rate of taxation was 49.1% (FY21: 73.0%), above the standard rate of tax of 19.0%, primarily due to significant non-deductible expenses from contingent and transaction specific consideration arrangements accounted for as remuneration and acquisition-related fees

It is also worth highlighting that MW's statutory costs included a £7.2m (FY21: £2.8m) non-cash charge related to the amortisation of intangibles (primarily amortisation of the value of acquired client portfolios).

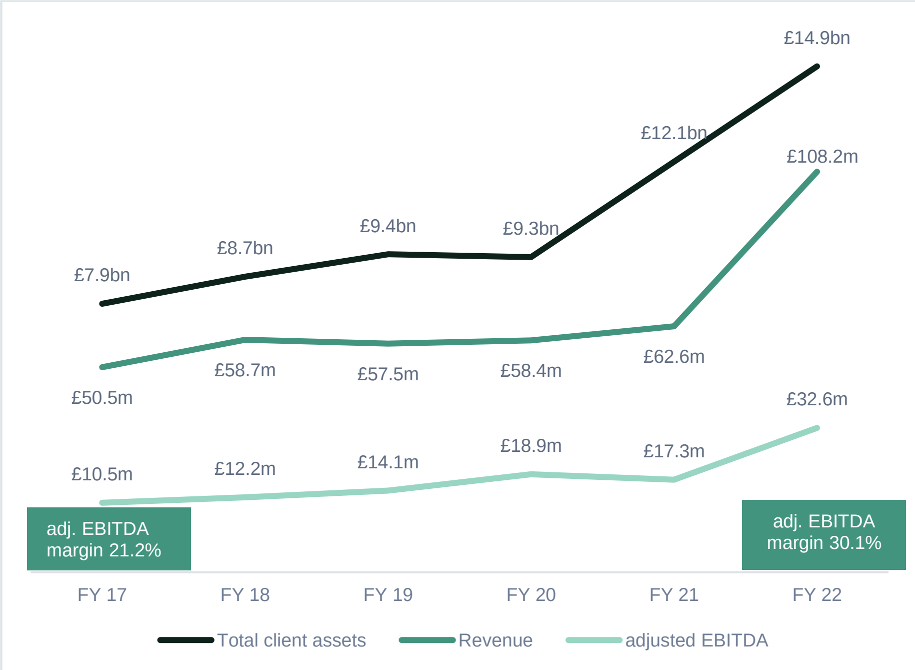
Profitability

Statutory accounts do not provide a simple year-on-year profitability comparative, primarily because of the nature of acquisition accounting. However, the group does calculate an 'adjusted EBITDA' metric which is a useful year-on-year comparator of underlying operating profitability.

[Adjusted EBITDA excludes items that are non-cash or affect comparability between periods, calculated as statutory operating profit before financing income or costs, tax, depreciation, amortisation, impairment, and acquisition related costs, share of profit from associates (net of tax), gain on bargain purchase and contingent consideration recognised as remuneration.]

On this metric, it is clear to see how **the group is benefitting from its increased scale over the last five years and from the growth of higher-yielding products**, with adjusted EBITDA margin increasing from 21.2% in FY17 to 30.1% in FY22 (FY21: 27.7%). In FY22, adjusted EBITDA was up 88% to £32.6m (FY21: £17.3m), again notably higher than revenue growth of 73%.

Underlying profit margin boosted as the business scales



Source: Company reports

Statutory profit before tax increased 57% from £5.1m to £8.0m, with profit after tax increasing 193% from £1.4m in FY21 to £4.1m, although this jump was exacerbated by an abnormally high tax charge (in relation to PBT) in FY21. **Basic EPS increased 63% from 5.1p to 8.3p**.

MW also produces non-statutory, adjusted PBT, adjusted PAT and adjusted EPS measures which the MW board considers to be relevant for investors who want to understand the underlying earnings of the Group, excluding items that are non-cash or affect comparability between periods. These three metrics increased by 108%, 108% and 18% respectively, as detailed in the table below.

Adjusted PAT is calculated by applying the standard rate of corporation tax to PBT, thus eliminating the large tax-related swings in profitability seen in MW's statutory accounts. The lower growth in adjusted EPS (compared to adjusted PAT) is primarily due to the new shares issued as part of the £112m capital raise which took place during the year.

Statutory to adjusted profit bridge

	Profit 2022 £m	***EPS 2022 pps***	*Profit 2021 £m*	*EPS 2021 pps*
Statutory profit before tax	**8.0**	**16.2**	5.1	18.4
Income tax expense	**(3.9)**	**(7.8)**	(3.8)	(13.4)
Other comprehensive income	**-**	**-**	-	0.1
Total comprehensive income / Basic EPS	**4.1**	**8.3**	1.4	5.1
Statutory profit before tax	**8.0**	**16.2**	5.1	18.4
Amortisation of acquired intangibles	**7.2**	**14.6**	2.8	9.9
Acquisition-related costs	**3.7**	**7.5**	2.6	9.3
Acquisition-related notional finance cost	**0.9**	**1.8**	0.1	0.5
Gain on bargain purchase	**-**	**-**	(0.3)	(1.0)
Deferred consideration as remuneration	**9.7**	**19.6**	3.8	13.6
Adjusted PBT	**29.5**	**59.6**	14.2	50.7
Income tax expense at standard rate	**(5.6)**	**(11.3)**	(2.7)	(9.6)
Adjusted PAT / Adjusted EPS	**23.9**	**48.3**	11.5	41.1

Source: Company
Figures in table may not add due to rounding.
Adjusted PAT & EPS are stated before acquisition–related costs, amortisation and impairment of acquired intangibles, gain on bargain purchase, deferred consideration as remuneration and acquisition-related finance costs.

