PEEL HUNT

MARKETING COMMUNICATION

Buy

7 December 2020

Kingswood Holdings#

KWG INITIATION OF COVERAGE

DATA

Price (close 1/12)	29p
Target price	40p
Market cap	£62m
EV	£60m
Net cash (FY1)	£2m
Interest cover	n/a
Pension deficit	£0m
Free float	33%
Index	FTSE AIM 100
Sector	Financial Services
Next news	Mar - Finals
UK sales	83%
North American sales	17%

DESCRIPTION

Kingswood is a wealth management business, offering a range of services to individuals, family offices, and other clients. The business currently has c.£5.6bn of assets under management and advice.

PERFORMANCE

Source: Bloomberg

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#Corporate client of Peel Hunt

This is going to be big

Kingswood, an integrated wealth management business, is in the early stages of development, yet has already built a business with assets of over £5.0bn and the ability to deliver EBITDA of over £20m with existing funding. The business has an experienced management team, balance sheet capacity to continue to grow, and operates in a fundamentally attractive sector. We initiate coverage with a Buy recommendation and 40p target price.

Introduction. Kingswood has undergone significant change over the past few years to become an integrated wealth management business today. It has grown rapidly over the past two years with five acquisitions of financial advice businesses, and today has assets of over £5.0bn. Its core strategy is to take advantage of consolidation opportunities in the UK and US (and other key international markets) wealth management sectors to build a materially larger business, leveraging off the platform that has been built and the funding available.

Investment case. The investment case has several key elements, which are underpinned by the experienced management team. Firstly, the markets that Kingswood is trying to consolidate remain fragmented with many potential targets. Secondly, this ambition is supported by an £80m convertible preference share facility provided by PE firm Pollen Street. Thirdly, in addition to the organic growth delivered by the acquired firms, the development of the group's investment management capability should drive significant incremental revenue. Lastly, the group's presence in the US could take advantage of the consolidation opportunity there, which should deliver an attractive return on capital.

Risks. Clearly Kingswood remains in the early stages of development, and the shares are relatively illiquid given the ownership structure. However, the funding facility enables much of the early investment and platform development to be made, allowing investors to back management's ambitions. Forecasts will remain indicative for some time given the pace of change, although we estimate the business could deliver EBITDA of over £20m from existing capital.

Valuation and recommendation. As noted, it will take some time for forecasts to settle and the acquisitions to prove their worth. Today, the business is valued at just 1.1% of AuM, below a comparable peer group, but reflecting the stage in the group's development. To arrive at our valuation, if we assume the existing capital is invested at similar multiples to previous deals, and the preference shares convert, the shares could be worth at least 40p. Given the potential for management to deliver significant returns in the coming years, we initiate at Buy.

STATS

Source: Company accounts, Peel Hunt estimates

Y/E Dec	Revenue (£m)	Op Profit (£m)	Op Margin (%)	Adj PBT (£m)	Adj EPS (p)	EPS growth (%)	PER (x)	DPS (p)	Div yield (%)	FCF yield (%)	EV/EBITDA (x)
2019A	10.1	0.7	(0.8)	(0.5)	(0.3)	n/a	n/a	0.0	n/a	0.0	75.0
2020E	22.8	1.1	3.7	0.4	0.0	n/a	2,292.7	0.0	n/a	0.0	52.9
2021E	46.9	7.3	14.8	6.4	1.9	15,429.3	14.8	0.0	n/a	0.0	8.2
2022E	55.9	9.2	15.9	8.3	2.5	29.9	11.4	0.0	n/a	0.0	6.5

Investment case

AuM growth:
2018: £1.6bn
2019: £2.4bn
June 20: £5.0bn
Est: £5.6bn

Kingswood's broad ambition is to become a leading global provider of wealth management services to a range of different clients. Today, the business has assets of over £5.0bn, having grown rapidly over the past few years by way of acquisition (five have been completed). Kingwood's strategy is to build a significantly larger business, taking advantage of the consolidation opportunities in the sector to build on the scalable platform already established. We consider some of the key attractions below.

Market opportunities

Although general economic uncertainty, to some extent, creates a short-term headwind, we continue to believe the UK wealth management sector offers long-term growth characteristics. This is supported by demographic trends, the requirement to provide for retirement, the complexity of legislation and regulation and consolidation of a fragmented sector. In addition, we see an ongoing convergence of investment management and financial planning, with holistic financial planning and advice becoming central to the overall client proposition.

Balance sheet to support growth

£80m convertible preference share facility available

Clearly acquisitive growth strategies need capital to deliver management ambitions, and Kingswood has an agreement with private equity investor Pollen Street to supply up to £80m of capital through a convertible preference share structure. Kingswood draws down on this facility as required to complete acquisitions, enabling management to be in a strong position when negotiating potential transactions. The preference shares can be converted into ordinary shares at 16.5p until December 2023, or earlier under certain conditions.

Experienced management team

Despite Kingswood's modest scale, it is unusual in having a highly experienced management team with both private equity and wealth management backgrounds. Importantly, a number of the key individuals have a significant ownership interest, closely aligning interests with external shareholders. KPI (Nominees) currently owns 66% of the issued share capital (which would fall to c.20% assuming full utilisation and conversion of the Pollen Street facility), supplying the initial funds to recapitalise the legacy-listed company structure and subsequently put in place the infrastructure to support future ambitions.

Revenue synergies

Incremental revenue opportunities available

Having acquired various independent businesses, Kingswood's greater scale is enabling the previously independent firms to deliver enhanced client service, which should drive organic growth. The key opportunity will be driving additional revenue from each client. Over the past year, there has been a significant change in the group's investment management capability, with a number of experienced individuals joining the group. A range of investment solutions can now be delivered to clients, from a Managed Portfolio Service to a Bespoke Portfolio Service. Whilst at early stages, the fees on these of between 25 and 100bps will be incremental to the group. We estimate this could generate incremental revenue of over £8m based on the migration of 50% of the group's assets (and assuming the convertible facility is utilised).

Opportunities in the US

Kingswood is somewhat unusual in also targeting the US wealth management market, which is materially larger than the UK. The approach and opportunity are to some extent the same though: with an existing infrastructure after the acquisition of two businesses, acquire and recruit advisers from a highly fragmented market. Growth via recruitment requires lower capital investment than acquisitions and, with over 100,000 advisers to target, this could be a rapidly-growing stream of profits. Alongside this focus, management sees the opportunity to lever the distribution by building investment banking capability.

Risks

Liquidity

Concentrated shareholder list

We note that KPI (Nominees), controlled by the Group CEO (Gary Wilder) and Deputy Chairman (Jonathan Massing), currently owns 66% of the outstanding share capital. The funding agreement with Pollen Street, if converted, would dilute this to c.20% (assuming the full £80 is drawn), whilst giving Pollen Street c.66% of the company.

Performance of acquisitions

As with any roll-up strategy, the acquired entities' future performance is crucial. Kingswood has addressed this by ensuring there is deferred consideration typically linked to future performance. This will also be mitigated by the enhanced service offering, and moving clients to an increased proportion of recurring fee income.

Evolving financial expectations

Acquisitions will change income statement

Kingswood has made five acquisitions over the past 18 months, making reported financials of limited use. We expect further acquisitions, the timing and size of which are uncertain. This means that forecasts are of limited use, and that more reliance is placed on the potential from investing the existing capital.

