

# Annual results 2019

Presentation

5 March 2020

Peter Harrison  
Group Chief Executive

**Schroders**





# Delivering strategic progress

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Peter Harrison  
Group Chief Executive



Progress across  
strategic initiatives



Record inflows across  
both Asset and Wealth  
Management



Targeted acquisitions to  
further reposition business



Greater granularity  
in reporting



**Peter Harrison**  
Group Chief Executive

	2019	2018	Change
Net income <sup>1</sup>	£2,124.8m	£2,123.9m	0%
Ratio of total costs to net income	67%	64%	–
<b>Profit before tax<sup>1</sup></b>	<b>£701.2m</b>	<b>£761.2m</b>	<b>(8)%</b>
AUM	£500.2bn	£407.2bn	23%
Net new business	£43.4bn	£(9.5)bn	–
<b>Basic EPS<sup>1</sup></b>	<b>201.6p</b>	<b>215.8p</b>	<b>(7)%</b>
Total dividend per share	114p	114p	–



Progress across  
strategic initiatives



Record inflows across  
both Asset and Wealth  
Management



Targeted acquisitions to  
further reposition business



Greater granularity  
in reporting

<sup>1</sup> Before exceptional items.

Grow Asset  
Management



Closer relationships  
with end clients



Expand Private Assets  
& Alternatives



<sup>1</sup> Before exceptional items.

# Strategically-aligned view of the business

## Wealth Management

Wealth management and financial planning for ultra high net worth, high net worth, affluent and charity clients

## Private Assets & Alternatives

Investment opportunities available in private markets, such as real estate, private equity and infrastructure, as well as alternative investments

## Solutions

Provision of complete solutions and partnerships, including liability offsets and risk mitigation

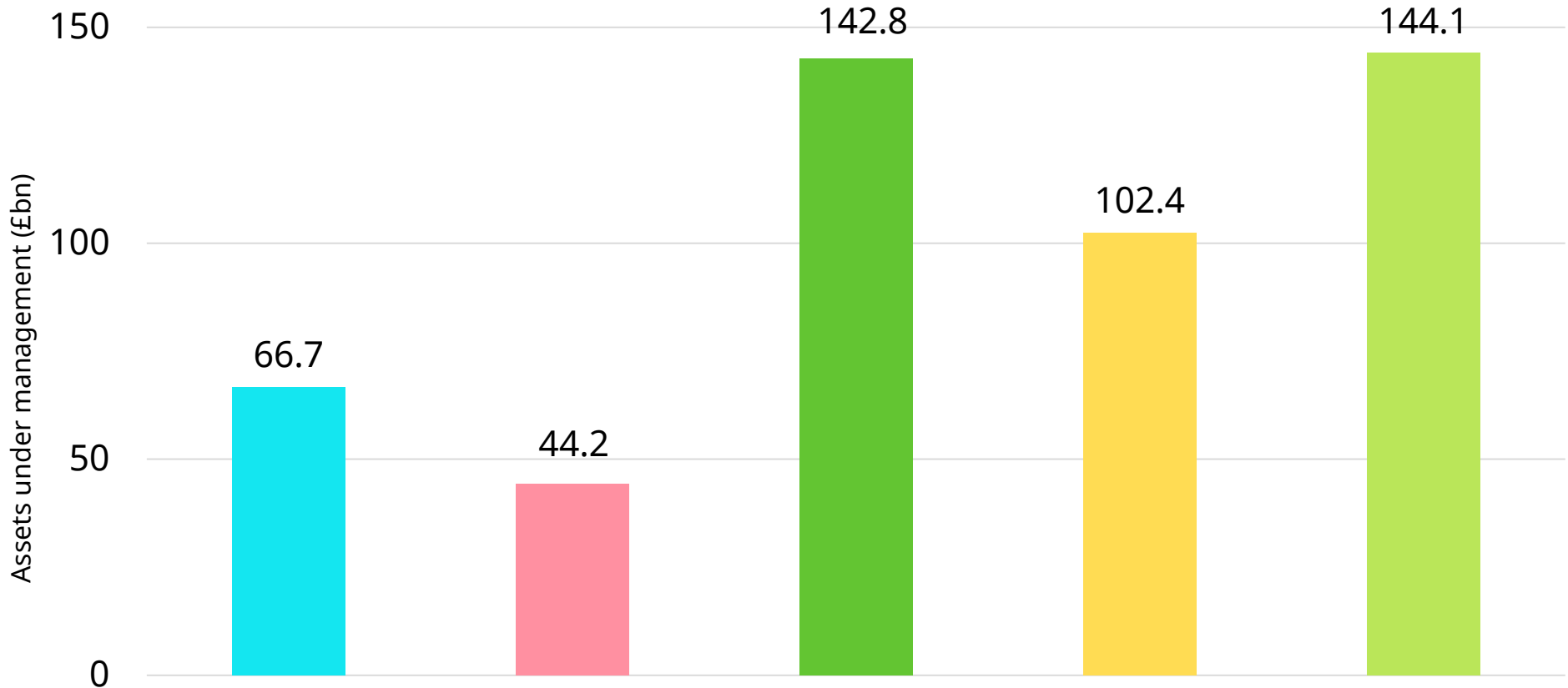
## Mutual Funds

Branded mutual funds provided through intermediary network for retail clients

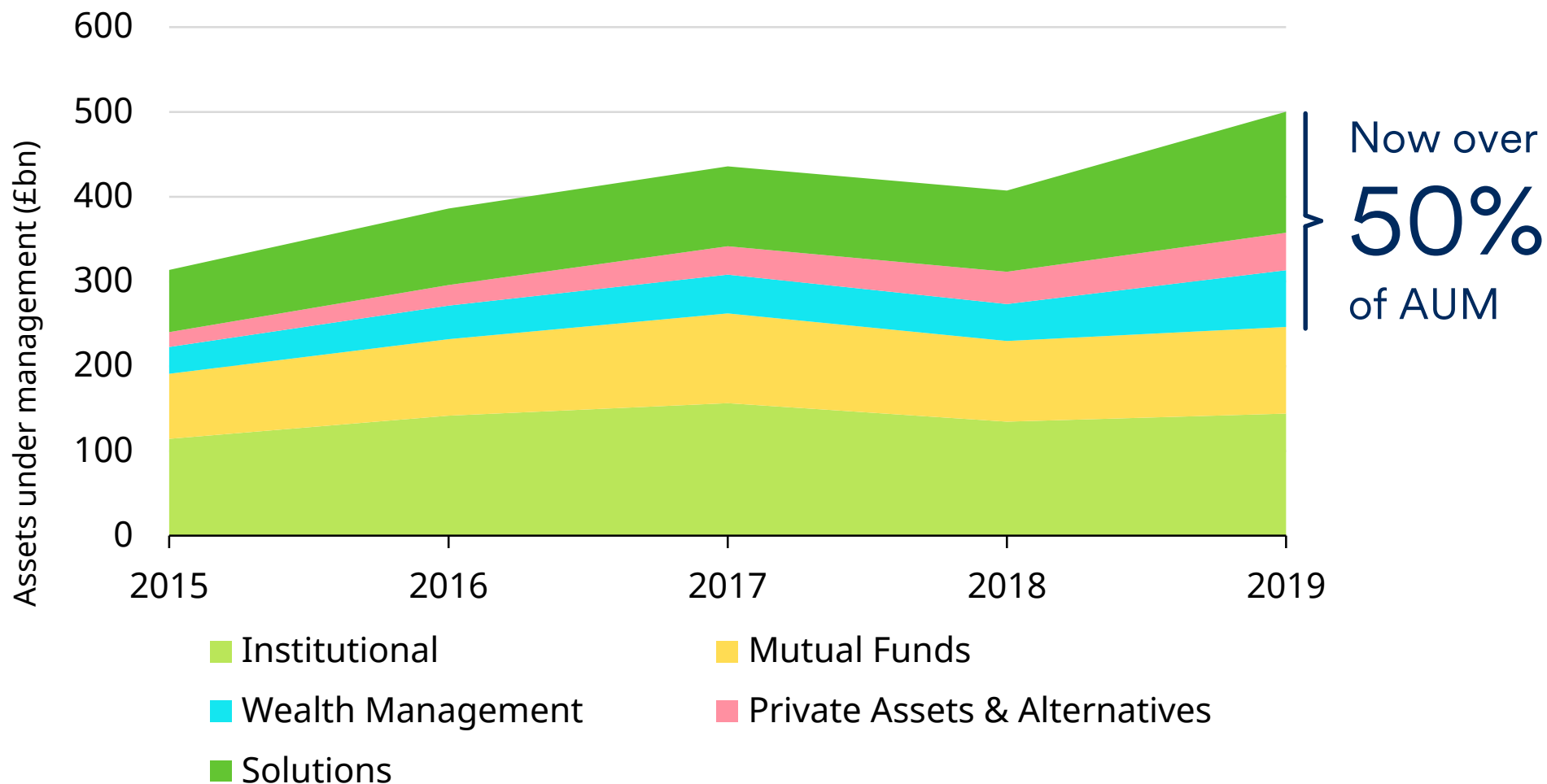
## Institutional

Index-relative investment components for institutions and sub-advisory mandates

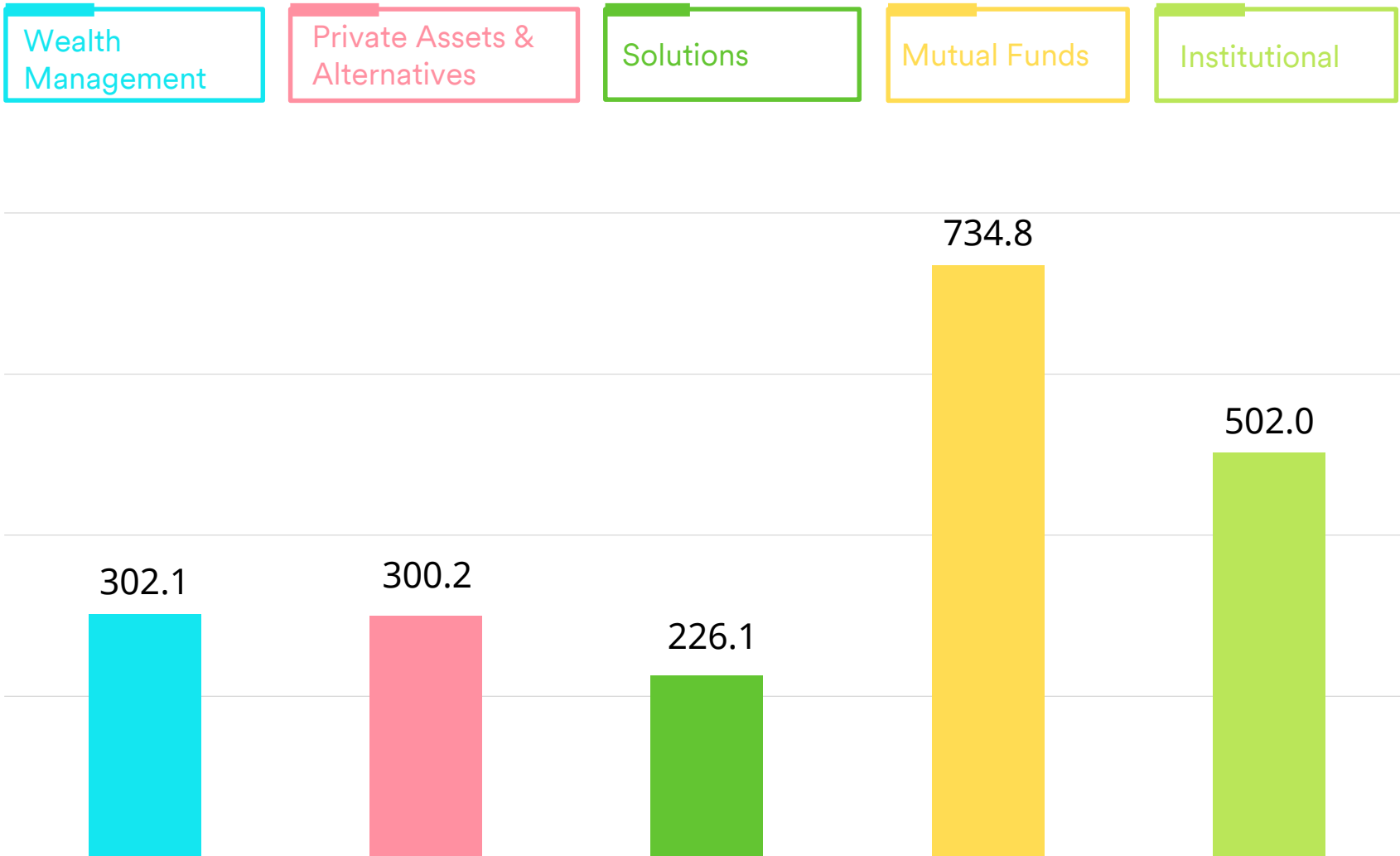
# Strategically-aligned view of the business