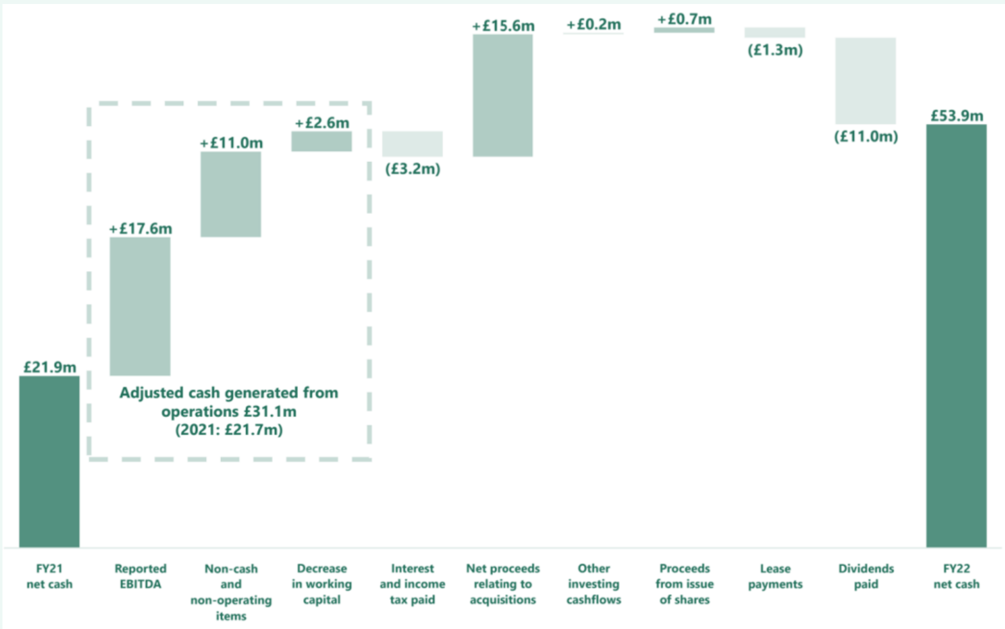
Balance sheet and cash position

MW has a robust balance sheet, with net assets of £230.1m on 31 May 22 (end of FY22), up from £86.1m on 31 May 21. This net asset balance has been boosted primarily by the £112m equity capital raise in June 2021 (at a per share price of 660p).

Cash and equivalents were £53.9m on 31 May 22, up from £21.9m at the end of FY21m, leaving ample cash headroom to pursue both organic and acquisitive growth opportunities. **MW has no debt.**

The change in annual cash position is illustrated in the cash waterfall chart produced by the company below.

Change in cash position over FY 22



Source: Company

The group also produces a 'surplus capital' calculation, which shows the cash it has available to pursue growth activities, after allocating funds to regulatory capital requirements.

This is shown below and shows **£20.6m of surplus cash**, up 108% from the 31 May 21 surplus of £9.9m, Notably, the surplus cash level of May 2021 was pre-IFPR (Investment Firms Prudential Regime) which came into force on 1 January 2022 and placed more onerous capital requirements on investment firms such as MW.

Surplus capital at 31 May 2022

Regulatory capital	**May 2022 £m**	May 2021 £m
Net assets at period end	**230.1**	86.1
Capital deductions	**(188.8)**	(64.3)
Capital resources	**41.3**	21.8
Pillar 1 minimum capital requirement	**20.7**	11.9
Surplus before Pillar 2A	**20.6**	9.9
Incremental Pillar 2A requirement	**-**	-
Regulatory capital requirement	**20.7**	11.9
Surplus capital	**20.6**	9.9
Surplus as % of requirement	***100%***	*83%*

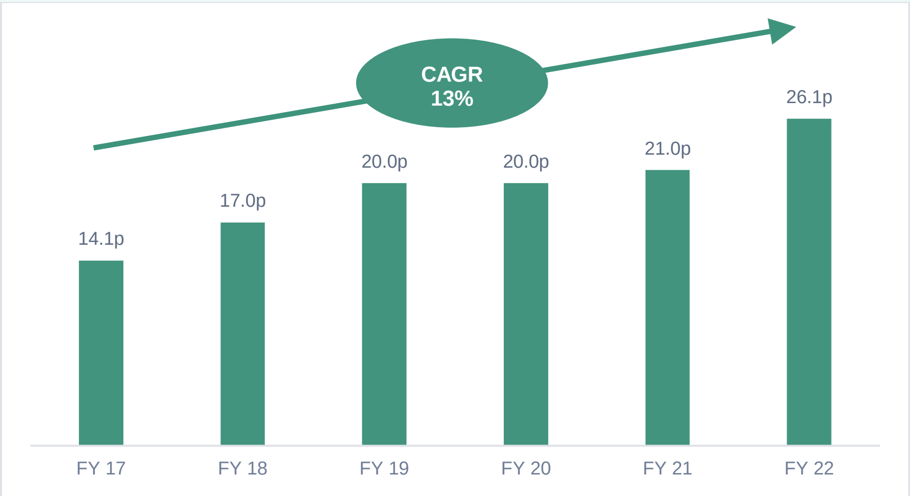
Source: Company

Dividends

MW has proposed a final dividend of 17.8p (FY21: 13.5p) in addition to its interim dividend of 8.3p (H1 21: 7.5p), bringing its **total dividend for the year to 26.1p (FY21: 21.0p), a yield of 4.0% on the current share price of 660p.**

