

Schroders

ANNUAL RESULTS 2023

29 February 2024

Peter Harrison

Group Chief Executive

Richard Oldfield

Chief Financial Officer



Schroders

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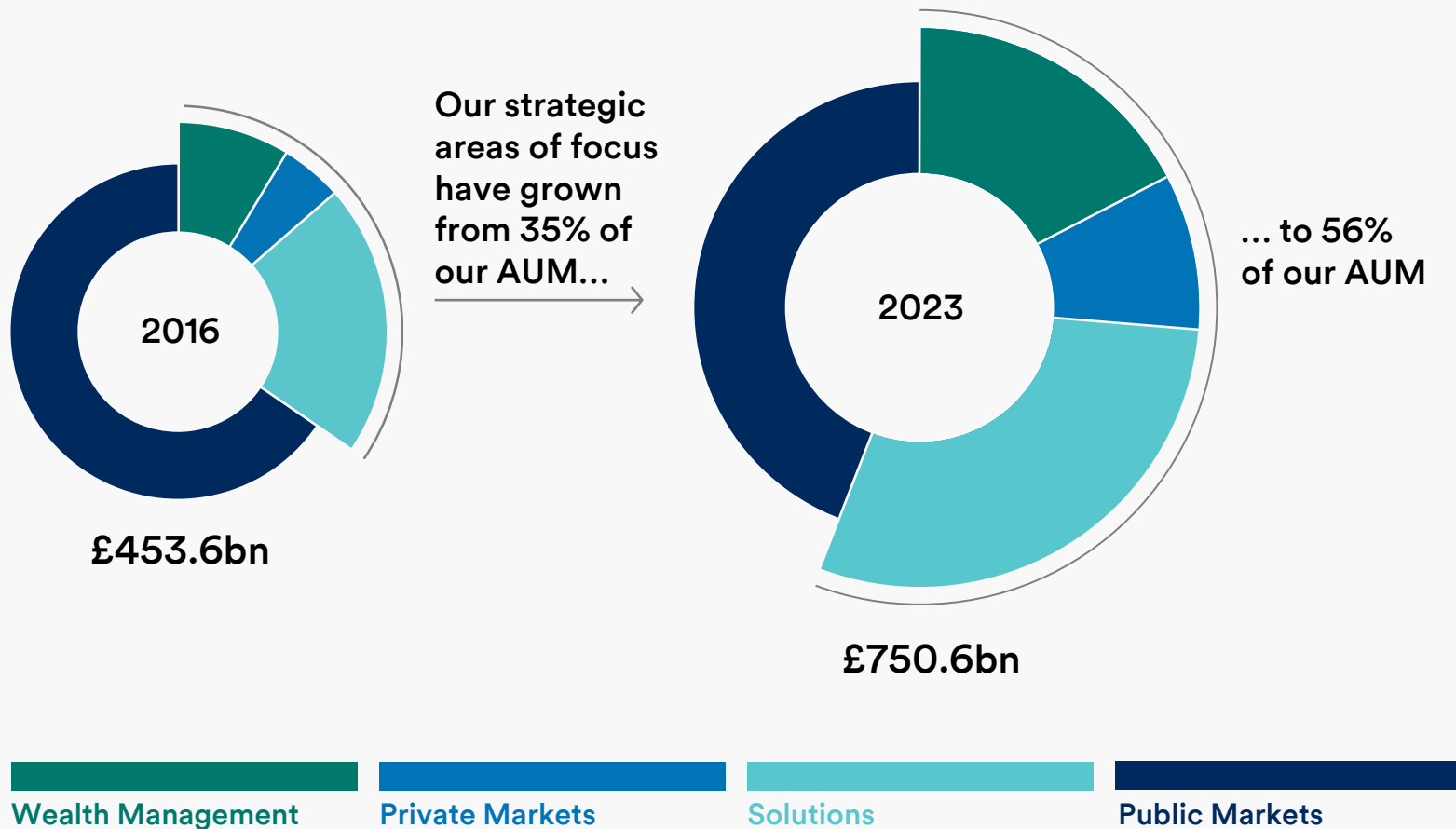
Peter Harrison
Group Chief Executive



Strategic execution delivering positive flows despite industry headwinds

- ✓ Our strategic pivot means high quality growth areas now make up 56% of the Group's AUM
- ✓ NNB momentum into strategic growth areas has accelerated, up 92% to £23.4 billion
- ✓ Cost efficiency initiatives to enhance operating leverage is enabling us to moderate inflationary pressures and drive future growth

Executing on our strategic transformation



Operating revenue contribution up from **31%** in **2016** to **48%** in **2023**

Resilient top line performance and strong cost discipline

Operating profit impacted by FX and share of profits from associates and JVs

	2023	2022
Net operating revenue (£m)	2,334.4	2,361.4
Net operating income (£m)	2,419.0	2,475.5
Operating expenses (£m)	(1,758.0)	(1,752.5)
Operating profit (£m)	661.0	723.0
AUM (£bn)	750.6	737.5
Net new business excl. joint ventures and associates (£bn)	9.7	(1.6)
Basic operating EPS (pence)	32.5	37.4
Dividend per share (pence)	21.5	21.5

Operating profit
of **£661.0m**

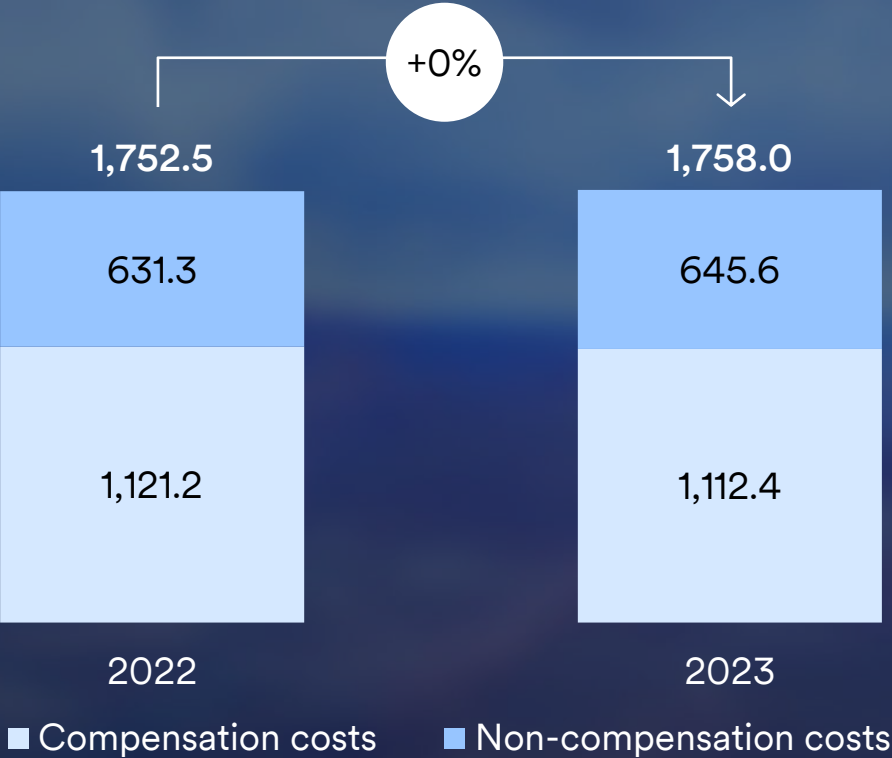
AUM up despite FX
headwind of **£25.8bn**

Strategic growth areas
generated NNB
of **£23.4bn**, nearly
double 2022

Strong discipline on cost management continues

Evolving our operating model to reshape for future growth

Operating expenses £m



Managing our cost base

2023 operating expenses stable despite increased scale, acquisitions and inflationary pressures