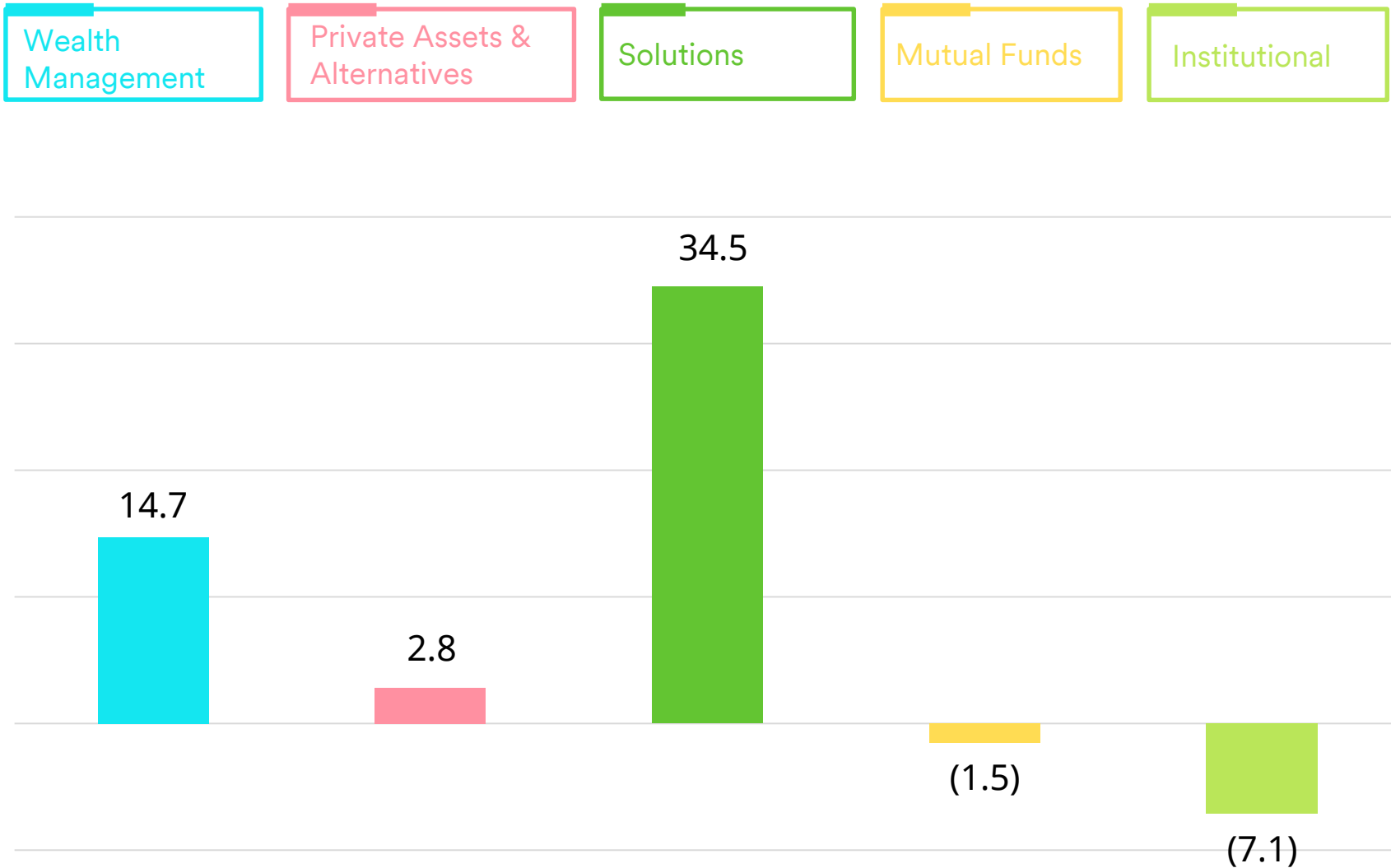
# Changing composition of our assets



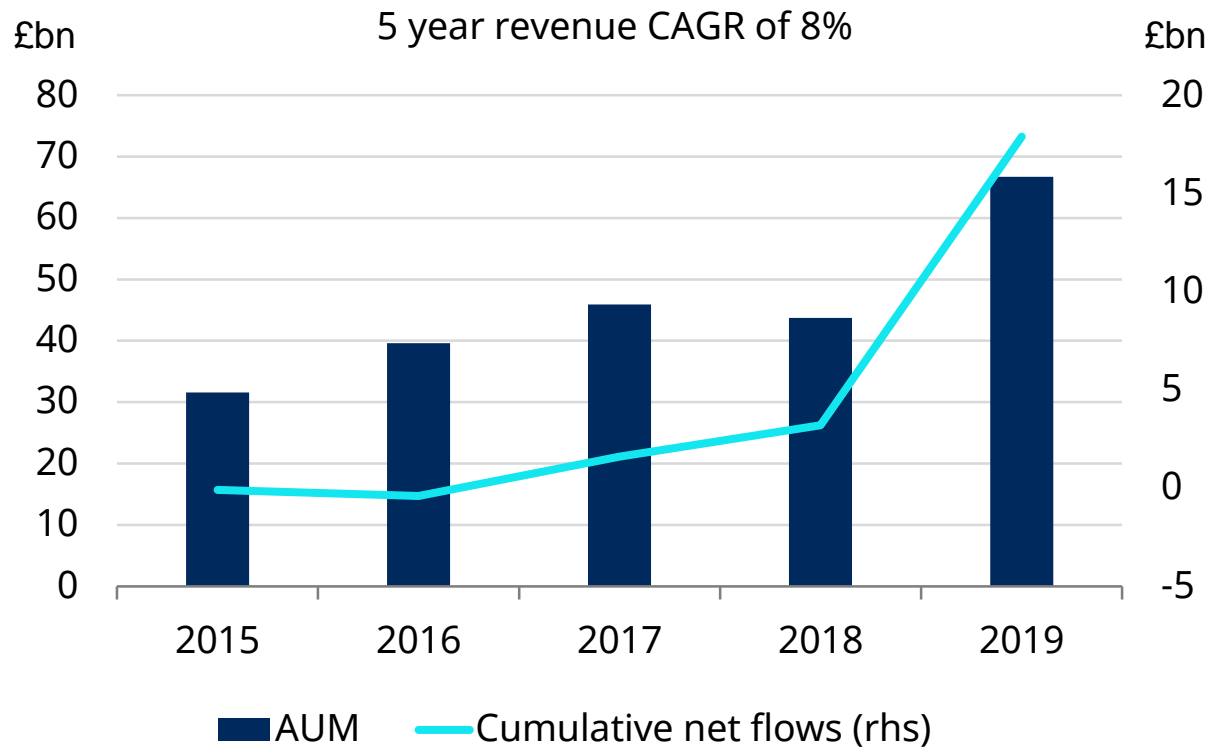
# Strategically-aligned view of the business



# Strategically-aligned view of the business



# Closer relationships with end clients through **Wealth Management**



Launch of Schroders Personal Wealth, £13.7bn AUM at year end



Positive flows into Cazenove and Benchmark Capital

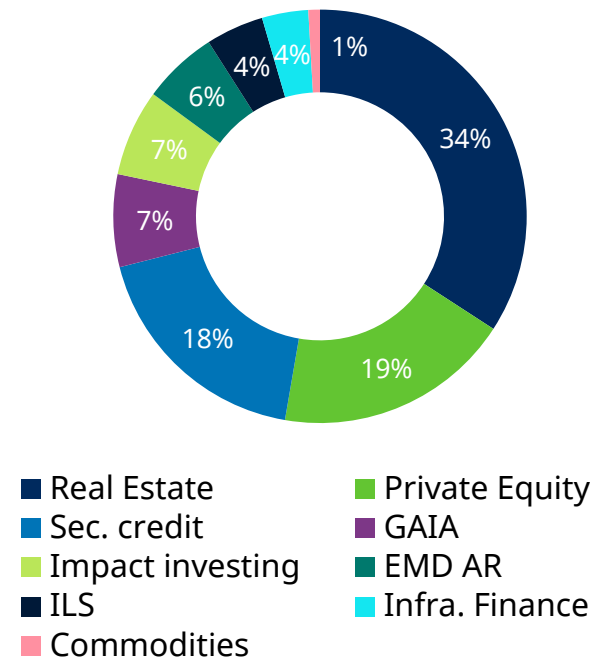
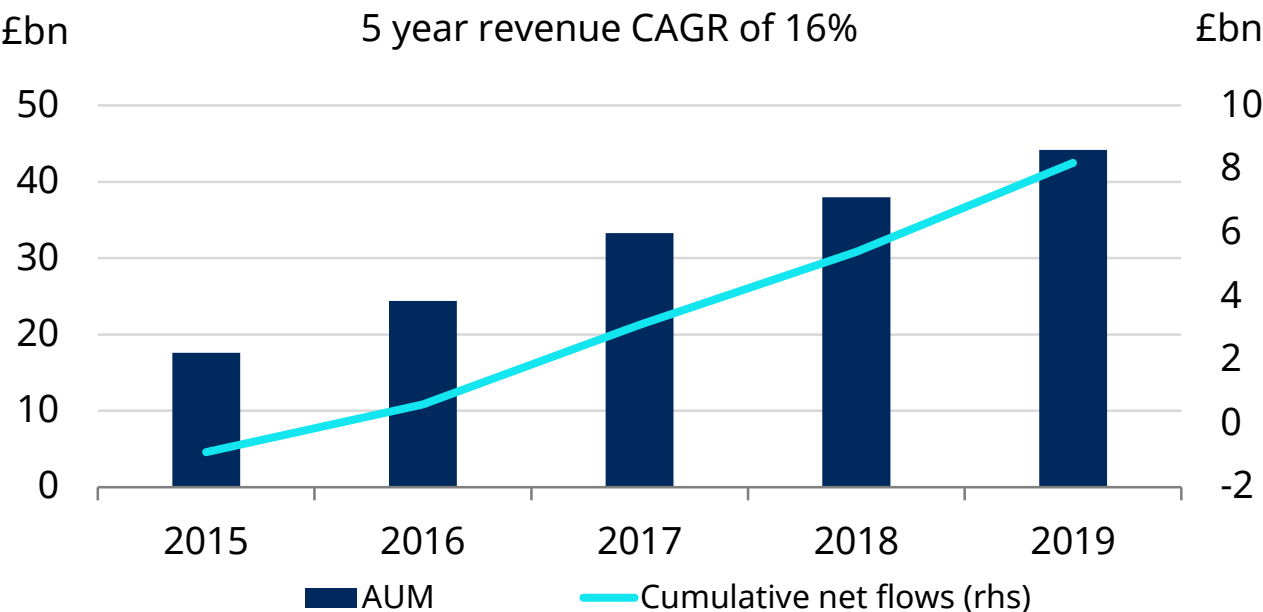