MW pursues a progressive dividend policy and has stated it is committed to increasing its dividend when appropriate to do so. **It's full-year dividend has grown at a CAGR of 13% over the last five years.**

FY dividends over last five years



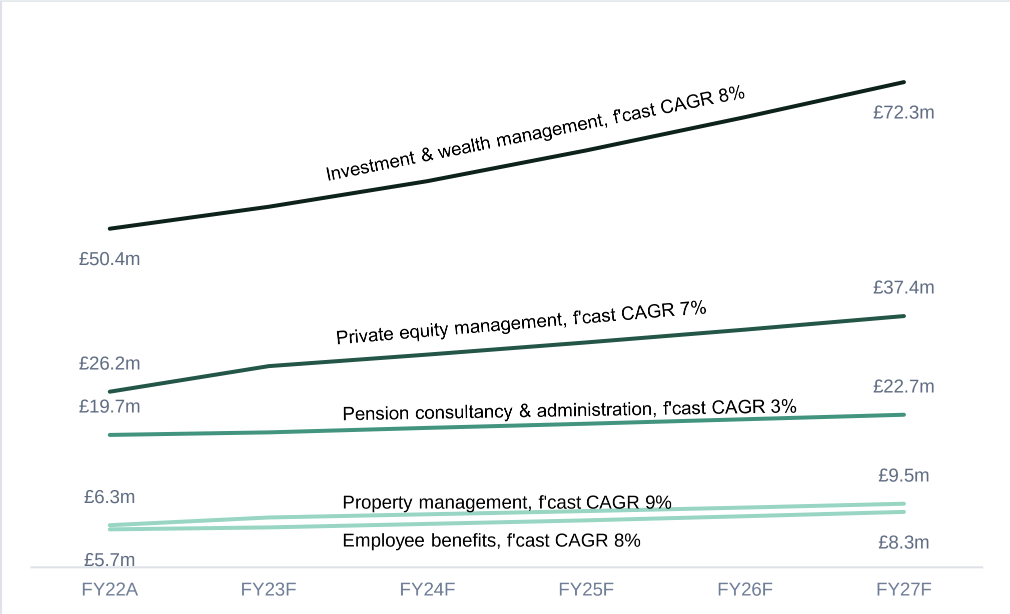
Source: Company

Growth forecasts and valuation

Forecasts

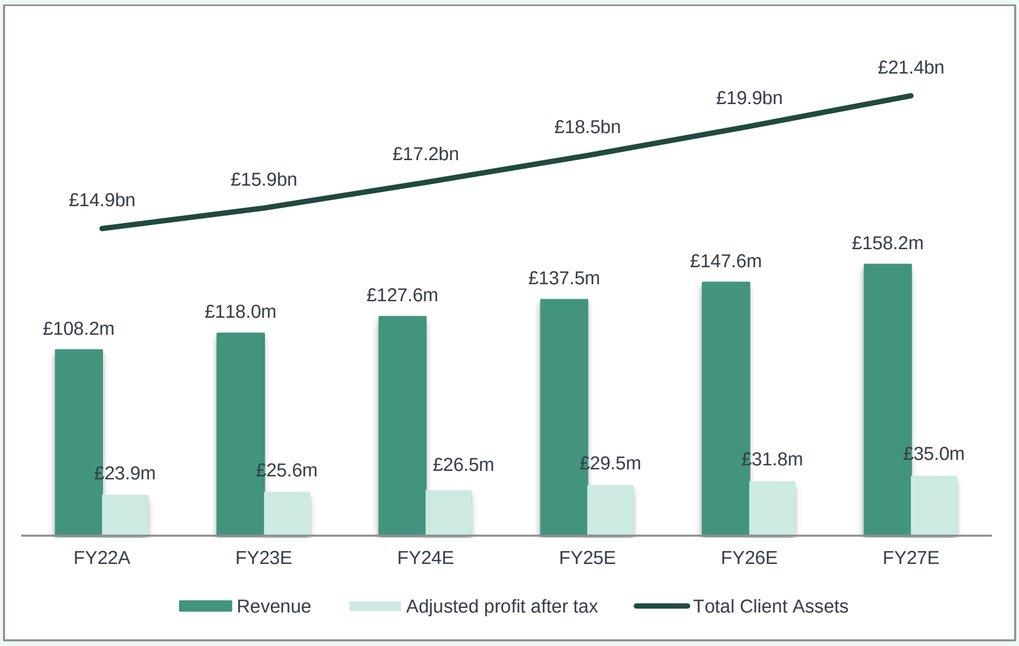
Based on the business outlooks previously described, we forecast the following 5-year projections for MW, which excludes any growth from new acquisitions.

