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22 November 2019

Brooks Macdonald Group PLC

Acquisition of Cornelian Asset Managers Group Limited

A significant step forward in our medium-term strategy to deliver sustainable, value-enhancing growth

Brooks Macdonald Group plc ("Brooks Macdonald", the "Group" or the "Company") is pleased to announce that it has entered into a binding agreement to acquire 100% of the issued share capital of Cornelian Asset Managers Group Limited ("Cornelian"), the Edinburgh based independent wealth and asset manager from its shareholders, including senior management (the "Acquisition"). The total net consideration is expected to be up to £39m, with initial consideration being £31m, of which £22m will be paid in cash and £9m in Brooks Macdonald shares. A further contingent cash consideration of up to £8m is payable depending upon Cornelian meeting certain pre-agreed performance targets relating to the retention and growth of client assets as well as the realisation of cost synergies. Completion is expected to take place in the first quarter of 2020 subject to regulatory approval.

The Group separately announced this morning an equity placing to raise gross proceeds of approximately £30m which will be used to fund the cash element of the consideration for the Acquisition (the "Placing" and, together with the Acquisition, the "Transaction").

Highlights

- Cornelian is an independent, well-established wealth manager based in Edinburgh with national distribution reach and a track record of profitable growth:
 - Funds under management ("FUM") of c.£1.4bn¹, managed on a discretionary basis
 - Growth in total FUM of c.£0.75bn since 2014, driven principally by the success of Cornelian's multi-asset fund ranges distributed through intermediaries
 - Generated revenue of c.£10.3m¹ and EBITDA of c.£3.4m¹ in the year to 30 September 2019
- The Acquisition has a compelling strategic rationale:
 - In line with the Group's strategy to explore selective and high quality inorganic opportunities, alongside its continuing focus on organic growth from intermediary relationships
 - Strengthens the Group's intermediary distribution reach
 - Adds proven multi-asset funds

¹ All Cornelian FUM financial figures in this announcement for the year to 30 September 2019 are based on unaudited Cornelian management accounts. Earlier years based on published audited accounts.

- Builds scale in the Group's direct client offering, thereby augmenting the Group's existing proposition
- Material financial benefits are expected from the Acquisition:
 - Increase in Brooks Macdonald's pro forma funds under management by c.10% to £14.7bn²
 - Annual cost synergies of c.£3.75m expected to be fully realised by the end of the Group's first full financial year following completion (12 months ending 30 June 2021). High degree of confidence in delivery and timing of synergy benefits, given detailed analysis of costs and complementarity of business model
 - Expected to be accretive to underlying EPS in the year of acquisition (12 months ending 30 June 2020), with accretion increasing to an estimated 9% in the Group's first full financial year following completion (12 months ending 30 June 2021), taking only expected cost synergies into account
 - Net consideration represents an estimated pre-synergy P/E multiple of 14 times and a post cost synergy P/E multiple of 7 times, on a pro forma fully phased synergies basis

Caroline Connellan, Chief Executive of Brooks Macdonald, commented:

"From the outset of our discussions with Cornelian, we have been struck by the complementary cultures, investment processes and business models of the two firms, with both having a strong focus on clients and intermediaries. We are delighted that we have been able to agree a transaction that brings additional multi-asset capability and distribution strength into the Group. The transaction creates value for our shareholders and crucially will provide benefits for both firms' clients and the intermediaries with whom we work. The acquisition of Cornelian is a significant step forward in our medium-term strategy of delivering sustainable, value-enhancing growth."

Jeremy Richardson, Chief Executive of Cornelian, commented:

"Throughout our discussions with Brooks Macdonald, we have been impressed by their strong client focus and growth aspirations. It has been client and intermediary support over many years that has enabled us to build a successful business. Therefore, it was important to us to find a company with a similar culture and investment philosophy, and critically one that we were confident would provide the highest levels of service to our clients and intermediary supporters. We are very pleased to be joining Brooks Macdonald."

Conference call and investor presentation details

An analyst and investor conference call will be held at 9:00 a.m. today.

