Alpha
Financial Markets Consulting

A leading global consultancy to the asset and wealth management industry

# 31 March 2018 Audited Preliminary Results

**6 June 2018**

# Presentation Team

### Euan Fraser
Chief Executive Officer

- Has led Alpha as CEO from 2013
- During this period, the business has increased EBITDA almost seven-fold and led the business through two successful private equity transactions and a public listing
- Alpha UK CEO from 2011 to 2015
- Over 20 years' financial services experience in both consulting and industry at Merrill Lynch
- Qualified as a Chartered Accountant with KPMG

### Stuart McNulty
UK Chief Executive Officer

- UK CEO from 2015
- Has led the sale and delivery of many of Alpha's most significant programmes of work
- Experienced across all key areas of the asset management value chain
- Joined Alpha in 2007 from JP Morgan Investment Bank
- Prior to this worked within Accenture's Capital Markets practice

### John Paton
Chief Financial Officer

- Joined Alpha as CFO in February 2018
- 23 years' experience across corporate finance, banking and audit
- Qualified as a Chartered Accountant with KPMG
- Holds an Executive MBA
- Joined Alpha from HSBC, where he worked in both Global and Commercial Banking divisions, latterly as a Director in UK Banking

# Agenda

## Full year results presentation

**Agenda**

| | | | |
|---|---|---|---|
| 1. | Key Highlights | > | Euan Fraser |
| 2. | Key Financials | > | John Paton |
| 3. | Market & Operating Review | > | Euan Fraser & Stuart McNulty |
| 4. | Outlook | > | Euan Fraser |

Alpha

Agenda

# Key Highlights

Alpha

# Key Financial Highlights

## We continue to grow successfully our global business

| Revenue | Adjusted EBITDA [2] | Adjusted Operating Profit [3] |
|---|---|---|
| ↑ 51.5% | ↑ 62.9% | ↑ 65.0% |
| **FY18: £66.0m** | **FY18: £13.9m** | **FY18: £13.6m** |
| FY17 [1]: £43.6m | FY17: £8.6m | FY17: £8.3m |

| Adjusted Cash Conversion [4] | Proforma Adjusted Earnings per Share [5] | Total Dividend per Share |
|---|---|---|
| ↑ | ↑ | ↑ |
| **FY18: 83%** | **FY18: 9.77p** | **FY18: 5.17p** |
| FY17: 52% | FY17: 7.99p | FY17: NIL |

1. "FY17" – 12 months results to 31 March 2017 per Admission Document dated 6 October 2017; "2017" – audited 60 week comparative period ended 31 March 2017 2. Adjusted EBITDA is operating profit before interest, tax, depreciation, amortisation and other adjusting non-operational costs including acquisition costs, IPO costs, restructuring costs, earn-out costs and share-based payment charges. 3. Adjusted operating profit is adjusted EBITDA less depreciation. 4. Adjusted cash conversion is net cash from operating activities divided by adjusted operating profit. 5. Proforma adjusted EPS is adjusted PAT over the weighted average number of shares since IPO

# Key Operational Highlights

## Delivering growth through global operations

### Clients[1]

- Consulted to 241 clients
- Includes 17 of the 20 largest global asset managers by AUM
- Supporting some of the most high-profile change projects in the industry

FY18 **241**

FY17 **216**

### Practices

- Two new practices launched:
  1. Digital
  2. Alpha Data Solutions
- Continued rollout of Alpha practices globally
- Fintech & Innovation practice expected to launch in H1 FY19

FY18 **10**

FY17 **8**

### Offices

- First Asia office opened in Singapore with Executive Director
- Newly launched (FY17) Geneva office successfully established in Swiss market

FY18 **9**

FY17 **8**

### Acquisitions

- Acquisition of TrackTwo, a data science consultancy
- Successful integration of team, product and clients within Alpha Data Solutions practice

### Headcount[2]

- Number of consultants increased by 27%
- Addition of five directors globally
- Business operations (HR, Finance and platforms) in place to support future growth