5 years revenue forecasts by business segment



Source: Company Historic Data, ED Estimates
Note: Amati (associate company) not shown in chart

Mattioli Woods plc (group) 5 years forecast: key metrics



Source: Company Historic Data, ED Estimates

5 years forecast: key financials						
Year-end 31 May	**FY22A**	**FY23E**	**FY24E**	**FY25E**	**FY26E**	**FY27E**
Total client assets, £bn	14.9	15.9	17.2	18.5	19.9	21.4
Rev, £m	108.2	118.0	127.6	137.5	147.6	158.2
Adj EBITDA*	32.6	34.0	37.1	41.0	45.0	49.0
Adj EBITDA margin	30.1%	28.8%	29.1%	29.8%	30.5%	31.0%
Adj PAT**	23.9	25.6	26.5	29.5	31.8	35.0
Statutory PAT	4.1	14.0	17.0	20.2	26.1	29.3
EPS basic, p	8.3	27.5	33.1	38.9	49.9	55.7
EPS adjusted, p	48.3	50.1	51.4	56.8	60.8	66.5
PER (on adj. PAT)	13.7	13.2	12.8	11.6	10.9	9.9
Div, p	26.1	27.4	29.9	32.8	35.7	38.6
Yield	4.0%	4.2%	4.5%	5.0%	5.4%	5.8%
Net assets, £m	230.1	232.2	236.6	242.8	253.4	265.5
Net cash, £m	53.9	56.3	62.9	64.8	74.4	89.1

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: ***660p***

** excluding items that are non-cash or affect comparability between periods, calculated as statutory operating profit before financing income or costs, tax, depreciation, amortisation, impairment and acquisition related costs, share of profit from associates (net of tax), gain on bargain purchase and contingent consideration recognised as remuneration*

*** statutory PBT excl: amortisation of acquired intangibles, acquisition related costs, gain on bargain purchase, contingent consideration recognised as remuneration, acquisition related notional interest, less tax at standard rate of 19% (25% Apr '25)*

Valuation

We have considered MW's valuation from a fundamental perspective using a discounted cash flow methodology, **which produces a per share fundamental value of 950p, 44% above the current share price of 660p.**

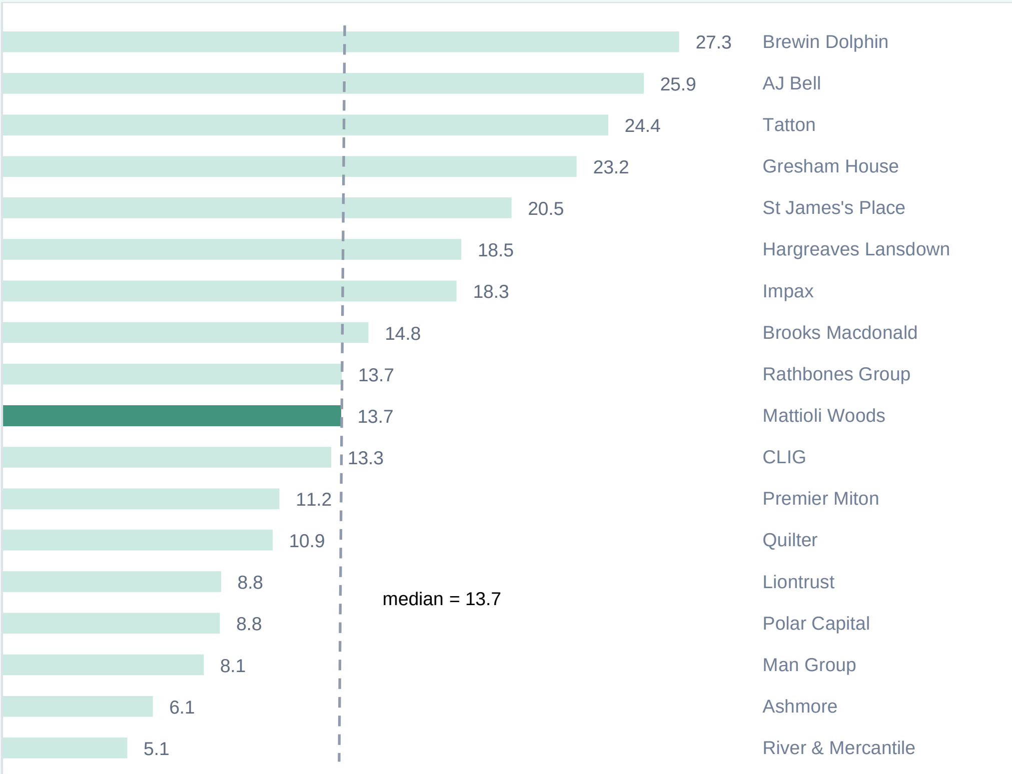
There is scope for this current valuation to increase if MW and its subsidiaries and associates deliver on their strategic growth plans.

This valuation is based on the following key assumptions:

- A five-year explicit growth forecast as outlined above.
  A terminal value based on an assumption that the business is acquired at a PE multiple of 15 at the end of year five, calculated using a weighted average PER: a sector-median PER of 14 (see chart below) for the MW group (excluding Amati), and a PER of 25 for Amati (because Amati is an earlier stage business growing at a substantially higher rate than the balance of the group). We consider this PER assumption to be very conservative for the following reasons:
    - Given its organic and acquisitive growth prospects, high level of recurring income and lower exposure to market movements than many peers, MW should probably trade at a premium PER compared to the sector median.
    - The current sector PER median is probably depressed (since 2019, sector median PERs have fluctuated between 17 and 30).
    - An argument could be made that the potential to generate 'lumpy' profit boosts from profitable exits in its private equity business (Maven) should justify a higher PER.
    - International (specifically North American buyers) appear to be actively seeking acquisitions of UK wealth management businesses and are prepared to pay a premium to current valuations, as evidenced by the recently announced proposed acquisition of Brewin Dolphin by RBC Wealth Management (Jersey), a wholly owned subsidiary of Royal Bank of Canada. This deal was priced at a 62% premium to the share price of Brewin Dolphin the day before the deal was announced, moving the PE ratio from 16.9 to 27.2. **We wouldn't be surprised to see further cross-border M&A activity**.