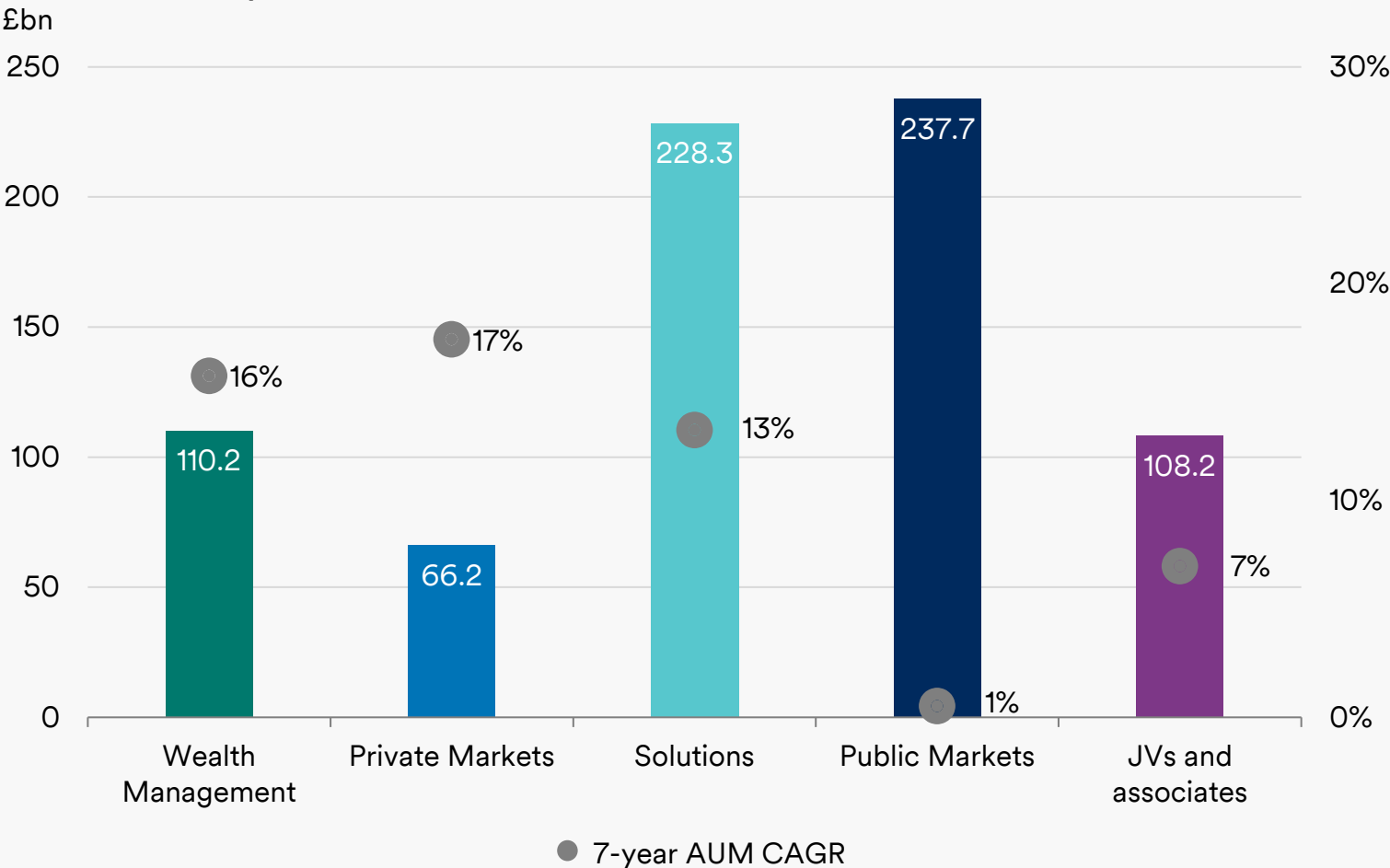
Continued focus on organic growth

Invested £86.2m to progress cost efficiency initiatives

Strategic priorities driving growth

Differentiated strategy to pivot to higher longevity areas

AUM and CAGR by business area



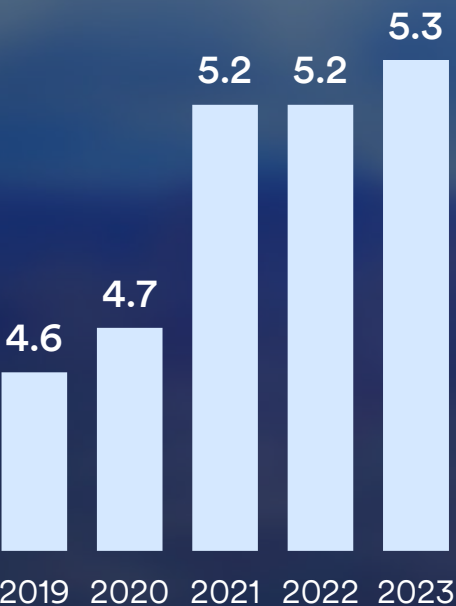
AUM reached new highs in:
Wealth Management,
Private Markets and Solutions

AUM in our strategic growth
areas has grown by a
CAGR of **15%** since
strategy inception

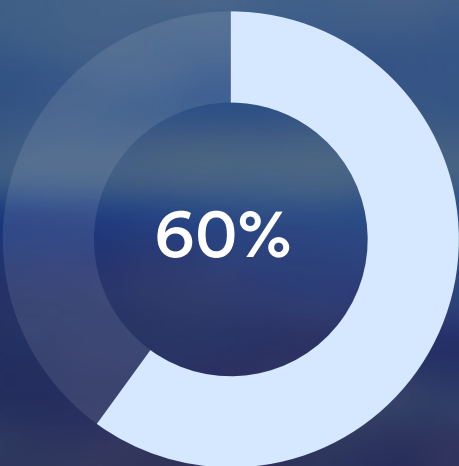
Evolved our public markets
offering with new products
and leadership in sustainability

Continued good outcomes for clients

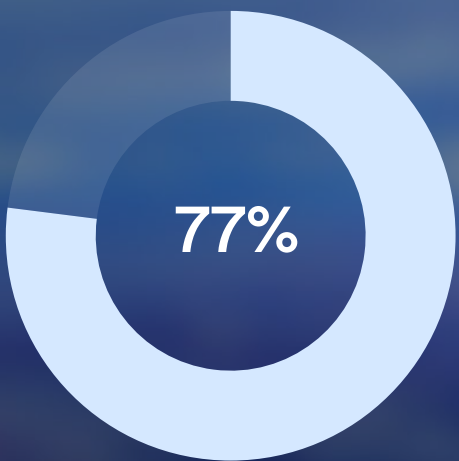
Three-year longevity



Client investment performance



outperforming over 3 years



outperforming over 5 years

Equities	80%
Fixed Income	89%
Multi Asset	48%
Solutions	90%
Wealth Management	81%
Private Markets	76%

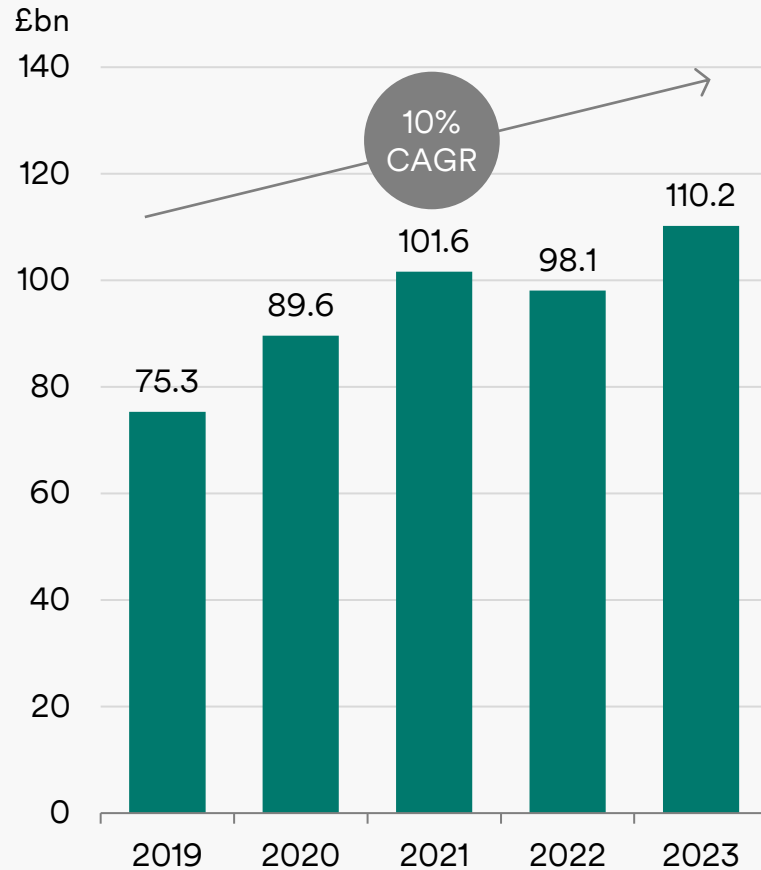
outperforming over 5 years¹

Please refer to page 8 of the Annual Results 2023 - Press release on our Investor Relations website for more information about client investment performance.
¹Asset class breakdown does not map directly to business areas.