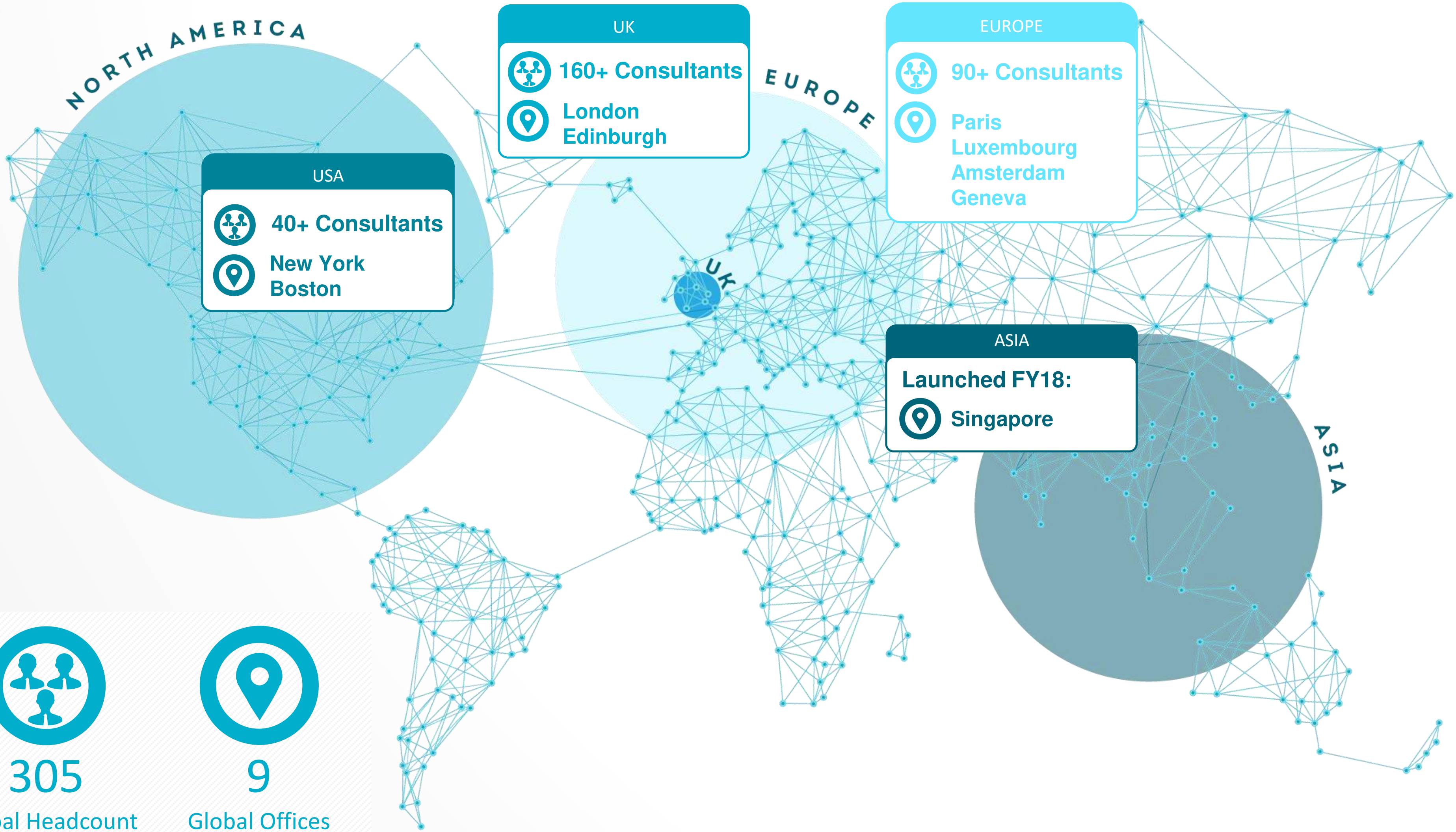
FY18 **305**

FY17 **240**

1. Client numbers are cumulative
2. Except where noted, refers to total fee generating consultants: employed consultants plus utilised contractors

# Our Regional Business at a Glance

We have consolidated our position as a leading global consultancy to the asset management industry