- Discounting the cash flows from the above assumptions at a discount rate of 8.0%, based on a risk-free rate of 3.16%, an equity market risk premium of 5.75%, and a beta of 0.81.

PE Ratios: UK-listed investment/wealth managers and platforms



Source: ADVFN, ED analysis, as of 15 September 2022
**Calculated using adjusted PAT per share which eliminates some of the non-cash effects of acquisition accounting*

Investment case

- **MW is operating in a huge market with substantial tailwinds** that should underpin substantial growth over the medium to long term.
- It has a long-standing brand and franchise in the UK nurtured over 30+ years.
- It has **a** proven **track record of setting and achieving ambitious growth and profitability goals**.
- Its business model and positioning provide significant competitive advantages:
  - Its advisers are well trained, incentivised, have ample capacity to service more clients, and are a relatively young cohort, positioned to capture a disproportionate share of 'next generation' wealth.
  - It has a unique portfolio of investment products to offer clients, which can be distributed though in-house advisers as well as through external channels such as platforms.
  - It has a highly efficient administration platform that should generate economies of scale with growth.
  - Unlike many competitors, it earns fees across the entire wealth management value chain.
- It has a **long record of finding and executing value-adding acquisitions**.
- On a fundamental basis, MW appears **substantially undervalued**.

Should MW continue to deliver on its growth ambitions, we see potential for a significant re-rating versus peers.

Appendix 1: Historic and forecast financials

Consolidated Income Statement + Forecasts					
12 months to end May, £m	**FY20A**	**FY21A**	**FY22A**	**FY23E**	**FY24E**
Revenue	**58.4**	**62.6**	**108.2**	**118.0**	**127.6**
Employee benefits expense	(27.6)	(34.1)	(59.6)	(63.4)	(68.5)
Other administrative expenses	(10.9)	(13.3)	(19.8)	(20.4)	(21.9)
Share based payments	(1.3)	(1.5)	(1.7)	(1.8)	(1.9)
Impairment loss on financial assets	(0.6)	(0.0)	(0.3)	-	-
Profit on disposal of fixed asset investments	-	-	0.4	-	-
Profit/(loss) on disposal of property, plant & equipment	(0.0)	(0.0)	0.0	-	-
Gain on bargain purchase	-	0.3	-	-	-
Deferred consideration as remuneration	(0.8)	(3.8)	(9.7)	(6.9)	(5.0)
Gain on revaluation of derivative financial instrument	-	-	-	-	-
EBITDA	**17.2**	**10.1**	**17.6**	**25.5**	**30.3**
Adjusted EBITDA					
add back …					
Acquisition related costs	*0.3*	*2.6*	*3.7*	*-*	*-*
Share of profit from associates	*0.6*	*1.1*	*1.6*	*1.6*	*1.8*
Gain on bargain purchase	*-*	*(0.3)*	*-*	*-*	*-*
Deferred consideration as remuneration	*0.8*	*3.8*	*9.7*	*6.9*	*5.0*
Gain on derivative financial asset	*-*	*-*	*-*	*-*	*-*
Adjusted EBITDA	***18.9***	***17.3***	***32.6***	***34.0***	***37.1***
Amortisation and impairment	(2.4)	(3.1)	(7.5)	(7.5)	(7.5)
Depreciation	(2.5)	(2.8)	(2.8)	(2.0)	(1.9)
Operating profit before financing	**12.2**	**4.2**	**7.3**	**16.0**	**21.0**
Net financing (costs)/revenue	(0.1)	(0.2)	(0.9)	(0.0)	(0.0)
Share of profit from associate, net of tax	0.6	1.1	1.6	1.6	1.8
Profit before tax	**12.7**	**5.1**	**8.0**	**17.6**	**22.7**
Adjusted PBT & PAT					
add back …					
Acquisition related costs	*0.3*	*2.6*	*3.7*	*-*	*-*
Amortisation of intangibles acquired	*2.1*	*2.8*	*7.2*	*7.2*	*7.2*
Gain on bargain purchase	*-*	*(0.3)*	*-*	*-*	*-*
Deferred consideration as remuneration	*0.8*	*3.8*	*9.7*	*6.9*	*5.0*
Acquisition related notional finance cost	*0.1*	*0.1*	*0.9*	*0.4*	*0.4*
Adjusted PBT	***16.0***	***14.2***	***29.5***	***32.0***	***35.3***
Adjusted tax expense	*(3.0)*	*(2.7)*	*(5.6)*	*(6.4)*	*(8.8)*
Adjusted PAT	***12.9***	***11.5***	***23.9***	***25.6***	***26.5***
Income tax expense	(3.2)	(3.8)	(3.9)	(3.5)	(5.7)
Profit for the year	**9.5**	**1.4**	**4.1**	**14.0**	**17.0**
Basic EPS, p	34.9	5.1	8.3	27.5	33.1
Adjusted Basic EPS, p	47.6	41.1	48.3	50.1	51.4

Source: Company Historic Data, ED estimates.