Dial in: +44 (0) 3333 000804

Pin: 90136042#

Presentation slides will be available from 7:00 a.m. today by going to the Investor Relations section of Brooks Macdonald's website using the following link:

<https://www.brooksmacdonald.com/investor-relations>

² Based on Brooks Macdonald funds under management figure as of 30 September 2019

Brooks Macdonald is being advised by N. M. Rothschild & Sons Limited (“Rothschild & Co”) in relation to the Transaction. Peel Hunt LLP are the corporate brokers to Brooks Macdonald and bookrunner for the Placing. Travers Smith LLP are acting as legal advisers to Brooks Macdonald in relation to the Transaction. Cornelian is being advised by Pakenham Partners Limited in relation to the Transaction and Dickson Minto W.S. are acting as legal advisers to Cornelian.

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Notes to editors

Brooks Macdonald, through its various subsidiaries, provides leading investment management services in the UK and internationally. The Group, which was founded in 1991 and began trading on AIM in 2005, had discretionary funds under Management of £13.3 billion as at 30 September 2019.

Brooks Macdonald offers a range of investment management services to private high net worth individuals, pension funds, institutions, charities and trusts. The Group also provides financial planning as well as offshore investment management and acts as fund manager to a regulated OEIC providing a range of risk-managed multi-asset funds and a specialised absolute return fund.

The Group has thirteen offices across the UK and the Channel Islands including London, East Anglia, Hampshire, Leamington Spa, Leeds, Manchester, Taunton, Tunbridge Wells, Wales, Scotland, Jersey, and Guernsey.

MAR INFORMATION

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this Announcement is being made on behalf of the Company by Robert King, Company Secretary.

Background

Brooks Macdonald is a successful investment management and financial planning company with over £13bn of FUM, focussed on providing high quality investment solutions to Independent Financial Advisers (“IFAs”) looking to outsource their investment management activity, which continues to be one of the fastest growing segments of the UK asset management industry. Having strengthened its senior management team and upgraded its risk management and operational framework over recent years, the Company is now well-positioned to undertake high quality inorganic growth transactions alongside its continuing focus on organic growth. Cornelian is a business with an excellent reputation, strong focus on investment management and a shared commitment to client service which makes it a compelling strategic fit for Brooks Macdonald.

Overview of the Transaction

Brooks Macdonald has agreed to acquire 100% of the issued share capital of Cornelian from its shareholders, including senior management. The Acquisition is subject to certain regulatory approvals and completion is expected to take place in the first quarter of 2020.

Cornelian is an independent, well-established and profitable wealth management business, with 39 staff including 12 investment professionals, based in Edinburgh. As at 30 September 2019, it had c.£1.4bn of FUM¹, all managed on a discretionary basis. Its investment offering includes two ranges of multi-asset OEIC funds and segregated discretionary portfolios. It operates a centralised investment team with distribution and servicing separated into two segments:

- Intermediated business (c.£0.9bn at 30 September 2019): principally distributing Cornelian’s successful fund ranges through financial advisers
- Direct business (c.£0.5bn at 30 September 2019): dealing principally with private clients (c.£0.4bn) but also with small books of charity and pension fund business (together accounting for c.£0.1bn), all with direct client relationships

Cornelian has a track record of delivering growth with total FUM increasing by c.£0.75bn¹ since 2014, representing an annual growth rate of c.17%, driven predominantly by multi-asset funds sold through intermediaries. It has more than doubled its revenue during the same period³, although the business saw modest net outflows in 2019, in line with weaker client sentiment reflected across the sector. Based on its management accounts for the year ended 30 September 2019, Cornelian generated revenue of c.£10.3m³ and an EBITDA of c.£3.4m³ in the year.

Strategic rationale

Cornelian’s business is complementary to the Group’s existing discretionary fund management activities and will further strengthen its existing investment management, client, and intermediary expertise. The Acquisition is a significant step forward for Brooks Macdonald’s stated medium-term strategy of delivering sustainable, value-adding growth.