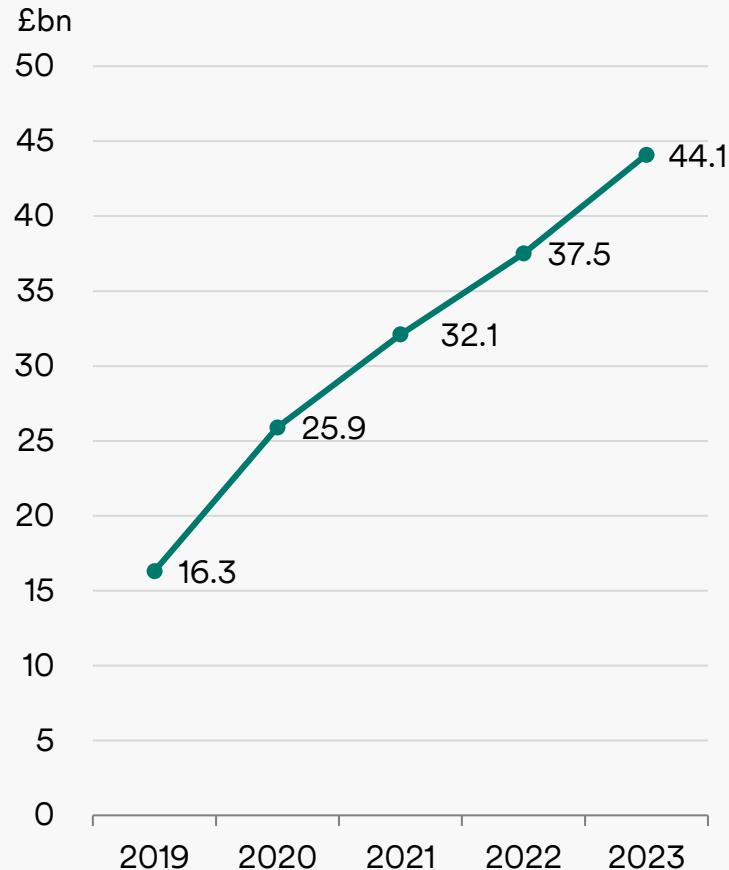
Excellent Wealth Management performance

Servicing the whole of the wealth spectrum

Wealth Management AUM



Wealth Management cumulative NNB



Strengthening **8%** advised organic NNB growth rate

Operating profit up **16%** to **£150.5m**

Wealth Management now makes up **23%** of Group operating profit

On track to deliver medium term targets set at Capital Market Day in June 2023

AUM excluding our SPW joint venture.

Driving profitability in Schroders Personal Wealth

SPW’s client proposition ranked first on value proposition¹

Good underlying growth:

NNB rate advised front book: 6%
Number of new advised clients: + 6%
Average new client portfolio size: + 23%

Future profitability driven by:

Change to investment proposition	<ul style="list-style-type: none">– Increase buying efficiencies and reduce third party costs– Bringing more of Schroders’ investment capabilities to the client– Launch of cash product
Integration of platform	<ul style="list-style-type: none">– Leading to reduced cost for the client– SPW deriving higher value
Target operating model	<ul style="list-style-type: none">– Adoption of automation– Higher quality referrals
Adviser capability	<ul style="list-style-type: none">– 65% turnaround in advisers since inception– New compensation model

Transformation will target SPW total EBITDA of £80m in 2025

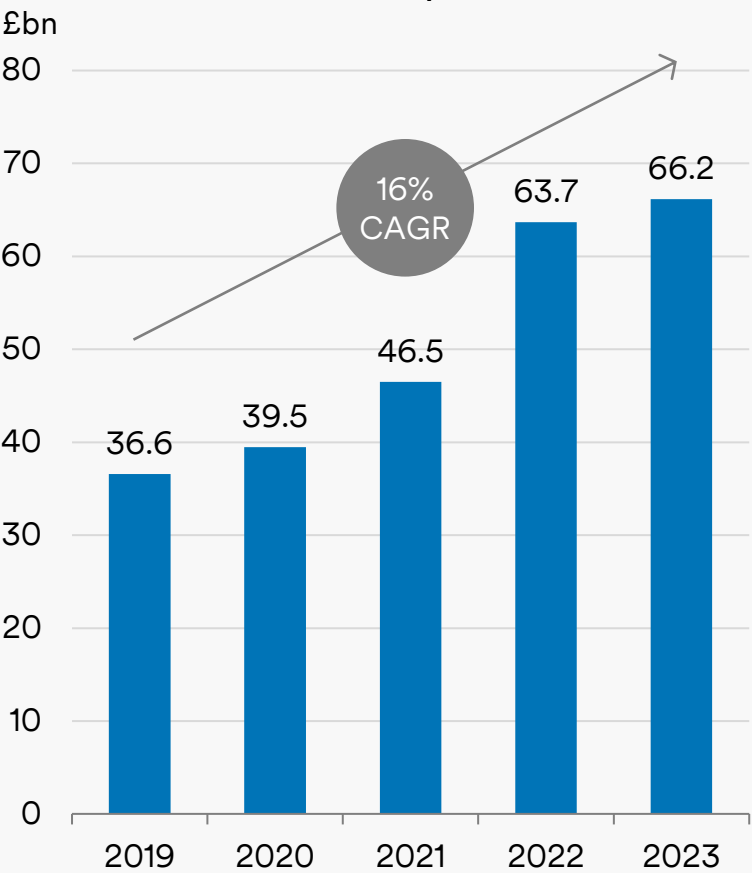
Schroders’ share of target profits: £40m

¹Value proposition ranked first with the lowest total fees across a 5-year investment horizon (one-off advice fees, ongoing advice plus investment costs). Source: Next Wealth Sept. 23, Boring Money November 22 and SPW.

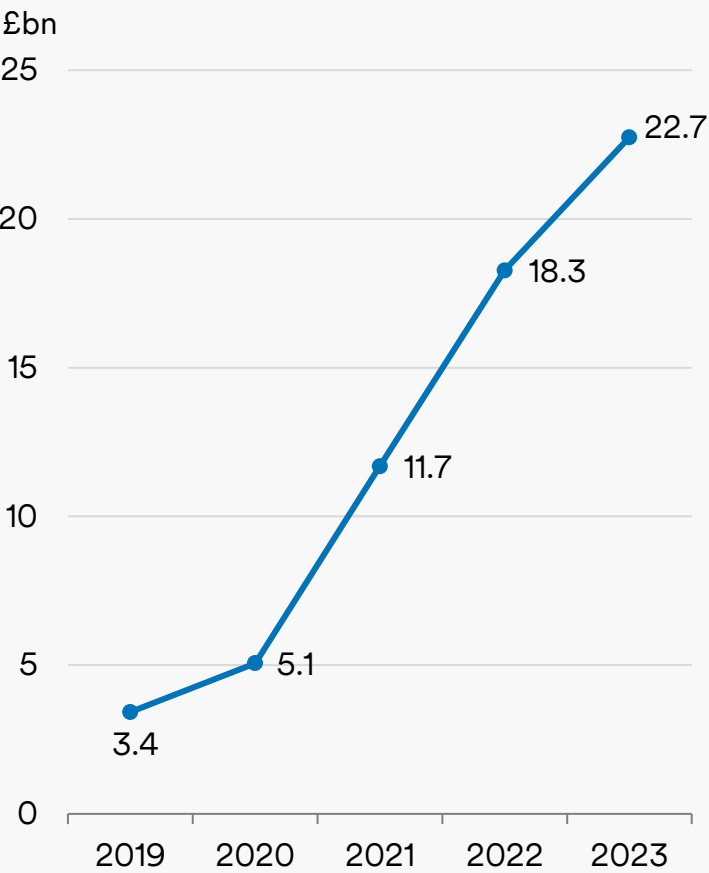
Growth in Schroders Capital despite challenging backdrop