Conclusion

Kingswood is undoubtedly at a relatively early stage in its evolution, with reported financials still to reflect the progress made. However, as detailed, the business has:

- An experienced management team encompassing both private equity and wealth management backgrounds.
- The capital with which to pursue acquisitions, structured in such a way as to avoid some of the challenges other consolidators have had.
- Scalable infrastructure with which to support the growth ambitions.
- A nascent investment management capability, which is key to driving improved revenue from the assets under influence.

Potential to deliver significantly increased profits

If this thesis proves correct, the company is already relatively lowly valued, with the EV/AUM (treating the convertible shares as debt) standing at just 1.1% compared to a comparable peer group average of 1.2%. Taking a longer-term view, our estimates suggest that Kingwood could generate EBITDA of over £20m, assuming the capital is invested at similar rates to recent transactions, and that the business would be worth c.£290m. Further assuming that the Pollen

Street loans are converted, this would equate to 40p per share. There is material upside for those willing to invest alongside the management team today.

Background

A very different business

Kingswood has undergone a material transformation over the past 18 months, although the business has been listed for a number of years, previously being called European Wealth Group. Today, the business has over £5.0bn of assets under management and advice ('AUMA'), 16,000 clients and 67 advisers across the UK and US. The group's services encompass:

- A UK advisory business for retail and corporate clients providing financial planning and investment management solutions.
- A UK institutional business providing specialist fixed interest and cash-enhanced investment management services to a range of clients.
- A US business with interest in independent broker-dealers (B/D) and registered investment advisers (RIA), as well as investment banking capability through Kingswood Capital Markets.

Setting out a new strategy

Led by new, experienced management team

The group's evolution began in January 2019 when Gary Wilder assumed the role of Group CEO. At this point, the group was loss making (the core business made a loss of £0.7m for the year to December 2018) and had cash of just £2.4m, in addition to a convertible debt facility of £4.9m. Gary had previously joined the board in 2017 as a non-Executive Director, with broad experience in real estate, structured finance and private equity. Around the same time, Group Finance Director Patrick Goulding assumed the role of CEO of the group's operating subsidiaries.

New strategic focus

In April 2019, the new management team set out a number of strategic initiatives for the group:

- An enhanced strategy to provide existing and new clients with unprecedented access to best-in-class investment products across equities, fixed income and alternatives, managed by best-in-class global investment managers. Many of these products are currently solely available to institutional investors.
- The appointment of Richard Jeffrey as Chairman of the Investment Committee and Richard Klein as Head of Alternatives and Distribution. The firm is building a robust Investment Committee process with a group of highly experienced investment professionals, under the stewardship of Mr Jeffrey. Mr Klein joined to lead and expand Kingswood's alternative product offerings for distribution to the firm's growing client base.
- Launching an enhanced Managed Portfolio Service ('MPS'), which is available via industry platforms used by wealth planners across the UK. The MPS offering provides intermediaries with a discretionary managed, risk-rated investment solution for their underlying clients.
- Seeking to expand its alternative product offering, particularly in real estate, Kingswood signed a cooperation agreement with its affiliate Moor Park Capital Partners LLP, an independent pan-European real estate investment

firm that creates a partnership to broaden Kingswood's alternative investment product offering to its clients.

- Further commitment to broadening its client offering with a range of holistic, value-added client services through its Kingswood affiliates, including the provision of personal taxation compliance services, incorporating the preparation of annual tax returns, tax planning and advisory support. Kingswood, via its affiliates, now also offers a range of services for small and medium-sized businesses including the provision of accounting and annual tax compliance, as well as corporate finance offerings.

Management

Kenneth 'Buzz' West

Non-Executive Chairman

Buzz is Non-Executive Chairman of the board and is highly experienced in the financial services arena, having held numerous board positions in addition to being Founder and Chairman of the AIM-listed wealth manager Ashcourt Rowan. Buzz sits on the board of the Toronto-listed Auxico Resources Canada Inc. He is currently an advisor to several high-tech companies and holds the Chair at Cannagrow Biosciences Ltd. With a strong entrepreneurial background, Buzz brings a track record of achieving success for shareholders, and as Chairman he led major loss adjustors GAB Robins from a management buyout (MBO) to successful trade sale. He uses his experience in both wealth management and the AIM market to lead the board and drive Kingswood's strategic direction.

Buzz joined the board in January 2014.

Jonathan Massing

Non-Executive Deputy Chairman

Jonathan is Non-Executive Deputy Chairman and brings wide-ranging experience to the board, in particular in the area of corporate finance and acquisitions. He has a strong background in commercial and corporate finance advisory, buyouts, venture capital, shareholder dispute advisory, and private businesses valuation. A chartered accountant, he has extensive experience in the sale and acquisition of private companies and also provides advice on debt structures and working capital facilities. In 1998 he set up Kingswood Investment Partners Limited as a private equity investor. He is also a founder of Kingswood Property Finance Limited Partnership and founded a city-based advisory firm Kingswood in 1993.

Jonathan joined the board in October 2017.

Lindsey McMurray

Non-Executive Director

Lindsey holds a First-Class Honours degree in Accounting and Finance and holds an MPhil in Finance from Strathclyde University. Lindsey has been a private equity and credit investor for more than 26 years, with a focus on the financial and business services sector. Alongside Kingswood, Lindsey sits on the boards of Shawbrook Bank, CashFlows, 1st Stop Group and BidX1. Lindsey co-founded Pollen Street Capital in 2005 and serves as Managing Partner. Lindsey is the Chairman of the Pollen Street's private equity and credit investment committees. Prior to Pollen Street, Lindsey worked at RBS and spent six years at Cabot Square Capital, where she was a partner focused on investments in the financial services sector.

Lindsey joined the board in December 2019.

Gary Wilder

Group Chief Executive Officer

Gary is a Chartered Accountant and a graduate of the Cass Business School, University of London, with over 30 years' experience in pan European private equity and real estate, particularly in the area of investment, capital raising, structuring, debt financing and asset management. He is the Co-Founder of Kingswood Property Finance Limited Partnership, where he made a series of long-term strategic investments in financial services. Gary's key responsibilities include building strategic relationships with new and existing investors, bankers, financial advisers and directing capital-raising efforts to the growth and expansion of the platform.

Patrick Goulding

Chief Financial Officer

Patrick is a Chartered Accountant with more than 25 years' experience in strategy, finance and operational roles in the global financial services industry including senior roles at Morgan Stanley, Lend Lease, ING and Schroders in the US, Australia and Europe. Patrick works with the senior executive team to manage the business on a day-to-day basis to ensure financial and other performance targets are met. Patrick is a member of the Executive and Investment Committees, as well as serving on the Audit and Risk & Compliance Committees.

David Lawrence

UK CEO

David has over 30 years' experience in financial services with Lloyds Banking Group where he held numerous senior leadership roles in distribution and functional areas across its Retail, Commercial and Insurance divisions. In 2014, David became the Commercial Director and then Chief Operating Officer for Lloyds' Private Banking and Wealth businesses with additional responsibility for its Mass Affluent proposition and strategy. Over the last two years, David has played a lead role in the establishment of Schroders Personal Wealth (a joint venture wealth management business between Lloyds Banking Group and Schroders). David became Chief Commercial Officer for this business in March 2019 with primary responsibility for its client proposition, client experience and business development.