Acquisition of ThirdRock in Singapore



114% increase in assets and 46% increase in revenues since 2015

# Expand Private Assets & Alternatives



Ongoing demand for alternative sources of returns



£2.8bn net inflows, diversified across investment desks

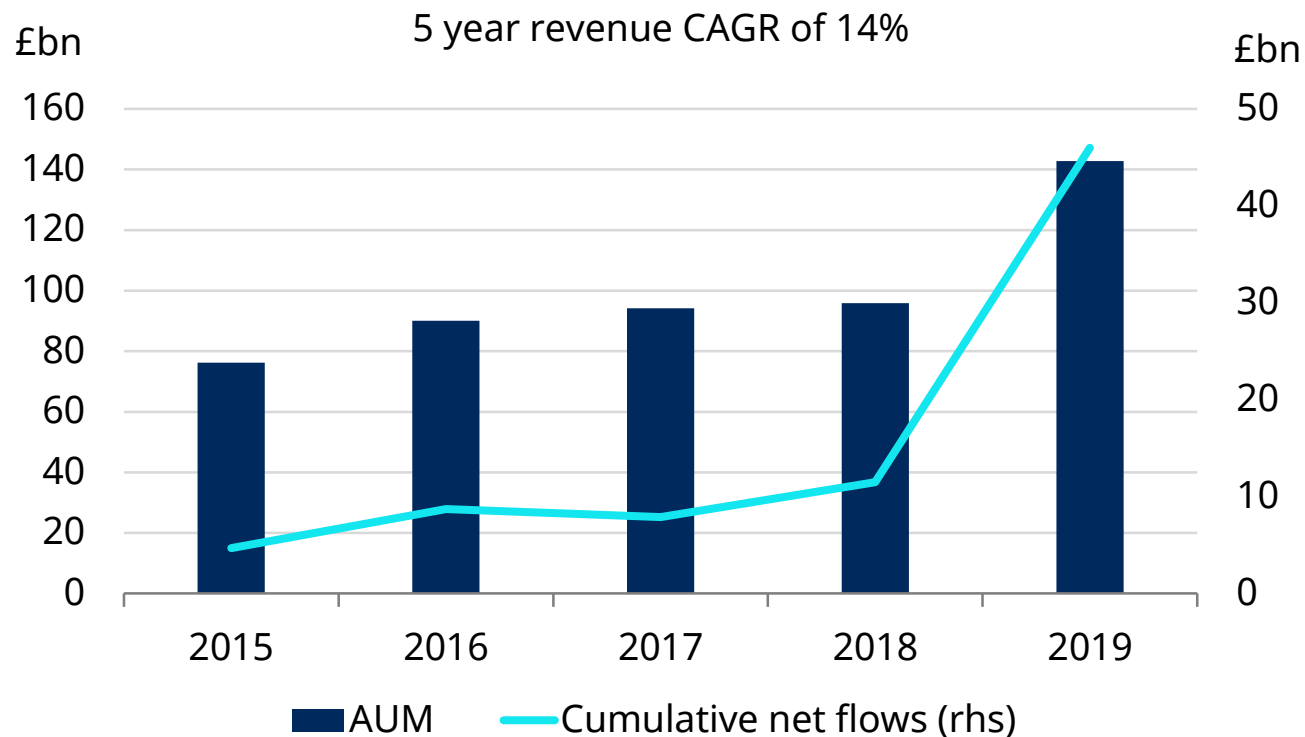


Strategic acquisitions in impact investing & real estate



Five year asset growth of 128%, revenue growth of 112%

# Grow asset management through Solutions



Ongoing client demand for high longevity strategies



Over £45bn of cumulative net flows in the last five years

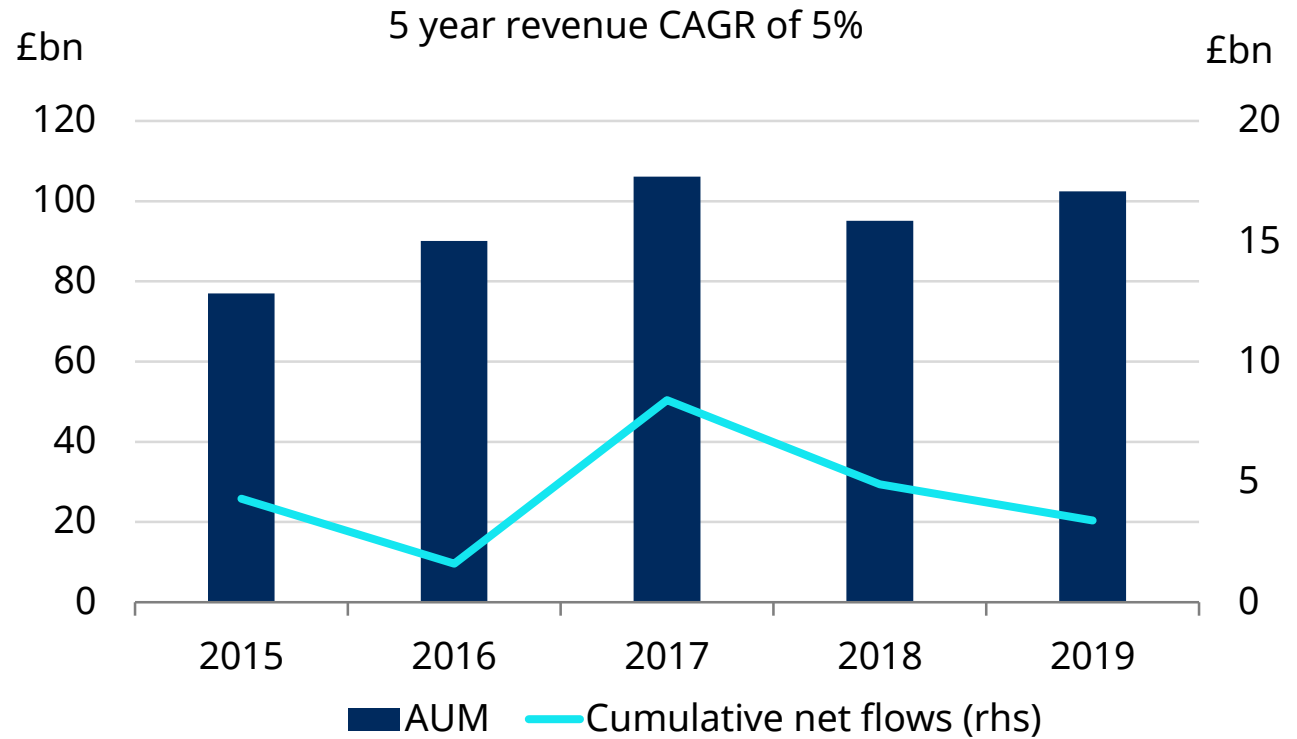


Assets increased 114% and revenues by 90% in five years



2019 saw £34.5bn of net new business, led by Scottish Widows

# “Risk off” environment in Mutual Funds



Risk off backdrop at start of 2019



Redemptions from equity funds,  
rotated into fixed income

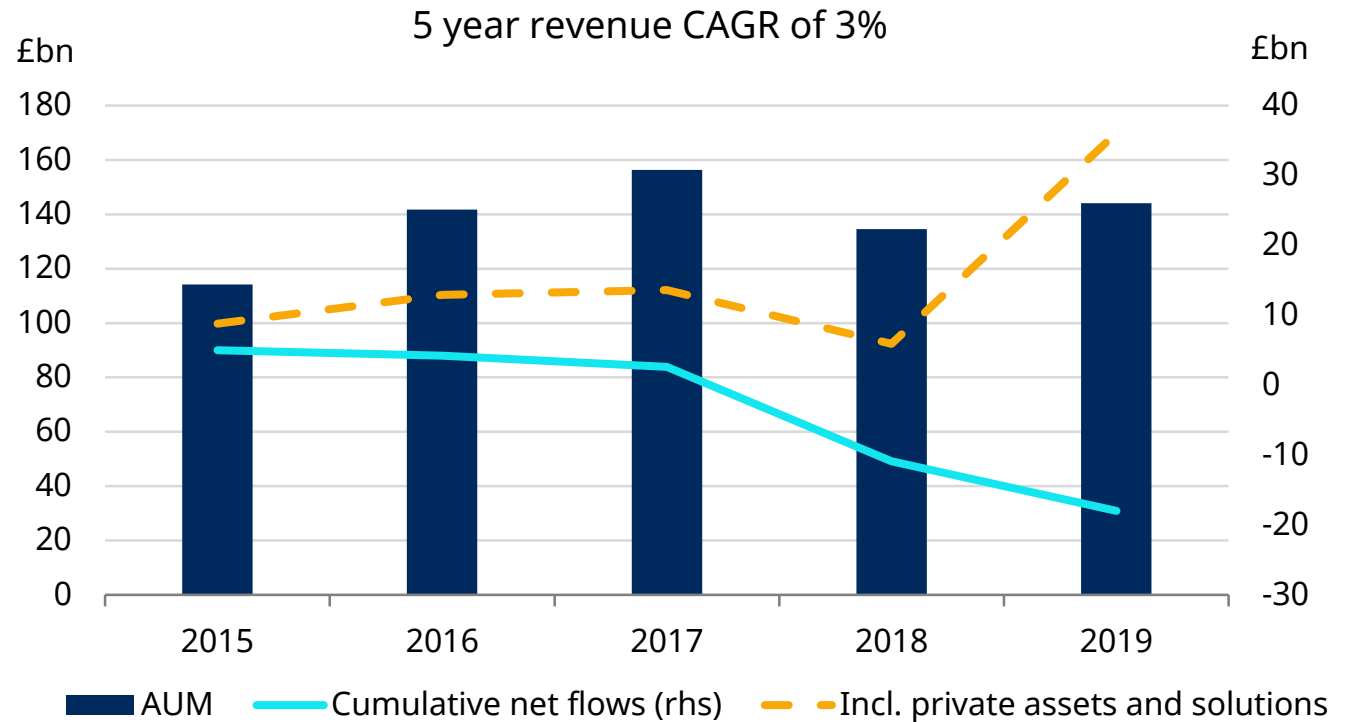


Resilient performance in 2019 with  
only £1.5bn of net outflows



Assets up 38%, revenues up  
25% over last five years

# Institutional business facing headwinds



33% increase in AUM and 14% in revenues over five years



2019 net outflows of £7.1bn, driven by equity redemptions



Opportunities to expand geographical footprint

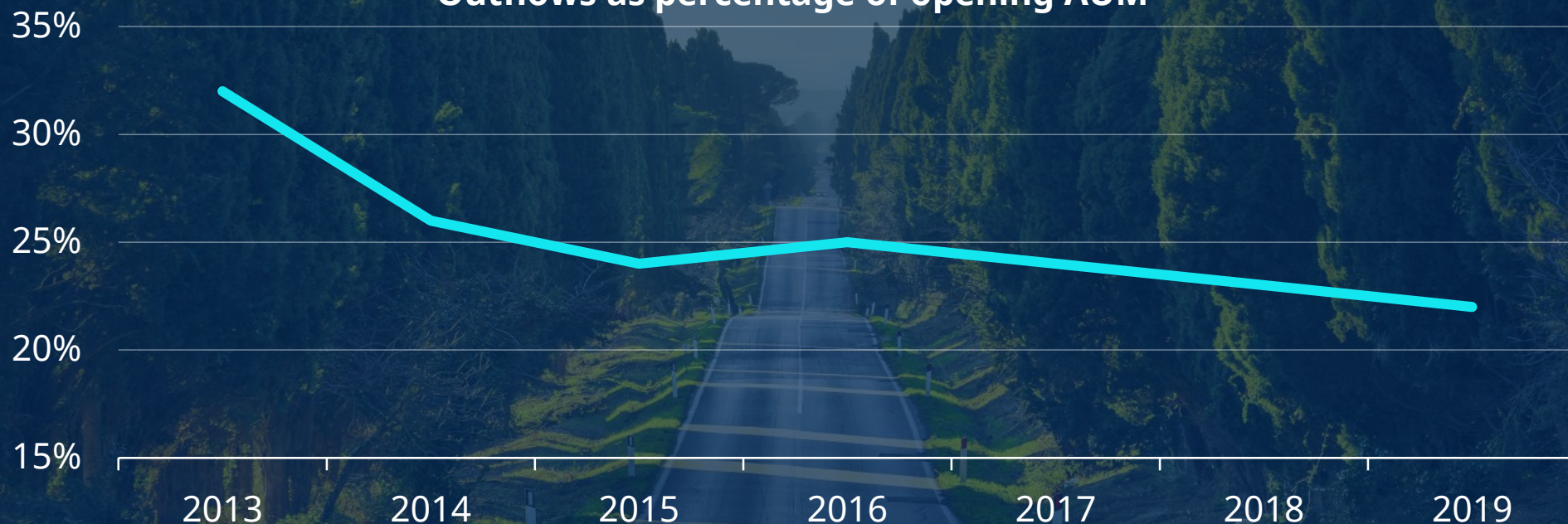


Commitment to sustainability across 100% of managed assets

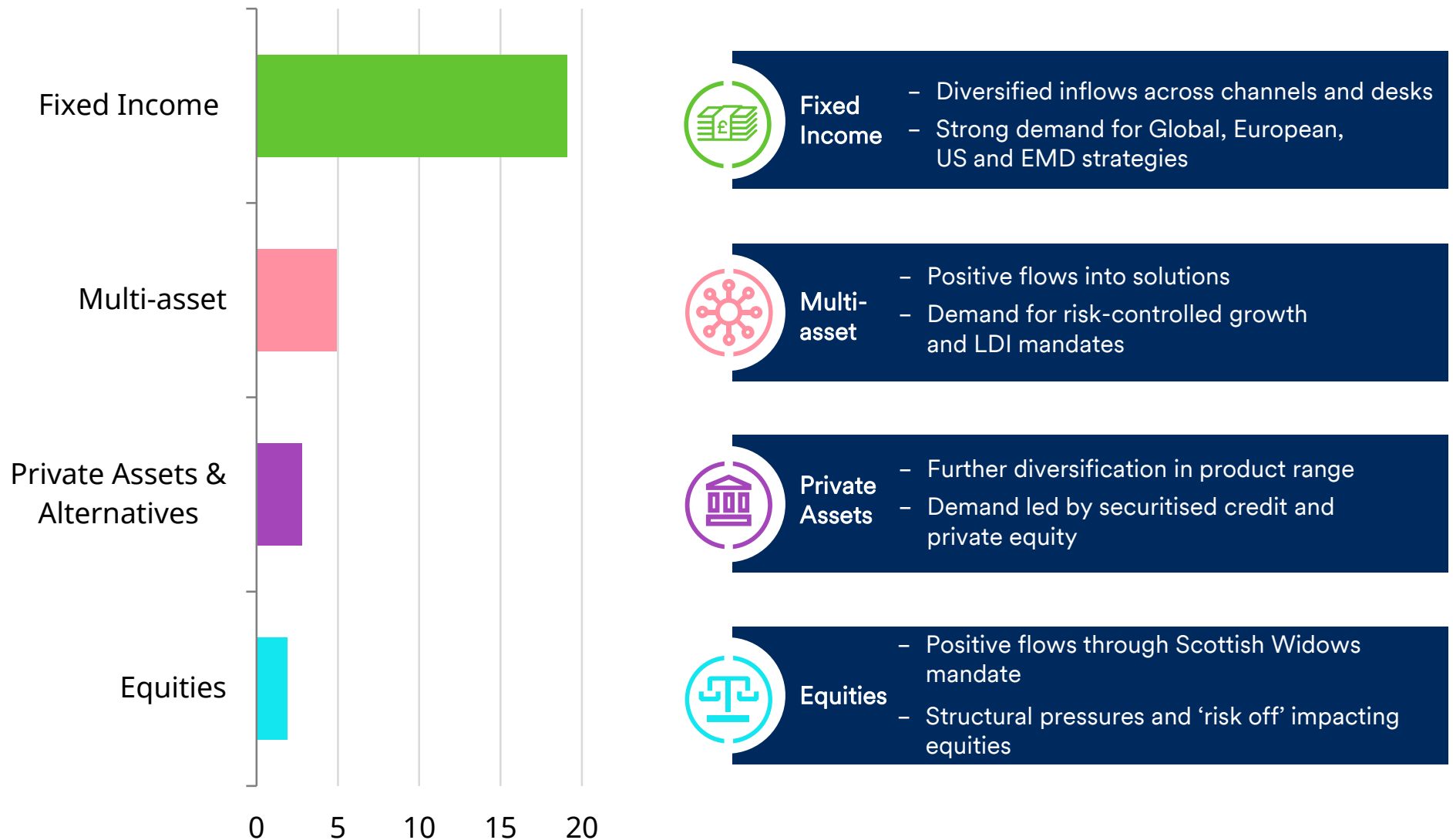
# Repositioning towards higher longevity areas

