

Fund, Trust and Corporate Services

H2 2024 Sector Update



Introduction

The structural mega-trends underpinning the sector continue to generate strong levels of growth and corporate activity. Anecdotally, service providers enjoyed good levels of organic growth during 2023, whilst M&A also continued at pace, with over 40 transactions announcing in the last 12 months. We believe that the outlook for the sector is as robust as ever, as evolving regulatory complexity drives the outsourcing agenda.

In our latest update on the sector, we cover:

- 1. Recent market developments**
How the macro-economic backdrop and regulatory developments impact the demand for services and the attractiveness of the sector
- 2. Recent M&A activity**
An overview of the 40+ transactions that have occurred over the last 12 months
- 3. A refresh on the core investment thesis**
A reminder of some of the key elements which underpin the attractiveness of both the alternative asset servicing and private client sectors
- 4. JTC's most recent results**
An overview of JTC's results for 2023
- 5. Alpha FMC acquired by Bridgepoint**
An overview of our latest deal in the wider space

Please reach out to anyone in the Investec team if you would like to discuss anything in this report or to explore how we can help you achieve your growth ambitions.



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An overview of our offerings for the sector









Recent market developments



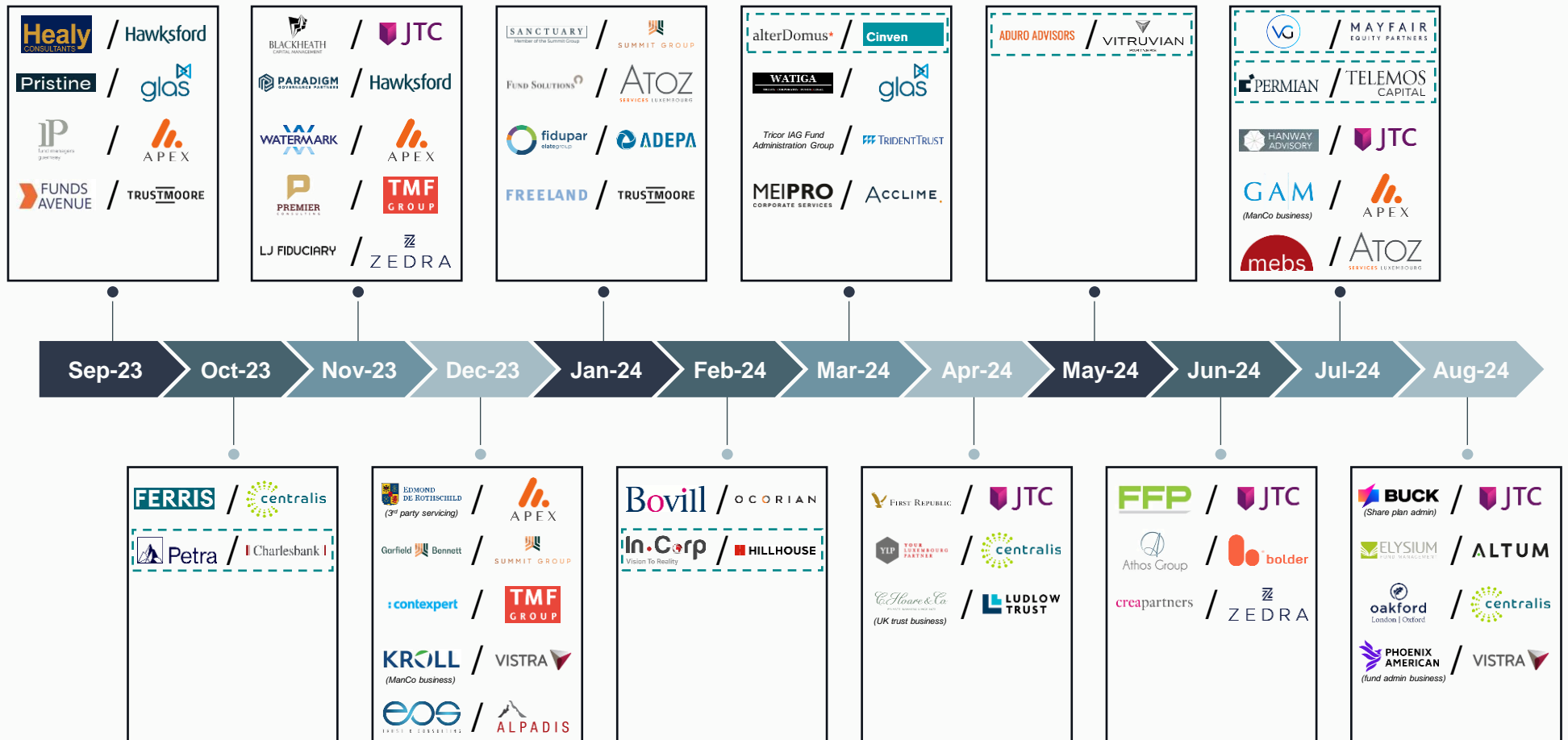
Recent market developments

The sector continues to evolve, with third party servicers likely to benefit positively from growing AUM and private wealth, as well as an increasingly complex regulatory landscape

Topic	Potential impact on investor appetite	Commentary
Sustained Alternatives AuM growth		<ul style="list-style-type: none"> • Strong growth in private markets AuM is expected to continue, driven by an increasing allocation towards alternatives from both institutional and retail investors • High AuM leads to greater complexity and a higher propensity to outsource, benefiting service providers
Further shift towards outsourcing		<ul style="list-style-type: none"> • Continued prevalence in outsourcing for middle and back office functions • There have been a number of recent carve-outs from large banks and asset managers, with more expected (e.g. Citigroup's trust administration business)