Mike Nessim

Managing Partner, Kingswood US

Mike has over 24 years of experience in the financial services industry. Starting his career in 1995 as a registered representative with Josephthal & Co., a former independent retail brokerage firm, he built a team of registered representatives and sales support. In 1998 he began an independently owned franchise of an independent broker dealer and grew the business to over 100 advisors and 10 support staff, producing more than $500 million in revenues over the course of his career.

Mike is currently the President and Managing Partner of Kingswood US, which consists of two broker dealers and RIAs. He joined Kingswood US through Kingswood's acquisition of a majority interest in Manhattan Harbor Capital.. His key responsibilities include driving the continued growth of the Kingswood US platform as well as oversight and daily communication with the various management team leaders. He has grown the platform from 35 registered representatives to 180 registered representatives due to the successful completion of organic and inorganic growth initiatives.

Leigh Philpot

Head of Wealth Propositions

Leigh joined Kingswood in 2019 and as Head of Wealth leads the private client business in the UK. His role is to help the firm grow and to enhance the proposition and service for clients and intermediaries. As well as having responsibility for the client-facing staff. Leigh has over 20 years' experience in the Private Client industry and joined Kingswood in 2019 from Kleinwort Hambros Private Bank, where he was Head of Regions. Prior to this, he founded and led the Discretionary Fund Management (DFM) business strategy for the bank, providing DFM and private banking solutions to IFAs. Based in London, Leigh worked with Kleinwort Hambros for 13 years and had previously held the role of Group Head of Privilege Banking while at the firm. Prior to this, Leigh spent the earlier years of his career as an Investment Manager at Rathbones, and was a graduate of the Stockbroker Development Programme at Killik & Co.

Leigh is focused on expanding Kingswood's client offering, which in addition to investment management incorporates new product assessment, pricing and client delivery, as well as responsibility for marketing, business development and PR strategy. Leigh is also driving the development of an enhanced proposition for existing and new high net worth clients (+£1m of investable assets), which will directly target new mandates from private clients, corporates, charities and trusts.

Jeff Grantham

Head of Wealth Planning

Jeff joined the Kingswood Group in June this year on acquisition of the Sterling Trust business. Jeff is a qualified financial planner and has spent the past 20+ years building and expanding Sterling Trust into one of the leading regional financial planning businesses across the North East with in excess of £1bn of client assets under influence.

In his new role as Head of Wealth Planning, Jeff leads Kingswood's UK advisory network with responsibility for wealth planning strategy and performance, revenue growth, new business initiatives and service level enhancement.

Paul Surguy

Head of Investment Management

Paul has 20 years of private client experience. Early in his career he managed a varied range of private client and institutional portfolios. Latterly, he was head of research for an international investment business responsible for £1.5bn of assets. He has regularly been quoted in the financial press and has been recognised as one of Citywire's Top 100 on several occasions, as well as PAM's Top 40 Under 40. Before joining Kingswood, Paul was a UK Director at Kleinwort Hambros.

Harriet Griffin

Chief Operating Officer

Harriet joined Kingswood in March as COO. Harriet comes from Charles Stanley, where she held the role of COO of its Private Client Investment Management business and brings considerable experience in investment operations management, process and control. Harriet is a graduate of the University of Bath and a Chartered Member of the CISI. She recently completed her MBA at Cranfield University. Harriet was with Charles Stanley from 2012, holding positions that included Operations & Business Development Manager and Learning & Development Manager. Prior to Charles Stanley, she was Senior Client Relationship Manager at the Chartered Institute for Securities & Investment.

Richard Bernstein

Chief Risk Officer

Richard joined Kingswood in March 2020, having worked at Close Brothers Asset Management for eight years in senior Risk & Compliance roles. Prior to this, he worked at F&C Investments and Barclays Wealth, having graduated from Nottingham University in 1999 and subsequently completing a Masters in IT from Queen Mary College. Richard is a CFA charterholder, a Charted Fellow of the CISI and a Chartered Wealth Manager. Richard is responsible for ensuring Kingswood maintains a robust risk & compliance framework.

Howard Garland
Non-Executive Director

Howard holds a First Class Honours degree in Mathematics from University College London. He is on the board of BIK as well as Kingswood and is a partner at Pollen Street Capital and a member of its private equity and credit investment committees. Howard re-joined Pollen Street in 2015, having been a Principal at RBS until 2012. Prior to re-joining Pollen Street as Partner in 2015, Howard assisted the Swedish credit institution Hoist Finance in entering the UK debt collecting and NPL debt purchasing sector, supporting the acquisition of a number of UK companies and debt portfolios in both structuring and operational roles. Howard joined the board in December 2019.

David Hudd
Director and Legal Consultant

David was previously a Non-Executive Director before joining the executive team as Legal Consultant in July 2020. David trained as a solicitor with Linklaters and after a successful career as an investment banker in structured finance, joined Hogan Lovells, the international law firm, as a partner in 1994. He was consistently ranked as a market-leading lawyer for over 25 years. From 2005, David led the firm’s global finance practice before assuming the role of Deputy CEO in 2014. He retired from this position and as a partner in June 2020 but continues to serve as Senior Counsel at Hogan Lovells.

Robert Suss
Non-Executive Director

Robert Suss is a Non-Executive Director and sits on the board to advise on wealth management strategy. Robert is the Co-Chief Executive Officer of UK Agricultural Finance, a specialist lender in the UK serving the agricultural community, as well as the Founder of Global Tower Solutions, focused on delivering renewable solutions globally. Robert chairs the advisory board for EG Capital an emerging market debt manager, and serves as a director for TPG Pace Holdings and B. Riley Principal Merger Corp.

Robert has retired from his position as a Managing Director of Goldman Sachs where he spent 18 years building and turning around a number of businesses in its Investment Management Division. His last role was Head of Private Wealth Management in London from 2012 to 2015.

Robert joined the board in June 2019.

Growth opportunities

Management has clearly stated strategic ambitions:

- Grow by acquisition in fragmented markets.
- Drive revenue growth through holistic wealth and investment management.
- Build regional distribution capability across key international markets network for personal financial advice.
- Build a scalable infrastructure that will deliver economies of scale.
- Deliver growth with the support of capital providers, leveraging the platform to distribute additional products to the retail clients.

We consider a number of the key points in more detail.

M&A activity

A fragmented market with 2,750 potential targets

Like others in the industry, Kingswood is looking to take advantage of the fragmented market in wealth management, which has already started undergoing some consolidation. Management estimates there are over 2,750 firms across the UK with between two and 50 advisers that are potential targets of the group. Already, Kingswood has four regional hubs and 12 offices that advisers can be bolted on to. The proposition to advisers is that Kingswood can offer a seamless transition process, centralised support services (like HR, compliance and finance), and a central investment proposition (which we discuss in more detail later). This allows the advisers of the acquired firm to focus on their clients.

One of Kingswood's strengths is the private equity experience of key management. Management has built a strong internal capability to complete transactions as efficiently as possible, building standardised documentation and process to simplify the process. To date, Kingswood has completed five UK transactions, but retains a significant pipeline of more than 25 opportunities, which could add a further £7.5bn to the group.

Typical price of c.7x EBITDA

The table below summarises the acquisitions completed to date. So far, the average multiple paid is 6.7x EBITDA, or 1.6% of AuM/AUA. In total, these deals deliver £5.9m of EBITDA to the group, based on the latest 12-month figures.

