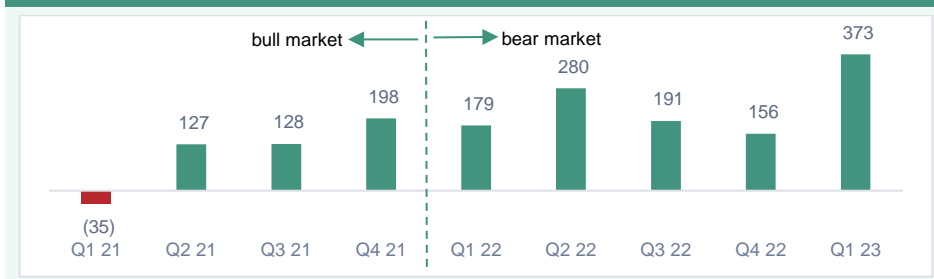


Impressive consistency in strength of net flows

13th April 2023

BM has recorded yet another quarter of positive net flows: +£373m in Q3 of FY23 (to 31 Mar 23), its eighth in succession. This is a hugely impressive achievement considering the last five of these quarters was a period characterised by market falls, economic uncertainty, and investor nervousness – an environment more typically associated with depressed flows. BM's net flows have now been above peer group median levels since calendar Q4 of 2021 (page 2).

Strong momentum in net flows* (£m), despite difficult market conditions



Source: Company reports, ED analysis. *Calendar quarters shown, not FY quarters.

Investment performance contributed +£195m to FUM, bringing total FUM to £16.8bn, up £0.57bn or 3.5% over Q3 and 7.2% over the first nine months of FY23. BM looks on track to meet our end-FY23 FUM forecast of £17.4bn, depending obviously on markets which are certainly volatile.

In the UK business, Managed Portfolio Services (MPS) was the strongest performer in Q3 with +£498m of net flows. And while Bespoke Portfolio Services (BPS) and Funds recorded small outflows, both showed an improvement over Q2: BPS -£43m v -£82m; Funds -£34m v -£41m. BM's International business recorded a net outflow of -£48m (Q2: -£20m) but we remind readers that this business is seen as a large opportunity and is receiving significant senior management attention¹.

Potential for re-rating

Our fundamental valuation remains at 3150p per share, 77% above the current share price. We also flag that BM's PER of 11.9 is 30% below a peer group median of 17.0, despite its organic growth rate being higher than most peers (page 2). We see potential for a re-rating.

Key Financials

Year-end 30 Jun	FY20A	FY21A	FY 22A	FY 23E	FY24E
AUM, £bn	13.7	16.5	15.7	17.4	19.4
Rev, £m	108.6	118.2	122.2	122.8	131.5
Underlying expenses*	85.6	87.6	87.7	93.0	97.4
Underlying PBT*	23.0	30.6	34.5	29.8	34.1
Underlying PBT margin	21.2%	25.9%	28.2%	24.3%	25.9%
Statutory PBT, £m	10.1	25.1	29.5	25.4	29.5
EPS basic, p	43.2	125.3	149.0	129.4	137.6
Underlying diluted EPS**, p	123.7	150.6	168.8	147.2	153.8
PER	41.1	14.2	11.9	13.7	12.9
Div, p	53.0	63.0	71.0	75.0	83.0
Yield	3.0%	3.5%	4.0%	4.2%	4.7%
Net assets, £m	123.5	134.0	148.4	159.0	168.1
Net cash, £m	50.2	54.9	61.3	56.3	68.7

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

1,775p

* 'Underlying' excludes one-off expenses, mostly acquisition-related, & goodwill amortisation, gains & losses. ** After tax

Company Data

EPIC	BRK
Price (last close)	1775p
52 weeks Hi/Lo	2540p/1665p
Market cap	£289m
ED Fair Value/share	3150p
Net cash	£38m
Avg. daily volume	13k

Share Price, p



Source: ADVFN

Brooks Macdonald was founded in 1991 and listed on AIM in 2005.