Continued US M&A activity		<ul style="list-style-type: none"> • Growing rate of M&A activity in the US underpinned by rapid market growth • Recent transactions include Vistra's acquisition of Phoenix American, JTC's acquisition of First Republic Trust Company of Delaware and Vitruvian's acquisition of Aduro Advisors
Further potential regulatory changes		<ul style="list-style-type: none"> • Higher levels of regulation typically lead to more outsourcing and the use of service providers • Potential future changes on the horizon include global minimum effective corporate tax rates and SEC private fund adviser rules
Moneyval conclude their report on Jersey		<ul style="list-style-type: none"> • Report showed Jersey's effectiveness in preventing financial crime was among the highest in jurisdictions assessed around the world • Underpins Jersey's attractiveness as a platform investment destination
Upcoming changes to the taxation of the UK non-doms		<ul style="list-style-type: none"> • The UK government has recently proposed reforming the current non-dom regime in favour of a residency based approach, intended to take effect from April 2025 • This may reduce the attractiveness of off-shoring trusts for UK non-doms, with the Channel Islands typically the destination of choice

Recent M&A activity

There continues to be high levels of activity and interest across the sector, with 40+ M&A transactions over the last 12 months, including 6 new private equity platform investments



JTC's FY23 results

An impressive end to JTC's 'Galaxy era' – doubling the size of the business 2 years ahead of plan

Highlights

- Strong **top-line growth of 28.7%** and **EBITDA margin of 33.4%**, achieving its Galaxy era growth objective, to double the size of the business as it was in 2020, two years ahead of plan
- Institutional Client Services Division **net organic revenue growth of +19.4%**, with the US performing particularly strongly
- Private Client Services Division with record **net organic revenue growth of +20.9%**, driven by strong performance in the Americas and Jersey
- New strategic objective to double the size of the business again by 2027 – the 'Cosmos era' – with FY24 H1 results expected to be in line with market expectations
- Completed further acquisitions during 2024 of Blackheath and Hanway in the UK, First Republic Trust Company in the US, FFP in Cayman and Buck's European share plan business

£257.4m

2023 revenue
(+28.7% YoY)

£85.9m

2023 underlying
EBITDA
(+30.1% YoY)