Growth drivers underpinning shift to private markets remain strong

Private Markets AUM development¹



Private Markets cumulative NNB¹



4-year organic growth
CAGR: **16%**

A complete suite of private
markets capabilities

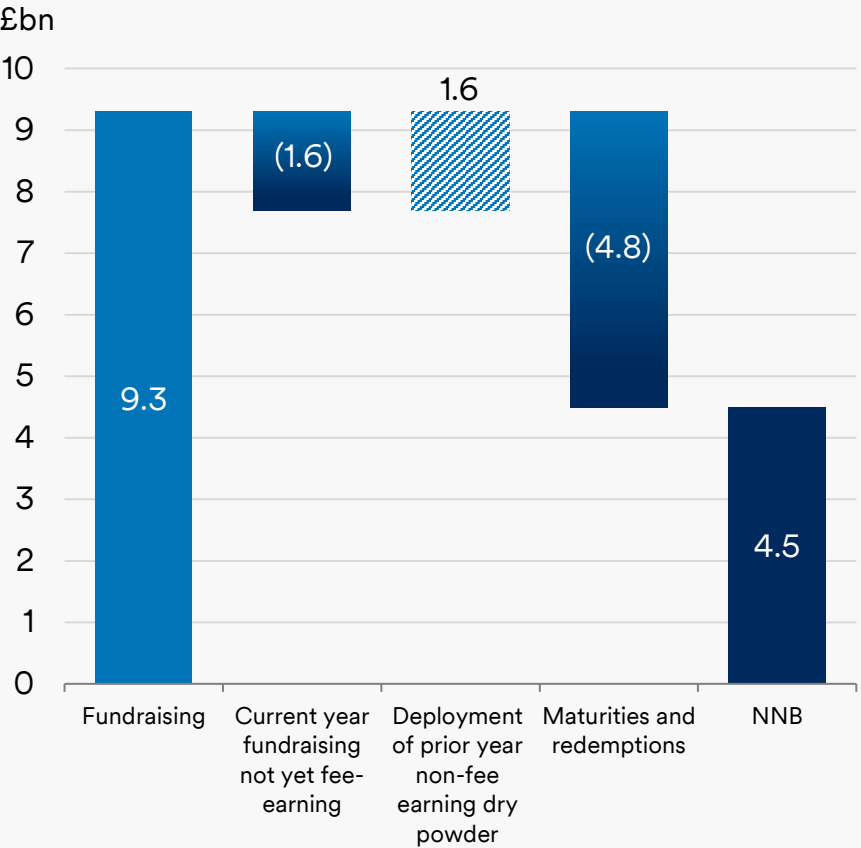
Net sales impacted by near-
term market dynamics

Value-add real estate
strategy driving NNB

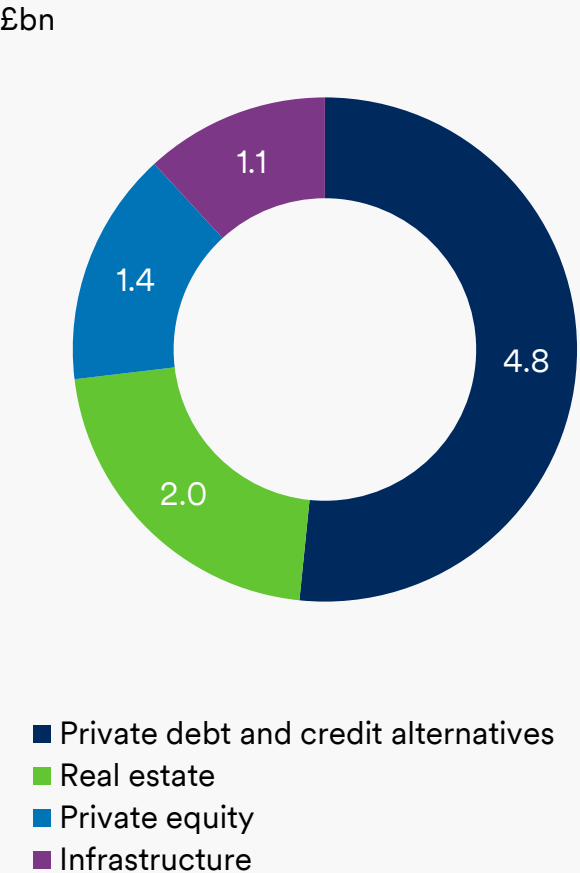
¹Externally managed GAIA funds and real estate securities have been reclassified out of Private Markets into Public Markets and Solutions.

Fundraising pillars delivering across Private Markets

Private Markets fundraising and NNB



Private Markets fundraising by pillar



£9.3bn
raised in 2023

£4.0bn non-fee earning
dry powder to be deployed

+135
new clients

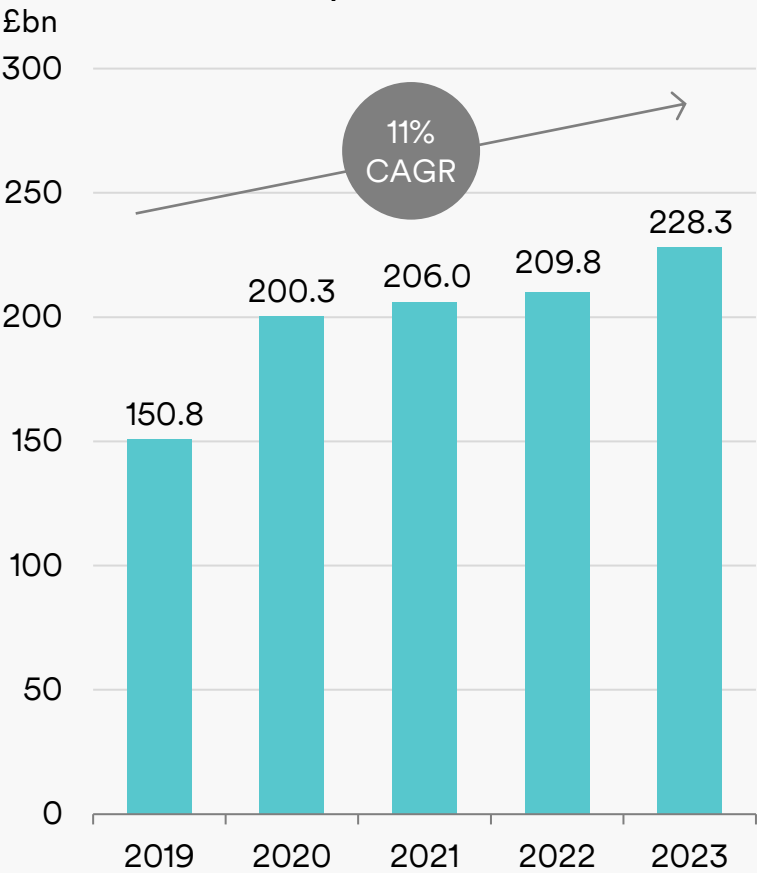
Competitive fundraising
rate¹ of **15%**

¹Fundraising rate is fundraising as a % of opening AUM.

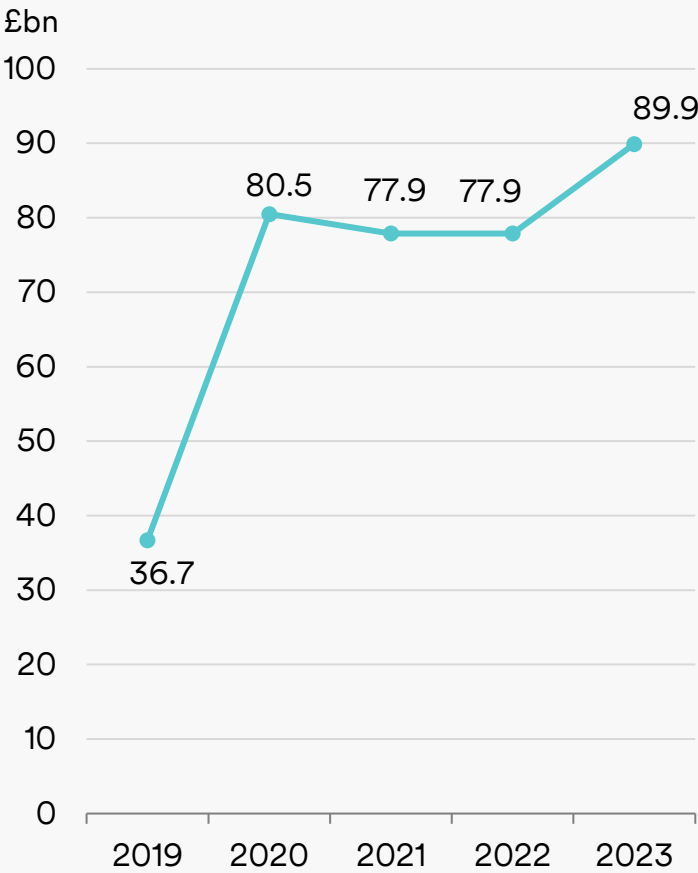
Solutions business chosen as trusted adviser to new clients