It provides investment management services to financial advisers and private clients in the UK, and to international clients via its operations in Jersey, Guernsey, and Isle of Man. Its main product offerings include:

- Bespoke Portfolio Services (tailored for individual clients)
- Managed Portfolio Services (risk-profiled 'model' portfolios)
- Funds (mostly multi-asset funds for simpler or smaller portfolios)
- Financial Planning Services
- BM Investment Services (B2B white-labelled investment proposition for IFAs)

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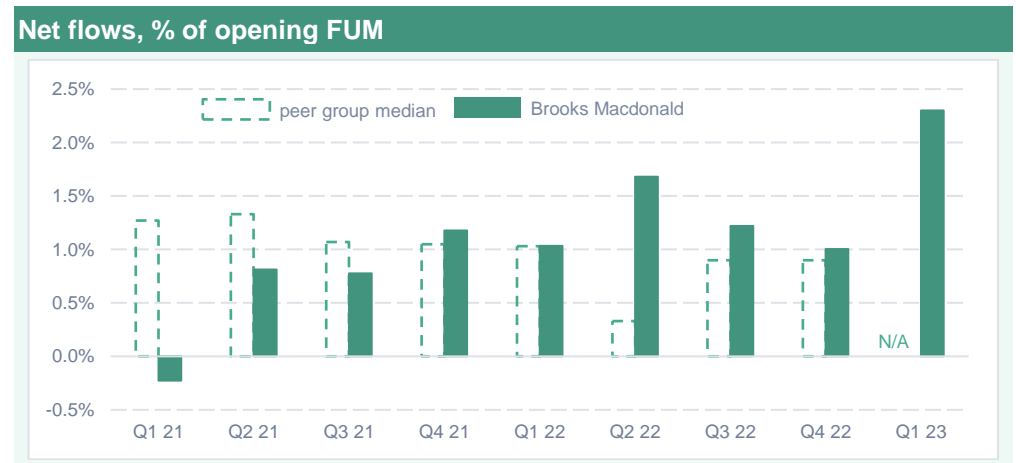
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Net flows have been above most peers since Q4-21...

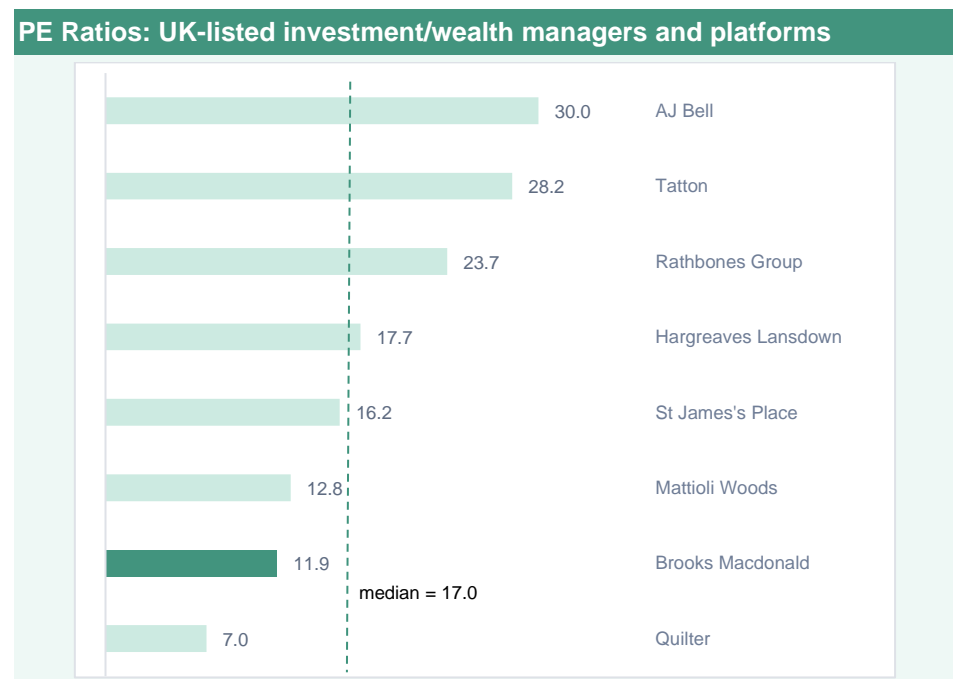


Source: Company reports, ED analysis.

Calendar quarters shown.

Peer group consists of: Quilter, St James's Place, Hargreaves Lansdown, AJ Bell, Rathbones, Brooks Macdonald, Brewin Dolphin (up to Q2 22).

...but BM's PER lags most peers



Source: ADVFN, as of 12 Apr 23, ED analysis.

* Mattioli Woods PER calculated using 'adjusted PAT' which eliminates some of the distortions in earnings created by the statutory accounting treatment of recent large acquisitions. All other PERs calculated using statutory EPS.

¹ In the last few months BM recently made two significant appointments with primary responsibility to further accelerate growth: Sarah Ackland, as Global Head of Distribution & Marketing, and Leanne Barnham in the newly created role of Global Head of Marketing. CEO Andrew Shepherd has stressed the significance of 'Global' in both of these job titles, signalling the importance of growing the international business (which has a client base primarily from the Channel Islands, Isle of Man, UAE and South Africa).



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