Consolidated Balance Sheet + Forecasts					
As at end May, £m	**FY20A**	**FY21A**	**FY22A**	**FY23E**	**FY24E**
ASSETS					
Non-current assets					
Property, plant and equipment	15.6	14.3	14.1	13.9	13.7
Right of Use Assets	2.6	2.2	3.3	2.6	2.1
Intangible assets	37.4	60.5	199.3	192.0	184.6
Deferred tax assets	0.9	1.0	0.8	0.8	0.8
Investment in subsidiaries	-	-	-	10.3	16.5
Investment in associate	3.7	4.3	4.2	4.0	3.8
Other investments	-	0.5	5.5	5.5	5.5
Total non-current assets	**60.2**	**82.7**	**227.2**	**229.1**	**227.1**
Current assets					
Trade and other receivables	17.2	19.2	28.4	34.1	40.3
Current tax receivables	0.4	0.0	-	-	-
Finance lease receivable	0.3	0.3	0.4	0.4	0.4
Investments	0.0	0.0	0.3	0.3	0.4
Cash and cash equivalents	26.0	21.9	53.9	56.3	62.9
Total current assets	**43.9**	**41.4**	**83.0**	**91.1**	**104.0**
TOTAL ASSETS	**104.2**	**124.2**	**310.2**	**320.2**	**331.1**
LIABILITIES					
Non-current Liabilities					
Trade and other payables	-	-	-	-	-
Lease liabilities	1.9	1.7	2.8	1.5	0.2
Deferred tax liability	4.5	9.4	27.5	27.5	27.5
Provisions	0.9	1.5	8.6	8.6	8.6
Total non-current liabilities	**7.4**	**12.7**	**38.9**	**37.6**	**36.3**
Current Liabilities					
Trade and other payables	9.9	15.5	25.1	34.2	42.0
Current tax liability	-	-	2.0	2.0	2.0
Lease liabilities	1.0	0.9	1.0	1.0	1.0
Provisions	4.4	9.0	13.2	13.2	13.2
Total current liabilities	**15.3**	**25.4**	**41.2**	**50.4**	**58.2**
TOTAL LIABILITIES					
NET ASSETS	**81.5**	**86.1**	**230.1**	**232.2**	**236.6**
EQUITY					
Issued capital	0.3	0.3	0.5	0.5	0.5
Share premium	32.9	33.8	143.4	143.4	143.4
Merger reserve	10.6	17.5	57.2	57.2	57.2
Equity-share-based-payments	3.8	3.6	2.8	4.6	6.5
Capital redemption reserve	2.0	2.0	2.0	2.0	2.0
Own shares	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Retained earnings	32.5	29.6	24.8	25.1	27.6
TOTAL EQUITY	**81.5**	**86.1**	**230.1**	**232.2**	**236.6**

Source: Company Historic Data, ED estimates.

Consolidated Balance Sheet + Forecasts					
As at end May, £m	**FY20A**	**FY21A**	**FY22A**	**FY23E**	**FY24E**
ASSETS					
Non-current assets					
Property, plant and equipment	15.6	14.3	14.1	13.9	13.7
Right of Use Assets	2.6	2.2	3.3	2.6	2.1
Intangible assets	37.4	60.5	199.3	192.0	184.6
Deferred tax assets	0.9	1.0	0.8	0.8	0.8
Investment in subsidiaries	-	-	-	10.3	16.5
Investment in associate	3.7	4.3	4.2	4.0	3.8
Other investments	-	0.5	5.5	5.5	5.5
Total non-current assets	**60.2**	**82.7**	**227.2**	**229.1**	**227.1**
Current assets					
Trade and other receivables	17.2	19.2	28.4	34.1	40.3
Current tax receivables	0.4	0.0	-	-	-
Finance lease receivable	0.3	0.3	0.4	0.4	0.4
Investments	0.0	0.0	0.3	0.3	0.4
Cash and cash equivalents	26.0	21.9	53.9	56.3	62.9
Total current assets	**43.9**	**41.4**	**83.0**	**91.1**	**104.0**
TOTAL ASSETS	**104.2**	**124.2**	**310.2**	**320.2**	**331.1**
LIABILITIES					
Non-current Liabilities					
Trade and other payables	-	-	-	-	-
Lease liabilities	1.9	1.7	2.8	1.5	0.2
Deferred tax liability	4.5	9.4	27.5	27.5	27.5
Provisions	0.9	1.5	8.6	8.6	8.6
Total non-current liabilities	**7.4**	**12.7**	**38.9**	**37.6**	**36.3**
Current Liabilities					
Trade and other payables	9.9	15.5	25.1	34.2	42.0
Current tax liability	-	-	2.0	2.0	2.0
Lease liabilities	1.0	0.9	1.0	1.0	1.0
Provisions	4.4	9.0	13.2	13.2	13.2
Total current liabilities	**15.3**	**25.4**	**41.2**	**50.4**	**58.2**
TOTAL LIABILITIES					
NET ASSETS	**81.5**	**86.1**	**230.1**	**232.2**	**236.6**
EQUITY					
Issued capital	0.3	0.3	0.5	0.5	0.5
Share premium	32.9	33.8	143.4	143.4	143.4
Merger reserve	10.6	17.5	57.2	57.2	57.2
Equity-share-based-payments	3.8	3.6	2.8	4.6	6.5
Capital redemption reserve	2.0	2.0	2.0	2.0	2.0
Own shares	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Retained earnings	32.5	29.6	24.8	25.1	27.6
TOTAL EQUITY	**81.5**	**86.1**	**230.1**	**232.2**	**236.6**

Source: Company Historic Data, ED estimates.

Appendix 2: Executive Management

Ian Mattioli, Co-founder and Chief Executive Officer. Ian co-founded Mattioli Woods in 1991 and is responsible for the strategic vision and operational management of the Group. He was instrumental in developing the group's investment proposition, including the syndicated property initiative that developed the seed portfolio for Custodian REIT plc.