Shift to higher longevity products  
reducing gross outflows

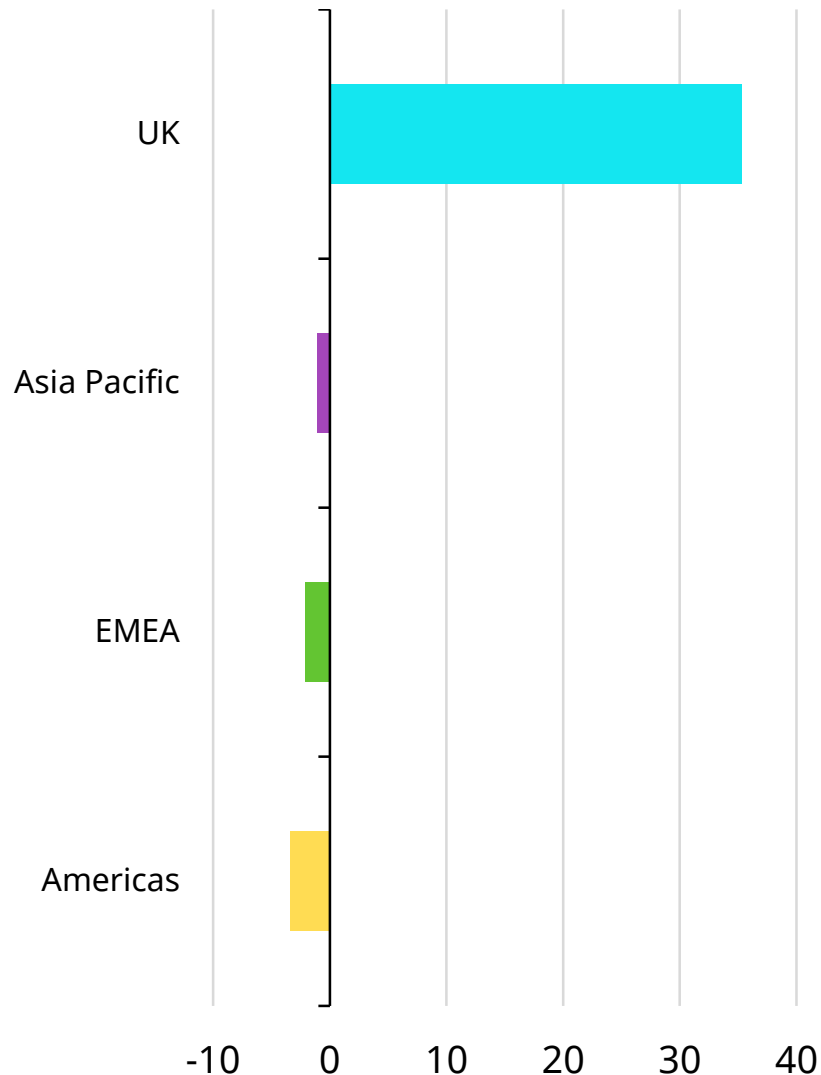
Outflows as percentage of opening AUM



# Net flows by asset class



# Net flows by region



UK

- Strong client demand in solutions
- Uncertainty earlier in the year weighed on retail sentiment



Asia Pacific

- Mutual fund demand led by key markets
- Outflows from Australia and Japan



EMEA

- 'Risk off' across region for mutual funds
- Demand for private assets



Americas

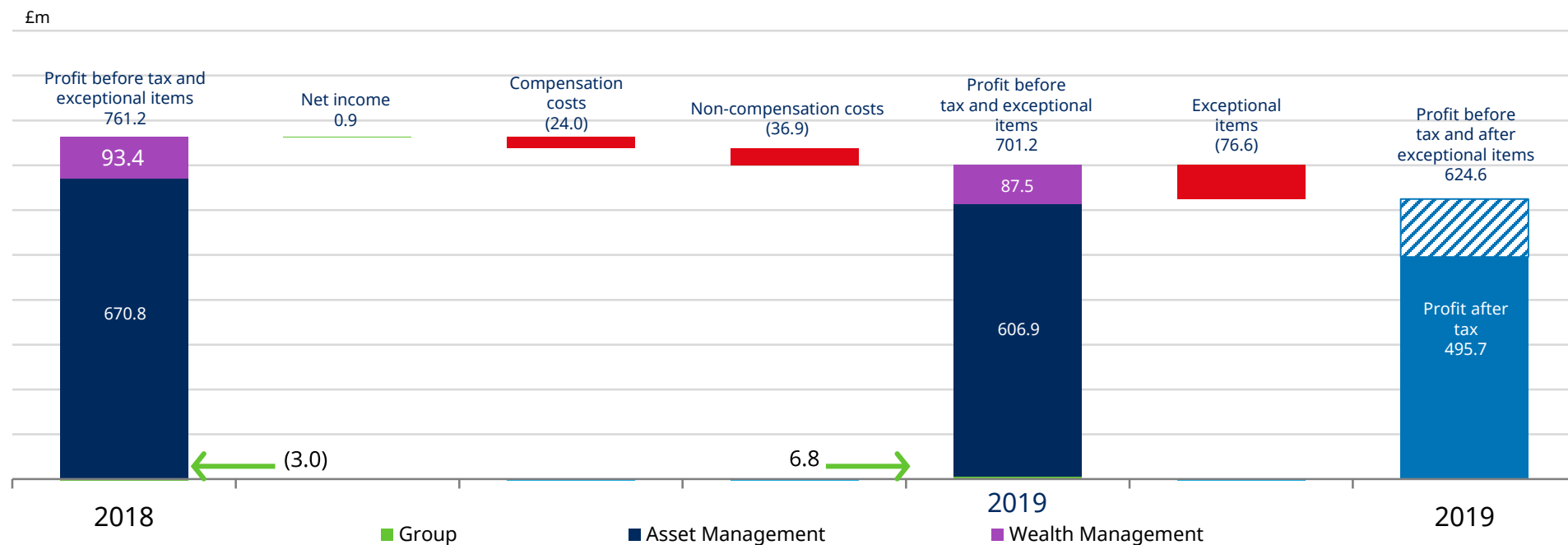
- Institutional outflows across region
- Hartford flows of £0.5bn, AUM now at £6.8bn