NNB driven by LDI and OCIO wins

Solutions AUM development¹



Solutions cumulative NNB¹



4-year organic growth
CAGR: **7%**

Achieved **£12.0bn** net
flows despite buy-out
activity

Gross flow rate of **22%**
of opening AUM

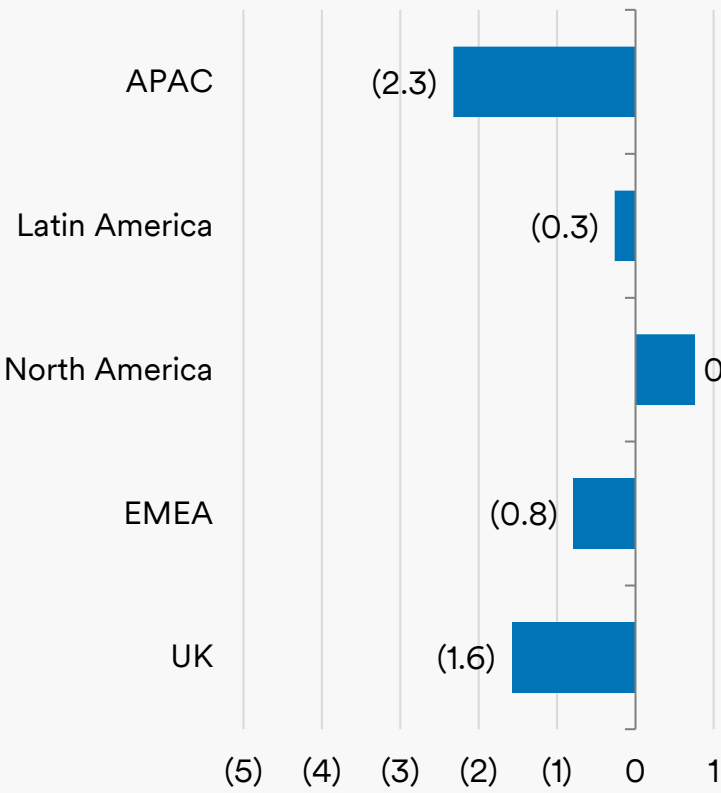
Focus on further diversifying
geographical mix to
US and Asia

¹Externally managed GAIA funds and real estate securities have been reclassified out of Private Markets into Public Markets and Solutions.

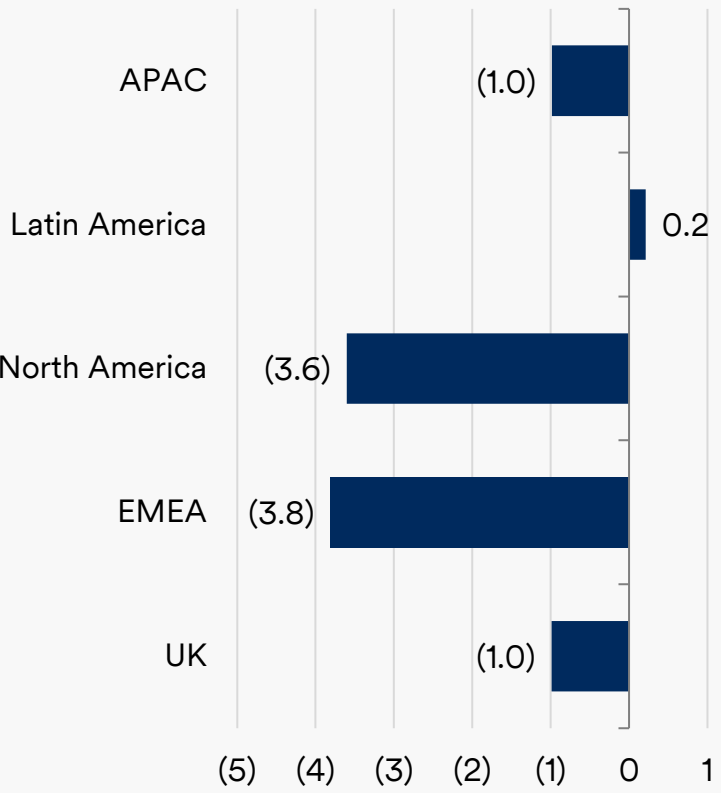
Public Markets impacted by industry headwinds

Resilient given wider market flows

Mutual Funds NNB by region¹
£bn



Institutional NNB by region¹
£bn



- Strong competition from MMFs and cash products
- Increasing share in mutual funds
- Positive contribution from thematics and sustainability
- Successful launch of wholly owned FMC in China
- Institutional outflows primarily from lower-margin mandates

¹Externally managed GAIA funds and real estate securities have been reclassified out of Private Markets into Public Markets and Solutions.

Moving forward

Sustainability

'A' rated by CDP – top 2% of companies for action and transparency on climate change	6,700+ engagements with investee companies
On track to meet temperature alignment goals	#1 financial institution in Forest 500 report for our action on deforestation

Employee proposition

#1 non-US firm in NMG brand rankings	Employee Choice Award in 2023 by Glassdoor
Set 2030 I&D aspirations	Volunteer hours up 46%

Innovation

Launched industry first LTA Fs	80+ distinct use cases of our AI tool Genie
Tokenisation partnership with Monetary Authority of Singapore	Awarded contracts to finance low-carbon hydrogen production

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Richard Oldfield
Chief Financial Officer

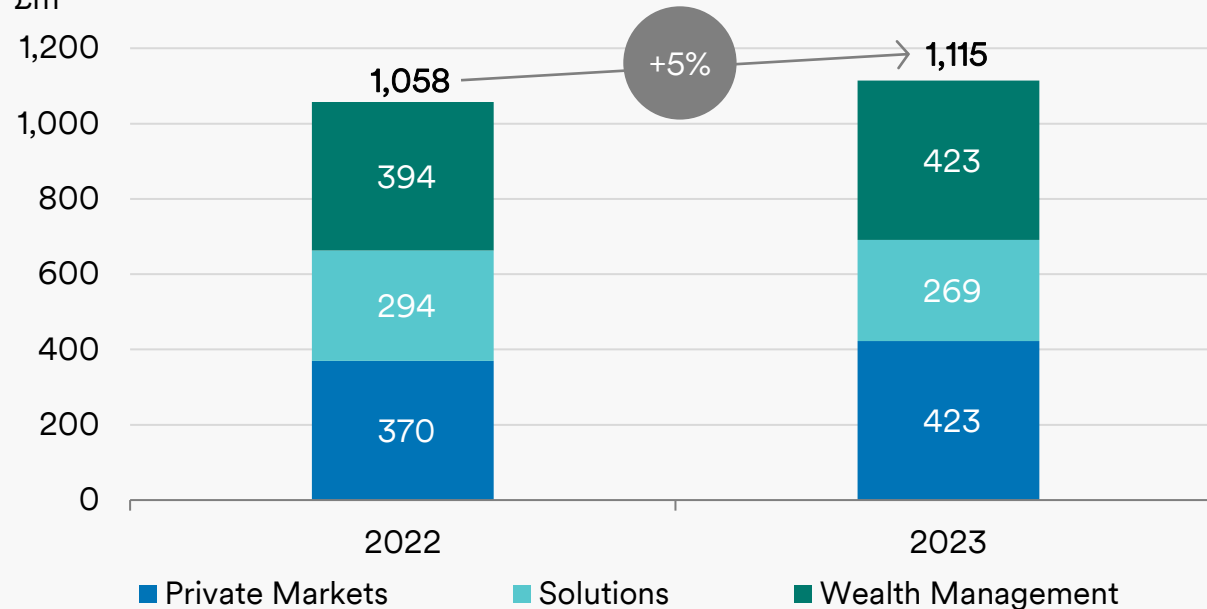


Results summary

Resilient results

Strategic growth areas

Net operating revenue
£m



	2023	2022
Net operating revenue (£m)	2,334.4	2,361.4
Net operating income (£m)	2,419.0	2,475.5
Operating expenses (£m)	(1,758.0)	(1,752.5)
Operating profit (£m)	661.0	723.0
Restructuring costs (£m)	(86.2)	-
Basic EPS (pence)	24.6	30.4
Dividend per share (pence)	21.5	21.5