19.9%

Net organic
revenue growth

£30.8m

2023 annualised
value of new
business wins

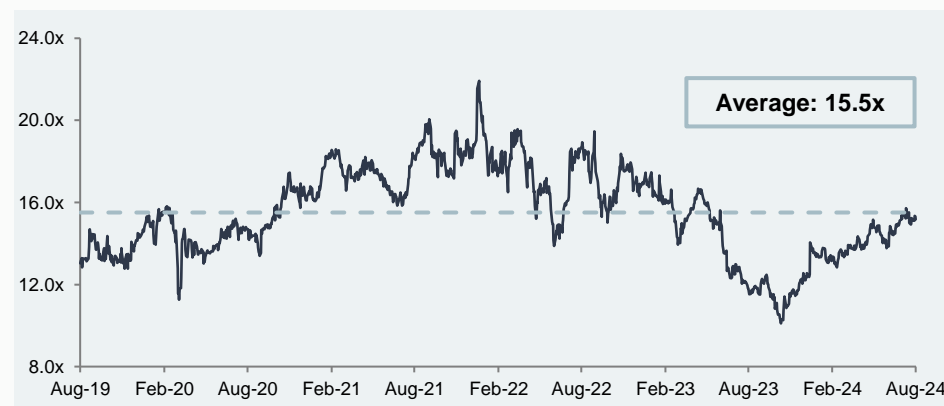
106%

2023 underlying
operating cash
conversion

9

Acquisitions
completed over 2021
– 2023 Galaxy era

EV / NTM EBITDA – last five years



Price / NTM Earnings – last five years






A refresh on the core investment thesis

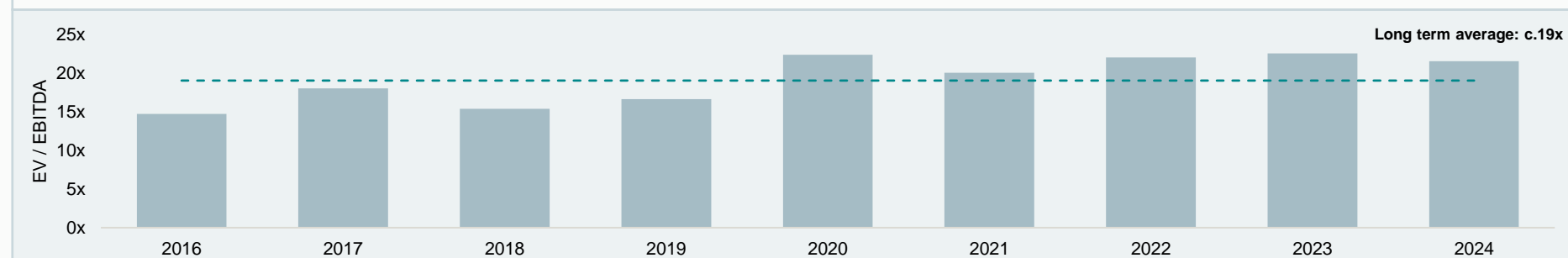


Alternative asset servicing

Persistent structural growth drivers are delivering double digit market growth, with service quality and leveraging of technology representing points of differentiation for service providers

Persistently high growth market 	Consolidation opportunity 	Strong fundamental KPIs 
<ul style="list-style-type: none"> ✓ The alternatives asset class AuM is forecast to grow at c.8% globally from 2022 to 2028¹ ✓ Increasing prevalence of outsourcing, driven by cost efficiency and regulatory complexity ✓ Further regulatory changes are positive news, with the US market likely to benefit from potential future regulatory changes 	<ul style="list-style-type: none"> ✓ Highly fragmented market ✓ Able to grow wallet share from clients through acquiring complementary service offerings (e.g. depository services) or geographical presence ✓ Scale is important as funds increasingly look for a one-stop-shop, delivering material potential revenue synergies 	<ul style="list-style-type: none"> ✓ Double digit organic revenue growth; >30% EBITDA margin; and >85% operating cash conversion ✓ High levels of recurring revenue (>90%) driven by the typical 10-year fund lifecycle and high levels of client retention ✓ Potential for further margin improvement across the sector through the adoption of technology and outsourcing to lower cost jurisdictions