Table 1: Summary of recent acquisitions *(EBITDA based on last 12 months prior to acquisition)*

Source: Company accounts, Peel Hunt estimates

Date		Consideration (£m)	AuM (£bn)	Advisers	EBITDA (£m)	Consideration/EBITDA (x)	Consideration/AuM	Consideration/Advisers (£m)
18 Sep 20	Regency Inv. Services	3.5	0.3	6	0.5	6.9	*1.1%*	0.6
25 Jun 20	Sterling Trust	17.8	1.2	22	2.5	7.1	*1.5%*	0.8
05 May 20	Chalice $	4.0	1.1	96	n/a	n/a	*0.4%*	0.0
01 Oct 19	WFI	14.0	0.6	16	1.8	7.8	*2.5%*	0.9
Feb 19	Thomas & Co	3.3	0.2	4	0.5	6.6	*2.2%*	0.8
01 Oct 18	Marchant McKechnie	4.0	0.2	4	0.8	5.0	*2.0%*	1.0
	Average					**6.7**	***1.6%***	**0.7**

Acquisition of Regency Investment Services, September 2020

£3.45m consideration, £320m AuM

Announced most recently, Regency Investment Services provides financial advice to individuals and corporates in the Greater London area. The business had six IFAs advising or managing £320m of AuA/AuM for approximately 1,000 clients. The business was still run by the founder's granddaughter, having been established in 1965. Kingswood will acquire the business for a cash consideration of £3.45m, with £1.38m payable on closing and the balance subject to recurring revenue and EBITDA hurdles over a three-year period.

Acquisition of Sterling Trust, June 2020

£17.75m consideration, £1.2bn AuM

Announced and completed in June, Sterling Trust Financial Consulting had a total of five offices spread across the north of England. The business employed 48 people, with 22 IFAs advising or managing £1.2bn of assets for 5,000 clients. Kingswood will pay a cash consideration of £17.75m, spread over three years, with the later elements based on asset migration, recurring revenue and EBITDA hurdles. In the year to December 2019, Sterling generated EBITDA of £2.5m.

Investment in Chalice, May 2020

First announced back in December 2019, Kingswood formally completed the Chalice acquisition in May, along with signing conditional heads of terms to assume majority ownership in Manhattan Harbor Capital (now renamed Kingswood US). The US business now comprises strong Independent Broker Dealer ("IBD") and Registered Investment Adviser ("RIA") businesses across the US with a team of 184 Authorised Representatives managing $1,794 million of client investments from key offices in New York, Atlanta and San Diego.

Acquisition of WFI, September 2019

Maximum consideration of £14m

WFI was an IFA business with c.£550m under management and advice. Kingswood agreed to pay a maximum cash consideration of £14m, over a 30-month period. £3.5m was paid initially, with the balance based on certain asset migration, recurring revenue and EBITDA hurdles.

Acquisition of Thomas & Co, January 2019

Kingswood agreed to pay a maximum consideration of £3.0m, of which £1.5m was deferred over a three-year period.

Acquisition of Marchant McKechnie, October 2018

Marchant McKechnie was a business based in East Yorkshire, which had approximately 700 clients and £200m of assets under advice. Kingswood paid a maximum consideration of £4.0m for the business, with the deferred element of up to £2.4m based on certain revenue metrics.

Revenue synergies

Converting advisory clients to investment solution

Once the acquisitions have been completed, there is an integration process that will bring the constituent parts of the firm together. Beyond that, a key driver of revenue growth will be increased usage of Kingswood's central investment proposition, which has been invested in over the past year.

The CIP is based around the experience and strengths of the Investment Committee, which was re-structured over the past year. There are seven members of this committee, with the goal of providing robust investment solutions to clients. The committee is headed by two experienced individuals:

Richard Jeffrey, Chair: Richard was CIO and then Chief Economist at Cazenove Capital. Amongst a range of experience, Richard was an economic adviser to 10 Downing Street during the 1990s.

Rupert Thompson, CIO: Rupert is responsible for the investment strategy team, which leads the asset allocation and fund selection process. Rupert has a range of experience at institutions such as PAM Global Investments, Henderson Global Investors and UBS.

As we show in the chart below, the conversion of existing assets to the new investment proposition will drive significant revenue synergies. Starting at 25bps for the MPS offering (offered through investment platforms), up to 100bps for the Bespoke Portfolio Service (with full discretion and assets within Kingswood's domain), these will be incremental revenues for Kingswood with little marginal cost.

Table 2: Summary of fees by service proposition

Source: Kingswood

Ongoing advice fees				
Advised (Wealth Planning only)	*0.90%*			
Discretionary		*0.60%*	*0.60%*	*0.60%*
DFM fees				
MPS		*0.25%*		
PPS			*0.75%*	
BPS*				*1.00%*
Total fees	***0.90%***	***0.85%***	***1.35%***	***1.60%***
Minimum fee (£)	1,500	1,000	2,000	7,500

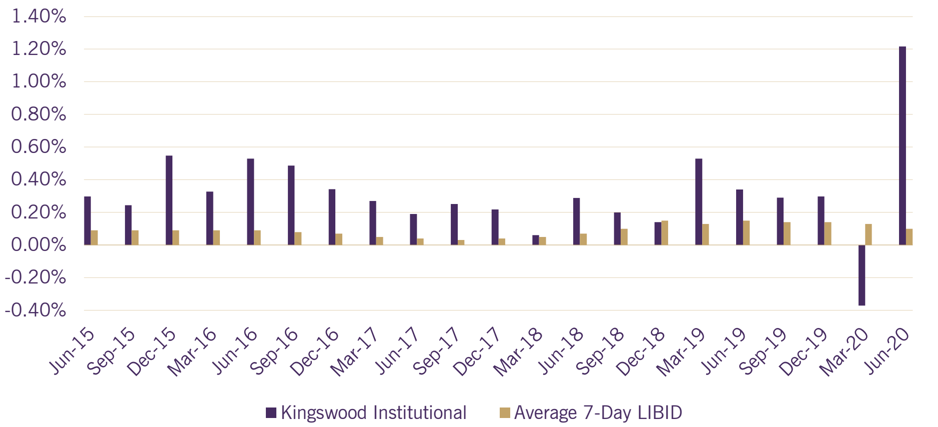
*Transaction fees also levied on BPS so total fees higher, dependent on activity

UK Institutional

Kingswood also has a successful institutional fund management business, which currently manages c.£1bn of assets. This business is headed by Nigel Davies, and specialises in the management of surplus cash funds for the likes of building societies, universities, charities and public companies. The team builds specific investment solutions for each client's objectives, creating portfolios that balance liquidity and yield requirements. There are opportunities to expand the product set with an ESG product that investors have indicated a strong interest in.

Chart 1: Summary of institutional fund performance

Source: Company accounts, Peel Hunt estimates



Product expansion and leveraging the distribution network
Another element of the strategy is to work with other providers in different asset classes, allowing retail clients to access products that were typically aimed at the institutional market. One product has been launched, the Defensive Alpha product, which is a fund of funds investing in liquid, diversified, alternative funds. This will give retail clients access to hedge fund managers, and an uncorrelated product to more traditional equity and fixed income funds. The fund will be managed by Montlake, an asset manager with over US$8bn of AuM.