Ian won the London Stock Exchange AIM Entrepreneur of the Year award in 2006 (jointly with MW co-founder Bob Woods) and CEO of the Year in the 2018 City of London Wealth Management Awards. He was awarded an MBE in the Queen's 2017 New Year's Honours list for services to business and the community in Leicestershire and was appointed High Sheriff of Leicestershire for 2021/22. Ian was awarded an Honorary Degree (Doctorate of Laws) from the University of Leicester in 2022 for his successful business career and philanthropy.

Bob Woods, Co-founder and Senior Adviser. Bob co-founded Mattioli Woods in 1991 with over 15 years' experience in in pension consultancy and wealth management. He became Executive Chairman when the company listed on AIM in 2005 chaired the groups' Investment Committee. Bob stepped down from his role as Executive Chairman and from the board in 2016.

Bob won the London Stock Exchange AIM Entrepreneur of the Year award in 2006 (jointly with MW co-founder Ian Mattioli) and was awarded a Lifetime Achievement Award co-sponsored by the Leicester Mercury and the University of Leicester. He was awarded an MBE in the Queen's 2017 New Year's Honours list for services to business and the community in Leicestershire and received an Honorary Degree (Doctorate of Laws) from the University of Leicester in 2020.

He provides voluntary business mentoring to young entrepreneurs and continues to support Leicester University's Centre for Environmental Medicine.

Michael Wright, Group Managing Director and Executive Director. Michael joined Mattioli Woods in 2004 after graduating with a Law degree from the University of Leicester as a Client Relationship Manager. He progressed through the business in a number of client advisory and management roles before being appointed Group Managing Director in 2019.

While maintaining a client portfolio, Michael's focus is now on the strategic development of the Group's wealth management and employee benefits divisions. He also leads the senior directorates in the delivery of the client proposition and consultancy functions of the business.

Ravi Tara, Chief Financial Officer and Executive Director. Ravi joined Mattioli Woods in 2019 as Group Finance Director, moving into the position of Chief Financial Officer in 2021 when he was also appointed to the board of directors. He is responsible for leading all financial aspects of the Mattioli Woods Group strategy and operations, in addition to delivering the Group's acquisition activity.

Prior to Joining MW, Ravi built a career in financial services having qualified as a chartered accountant in 2006 with PwC. He specialised in corporate finance and providing mergers and acquisitions advice to a broad range of private equity, corporate, quoted and unquoted clients in financial services, consumer and retail markets both in the UK and globally. Ravi held senior corporate finance positions at PwC, JP Morgan and Barclays Capital. He was Regional Finance Director for Capita and Group Finance Director at Weetabix Food Company where he spent nine years leading the transformation of the UK business before taking on a group tole to lead international expansion.

Ravi is a Fellow of the ICAEW and a member of the ICAEW's Corporate Finance Faculty.

Iain McKenzie, Chief Operating Officer and Executive Director. Iain joined Mattioli Woods as Executive Risk Consultant in August 2018 and was instrumental in developing the Group Risk and Internal Audit functions. He was appointed Chief Operating Officer in 2021, and now oversees the day-to-day operations of the Group. As part of this, he played a key role in ensuring the Group remained fully operational throughout the Covid-19 pandemic.

Iain's previous roles in business consultancy and senior management have allowed him to bring an understanding of business functions and risk management to the board, and he has extensive experience in people and change management, operational and process efficiency, data analysis and performance metrics, as well as strategic planning and project management.

Simon Gibson, Chief Investment Officer. Simon has a 35-year+ career in financial services. In 1998 he set up Thoroughbred Financial Services to advise mainly private clients on wealth management. The business merged with Atkinson Bolton Consulting in 2004, which was subsequently acquired by Mattioli Woods in 2013.

He is a member of the group's Investment Committee and chairs the Asset Allocation Committee. Simon speaks regularly at national and international events, both within the profession and on behalf of Mattioli Woods. Simon leads MW's Investment Briefing webinars since they were started in April 2020. He is a non-executive director of Amati Global Investors and volunteer/trustee with other financial services entities.

Simon is a Champion for Alzheimer's Research UK and Trustee of a local social enterprise that trains and supports adults with learning difficulties.

Nathan Imlach, Chief Strategic Adviser. Nathan joined Mattioli Woods in 2005, prior to the company's admission to the AIM market of the London Stock Exchange. After 15 years as Chief Financial Officer he stood down from the board to take up a new role as Chief Strategic Adviser, where his focus is on acquisitions and contributing to the Group's future direction.

Before his MW career, Nathan spent 15 years as corporate finance adviser to directors of leading organisations in both the private and public sectors, gaining international experience across a wide range of transactions throughout Europe, North America and Australia.

He is a chartered accountant, holds the ICAEW's Corporate Finance qualification and is a fellow of the CISI. He is the Senior Independent Director of Mortgage Advice Bureau (Holdings) plc and a trustee of Leicester Grammar School Trust.

Bill Nixon, Managing Partner, Maven. Bill has spent 40 years working in financial services in the UK and has held leadership roles with three separate private equity firms. In the 1990s he was Director in charge of the Clydesdale Bank Equity business, before managing the sale of that business to Aberdeen Asset Management PLC (Aberdeen) in 1999. He spent 10 years at Aberdeen, initially leading their investment team in central Scotland and the North of England, before taking on responsibility for the UK smaller company private equity team. In 2009 Bill and his senior colleagues led an MBO to form Maven, subsequently overseeing significant growth in people and AUM, prior to the successful sale of Maven to Mattioli Woods PLC in 2021.