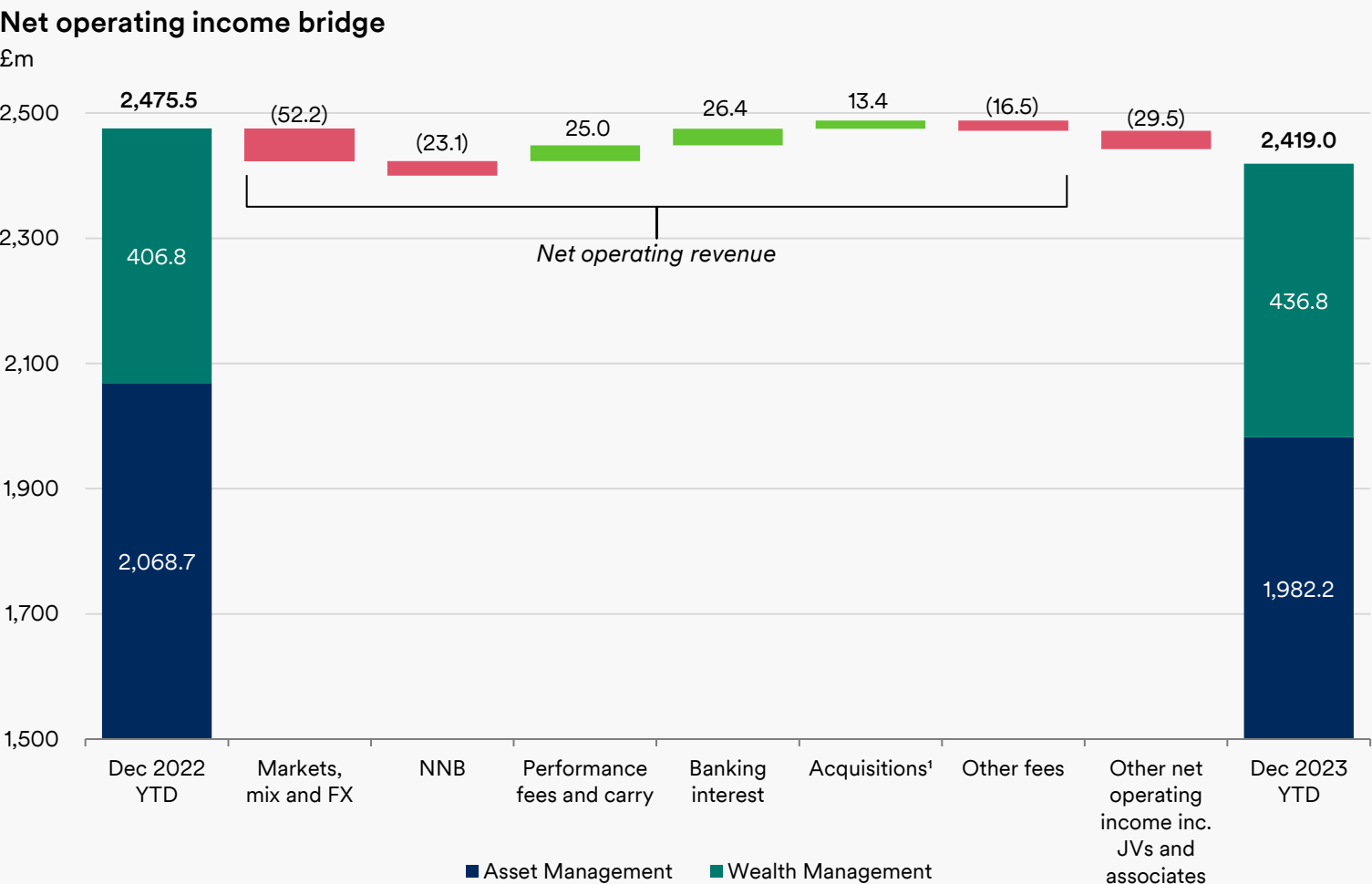
**Net new business¹ during the year of £9.7bn
(2022: -£1.6bn)**

**Profit before restructuring costs £573.8m
(2022: 586.9m)**

¹Excluding associates and JVs.

Net operating income

Growth strategies largely offset adverse market impacts



Average AUM decreased by **4%**
due to markets and FX

NNB movement includes **£10m**
headwind from 2022 net outflows and
impact of risk-off allocations in 2023

Growth in performance fees and carry
illustrates positive client outcomes

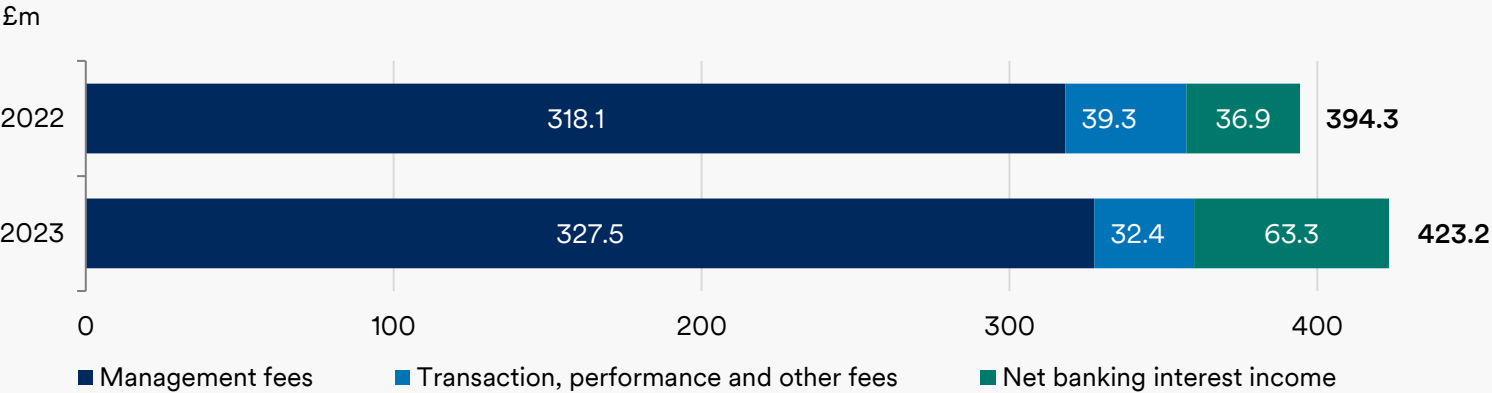
Fall in other net operating income
principally due to performance of China
JVs and associates

¹R&M, Cairn & Greencoat.

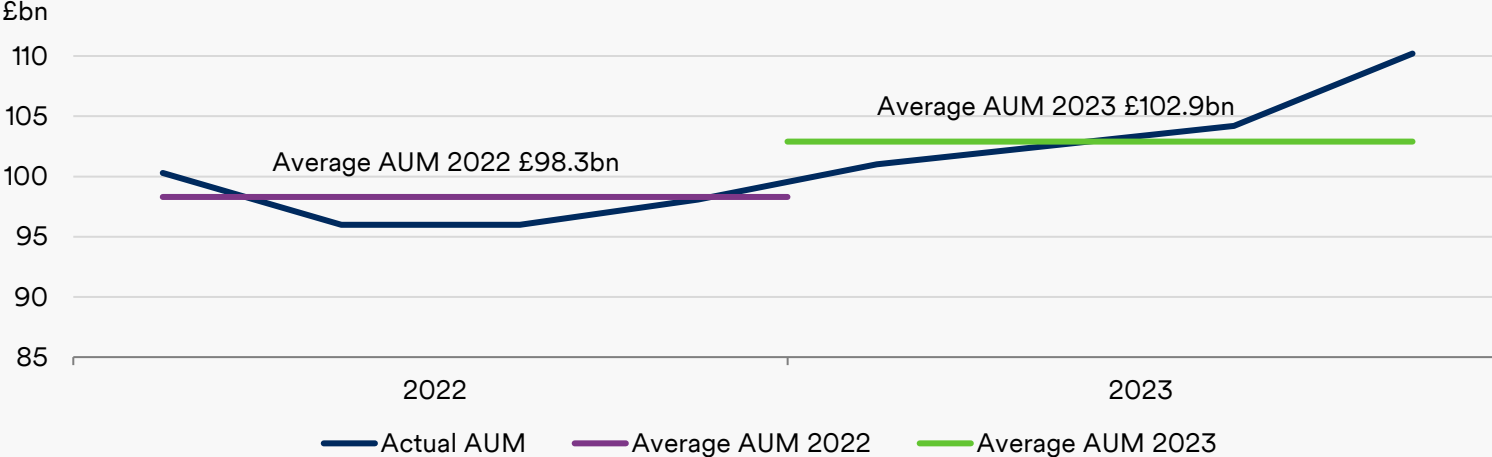
Wealth Management

Significant growth, now accounts for 23% of Group operating profit

Net operating revenue



Average AUM (excluding associates and JVs)



¹Net operating revenue margin excludes performance fees.