Improving return on capital

Through the combination of revenue synergies, centralising certain functions and ensuring cost efficiency within the acquired businesses, we expect management to be able to improve the return on the invested capital. Below, we show how we estimate that applies to a standalone acquisition – based on the assumptions outlined, the return on capital improves from 11% at the time of acquisition to c.18% going forward. This will take time to be reflected in the overall group results, but we believe this shows the potential for the group going forward.

Table 3: Return on capital – estimated improvement

Source: Company accounts, Peel Hunt estimates

(£'000)	Sterling Trust
Expected profit after tax	2,000
Consideration	17,750
ROIC	*11.3%*
Potential uplifts to returns	
AUM conversion	750
Estimated synergies	350
Enhanced ROIC	*17.5%*

Funding

Consolidation vehicles in the wealth management sector have often struggled with the availability of capital, or the constant pressure to issue new shares, which puts pressure on the value of the existing currency. Kingswood appears to have come up with a solution that provides capital, but also clarity as to the potential dilution that the existing shares will suffer.

Up to £80m of capital available

In September 2019, Kingswood reached agreement with Pollen Street regarding £80m of financing to support the group's growth ambitions. An initial facility of £40m is provided through HSQ Limited, an indirect subsidiary of Pollen Street, with a further £40m to be provided by HSQ from investors with co-investment rights in funds managed or advised by Pollen Street. The funding takes the form of a subscription of irredeemable convertible preference shares to be issued in instalments.

The convertible preference shares convert into new ordinary shares at Pollen Street's option at any time from the earlier of an early conversion trigger event or a fundraising (defined as an investment by one of more institutional investors in the company's equity after a minimum of £30m of preference shares have been issued). All of the shares convert automatically on 31 December 2023 in the absence of an early conversion trigger. The conversion price is 16.5p.

Based on the existing number of shares in issue, we estimate that converting the full £80m potentially provided would lead to Pollen Street owning c.66% of Kingswood. We believe the Pollen Street funds that provide the facility have a limited life and therefore the shares would be sold to crystallise returns for Pollen Street's investors. Pollen Street has appointed two NEDs to the board.

Table 4: Diluted share count
Source: Company accounts, Peel Hunt estimates

	No of shares	% of fully diluted
KPI (Nominees)	143,220,905	*19.5%*
No in issue	216,921,000	
Share options outstanding	34,457,500	
Diluted no of shares	251,378,500	
Potentially issuable to Pollen St	484,848,485	*65.9%*
No. post pref share conversion	736,226,985	

The agreement with Pollen Street also includes a make-whole clause, which gives rise to a potential liability for Kingswood. The agreement includes clauses that Pollen Street is entitled to a minimum return of twice the subscription price of each convertible share, ie 33p per share. There is also a value-sharing agreement whereby Pollen Street is entitled to its share of any future market value of Kingswood above the sum of £44m and twice the aggregate subscription amount (ie £160m). These value-sharing payments would only start if the company's market cap exceeds £204m. Should these payments be required, Kingswood would issue a make-whole instrument costing 8% and secured against the value of the company's subsidiaries.

It should be noted that once £30m of the Pollen Street facility has been utilised, Kingswood has the ability to pursue a fundraising, at not less than 16.5p.

Below, we show the amount outstanding. We would note that some preference shares could be issued to support growth in the US – the relevant statement noted up to £6.1m shares could be issued but the final amount is uncertain.

Table 5: Summary of preference share position

Source: Company accounts, Peel Hunt estimates

	Pref shares	Equivalent to ord shares
Convertible preference shares issued at 31 December 2019	5,727.7	34,713.1
Sterling initial consideration	3,500.0	
Chalice funding	7,770.0	
Thomas & Co deferred consideration	869.0	
US investment	483.4	
Balance at 30 June	18,350.0	
Outstanding items		
MHC and Chalice deferred consideration (noted 12 Aug)	2,650.0	
MHC (completed 23 November)	928.4	
Regency/Marchant McKechnie/transaction costs	2,900.0	
Total outstanding	**24,828.4**	**150,475.4**
Deferred considerations payable (as at 30 June)	19,246.0	
Regency (deferred consideration, announced 18 Sep)	2,070.0	
Total issued including deferred considerations	46,144.4	
US growth capital	tbc	
Maximum	**80,000.0**	**484,848.5**

The US opportunity

Somewhat unusually, Kingswood also has a growing presence in the huge US wealth management market. Today, this is very much a nascent opportunity for the group, although it has potential to be a material contributor of profit with relatively little capital required.

Significant market opportunity

Huge potential market

Clearly the US wealth management market is vast, being the largest in the world. It was estimated that the total market at the end of 2018 amounted to US$32tn, having grown by 9% compound over the preceding five years. In 2018, it was also estimated that there were 41m households in the US falling within either the mass affluent or millionaire category (mass affluent being defined at assets of US$1,000 to US$1m).

Within the US market, there are two distribution sources that Kingswood will initially focus on: independent broker-dealers ("B/D") and Registered Investment Adviser ("RIA"). In effect, both of these are akin to financial advisers in the UK.

IBD

Independent broker-dealers (or B/Ds) are similar to an IFA in the UK. B/Ds can be employed or self-employed and provide advisory and brokerage services to clients. B/Ds are remunerated based on a revenue share agreement, typically around 80%. Smaller B/Ds will use a third-party platform, compared to the larger ones with their own platforms, and in many cases investment banking licences. There are 3,656 B/D's in the US, with 66% of the market being retail, 21% being independent with more than US$100m and 13% of the market being smaller independents with less than US$100m. Overall, the market is estimated to be worth c.US$3trn with some 59,000 advisers in total.

RIA

Registered Investment Advisory firms are very similar to IBDs, although they have a different regulator. RIAs provide clients with independent advice, offering access to whole of market products. These firms often use the investment management and clearing service offered by firms like BNY and Charles Schwab. The remuneration model for a RIA is based on a percentage of AuM. The RIA market is larger than the B/D market, with some US$5trn under management and 60,000 employees. There are over 300 firms with more than US$1bn under management, with this part of the market growing strong over the past five years (there are 52 firms with more than US$5bn under management). Much of this growth has been a result of M&A, with most of the larger firms in the market still looking to further consolidate the sector.

Drivers of consolidation

There are a number of drivers behind the consolidation of these businesses. The B/D market is characterised by aging owners, regulatory pressure, rising costs and general lack of scale. The drivers within the RIA market are similar, although RIAs typically generate more recurring revenues and are therefore valued more highly. However, in both cases there are significant target markets for Kingswood to focus on:

- There are over 150 independent B/Ds with less than US$100m in revenue.
- There are 12,630 RIAs with between US$10m and US$500m in assets.

Kingswood has a pipeline of seven potential acquisitions across the two channels, which could add up to US$100m in revenue (although on the B/D side, the EBITDA margin that drops through is relatively low at between 2% and 9%).

Kingswood's strategy

A business with US$2bn already

Kingswood's initial move into the US was in May 2019, when a 7% interest was acquired in a business called Manhattan Harbor Capital ('MHC'). MHC is a holding company in New York and Atlanta that acquires, consolidates and manages IBDs and RIAs across the US. Manhattan Harbor is led by Michael Nessim, who has a 24-year track record in the industry where he has consistently delivered strong, profitable revenue streams for investors. A further step was made in December 2019 with the acquisition of Chalice Capital Partners and Chalice Wealth Advisors for a maximum consideration of US$4m. Chalice provides full service securities brokerage, advisory and investment banking services to a range of individuals and corporate clients, with 96 authorised representatives managing assets of US$1.1bn.