**305**
Global Headcount

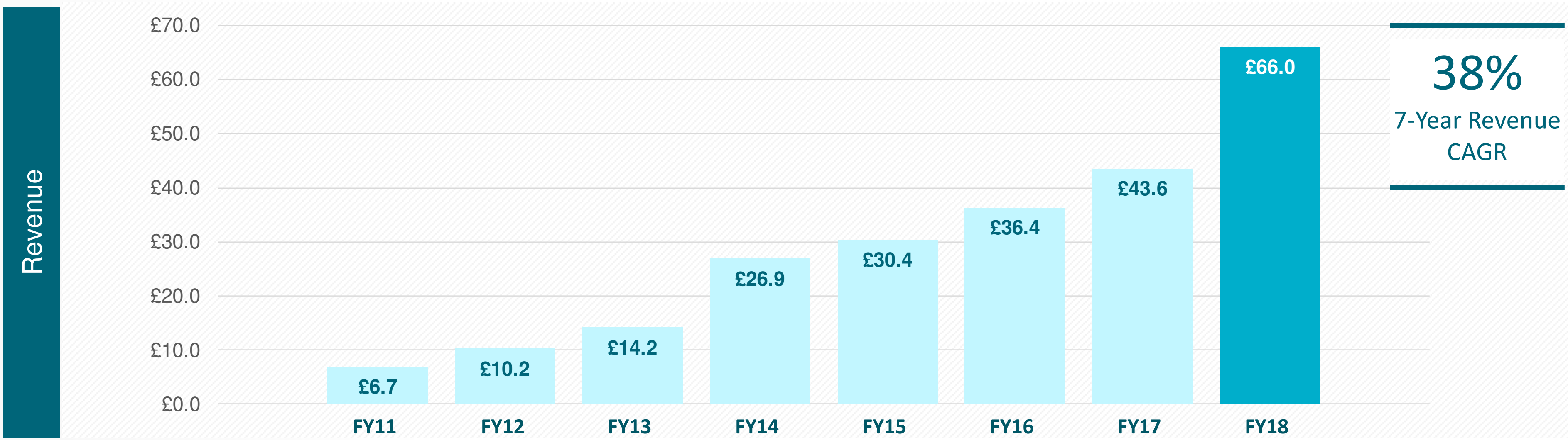
**9**
Global Offices

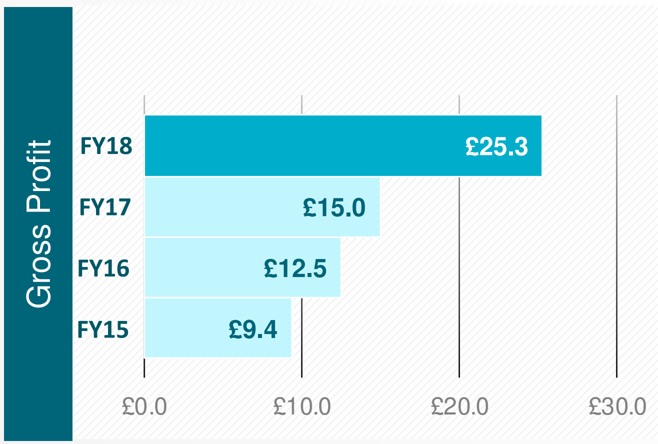
Agenda

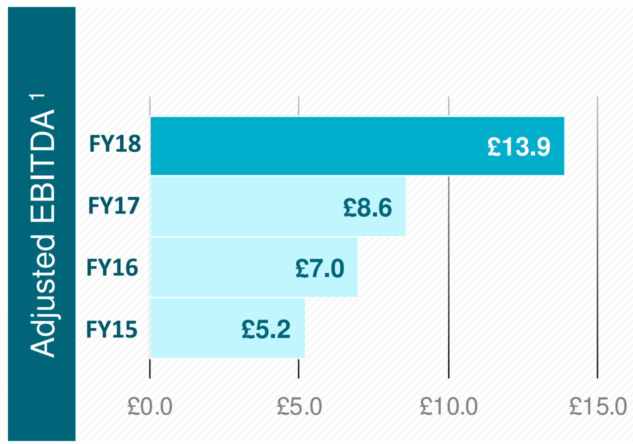
# Key Financials

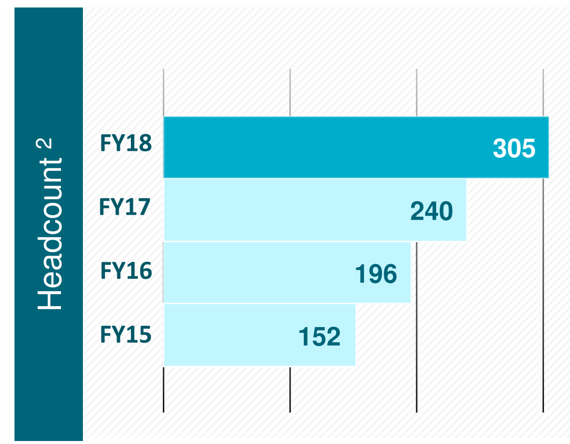
# Key Performance Indicators

## Historic track record




1. Adjusted EBITDA is operating profit before interest, tax, depreciation, amortisation and other adjusting non-operational costs including acquisition costs, IPO costs, restructuring costs, earn-out costs and share-based payment charges. 2. Headcount refers to total fee generating consultants: employed consultants plus utilised contractors

# Group Income Statement

## Year ended 31 March 2018

| £'000 | FY18 | FY17 [1] | % change |
|---|---|---|---|
| **Revenue** | **66,009** | **43,562** | **51.5%** |
| Gross profit | 25,261 | 15,038 | 68.0% |