Cornelian’s c.450 direct clients and the c.500 financial advisers through which it distributes its multi-asset funds range will benefit from the Group’s broader product and service offering. The direct clients will

³ Based on unaudited Cornelian accounts for year to 30 September 2019

benefit from financial planning and see continuity of their investment manager relationship. All clients will benefit from the combined research resources and broader platform of the enlarged Group.

Synergies and growth opportunities

The Group is confident the Acquisition will deliver material levels of both cost synergies, driving the estimated underlying⁴ EPS accretion of 9% in the first full financial year following completion, as well as revenue synergies that will contribute further to medium- and longer-term growth.

The Group expects to achieve run-rate cost synergies from the Transaction of c.£3.75m per annum post integration of Cornelian, principally achieved from the streamlining of operations and infrastructure, leveraging the work the Group has already done to improve its processes and operational framework. The Group expects one-off costs necessary to achieve these synergies to be up to £1.5m. All cost synergies are expected to be realised by the end of the Group's first full financial year following completion (12 months ending 30 June 2021) and the majority within the first 6-9 months of ownership. The Group's confidence in the delivery and timing of these synergies is driven both by the complementary nature of Cornelian's business model and by detailed analysis of the firm's cost base at an individual contract level for non-staff costs, initially conducted as a part of the Group's due diligence process and later tested against the judgement of Cornelian senior management.

The integration of Cornelian's team will begin with moving into Brooks Macdonald's premises in Edinburgh, and the business moving on to the Group's processes and systems, with limited need for incremental middle and back office headcount across the enlarged Group after integration.

The Transaction is estimated to be accretive to the Group's underlying earnings per share in the financial year to 30 June 2020, and 9% enhancing in the year to 30 June 2021, taking into account expected cost synergies and the Group's expectation that AUM targets will be met to the level that all contingent consideration is paid. The net consideration represents an estimated pre-synergy P/E multiple of 14 times and a post cost synergy P/E multiple of 7 times on a pro forma fully phased synergies basis.

Note this calculation does not include the impact of any expected revenue synergies, which will bring meaningful potential medium- and longer-term growth opportunities for the Group.

Cornelian's multi-asset funds, which have demonstrated high growth and deep penetration in the financial adviser channel, represent a strong addition to the Group's overall offering. The penetration is driven by investment performance for all funds being materially ahead of their "inflation-plus" benchmarks over the longer term. Brooks Macdonald has strong relationships in the financial adviser market for distribution of discretionary fund management in both individual portfolio and fund formats, and adding Cornelian's fund range to the offering will bring new opportunities. Further, Cornelian's broad base of adviser relationships, with a different segment of the IFA market, extends the Group's reach.

Combining Cornelian's Private Clients & Charities business with Brooks Macdonald's existing direct clients will give the Group scale in this area and bring Financial Planning expertise to the Cornelian client base. The Group's existing Edinburgh office has more direct business than any other office in the Group so the

⁴ Underlying figures represent the results for the Group's continuing activities and exclude: amortisation and impairment of intangibles including goodwill; changes in fair value; restructuring charges; one-off transaction costs; and other exceptional items. A full reconciliation is given in interim and final results.

combination with Cornelian creates a Direct Client centre of excellence with the opportunity to develop further our offering to be applied across the Group.

Transaction terms

Under the terms of the Acquisition, the total consideration will comprise:

- Net consideration of up to £39m, comprising payments for intangible assets (including goodwill) and required regulatory capital (split c.£37.4m intangible assets and c.£1.6m required regulatory capital)
- A payment to reflect the value of excess tangible net assets in Cornelian at completion

Tangible net assets at completion are expected to be c.£7.5m (including the £1.6m required regulatory capital), and comprised almost entirely of cash. If the tangible net assets are higher than this, the payment is capped at £7.5m, with any surplus above that level to be distributed to the sellers between exchange and completion.

The upfront consideration payable at completion for intangibles including goodwill – c.£29.4m – will consist of £20.4m in cash, funded from the proceeds of the Placing announced this morning, and £9m of new Brooks Macdonald shares (the “Consideration Shares”) (issued at £19.86 per share and based on the volume weighted share price in the lead-up to the Transaction). The Consideration Shares are subject to a two-year lock-in and a further one-year orderly market provision.