Richard Keers  
Chief Financial Officer

**Schroders**



# Profit before tax and exceptional items



Profit after tax

-£9m to £495.7m

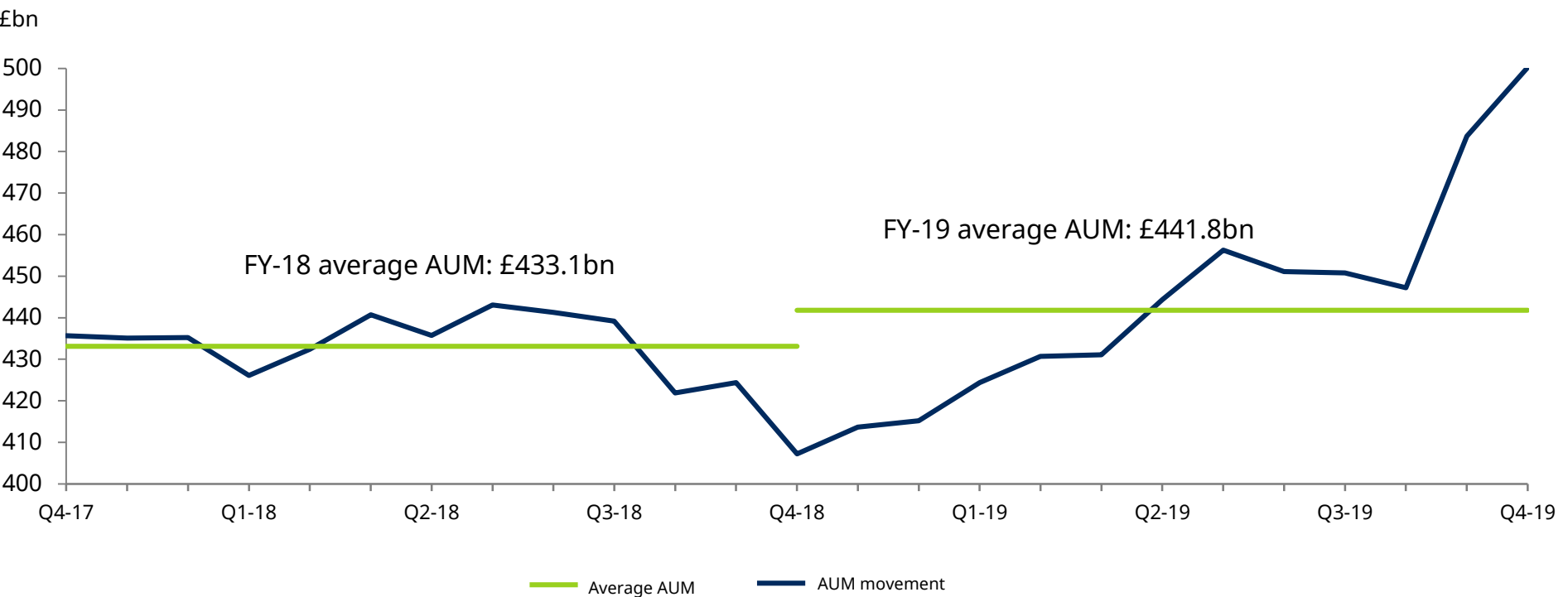


Basic EPS<sup>1</sup>  
-7% to 201.6p

Final dividend of 79p taking  
total dividend to 114p

<sup>1</sup>Before exceptional items

# Development of average AUM

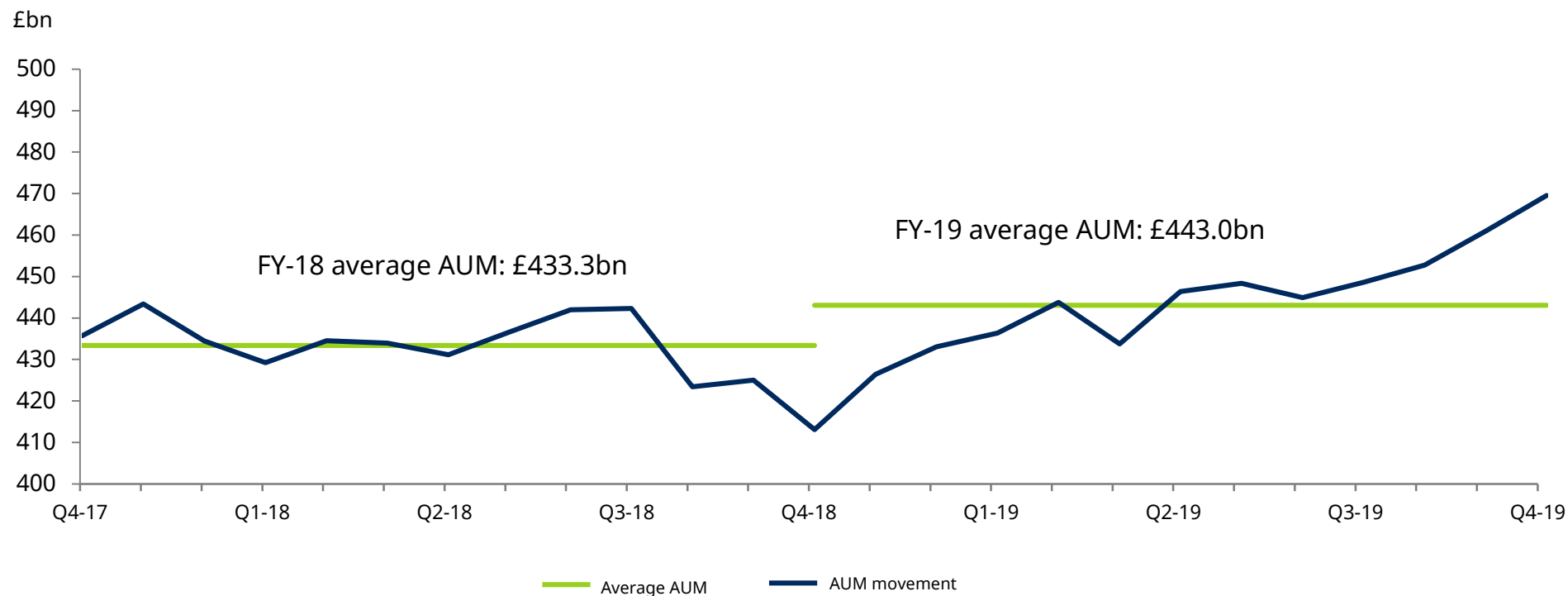


Average AUM  
+2%



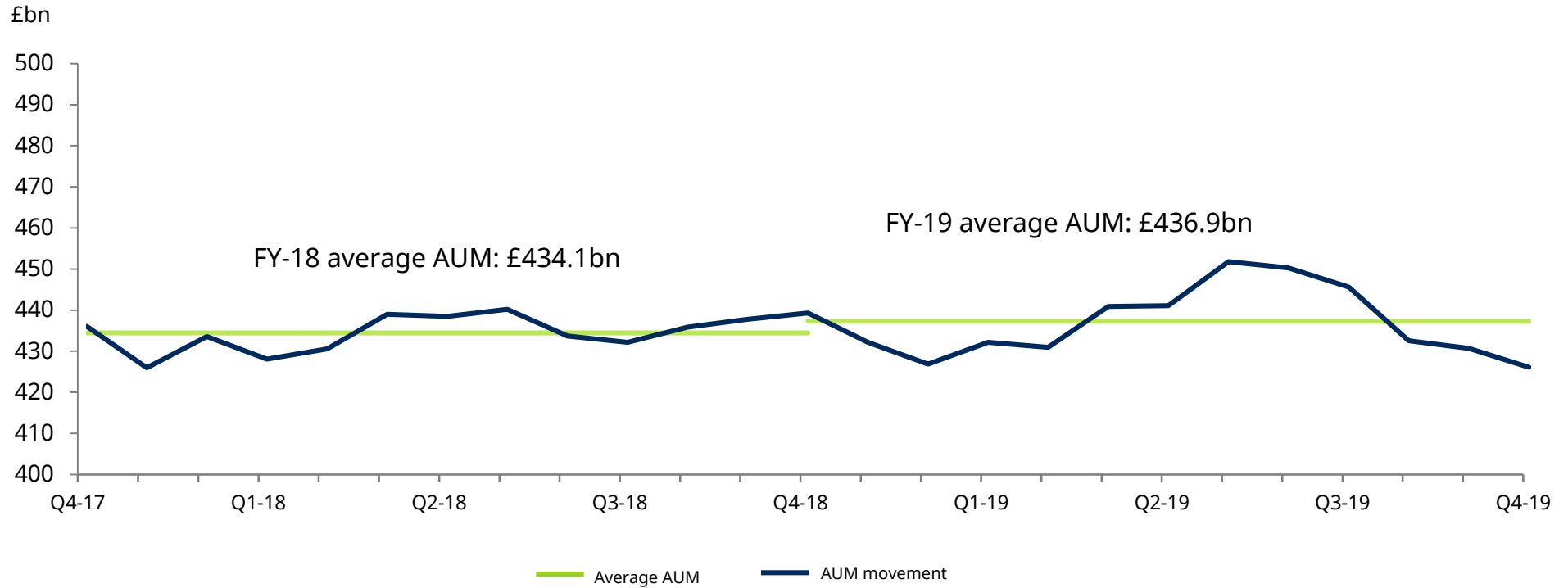
Closing AUM of  
£500.2bn

# Markets impact on average AUM



Market impact  
**+2.2%**

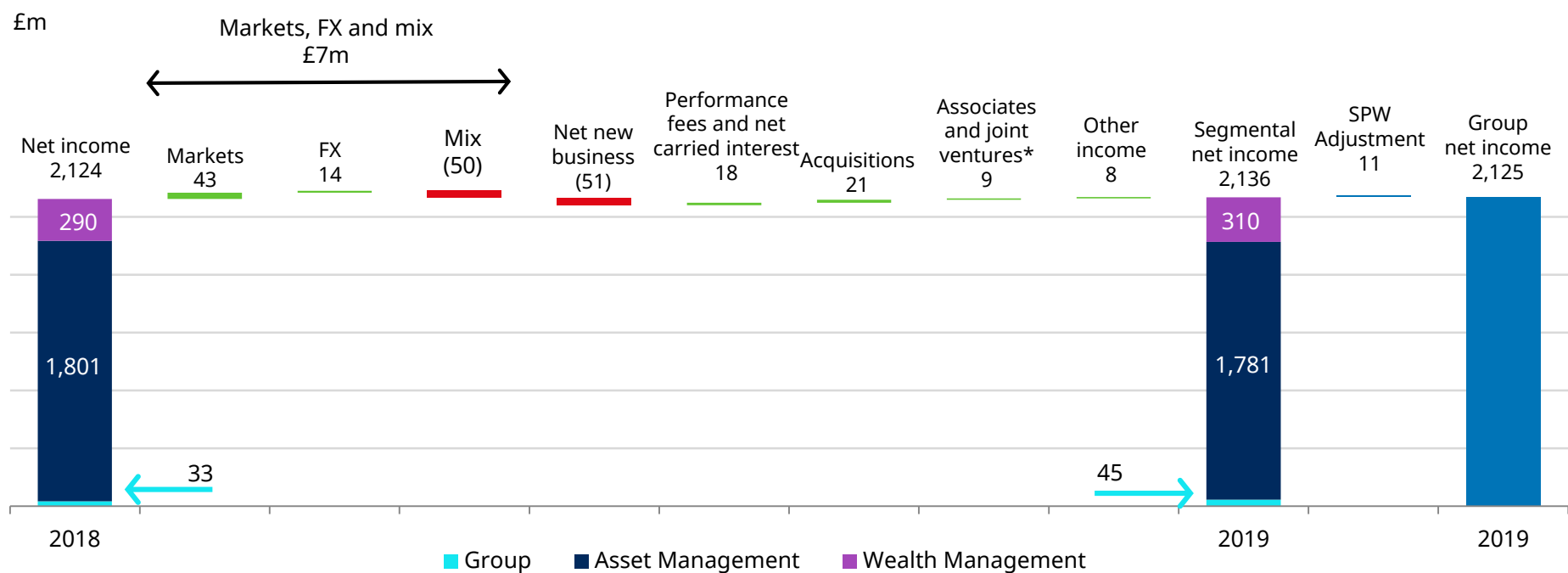
# FX impact on average AUM



FX impact

+0.6%

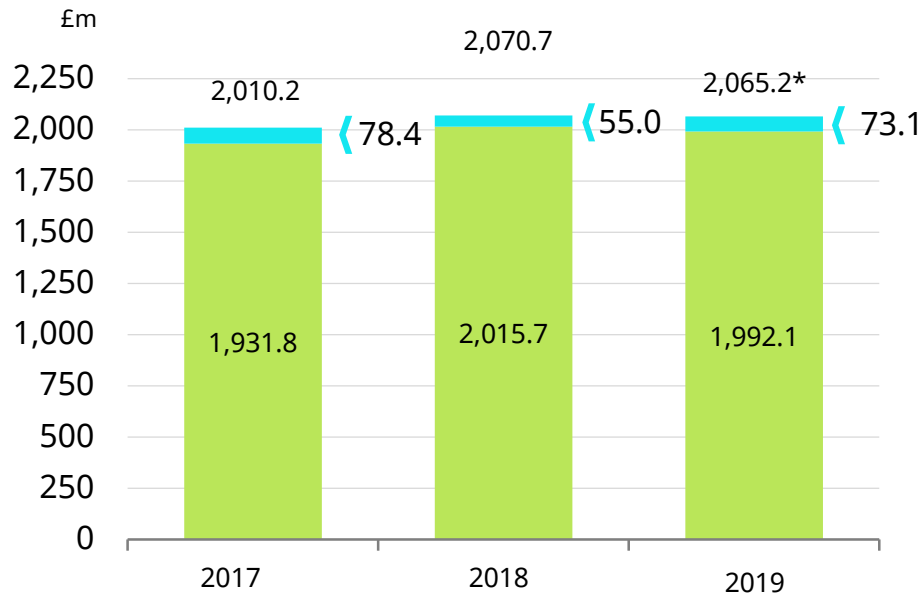
# Net income



\* Excludes SPW, which is proportionally consolidated

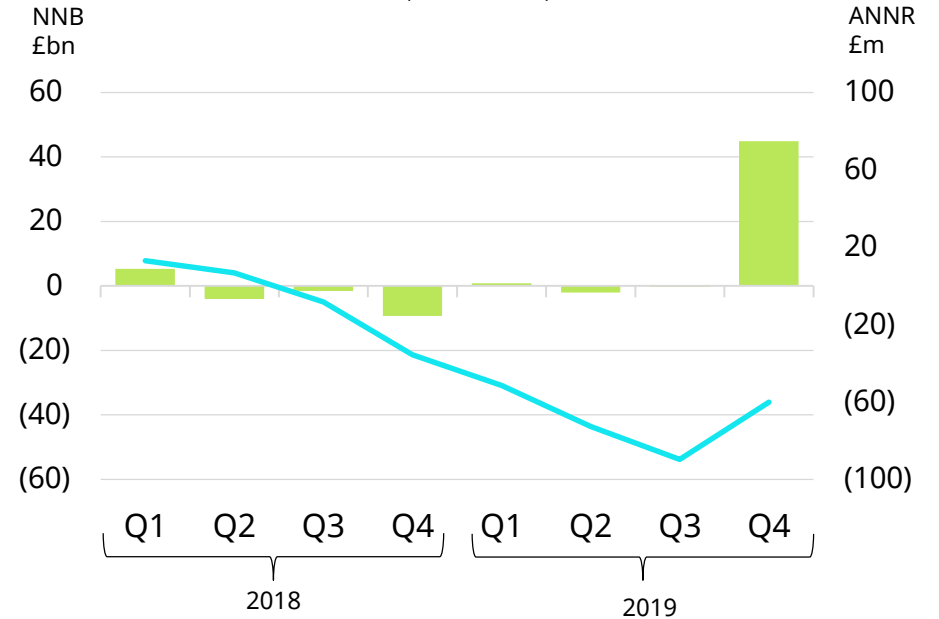


# Total net operating revenue



■ Performance fees and net carried interest

Net new business and annualised net new revenue  
(NNB and ANNRR)