Strong valuations sustained across the sector

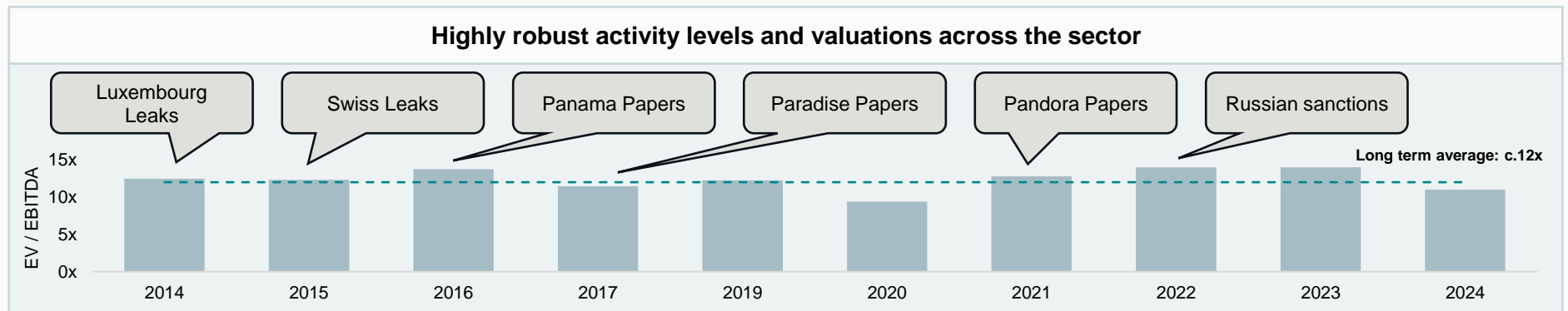


Average EV / EBITDA multiple of past transactions in the sector by year, based on Investec's transaction database

Private client services

Sustained interest in the private client sector driven by strong fundamentals, despite the 'background noise' the industry has experienced over the past decade

<p>Ability to achieve above market organic growth </p> <p><i>Annual organic revenue growth</i></p>  <p><i>Underlying market growth</i> ▶ <i>Potential organic growth</i></p> <p>1 Diversified geographic footprint with exposure to faster growing territories</p> <p>2 Broader service offering, driving higher revenue per client</p> <p>3 Disciplined approach to pricing and billing for work incurred</p>	<p>Consolidation opportunity </p> <ul style="list-style-type: none"> ✓ Highly fragmented industry with strong rationale for consolidation ✓ Ability to drive equity value appreciation through multiple arbitrage and the extraction of synergies ✓ Ability to access new clients, new geographies, and service offerings to drive cross-sell and organic growth 	<p>Strong fundamental KPIs </p> <ul style="list-style-type: none"> ✓ Robust organic growth; >35% EBITDA margin; and >85% operating cash conversion ✓ Long-term client relationships, where average client tenure can be decades long, provide high levels of revenue visibility ✓ Time and material charging and a track record of above-inflation annual price increases ensures the sustainability of margins
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Average EV / EBITDA multiple of past transactions in the sector by year, based on Investec's transaction database

Our latest transaction



Investec acted as Sole Rule 3 Adviser, Lead Financial Adviser, NOMAD and Joint Corporate Broker to Alpha FMC on its recommended cash acquisition by Bridgepoint

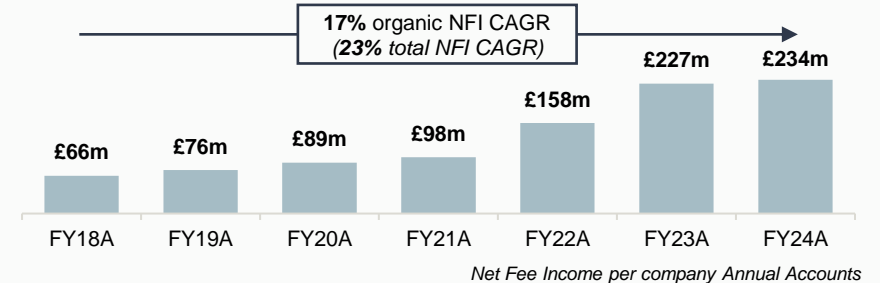
Overview of Alpha FMC

- A leading global consultancy to the financial services industry with significant experience in the asset and wealth management, alternatives and insurance end markets
- Alpha FMC has the largest dedicated team across those industries, with around 1,000 consultants globally, operating from 17 client-facing offices spanning the UK, North America, Europe and APAC
- Alpha FMC supports the client transformation lifecycle by providing management consulting and complementary technology services that are highly focused on the industries in which it operates
- Alpha FMC has worked with all of the world's top 20 and 80% of the world's top 50 asset managers (by assets under management), along with a wide range of insurance and other buy-side firms
- Alpha FMC operates in a market with long-term structural growth drivers which underpin client demand for the Group's consulting services