| *Gross profit margin %* | *38.3%* | *34.5%* | |
| Administration expenses [2] | (11,328) | (6,483) | 157.6% |
| **Adjusted EBITDA [3]** | **13,933** | **8,555** | **62.9%** |
| *Adjusted EBITDA margin %* | *21.1%* | *19.6%* | |
| Depreciation | (297) | (289) | |
| **Adjusted operating profit** | **13,636** | **8,266** | **65.0%** |
| Adjusting expense items | (5,078) | (2,132) | |
| Operating profit | 8,558 | 6,134 | 39.5% |
| Interest | (7,059) | (6,865) | |
| Profit / (loss) before tax | 1,499 | (731) | |
| **Adjusted profit after tax** | **9,956** | **6,381** | |
| Proforma adjusted earnings per share [4] | 9.77p | 7.99p | |
| Dividend per share - Interim | 1.48p | Nil | |
| - Final (proposed) | 3.69p | Nil | |
| **Total dividend per share** | **5.17p** | **Nil** | |

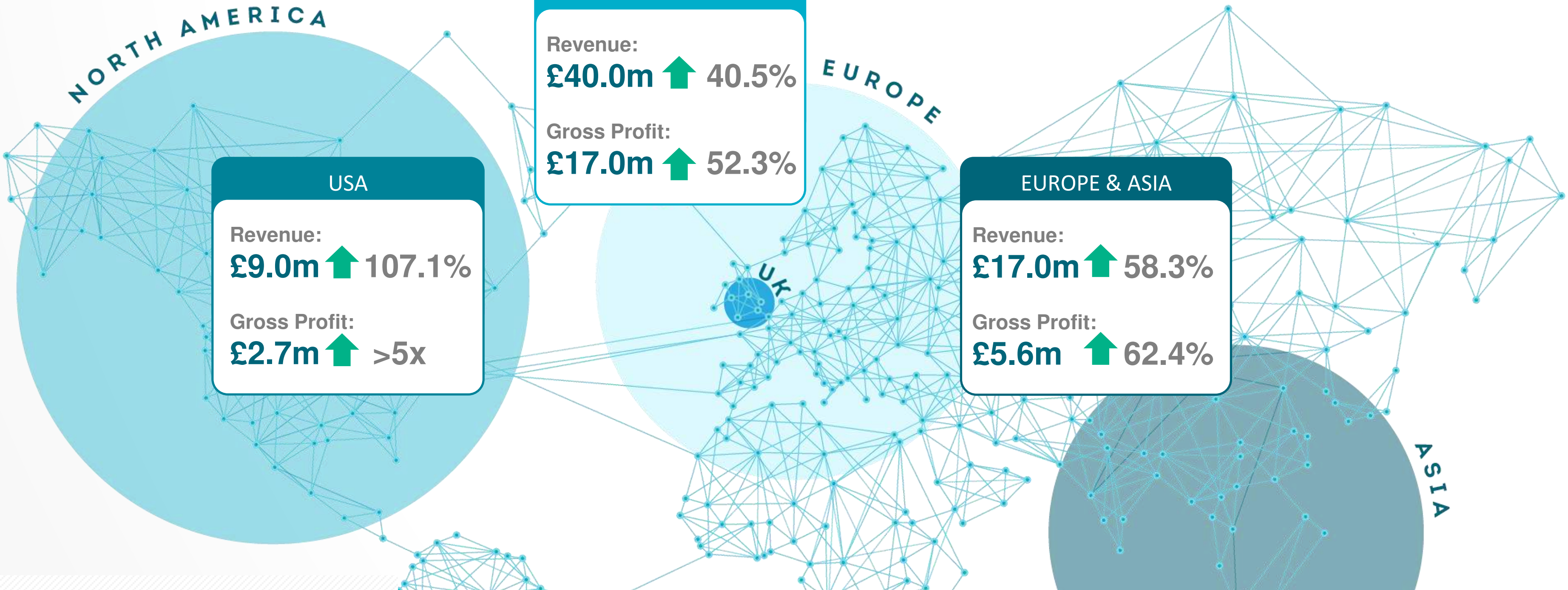
## Key highlights:

- Strong 49.4% organic revenue growth; 50.5% constant FX
- Gross profit margins improved across all regions with improved utilisation
- Administration expenses fully invested
- Adjusted EBITDA margin continued to improve to 21.1%
- Financing costs reflect pre IPO structure
- Proforma adjusted EPS reflects normalised post-IPO earnings and capital structure
- Dividend recommendation in line with 50% pay-out policy, on a fully adjusted PAT basis this year

1. "FY17" – 12 months results to 31 March 2017 per Admission Document dated 6 October 2017 (throughout). 2. Before non-operating costs including acquisition costs, IPO costs, restructuring costs, earn-out costs and share-based payment charges. 3. Adjusted EBITDA is operating profit before interest, tax, depreciation, amortisation and other adjusting non-operational costs including acquisition costs, IPO costs, restructuring costs, earn-out costs and share-based payment charges totalling £5.4m 4. Proforma adjusted earnings per share is adjusted profit after tax over the weighted average number of shares since IPO

# Regional Performance

## Year ended 31 March 2018




**UK**

Revenue:
£40.0m ↑ 40.5%

Gross Profit:
£17.0m ↑ 52.3%

**USA**

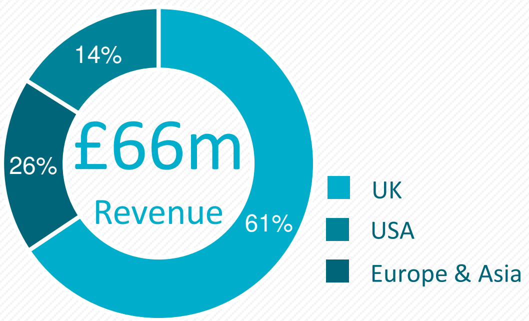
Revenue:
£9.0m ↑ 107.1%

Gross Profit:
£2.7m ↑ >5x

**EUROPE & ASIA**

Revenue:
£17.0m ↑ 58.3%

Gross Profit:
£5.6m ↑ 62.4%




### Key highlights:

- Further internationalisation
- Strong performance across all regions
- Successful UK-US secondment programme
- Contributions from TrackTwo acquisition and recent offices in Switzerland and Singapore

# Adjusting Non-Operating Expense Items

## Year ended 31 March 2018

### Non-recurring:

| £'000 | FY18 | FY17 |
|---|---|---|
| IPO cost | 1,621 | - |
| US restructuring & secondment costs | 251 | - |
| Acquisition costs | 241 | - |
| **Total non-recurring costs** | **2,113** | - |

### Non-underlying:

| £'000 | FY18 | FY17 |
|---|---|---|
| Amortisation | 2,383 | 2,132 |
| Share based payments charge | 191 | - |
| Earn-out consideration | 391 | - |
| **Total non-underlying operating costs** | **2,965** | **2,132** |
| **Total adjusting non-operating costs** | **5,078** | **2,132** |