Net operating revenue up by **7%**

Net operating revenue margin¹ up 1bp to **41bps**

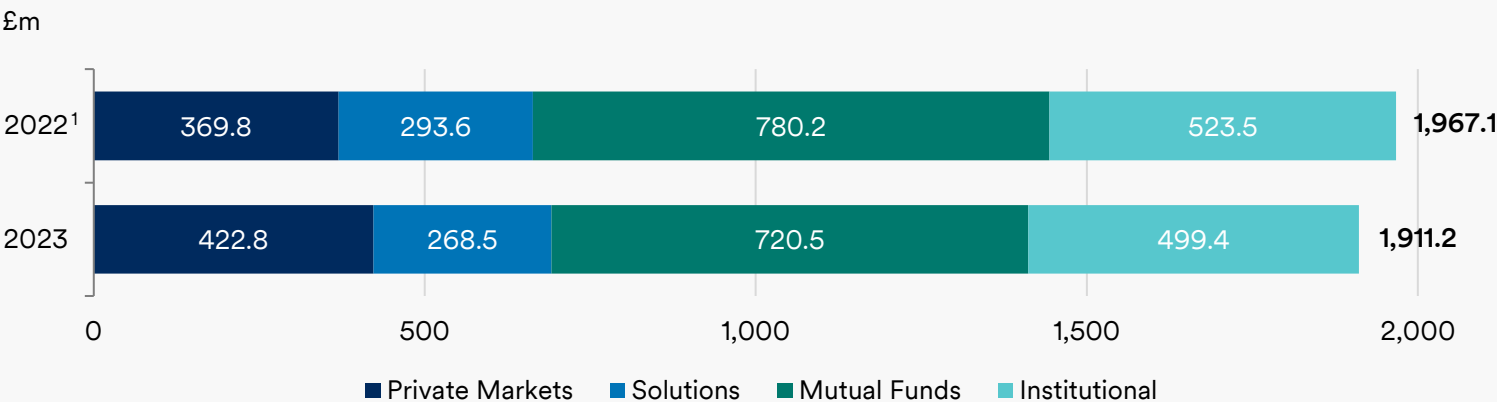
Positive client outcomes: majority of interest rate rise benefit passed on to clients

Relocation of wealth service centre to Horsham will provide operational synergies

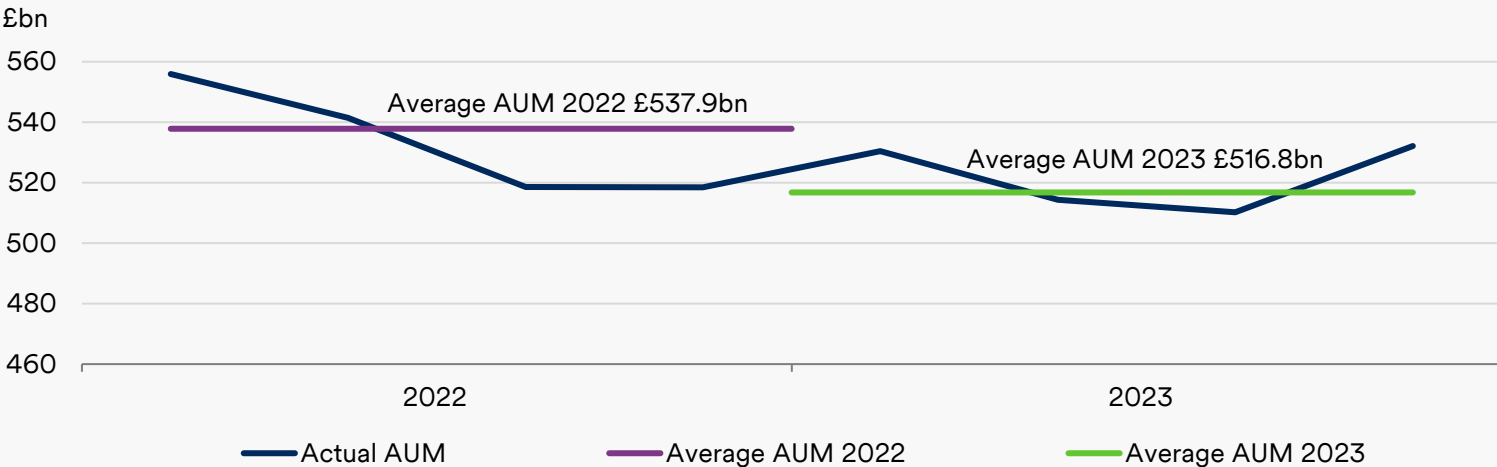
Asset Management

Strong growth in private markets business partly mitigated Public Market headwinds

Net operating revenue by business area



Average AUM (excluding associates and JVs)



¹Externally managed GAIA funds and real estate securities have been reclassified out of Private Markets into Public Markets and Solutions.

Public Markets average AUM reduced by **5%** due to adverse markets, FX and net outflows

Majority of Solutions NNB revenue benefit to start in 2024

Fundraising and strong carried interest helped generate a **14%** increase in Private Markets revenue

Interests in joint ventures and associates

Share of profits impacted by market sentiment in China

Share of profit of joint ventures and associates¹

	2023		
	Asset Management	Wealth Management	Total
Net operating income (£m)	447.6	129.7	577.3
Profit after tax (£m) ¹	182.0	4.1	186.1
Group's share of profit (£m)¹	48.7	2.4	51.1
Contribution to Group's PAT			13%
Revenue margin ²			42bps
AUM (£bn)			108.2
	2022		
	Asset Management	Wealth Management	Total
Net operating income (£m)	535.9	140.0	675.9
Profit after tax (£m) ¹	260.8	8.4	269.2
Group's share of profit (£m)¹	73.6	4.0	77.6
Contribution to Group's PAT			16%
Revenue margin ²			41bps
AUM (£bn)			121.0

¹Excludes amortisation of acquired intangible assets and restructuring costs.

²Includes performance fees.

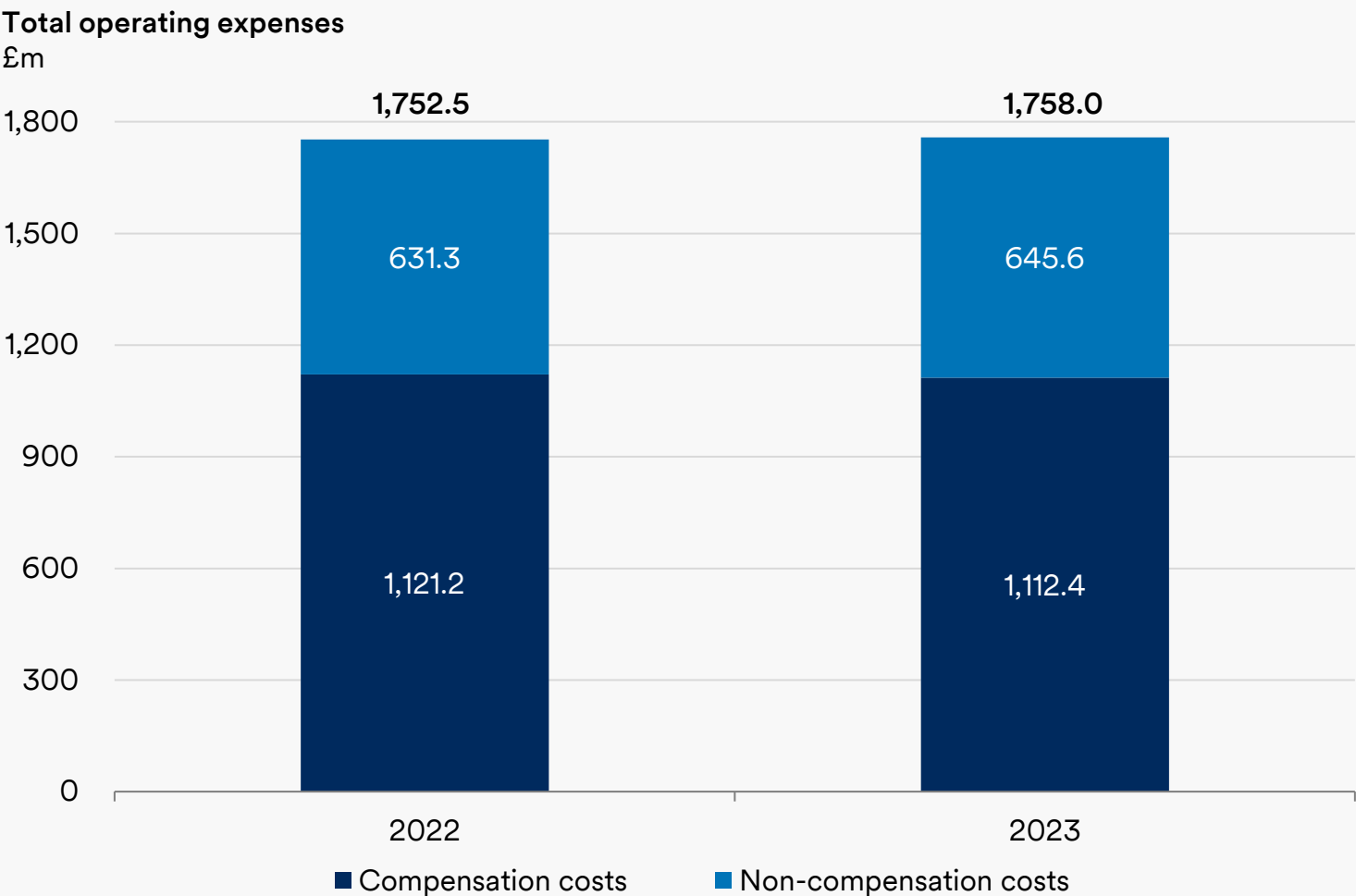
Well positioned in China although near-term volatility meant share of profits from BoCom FMC down by **28%**