The next stage was announced on 12 August and sees Kingswood Holdings increase its interest in Kingswood US to 50.1%. To achieve this, Kingswood has in effect invested a total of just over US$7m, through its investment in MHC, and contributing Chalice and Kingswood Capital Markets to the venture. In addition, there is an intention to contribute up to US$8m of additional growth equity to build out the US distribution channels through adviser recruitment and acquisitions. This would take the total investment to c.US$15m. After completing this deal in November, the rebranded Kingswood US has offices in Atlanta, New York and San Diego, with 184 Authorised Representatives managing c.US$1.8bn of client investments.

The financial model

Drive higher quality of revenue, alongside investment banking operations

The attraction of this market to Kingswood is the relatively high returns generated, with a relatively low capital commitment. The intention is to move as many of the broker-dealer assets to the RIA model, which will see a pick-up in revenue and greater quality of earnings given the fee-based nature of the arrangement.

It is also worth noting that Kingswood has established a small investment banking operation, Kingswood Capital Markets ('KCM'). KCM is a full-service investment bank that provides companies from around the world with access to capital necessary to build thriving and profitable enterprises. KCM began operations in May 2020 with five senior bankers that have an average of 15 years of relevant industry experience; bringing with them well-established relationships that provide a steady stream of deal flow which they then match with institutional and retail investors along with family offices from the United States, Europe and Asia. This access to transcontinental capital is a strong differentiator that sets KCM apart from its peers.

Firm capabilities include investment banking, equity capital markets, debt capital markets, M&A and advisory. KCM has already completed 10 public and private issuer transactions since inception, comprising approximately ~US$250m in aggregate commitments, in just a few short months. Notably, the team has completed transactions across a range of sectors including Healthcare, Technology, REITs, Financial Services and Consumer. Kingswood Capital Markets will be adding five senior bankers – scheduled to join next month (in October) – as the company remains committed to expanding its reach and product offerings. We would expect the team to be able to complete a number of these transactions in any year, although clearly the timing and quantum are difficult to predict.

Pipeline of 25 advisers, US$750m in AuM

In a recent investor presentation, management outlined objectives of having assets of up to US$11.25bn by the end of FY22. This would make a material contribution to revenue and profit at this time.

Table 6: Growth objectives in US

Source: Kingswood

	FY20	FY21	FY22
Projected advisers	200	275-350	350-450
Projected assets	US$2bn	US$6.9bn-US$8.75bn	US$8.75bn-US$11.25bn

After the completion of the investments in Kingswood US, the group will have c.180 authorised representatives managing AuM of US$1.8bn. Pro-forma financials for the US business suggest that in the 12 months to October 2020, the division would have generated revenue of US$30m and EBITDA of US$2.6m (based on 100% consolidation).

Financial statements

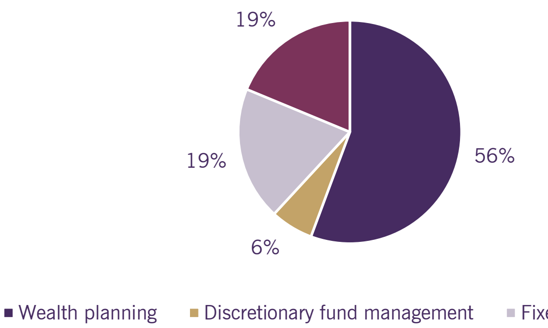
Given the early stage in the group's development, it is unsurprising the reported financials give little indication about the group's future profitability. Revenue in the year to December 2019 was £10.1m, an increase of 34% on the prior year given the impact of the acquisitions completed, although operating EBITDA was just £0.7m. This was a substantial improvement on the loss of £1.6m in FY18. In the first half of 2021, revenue increased materially to £8.3m, and the underlying EBITDA improved to £0.1m. These figures did not include any contribution from Sterling, which only closed in the last few days of the half.

Assets under management

Majority of assets in wealth planning service

In the interim results on 18 September, it was reported that AuM had increased to c.£5.0bn. From the closing balance of £2.8bn at 31 December, the completion of the Chalice acquisition added £0.8bn, whilst Sterling will add a further £1.2bn. It is important to highlight that this £5.0bn comprises a range of different asset types (ie different client offerings and revenue margins), which we detail in the chart below.

Chart 2: AuM by service
Source: Company accounts, Peel Hunt estimates



Revenue margins

Range of revenue margins

We have used the above analysis to build up our revenue expectations for the forecast period. We have used a margin of 50bps for the assets under advice, which is broadly consistent with the typical margin in the sector, 90bps for the pure DFM assets and 15bps for the institutional assets managed. For the assets in the US, it is challenging to forecast revenue given the different services offered (for example, there is a small investment banking capability, which generates fees based on transaction levels). In the recent presentation, the US businesses would have contributed US$30m of revenue and we use this as a base for our model.

Looking ahead, we have assumed that the assets grow by approximately 10% per annum. We use this to drive our revenue growth assumption of c.10%, although the impact of recent acquisitions leads to a significantly higher increase in FY20.

Table 7: Revenue progression

Source: Peel Hunt

(£'000)	2020E	2021E	2022E
Wealth planning	8,007	9,247	9,941
DFM	2,741	3,175	3,350
Institutional	1,370	1,425	1,497
US	7,000	25,171	32,219
Sterling	3,654	7,898	8,925
Total	22,771	46,917	55,931
Revenue growth	*n/a*	*106.0%*	*19.2%*

Costs

Investments made will deliver operational leverage

There are a number of points to consider in relation to costs:

- In the US business, the main expense is the amount paid to the advisers, based on the "compensable revenues" generated. This is included as a cost of sale. We assume this is broadly 90% of revenue generated.
- For a full 12-month period, the expense base of the company is running at c.£15m. This includes c.£4m of central costs. It is the relatively fixed nature of this central cost that contributes to the operational leverage of the group.

Table 8: Expenses and profit margins

Source: Company accounts, Peel Hunt estimates

(£'000)	2019A	2020E	2021E	2022E
Expenses	9,400	15,340	17,641	18,523
Operating margin	*-0.8%*	*5.0%*	*27.8%*	*32.0%*

Number of shares

There are a number of important considerations with regard to the number of shares in issue:

- The number of shares outstanding at the end of 2019 was 216.9m. We use this number for the basic EPS calculation.
- At the end of 2019 there were 34.5m options outstanding. The majority of these have an exercise price of 5p, and can be exercised up until December 2023. We include these shares in our fully diluted EPS calculation.
- The main impact on the number of shares in issue would be the conversion of the convertible preference shares. We show an indicative EPS figure, including the outstanding number of preference shares at the current time.