### Key highlights:

- Non-recurring includes one-off IPO costs, TrackTwo acquisition expenses and a specific successful US restructuring
- Non-underlying includes management and employee share-based payments IFRS 2 charge; pro-rated since IPO
- TrackTwo earn-out payments expensed annually per IFRS 3
- Further £1.7m one-off accelerated loan costs within finance expenses

# Group Balance Sheet

## As at 31 March 2018

| £'000 | FY18 | FY17 |
|---|---|---|
| Non-current assets | 75,936 | 75,193 |
| Trade receivables | 17,851 | 9,444 |
| Accrued income | 2,743 | 1,659 |
| Other receivables | 648 | 984 |
| Cash | 9,774 | 8,023 |
| Trade payables | (2,362) | (1,334) |
| Deferred income | (670) | (108) |
| Other payables | (17,270) | (8,582) |
| Deferred tax provision | (3,401) | (3,946) |
| Other non-current liabilities | (277) | (85,879) |
| **Net Assets** | **82,972** | **(4,546)** |
| Issued share capital | 77 | - |
| Other reserves | 89,663 | 86 |
| Retained earnings | (6,358) | (4,408) |
| Foreign exchange reserve | (410) | (224) |
| **Shareholders' Equity** | **82,972** | **(4,546)** |

### Key highlights:

- No impairment of non-current assets
- Increase in working capital in the year
- Trade receivables reduced since year end
- Debt free capital structure post-IPO; strong £9.8m closing net cash position
- Undrawn £5m committed revolving credit facility in place since IPO
- Recapitalised balance sheet on IPO

# Group Cashflow

## Year ended 31 March 2018

| £'000 | FY18 | FY17 |
|---|---|---|
| **Operating profit** | **8,558** | **6,134** |
| Non-cash items | 4,733 | 2,516 |
| Net movement in working capital | (732) | (3,055) |
| Income taxes paid | (1,222) | (1,265) |
| **Net cash from operating activities** | **11,337** | **4,330** |
| *Adjusted cash conversion rate %[1]* | *83%* | *52%* |
| IPO cost | (892) | - |
| Capex | (243) | (199) |
| Cost relating to acquisitions | (2,183) | - |
| **Net cash used in investing activities** | **(3,318)** | **(199)** |
| Equity raise | 34,348 | 18 |
| Loans & preference shares repaid | (33,602) | (1,540) |
| Interest paid | (5,469) | (1,312) |
| Dividends paid | (1,508) | - |
| **Net cash from financing activities** | **(6,231)** | **(2,834)** |
| **Net increase in cash & equivalents** | **1,788** | **1,297** |
| Exchange rate fluctuations on cash | (37) | 21 |
| Net cash / (debt) at start of year | 8,023 | 6,705 |
| **Net cash / (debt) at end of year** | **9,774** | **8,023** |

## Key highlights:

- Improved 83% adjusted operating cashflow conversion
- TrackTwo: initial c. £2m consideration paid July 2017
- IPO included full capital restructuring repaying all debt
- Inaugural interim dividend paid post IPO in December 2017
- Improved year end cash position