Further contingent consideration of up to £8m, payable entirely in cash, will be payable upon Cornelian meeting certain pre-agreed performance targets relating to the retention and growth of client assets as well as the realisation of cost synergies. Contingent consideration relating to the retention and growth of client assets will be up to £6m and that relating to the realisation of cost synergies will be up to £2m. Performance against criteria will be fully determined by the second anniversary of completion.

Proposed placing and use of proceeds

As announced separately today, Brooks Macdonald intends to fund the cash consideration for the Acquisition in part through a placing of additional new ordinary shares in the Company. The Placing is intended to raise gross proceeds of approximately £30m. The Acquisition is conditional, inter alia, upon the successful completion of the Placing.

Appendix – Cornelian 3-year financial results

Figures in the table are taken from audited accounts for FY2017 and FY2018, and unaudited management accounts for FY2019 and AUM source data at 30 September 2019.

£m	FY2017	FY2018	FY2019
AUM	1,270.0	1,423.0	1,380.5
Revenue	8.3	10.4	10.3
EBITDA	2.6	3.5	3.4
PBT	2.4	3.4	3.4

Note FY2019 profitability (EBITDA and PBT) as shown in the table above was adversely impacted by a number of small non-recurring items totalling £0.2m.

Important notes

Neither this Announcement, nor any copy of it, may be taken or transmitted, published or distributed, directly or indirectly, in or into the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or to any persons in any of those jurisdictions or any other jurisdiction where to do so would constitute a violation of the relevant securities laws of such jurisdiction. This Announcement is for information purposes only and does not constitute an offer to sell or issue, or the solicitation of an offer to buy, acquire or subscribe for any shares in the capital of the Company in the United States, Australia, Canada, Japan or the Republic of South Africa or any other state or jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Any failure to comply with these restrictions may constitute a violation of securities laws of such jurisdictions.

The ordinary shares to be issued in connection with the Placing have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**US Securities Act**"), or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an applicable exemption from the registration requirements of the US Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offering of any securities referred to herein in the United States or elsewhere.

Peel Hunt, which is authorised and regulated in the United Kingdom by the FCA, is acting solely for the Company and no-one else in connection with the transactions and arrangements described in this Announcement and will not regard any other person (whether or not a recipient of this Announcement) as a client in relation to the transactions and arrangements described in this Announcement. Neither Peel Hunt nor its partners, directors, officers, employees, advisers, consultants, affiliates or agents are responsible to anyone other than the Company for providing the protections afforded to clients of Peel Hunt or for providing advice in connection with the contents of this Announcement or for any other matters referred to herein.

Rothschild & Co, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company and no-one else in connection with the transactions and arrangements described in this Announcement and will not regard any other person (whether or not a recipient of this Announcement) as a client in relation to the transactions and arrangements described in this Announcement. Rothschild & Co will not be responsible to anyone other than the Company for providing the protections afforded to clients of Rothschild & Co or for providing advice in connection with the contents of this Announcement or for any other matters referred to herein.

Cautionary statements

This Announcement may contain and the Company may make verbal statements containing "forward-looking statements" with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance, strategic initiatives, objectives and results. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "seek", "may", "could", "outlook" or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the control of the Company. As a result, the actual future financial condition, performance and results of the Company may differ materially from the plans, goals and

expectations set forth in any forward-looking statements. Any forward-looking statements made in this Announcement by or on behalf of the Company speak only as of the date they are made.

The information contained in this Announcement is subject to change without notice and except as required by applicable law or regulation (including to meet the requirements of the AIM Rules, MAR, the Prospectus Rules and/or FSMA), the Company expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained in this Announcement to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statements are based. Statements contained in this Announcement regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Announcement.

No statement in this Announcement is intended to be a profit forecast and no statement in this Announcement should be interpreted to mean that earnings per share of the Company for the current or future years would necessarily match or exceed the historical published earnings per share of the Company.