Overview of transaction

- Recommended cash offer announced on 20 June, with the acquisition completing on 19 August following shareholder approval
- Following longstanding interest in Alpha from various suitors the Board decided to engage with a small number of parties, resulting in a number of expressions of interest and proposals being received

Strong track record of growth



Key offer metrics

505p	£609m	15.3x	50.7%
Offer price	Enterprise Value*	EV / FY24 EBITDA*	Share premium**

Source: RNS 20 June 2024 – 'Recommended Final Cash Acquisition of Alpha FMC' *Stated on a pre-IFRS 16 basis **premium to closing price of 335p on last business day before the commencement of the Offer Period

Our credentials in the space



Deep experience in the Fund, Trust & Corporate Services sector







Investec has a deep understanding and commitment to the sector across its entire banking platform

We have significant experience in the sector across both advisory and lending with a strong Channel Islands presence and offering

 EST. 1982 Advised PE under bidder Buy side adviser July 2024	 Advised PE under bidder Buy side adviser August 2023	 Investment by ICG Senior facilities January 2023	 Acquisition financing for M&A Senior facilities March 2022	 Advised PE under bidder Buy side adviser July 2021	 Advised strategic under bidder Buy side adviser March 2021
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Highly relevant advisory experience

We have advised across multiple transactions in the sector over the last 9 years, with a deep understanding of value drivers, trade buyer strategies and valuation benchmarks

 Advised PE under bidder Buy side adviser October 2020	 Merger of Ocorian and Estera Super senior facilities February 2020	 Disposal of Microgen to Silverfleet Sell side adviser June 2019	 Provider of debt to Varde Super senior facilities December 2018	 Acquisition of LIS Financial adviser September 2017	 Acquisition of IFS & £102m fundraise Sole financial adviser & broker January 2017
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Global M&A team

We have >375 M&A bankers globally, located across Europe, US, Asia and Africa, providing us with a true international offering to our clients and access to investors and strategic acquirors globally

 Refinance of shareholder loan notes Sole arranger & provider January 2017	 Refinance of shareholder loan notes Sole arranger & provider December 2016	 Minority investment by Permira Senior secured debt November 2016	 Acquisition of FLSV Sole financial adviser, bookrunner & broker November 2016	 Acquisition of IDS Fund Services Financial adviser March 2016	 £232m Main Market IPO Sponsor, sole bookrunner & broker March 2015
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Investec's international M&A business

UK & Europe

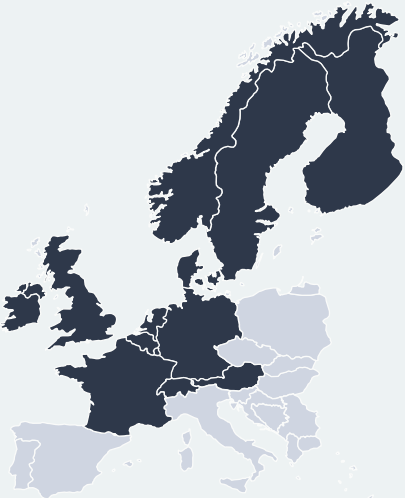


>130

M&A professionals

9

European offices



Edward Thomas
Managing Director



Jan Willem Jonkman
Managing Director



Thomas Ellenberger
Managing Director

US



>160

M&A professionals

8

US offices



John Rakowski
Managing Director



Justin Loeb
Head of Sponsor Coverage

South Africa



Marc Ackerman
Head of Corporate Finance

India



Paras Berawala
Managing Director

>£10bn

Aggregate M&A deal value
in the last five years

61%

Proportion of deals where
we advised on the sell-side

>134

Number of successful
transactions in the last two
years

66%

Proportion of transactions
which included financial
sponsors

>375

Number of M&A
professionals worldwide

31%

Proportion of transactions
which were cross-border

A full-service bank for the sector

Our offering spans corporate banking & lending, growth & leveraged finance and M&A advisory



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