Table 9: Share count

Source: Company accounts, Peel Hunt estimates

	No of shares	% of outstanding	% of fully diluted
KPI (Nominees)	143,330,905	*66.0%*	*19.5%*
No in issue	216,921,000		
Share options	34,457,500		
Diluted no of shares	251,378,500		
Potentially issuable to Pollen St	484,848,485		*65.9%*
No. post pref share conversion	736,226,985		

Potential upside

Upside from:

- Acquisitions
- Incremental revenue from investment management
- Recruitment in US

As noted, these forecasts reflect the business at present, and do not include any potential acquisitions. These would likely materially change the expected level of profitability, but clearly any transaction is uncertain as to timing and quantum. This also applies to the US business, where recruitment is a key revenue and profit driver. We would also highlight the potential impact from the migration of advisory assets to the centralised investment proposition. The various investment solutions have margins of between 25bps and 100bps – even assuming that the majority of the growth is in the MPS service at the lower end of these margins, each £100m converted would add £250k of revenues, which would largely drop through to the bottom line. The business today has £2.6bn of advisory assets (after the Sterling acquisition) and could potentially add a further £3.5bn from acquisitions: a reasonable assumption would be that up to 50% of these assets are converted over the medium term. This would add c.£8m to revenue and profits.

We summarise the potential upside to existing forecasts in the table below.

Table 10: Contributors to potential profits uplift

Source: Peel Hunt

(£m)	Base case	2021E	2022E 25% migration	2022E 50% migration
Forecast EBITDA	7.3	7.3	9.2	9.2
Balance of Pollen Street facility	40	40.0	40.0	40.0
Assumed uplift from acquisitions (assumed 6.5x EBITDA)	0	6.2	6.2	6.2
Revenue uplift from AuM migration	0	4.1	4.1	8.2
Expected synergies from acquisitions			2.2	2.2
Profit uplift from US expansion	0	2.0	3.0	4.0
Indicative EBITDA	0	17.5	19.5	29.8
Indicative EBIT	6.9	17.0	19.0	29.3

Valuation and recommendation

Sector comparison

Our initial comparison is to compare Kingswood's current EV/AUM to other wealth managers. We find that Kingswood trades towards the lower end of the sector, which is perhaps unsurprising given the relative maturity, profitability and scale of the business compared to the peers. If we look at earnings multiples, although Kingswood trades at a premium to the sector, we believe this reflects both the expected growth the business can deliver in future years, as well as the lack of liquidity given the share ownership structure. Given Kingswood's ambitions in the US, we would also note a comparable peer there, LPL Financial, is trading on an EV/EBIT multiple of c.12x, based on consensus estimates.

Table 11: EV/AuM multiples

Source: Company accounts, Peel Hunt estimates

Forecast EV/AuM multiples	
AFH	*2.0%*
Brewin Dolphin	*1.4%*
Brooks Macdonald#	*1.3%*
Charles Stanley#	*0.2%*
Kingswood	*1.1%*
Rathbones#	*1.4%*
St. James's Place	*4.7%*

Table 12: Sector valuation comparison

Source: Peel Hunt

	Price (p)	Market Cap (£m)	Annualised PE 2020E (x)	Annualised PE 2021E (x)	Annualised EV/EBIT 2020 (x)E	Annualised EV/EBIT 2021E (x)	Annualised Yield 2020E	Annualised Yield 2021E	3 yr EPS CAGR	3 yr DPS CAGR
AFH	330	140.9	11.2	9.9	7.5	6.5	*2.7%*	*3.1%*	*16.3%*	*12.2%*
Brewin Dolphin	285	858.5	13.9	13.5	8.9	8.7	*5.1%*	*5.2%*	*5.7%*	*5.7%*
Brooks Macdonald#	1672.5	268.0	12.6	10.9	8.9	7.4	*3.4%*	*4.1%*	*18.2%*	*22.4%*
Charles Stanley#	275	142.4	12.8	12.6	3.5	3.3	*3.3%*	*3.3%*	*3.1%*	*10.9%*
Kingswood	28.5	61.4	n/a	15.0	74.2	8.6	*0.0%*	*0.0%*	*n/a*	*n/a*
Quilter	152.45	2,703.8	22.4	15.7	13.5	11.2	*2.5%*	*2.3%*	*n/a*	*n/a*
Rathbones#	1592	908.8	13.9	12.8	9.2	8.5	*4.4%*	*4.4%*	*3.3%*	*2.8%*
St. James's Place	1101	5,876.2	21.3	18.6	5.6	5.3	*3.6%*	*5.9%*	*10.5%*	*13.6%*

Valuing the potential

It is more instructive, in our view, to consider what Kingswood is worth based on the potential of the business. As we show in the table below, we estimate that the business could generate EBIT of £19m, which would be equivalent to 26p per share. However, taking a more optimistic view of the potential profit uplift, including a greater contribution from the US business and synergies from acquisitions, profits could be c.£29m. If we base our valuation on an EV/EBIT multiple of 10x, these profits would be worth c.£290m. If we then assume that the preference shares convert, the shares would be worth 40p.

#Corporate client of Peel Hunt

Table 13: Valuation model

Source: Peel Hunt

(£m)	Base case	2021E	2022E 25% migration	2022E 50% migration
Forecast EBITDA	7.3	7.3	9.2	9.2
Balance of Pollen Street facility	40	40.0	40.0	40.0
Assumed uplift from acquisitions (assumed 6.5x EBITDA)	0	6.2	6.2	6.2
Revenue uplift from AuM migration	0	4.1	4.1	8.2
Expected synergies from acquisitions	0	0	2.2	2.2
Profit uplift from US expansion	0	2.0	3.0	4.0
Indicative EBITDA	0	17.5	19.5	29.8
Indicative EBIT	6.9	17.0	19.0	29.3
Prospective EV/EBIT multiple	10	10.0	10.0	10.0
Indicative valuation	69.3	170.0	189.6	293.1
Number of existing shares	251,379	251,379	251,379	251,379
Convertible shares to issue	150,475	484,848	484,848	484,848
Total number of shares in issue	401,854	736,227	736,227	736,227
Value per share	17.2	23.1	25.8	39.8

Table 14: Potential revenue uplift

Source: Peel Hunt

AuA including potential acquisitions (£m)	6,548	6,548
Proportion of assets migrated	*25%*	*50%*
Assets migrated to CIP £m	1,637	3,274
Assumed incremental revenues £m	4.1	8.2