1. Adjusted cash conversion is net cash from operating activities divided by adjusted operating profit

Agenda

# Market &
# Operating Review

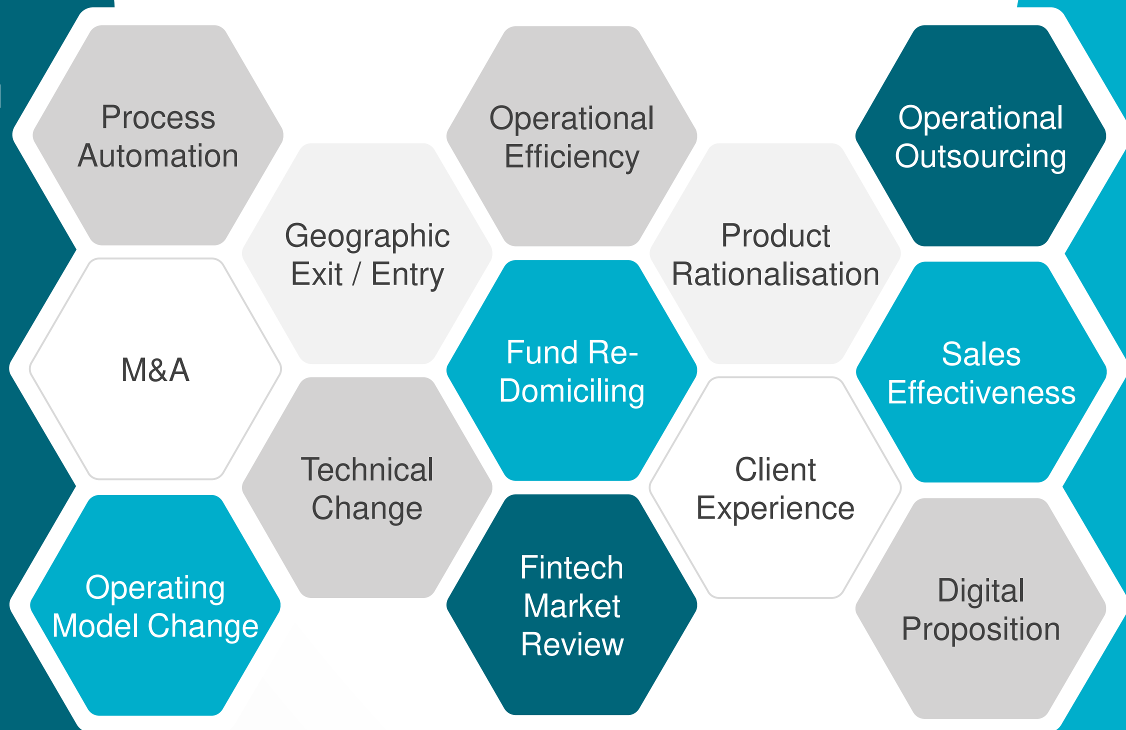
# Proposition & Capabilities

## Structural drivers of market change

Our clients are confronted with a series of key structural drivers...

1. **Growth in Global AUM**
2. **Cost Pressures**
3. **Regulatory Demands**

The focus of our clients' responses is varied and includes…




… Alpha supports clients through all stages of their response.

**Strategy & Advisory**

Alpha understands the industry macro-drivers and supports clients in translating these into tangible change initiatives

**Planning & Selection**

Alpha helps clients to prioritise these change initiatives and create achievable, risk-managed plans

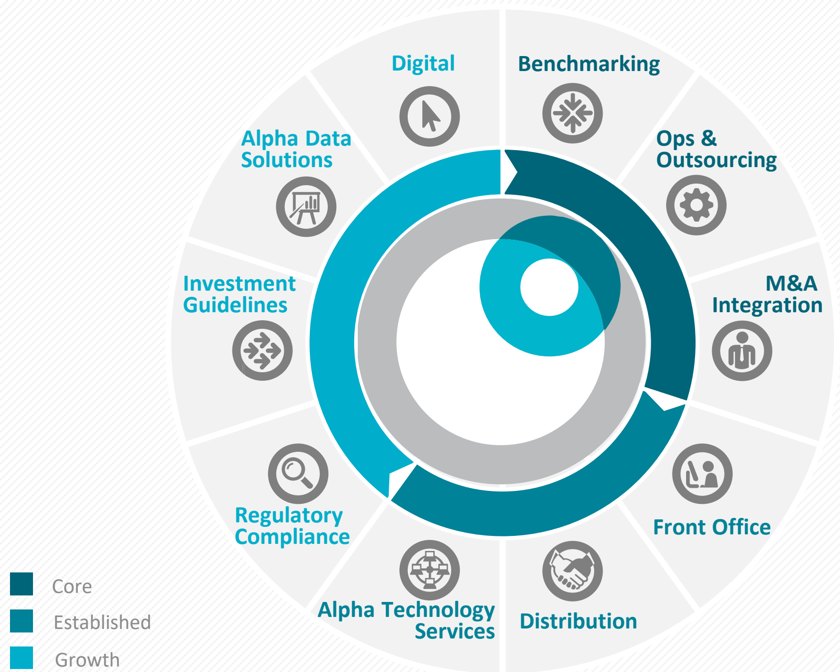
**Implementation**

Alpha leads or supports the execution of these change initiatives, often focused on the most "mission-critical" programmes