■ Net new business    — Annualised net new revenue 2018 - 2019

\* Includes £12.8m relating to the proportional consolidation of SPW



Average AUM  
**+ 2%**

Net operating revenue margin<sup>1</sup>

**45bps**  
FY 2018: 47bps

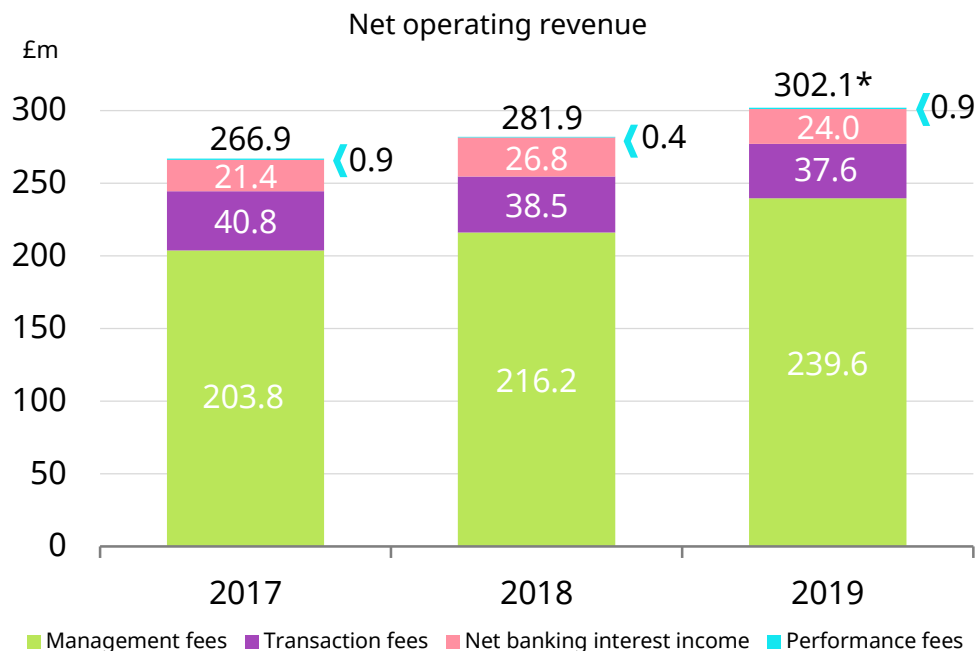
2020 tailwind from 2019 NNB

**+ £6m**

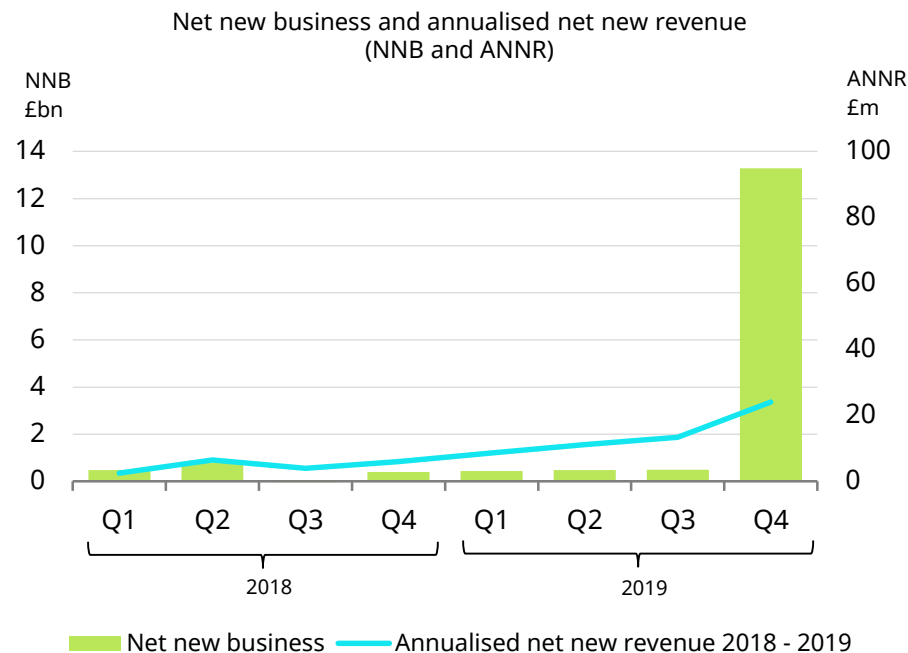
FY 2018: £35m headwind

<sup>1</sup>Excluding performance fees and carried interest

# Wealth Management net operating revenue

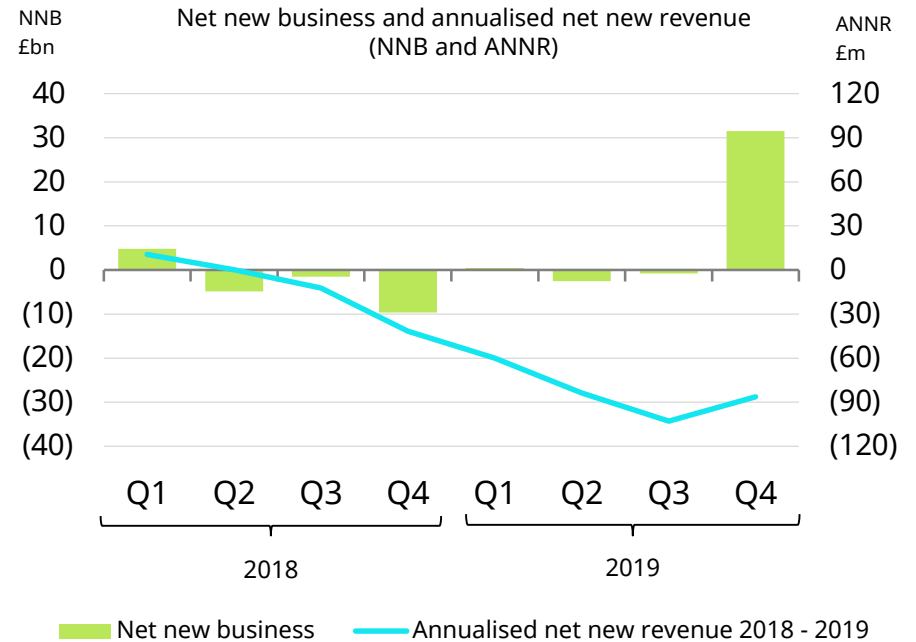
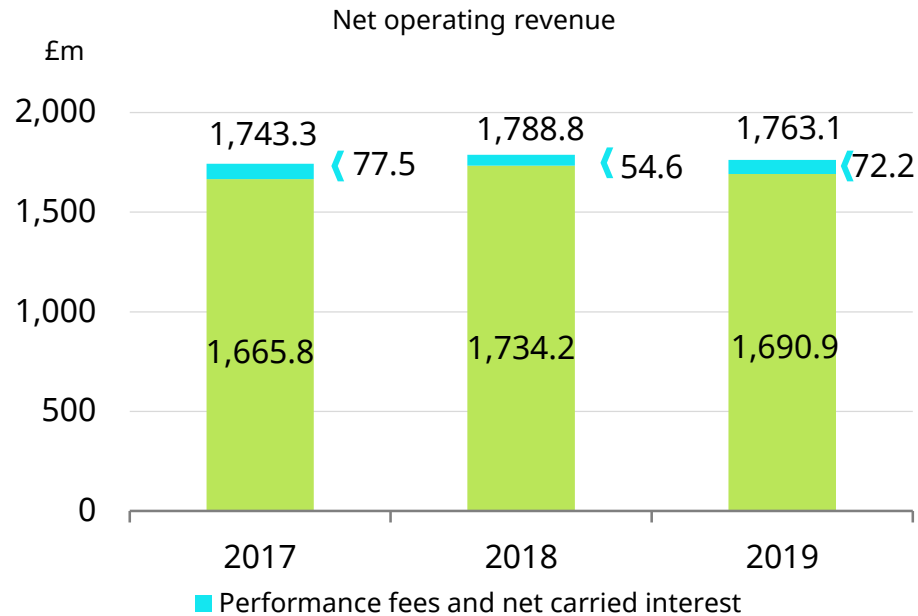


\* Includes £12.8m relating to the proportional consolidation of SPW



<sup>1</sup>Excluding performance fees and carried interest

# Asset Management net operating revenue



Average AUM

**+ 1%**

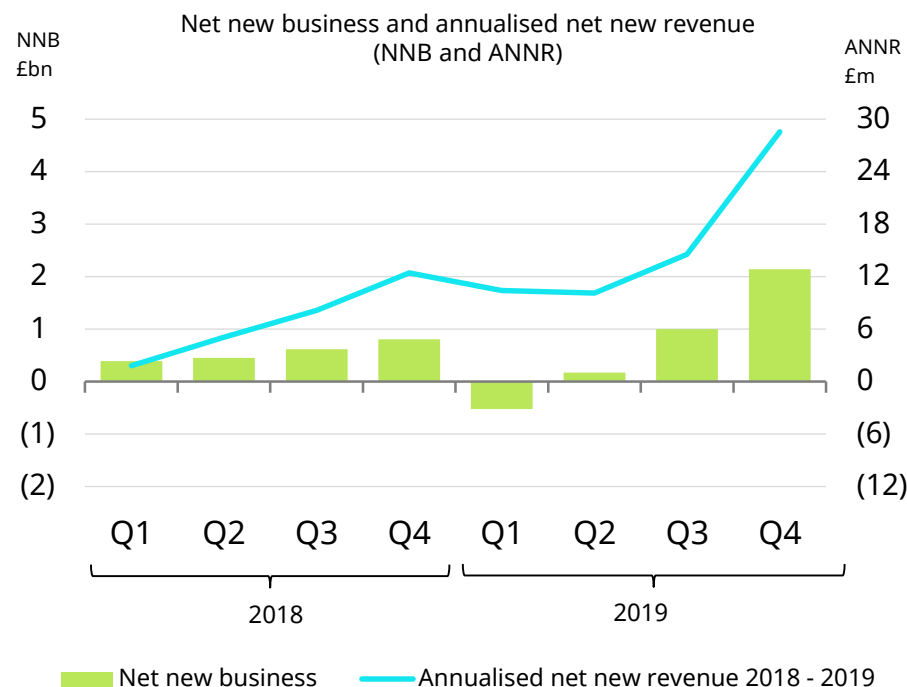
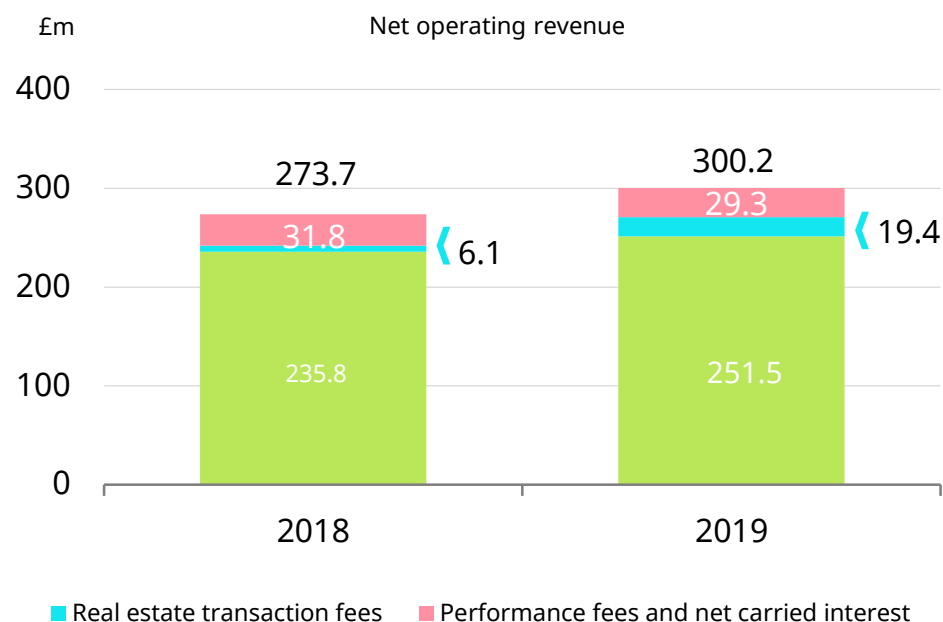
Net operating revenue margin<sup>1</sup>

**43bps**

FY 2018: 45bps

<sup>1</sup>Excluding performance fees and carried interest

# Private Assets and Alternatives net operating revenue

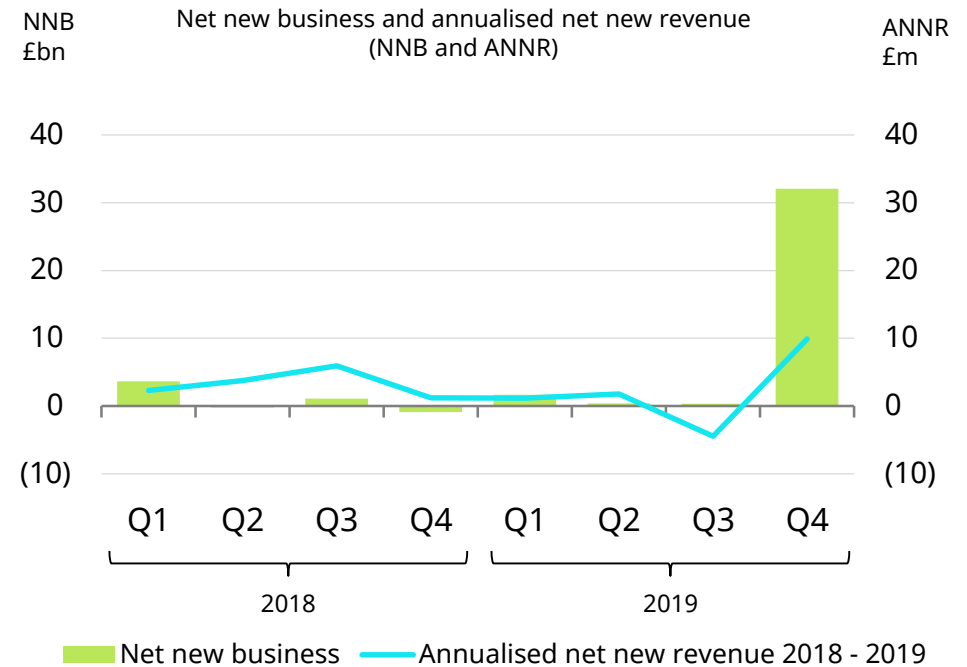
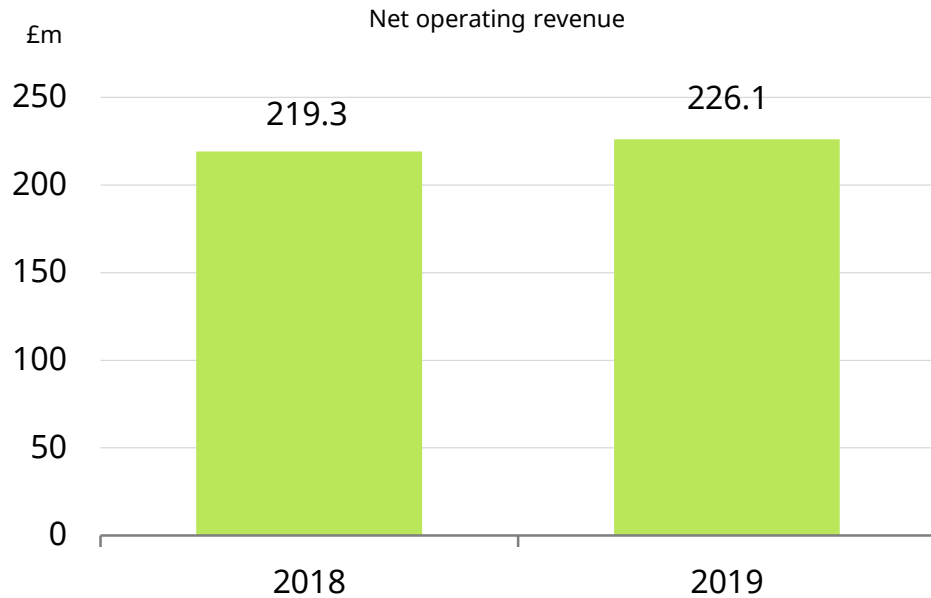


Net operating  
revenue margin<sup>1</sup>  
**63bps**  
FY 2018: 66bps

Annualised revenue  
impact of flows  
over two years:  
**+ £29m**

<sup>1</sup>Excluding performance fees, net carried interest and real estate transaction fees.