Positive performance from Indian venture with Axis: **17%** increase in our share of profits

Unfavourable FX movements contributed a **6%** reduction overall

Operating expenses

Expenses flat, benefitting from good cost discipline and one-off savings



Operating expenses benefitting from recent investments made in operating platform and one-off savings

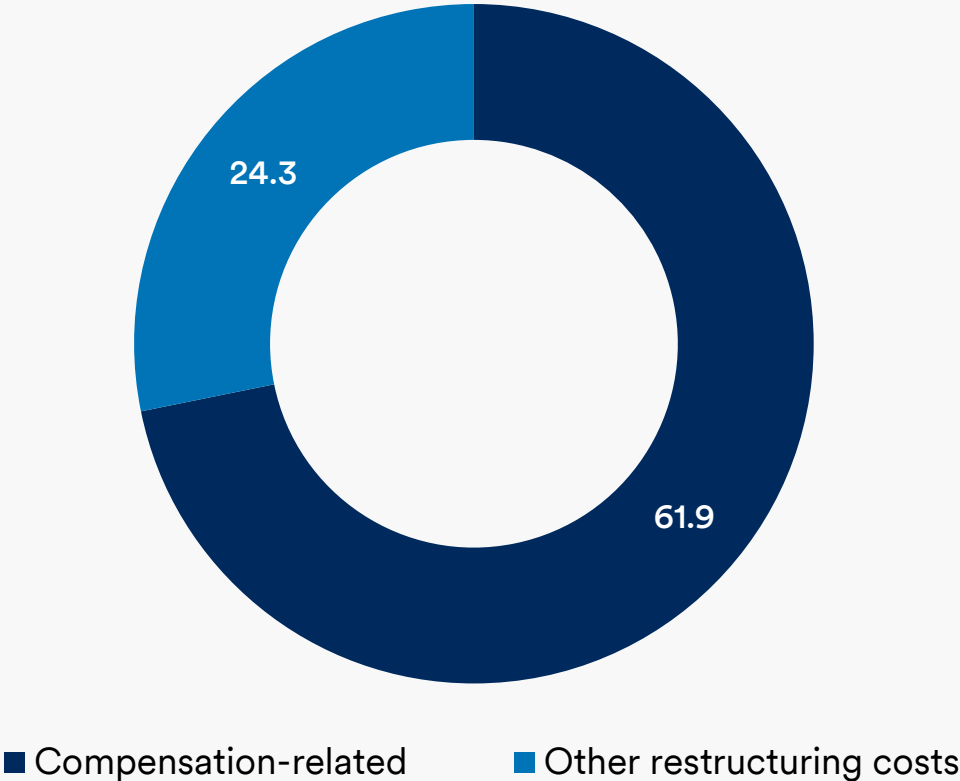
Compensation costs down **1%**, reflecting compensation ratio of **46%** (2022: 45%)

Non-compensation costs up just **2%** despite inflationary environment

Restructuring costs

Cost efficiency initiatives, enabling reinvestment for future growth

Total restructuring costs
£m



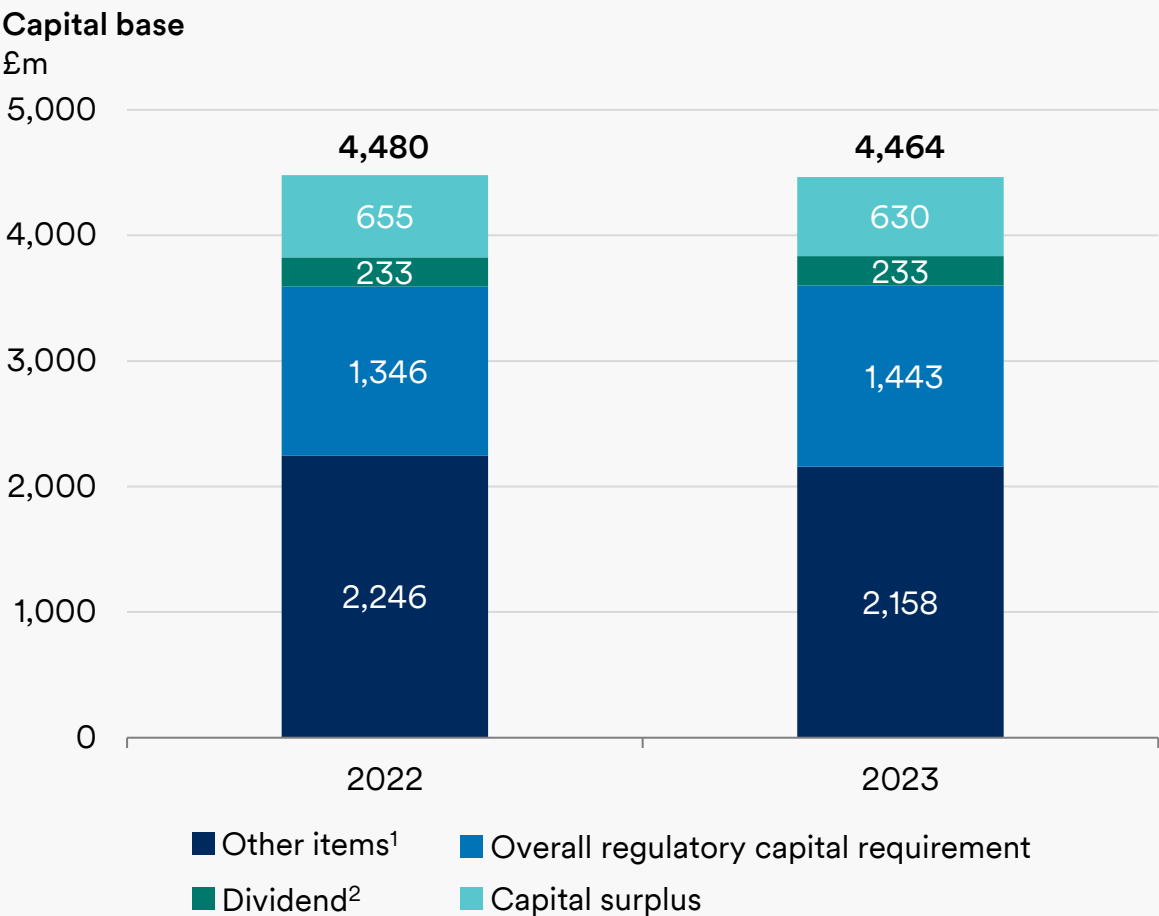
Proactively enabling investment for future growth through cost efficiency initiatives

£62m compensation-related
– Reposition capabilities for new skillsets

£24m other restructuring costs
– Action taken to position group for the future

Group Capital composition

Strong capital position, disciplined allocation



¹Comprises regulatory deductions, principally goodwill, intangible assets and pension scheme surplus.
²Final dividend proposed for the respective year.

Capital allocation

①

Organic investment for growth

- Continue to invest organically
- Strategic investment in growth initiatives
- Technology and innovation
- Seed and co-investment

②

Dividends

- Progressive and sustainable dividend

③

Inorganic investment

- Deliberate and considered approach
- Bolt-on opportunities
- Strategic partnerships

④

Share buy-backs

- Medium-term time horizon

Profit before tax

Resilient results demonstrate benefits of strategy and positive cost management

£m	2023	2022
Operating profit	661.0	723.0
Central costs	(52.9)	(48.8)
Net gain/(loss) on financial instruments and interest income	55.7	(0.9)
Acquisition costs and related items ¹	(90.0)	(86.4)
Profit before restructuring costs	573.8	586.9
Restructuring costs ²	(86.2)	–
Profit before tax	487.6	586.9

Basic operating EPS **32.5p**
2022: 37.4p

Basic EPS **24.6p**
2022: 30.4p

Final proposed dividend **15.0p**
2022: 15.0p

¹Include deal costs associated with corporate transactions and costs associated with the integration of acquired businesses as well as amortisation of acquired intangible assets.

²Restructuring costs are one-off in nature and primarily comprise compensation-related costs.

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Outlook



Well positioned for 2024 and beyond



Strategic growth areas now make up 56% of AUM



Execution of our strategy has enabled us to deliver net inflows and growth



Drive future growth through enhanced operating leverage from cost efficiency initiatives



Our diversified business model will enable us to deliver for clients and shareholders over the long term

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Questions

Peter Harrison

Group Chief Executive

Richard Oldfield

Chief Financial Officer



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Thank you



Forward looking statement

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