Bill has been the principal fund manager of the four Maven VCTs since 2004 and working closely with the investment team has overseen consistent improvements in shareholder returns over the last decade. He chairs the Maven Investment Committee and has overall responsibility for all aspects of the business, including strategy, client management and business development.

Bill is a Fellow of the Chartered Institute of Bankers in Scotland and has an MBA from Strathclyde University.

Richard Shepherd-Cross, Managing Director, Custodian Capital. Richard qualified as a chartered surveyor in 1995 and joined Mattioli Woods in 2009 to establish Custodian Capital as the property fund management subsidiary of the group. In 2014, he was instrumental in the establishment of Custodian REIT plc, and, following its successful IPO which raised £55m, he has overseen its growth to its current market cap of around £460m.

Richard has also been central to the establishment of a new business line for Custodian Capital, which offers asset-backed private equity investment opportunities to the High Net Worth clients of Mattioli Woods.

Saira Chambers, Employee Benefits Director. Saira joined Mattioli Woods in October 2016 and has over 25 years' experience in the employee benefits market. She has led the restructure and strategic positioning of MW's EB business which is showing significant progress since Saira took up the lead role. Over the last 15 years, her work has focused on helping multinational companies to source and manage benefit programmes for their employees.

During her career, Saira has worked on both general consulting for domestic and international clients, as well as developing international business.

Appendix 3: Non-Executive Directors

David Kiddie, non-executive Chairman. David joined Mattioli Woods as a Non-Executive Director in January 2021 and serves as a member of the Risk and Compliance, and Nominations Sub Committees. He has over 37 years' experience in the investment management industry and has worked as a portfolio manager, Chief Investment Officer and CEO, and has been based in the UK and Australia.

His previous roles include: Senior Investment Adviser, Allenbridge (part of MJ Hudson); Group Executive, Perpetual Investments (Australia); Chief Executive UK and Head of Institutional Business, BNP Paribas Investment Partners; Chief Investment Officer, AMP Capital; Chief Investment Officer, ABN Amro Asset Management; Head of Equities, Baring Asset Management; and Chief Investment Officer, Rothschild Asset Management.

David's current non-executive directorships include Marlborough Fund Managers and Investment Fund Services Limited.

Anne Gunther, senior independent non-executive director. Anne joined the Mattioli Woods board in 2016 and also chairs the Audit Committee. She has spent more than 40 years in retail financial services in the UK, with executive experience across all sectors, from lending to wealth management and including IPO, merger and acquisition activity.

Anne gained an MBA from Warwick Business School as well as a degree in Physics from Nottingham University before building a successful career in both mortgages and direct channel delivery, including launching Lloyds Internet Banking. She has worked as Chief Executive of both Standard Life Bank and Standard Life Healthcare and was founding director of Standard Life Wealth. She has an honorary doctorate from Edinburgh University and is a Chartered Banker.

Anne has held non-executive roles in both the charitable and commercial sectors, and also chaired Warwick Business School. She is a board member of Masthaven Bank and the Water Plus Limited Group a jointly owned subsidiary of United Utilities plc and Severn Trent plc board in 2020.

Edward Knapp, non-executive director. Edward joined the Mattioli Woods board in 2020, chairs the Risk and Compliance Committee, and is a member of the Audit Committee.

He is a non-executive director and adviser to a range of organisations worldwide, focusing in particular on technology, growth, strategy and risk, with a particular specialism in financial services and consumer topics. These appointments include F&C Investment Trust PLC (FTSE-250).

He is an adviser to Revolut, and a trustee for Trinity College Cambridge and Asia House, driving commercial engagement between Asia, the Middle East and Europe.

Edward's previous career roles include leadership roles at McKinsey & Company, global director in risk at Barclays Bank PLC, and as a global managing director in technology at HSBC Bank PLC.

Martin Reason, non-executive director. Martin joined Mattioli Woods in January 2021 as a Non-Executive Director of the Board and serves as a Member of the Risk and Compliance Committee and Chair of the Remuneration Board Sub Committee.

He graduated with a degree in banking and finance from Loughborough University in 1982 and has enjoyed a diverse career in financial services, initially with HSBC Group and latterly in the building society sector. He retired as Chief Executive Officer of Melton Mowbray Building Society in June 2020. He is a specialist in product development, customer services, risk management, strategic planning and operational resilience, including change management disciplines.

Appendix 4: Shareholdings

The shareholding of Mattioli Woods is well diversified, with a highly credible list of larger shareholders and a free float which should provide ample liquidity for smaller investors.

Substantial shareholdings

Shareholders with > 3% voting rights	**% of voting rights**
Octopus Investment	9.8
Liontrust Asset Management	7.5
Ian Mattioli (Group CEO)*	5.9
Investec Wealth & Investment	5.9
William Nixon (Manging Partner, Maven)*	5.0
Gresham House	4.4
Abrdn plc	4.4
Royal London Mutual Assurance Society	4.3
Chelverton Asset Management	3.6
Tellworth Investment	3.1
Blackrock Investment Management	3.1
Top 11	**57.0%**
Shares not in public hands**	
Mattioli Woods plc Share Incentive Plan	1.6%
Mattioli Woods Employee Benefit Trust	0.2%
Shares subject to lock-in arrangements	12.3%
Directors and Persons Discharging Managerial Responsibilities	8.8%
Total	**22.9%**

Source: Company, holdings as at 30 June 2022
*Includes shares held by spouse, pension schemes of which the shareholder is a beneficiary, and charitable trusts under the direction of the shareholder

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