# Solutions



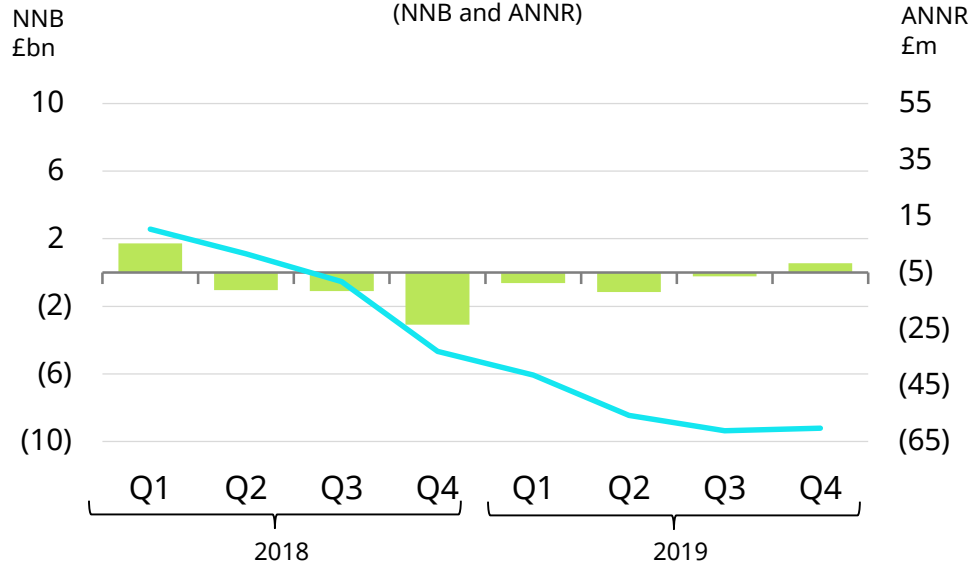
Net operating  
revenue margin  
**21bps**  
FY 2018: 22bps

Annualised revenue  
impact of flows  
over two years:  
**+ £10m**

# Mutual Funds and Institutional

## Mutual Funds

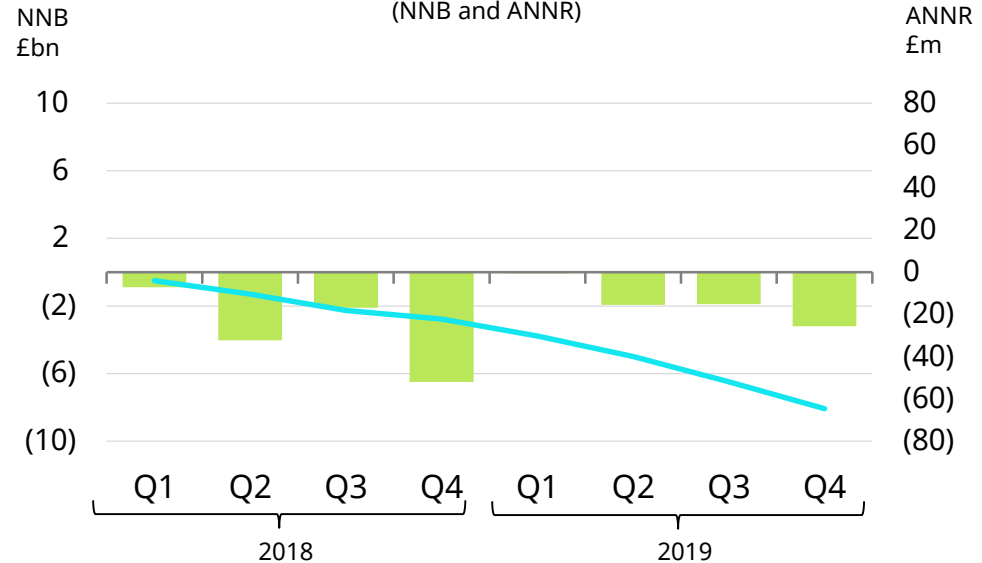
Net new business and annualised net new revenue  
(NNB and ANNR)



Net new business Annualised net new revenue 2018 - 2019

## Institutional

Net new business and annualised net new revenue  
(NNB and ANNR)



Net new business Annualised net new revenue 2018 - 2019

## Mutual Funds

Net operating revenue margin<sup>1</sup>

73bps

FY 2018: 75bps

## Institutional

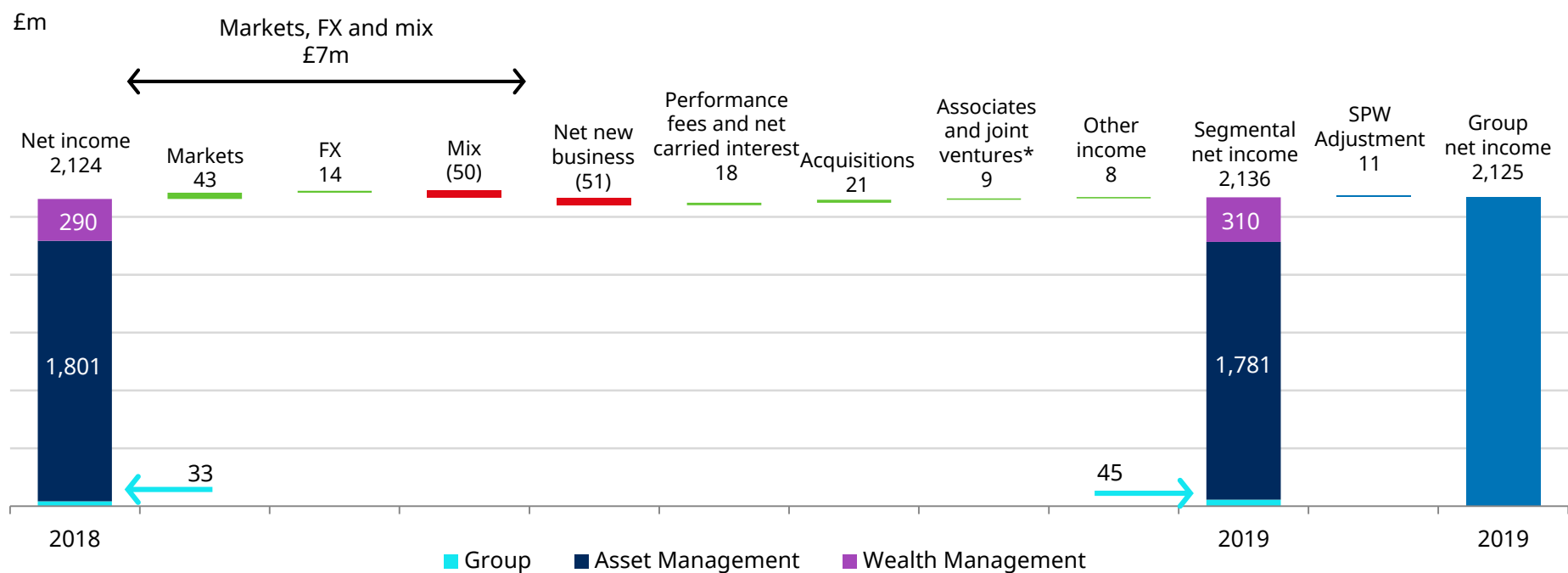
Net operating revenue margin<sup>1</sup>

32bps

FY 2018: 33bps

<sup>1</sup>Excluding performance fees

# Net income



\* Excludes SPW, which is proportionally consolidated



# Associates and Joint Ventures

	2019					2018
	SPW <sup>1</sup>	BoCom	Axis	Other	Total	Total
<b>Profit (£m)<sup>2</sup></b>	<b>3.8</b>	<b>66.5</b>	<b>11.3</b>	<b>16.3</b>	<b>97.9</b>	<b>61.3</b>
<b>Group's share of profit (£m)<sup>2</sup></b>	1.9	20.0	2.8	5.8	30.5	19.9
<b>NNB (£bn)</b>		3.8	5.2	0.4	9.4	(0.5)
<b>AUM (£bn)</b>		54.6	13.6	1.0	69.2	60.3