Financials – income statement

Table 15: Summary income statement

Source: Company accounts, Peel Hunt estimates

Y/end Dec (£'000)	2018	2019	H1 20	2020E	2021E	2022E
Revenue	**7,506**	**10,053**	**8,251**	**22,771**	**46,917**	**55,931**
Cost of sales	0	0	0	6,300	22,025	28,192
Gross profit	**7,506**	**10,053**	**8,251**	**16,471**	**24,892**	**27,739**
Admin expenses	9,103	9,400	8,107	15,340	17,641	18,523
Share based remuneration	4	442	350	500	500	500
Exceptional costs	1,367	3,581	1,925	5,000	0	0
Amortisation	540	1,132	807	2,000	2,000	2,000
Depreciation	58	294	258	300	325	350
Impairment of goodwill	0	381	0	0	0	0
Other gains/losses	106	0	10	0	0	0
Operating profits/loss	-3,668	-5,177	-3,206	-6,169	4,926	6,866
Adjusted operating profit/loss	**-1,761**	**-83**	**-474**	**831**	**6,926**	**8,866**
Underlying EBITDA (excludes share based remuneration)	**-1,597**	**653**	**144**	**1,131**	**7,251**	**9,216**
Finance costs	-17	-384	-218	-450	-500	-550
Profit/loss before tax	-3,689	-5,561	-3,424	-6,619	4,426	6,316
Adjusted profit/loss	**-1,778**	**-467**	**-692**	**381**	**6,426**	**8,316**
Tax	0	0	0	0	0	0
Profit/loss from continuing operations	-3,689	-5,561	-3,424	-6,619	4,426	6,316
Profits/losses from discontinued operations	-1,029	-155	0	0	0	0
Total profit/loss for period	**-4,718**	**-5,716**	**-3,424**	**-6,619**	**4,426**	**6,316**
Non-controlling interest	0	0	0	-350	-1,573	-2,014
Basic number of shares ('000)	131,362	178,875	216,921	216,921	216,921	216,921
Diluted number of shares ('000)	131,362	178,875	0	251,379	251,379	251,379
Diluted including convertible preference shares ('000)	0	0	0	401,854	401,854	401,854
Basic EPS (p)	-1.4	-0.3	-0.3	0.2	3.0	3.8
Diluted EPS (p)	**-1.4**	**-0.3**	**0.0**	**0.0**	**1.9**	**2.5**
Fully diluted EPS including preference shares (p)	**0.0**	**0.0**	**0.0**	**0.0**	**1.2**	**1.6**
DPS (p)	**0**	**0**	**0**	**0**	**0**	**0**
Operating margin	*-23.5%*	*-0.8%*	*-5.7%*	*5.0%*	*27.8%*	*32.0%*

Appendix 1

Table 16: Core models – performance vs peer group

Source: Kingswood

31 Aug 20		Q1 20	Q2 20	Jul 20	Aug 20	YTD 20	2019	1-Yr	3-Yr	5-Yr	Incept
Defensive (%)		*-4.1*	*5.3*	*1.0*	*0.5*	*2.4*	*3.7*	*3.2*	*6.2*	*10.8*	*18.3*
Cautious (%)		*-8.9*	*8.5*	*0.7*	*1.3*	*0.8*	*7.4*	*2.6*	*5.9*	*19.2*	*34.2*
ARC peer group (%)	*(0-40% equity)*	*-6.5*	*6.3*	*0.0*	*0.8*	*0.2*	*8.1*	*1.2*	*4.9*	*15.9*	*27.2*
Relative to ARC (%)		*-2.4*	*2.1*	*0.7*	*0.5*	*0.6*	*-0.6*	*1.4*	*1.0*	*3.3*	*7.1*
Balanced (%)		*-12.9*	*11.3*	*0.0*	*2.1*	*-0.9*	*11.4*	*1.9*	*5.5*	*26.5*	*49.3*
ARC peer group (%)	*(40-60% equity)*	*-11.0*	*9.4*	*-0.4*	*1.6*	*-1.5*	*11.7*	*0.5*	*6.0*	*23.1*	*40.8*
Relative to ARC (%)		*-1.8*	*1.9*	*0.4*	*0.5*	*0.6*	*-0.3*	*1.4*	*-0.5*	*3.4*	*8.4*
Growth (%)		*-17.5*	*14.5*	*-0.4*	*2.9*	*-3.2*	*15.0*	*0.1*	*4.0*	*32.8*	*64.3*
ARC peer group (%)	*(60-80% equity)*	*-14.5*	*11.8*	*-0.9*	*2.4*	*-2.9*	*15.0*	*0.1*	*7.5*	*31.6*	*54.8*
Relative to ARC (%)		*-3.1*	*2.7*	*0.5*	*0.5*	*-0.3*	*0.0*	*0.0*	*-3.5*	*1.3*	*9.5*
Adventurous (%)		*-21.4*	*17.2*	*-0.9*	*3.7*	*-5.3*	*19.3*	*-0.7*	*3.5*	*34.0*	*71.2*
ARC peer group (%)	*(80-110% equity)*	*-17.3*	*14.2*	*-1.2*	*2.9*	*-4.0*	*18.0*	*0.1*	*8.5*	*37.7*	*65.6*
Relative to ARC (%)		*-4.1*	*3.0*	*0.3*	*0.8*	*-1.3*	*1.3*	*-0.8*	*-5.1*	*-3.7*	*5.6*

Kingswood data are net of a 0.3% pa fee (incl. VAT)

Recommendation structure and distribution

	Recommendation distribution at 4 December 2020				All research published in the last 90 days	
	Corporate No	Corporate %	No	%	Corporate %	%
Buy	109	87	216	57	89	59
Add	9	7	63	17	6	17
Hold	4	3	75	20	3	19
Reduce	0	0	11	3	0	2
Sell	0	0	5	1	0	1
Under Review	4	3	9	2	2	1

Peel Hunt's Recommendation Structure is as follows:

Buy, > +15% expected absolute price performance over 12 months
Add, +5-15% range expected absolute price performance over 12 months
Hold, +/-5% range expected absolute price performance over 12 months
Reduce, -5-15% range expected absolute price performance over 12 months
Sell, > -15% expected absolute price performance over 12 months
Under Review (UR), Recommendation, Target Price and/or Forecasts suspended pending market events/regulation

NB The recommendation is the primary driver for analyst views. The target price may vary from the structure due to market conditions, risk profile of the company and capital returns

Research Disclosures

Number	Disclosure
1	Company is a corporate client of Peel Hunt
2	The Analyst has a shareholding in this Company
3	The Company holds >3% in Peel Hunt
4	Peel Hunt makes a market in this Company
5	Peel Hunt is Broker to this Company and therefore provides investment services to the Company
6	During the last 12 months Peel Hunt has received compensation from this company for the provision of investment banking services
7	During the last 12 months Peel Hunt has acted as a sponsor/broker/ NOMAD/ financial advisor for an offer of securities from this company
8	Peel Hunt holds >5% in Company (calculated under Market Abuse Regulation (EU) 596/2014)
9	1% beneficial ownership (calculated for purposes of FINRA under Section 13(d)/(g) of the Securities Exchange Act of 1934 and IIROC Rule 3400)
10	Peel Hunt holds a net long position that exceeds 0.5% in the Company (calculated under Market Abuse Regulation (EU) 596/2014).
11	Peel Hunt holds a net short position that exceeds 0.5% in the Company (calculated under Market Abuse Regulation (EU) 596/2014).

Recommendation history

Company	Disclosures	Date	Rec	Price	Target Price
Brewin Dolphin	4	27 Jul 20	Buy	276p	375p
		15 May 20	Buy	252p	310p
		21 Apr 20	Buy	254p	305p
		27 Nov 19	Buy	342p	385p
Brooks Macdonald	1,4,5,6	16 Jul 20	Buy	1,595p	2,505p
		16 Apr 20	Buy	1,550p	2,210p
		25 Nov 19	Buy	1,850p	2,490p
Charles Stanley	1,4,5,6	09 Jul 20	Buy	246p	340p
		16 Apr 20	Buy	277p	320p
		14 Jan 20	Buy	303p	350p
		21 Nov 19	Buy	255p	300p
Kingswood Holdings	1,4,5	This note is initiation of coverage			
Rathbone Brothers	1,4,5,6	29 Jul 20	Buy	1,516p	2,595p

		24 Jul 20	Buy	1,568p	2,425p
		07 May 20	Buy	1,460p	2,230p
		18 Oct 19	Buy	2,170p	2,750p
St James's Place	4	31 Jul 19	Buy	1,043p	1,350p

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