<sup>1</sup>SPW's AUM is managed by the Group and included in the Group's AUM

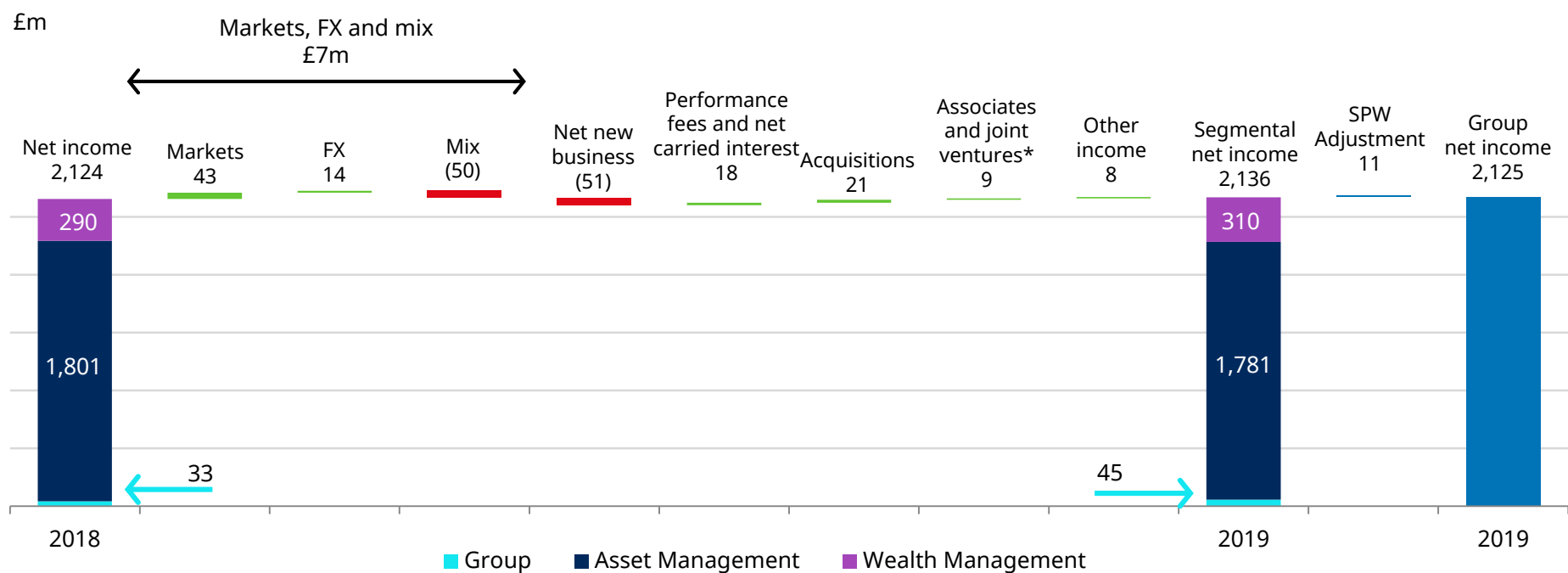
<sup>2</sup>Before exceptional items



Share of profit of associates  
and joint ventures<sup>2</sup>

**+53%** to **£30.5m**

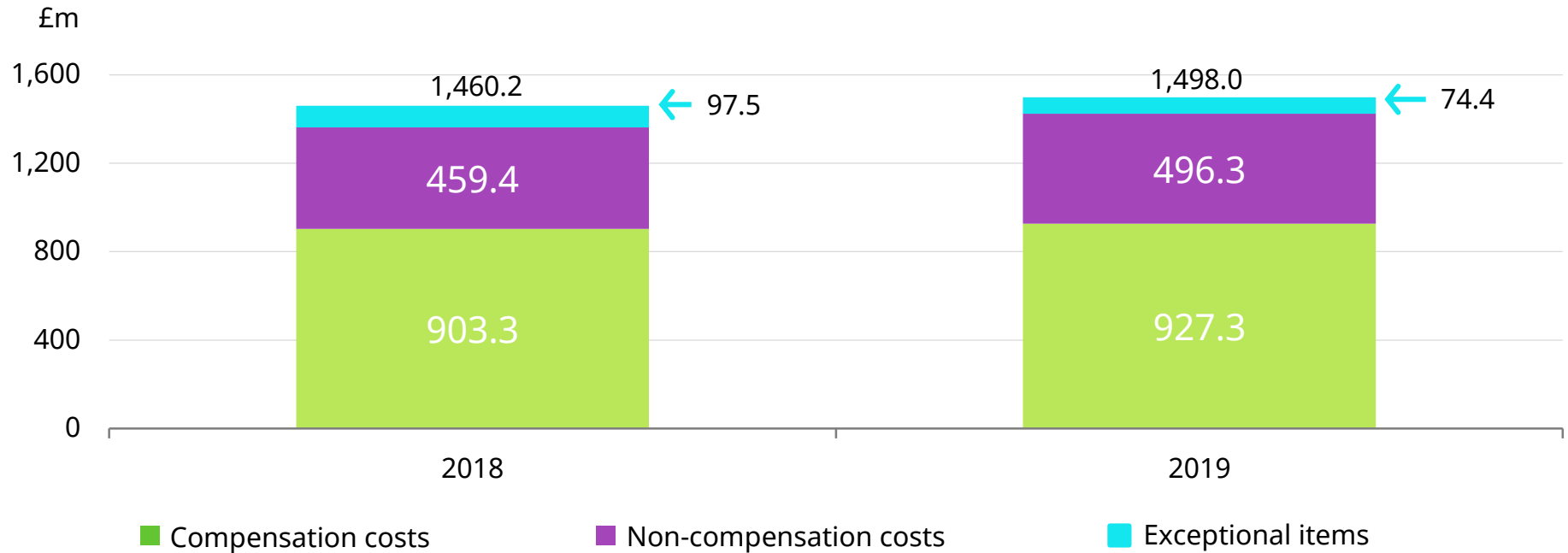
# Net income



\* Excludes SPW, which is proportionally consolidated



# Operating expenses



Total compensation ratio

44%

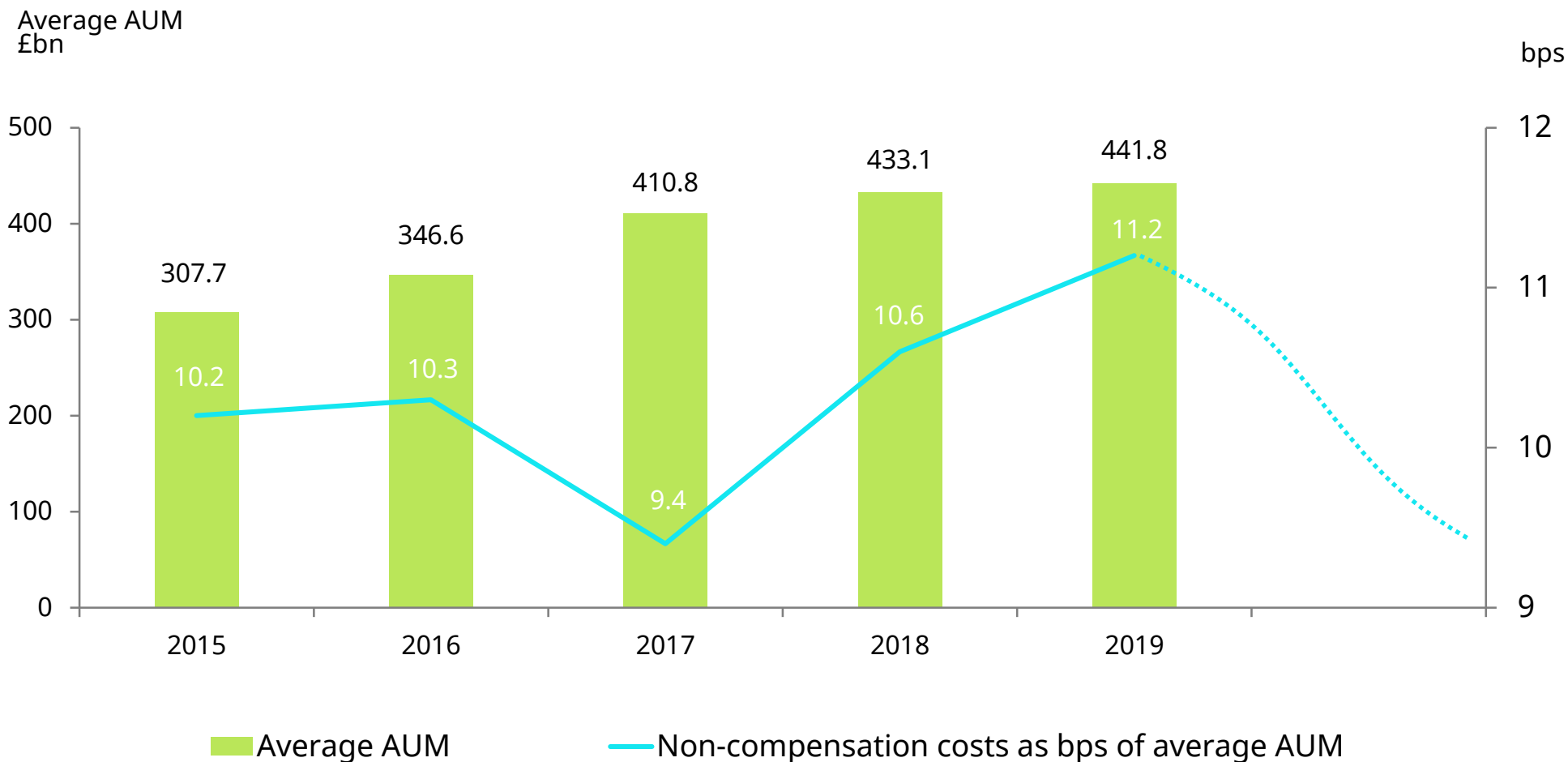
FY 2018: 43%

Ratio of total cost to net income

67%

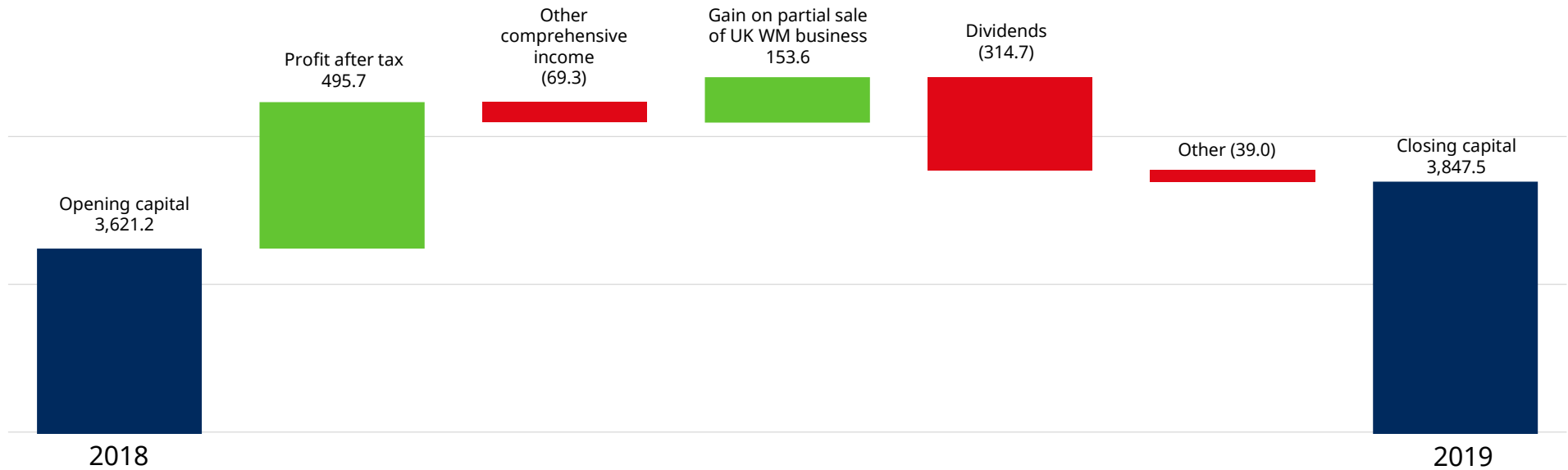
FY 2018: 64%

# Non-compensation costs



# Change in Group Capital

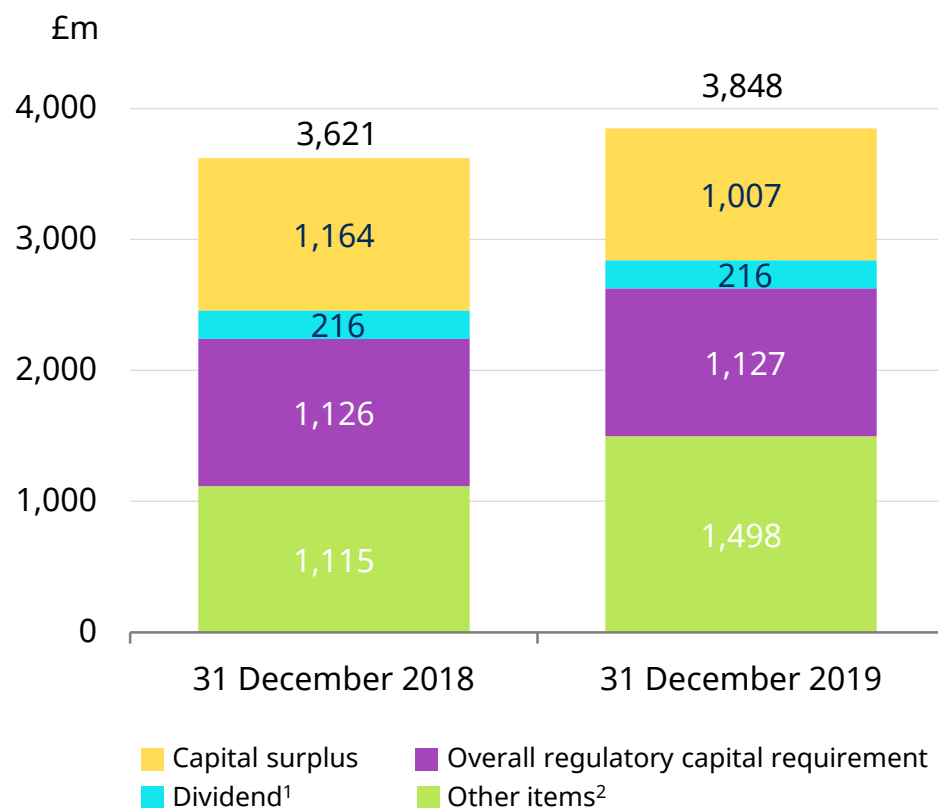
£m



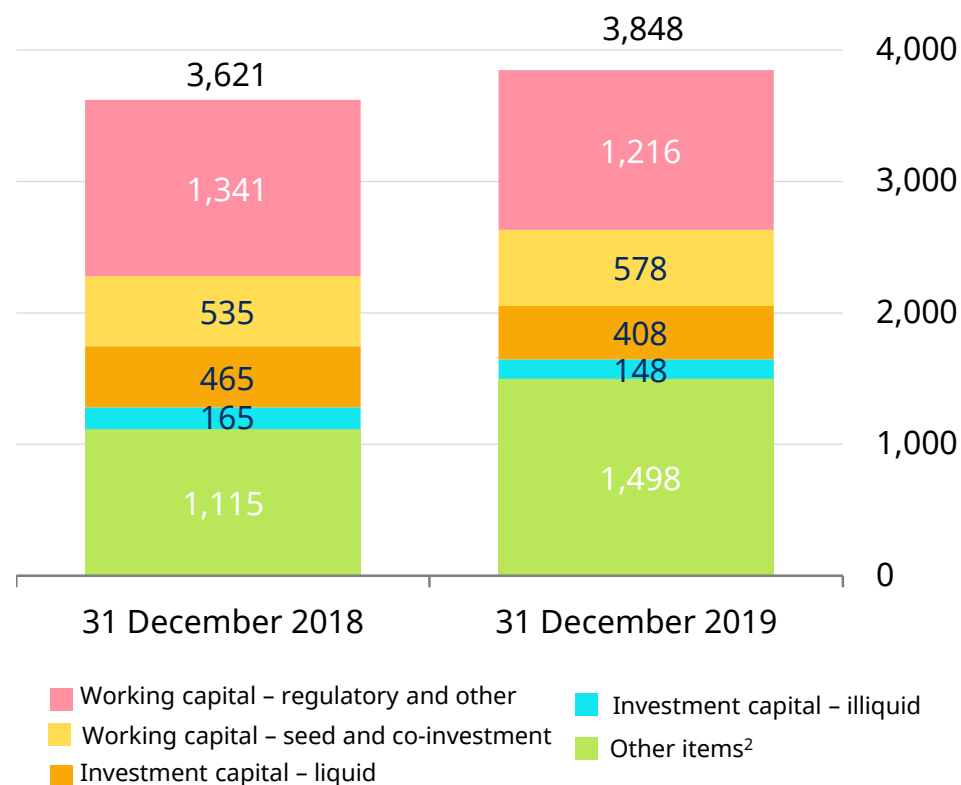
Group capital up

£226.3m to £3,847.5m

# Composition of Group Capital



**Capital base**



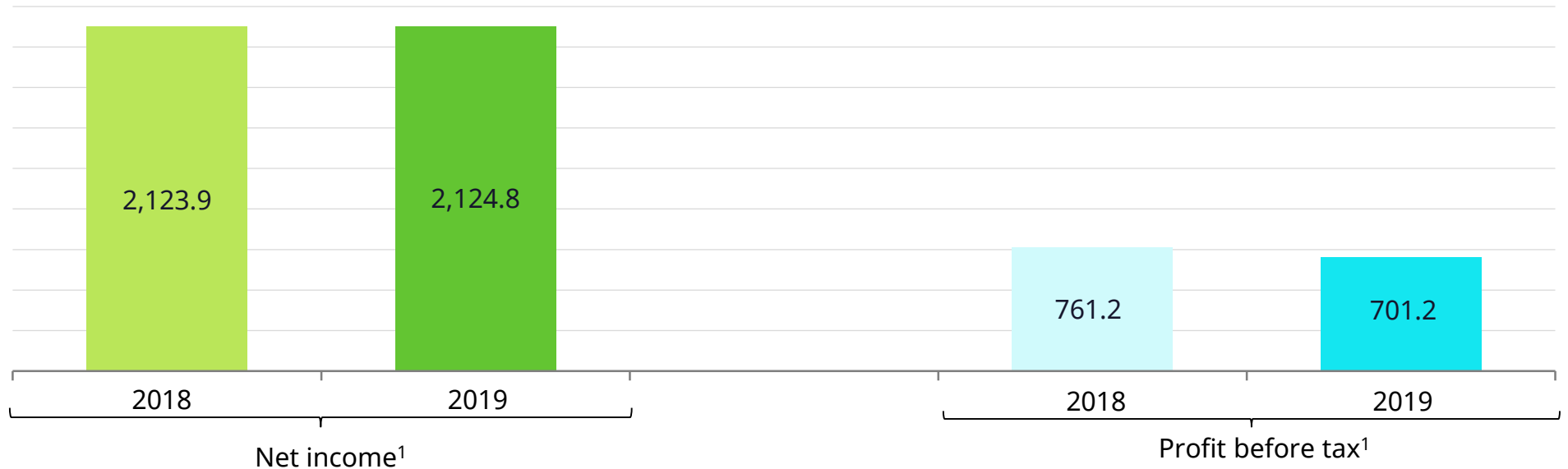
**Capital allocation**

<sup>1</sup>Final dividend proposed for respective year

<sup>2</sup>Comprises items that are inadmissible for regulatory purposes, principally goodwill, intangible assets and pension scheme surplus

# Summary

£m



Net income¹  
+£0.9m to £2,124.8m

Ratio of total costs to net income¹ **67%**



Basic EPS¹  
-7% to 201.6p

Final dividend of 79p taking  
total dividend to 114p

¹Before exceptional items.

Peter Harrison  
Group Chief Executive

**Schroders**





# Outlook for 2020 and beyond

Structural changes to group  
increasing resilience

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Focused strategy,  
global footprint  
and diversified  
business model to  
deliver long-term  
value for clients  
and shareholders

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Increased market volatility likely to continue



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Wide range of growth opportunities, particularly  
in Solutions, Private Assets and Wealth



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Retain focus on repositioning business  
towards high quality, high longevity areas



# Forward looking statements

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