# How We Meet Client Demand

## Comprehensive service offering

**Alpha delivers specialist skills across 10 practice areas**




**… supported by a unique blend of insight and expertise:**

- **Subject matter expertise**. Focusing exclusively on asset and wealth management, we provide relevant, up-to-date industry knowledge and experience
- **Delivery excellence**. Our robust consulting and project management expertise extends across the asset and wealth management value chain
- **Proven approach**. We bring together deep industry experience, relevant methodologies and significant proprietary data to provide our clients comprehensive value outcomes

We support the most complex and important delivery and change projects for our clients

**Revenue Visibility**

| | |
|---|---|
| Major Programmes | £2m+, typically multi-region |
| Large Programmes | £1m to £2m, single or multi-region |
| Smaller Projects | Up to £1m, typically single-region |

# Key Alpha Differentiators

## Our clients recognise the quality and experience of our people

### We attract and retain the highest calibre individuals in the industry

The most talented consultants in the industry join Alpha for:

- **Industry reputation** as a leading consultancy meaning candidates actively approach Alpha
- **Invaluable experience** through working on impactful, industry defining projects
- **Unique culture** placing people at the heart of the Alpha business
- **Open, diverse and inclusive environment** delivered through a dedicated support programme
- **Market-leading compensation package**, including differentiating profit share
- **Sharing success**, with employees offered equity and a management incentive plan for directors
- **Comprehensive training and development,** building consulting skills and industry knowledge

### Our people deliver unrivalled outcomes to clients

Alpha's successful talent management approach provides the foundation upon which we offer the following differentiators:

- **High performing team** bringing indispensable experience and personal credentials to the corporate proposition
- **Focussed proposition** with unparalleled insights in implementing responsive strategies for clients
- **Industry track record** with a strong reputation for successfully delivering business critical change
- **Global presence** for serving our expanding client base and delivering large cross border programmes
- **IP and benchmark data** grown over 15 years, offering unique intelligence on how our clients run their businesses

"Alpha's greatest strength is having **good people**, and with Alpha you can be **sure of what you are getting**"
Director, global asset manager

# UK Business Spotlight

## Demonstrating year-on-year success and growth

### At a Glance

**Revenue**

FY18 **£40.0m**

FY17 £28.5m

**Gross Profit**

FY18 **£17.0m**

FY17 £11.2m

**Headcount**

FY18 **165**

FY17 138

### Practices

- Two new practices launched:
  1. Digital
  2. Alpha Data Solutions
- Hiring of Head of Digital practice
- Key focus on building out recently added practices Regulatory Compliance and Investment Guidelines
- Expecting to launch Fintech & Innovation in H1 FY19

### Headcount

- Number of fee generating consultants[1] increased by 20%
- Consistently high utilisation rates
- Continued focus on target hires and recruiting highest calibre consulting talent
- Reinforcement of senior management team with addition of two directors

### Major Projects

| | |
|---|---|
| UK Asset Manager | Full operating model design and implementation of BRS Aladdin |
| European Asset Manager | Global transformation of Distribution operating model and implementation of new technology platforms |
| Global Asset Manager | M&A integration support including Operations integration, Distribution strategy, Investments integration |
| Global Wealth Manager | Design and implementation of a new Digital & Wealth proposition |

### What's Next?

- Drive further growth in recently launched practices, Digital and Alpha Data Solutions
- Explore opportunities to establish adjacent service offering
- Continue to explore potential bolt-on acquisitions

1. Fee generating consultants including contractors

# TrackTwo

## Acquisition and integration update

Alpha Data Solutions

Specialists in data analysis, helping clients analyse data to understand their businesses and make better decisions

**Capabilities:**

- Acquisition Experience
- New Product
- Revenue Generation
- Opportunity

## Overview of the acquisition

Alpha acquired **TrackTwo**, a data science consultancy firm in July 2017. It now forms the core of a new business practice, **Alpha Data Solutions** (ADS)

**1**

**Successful acquisition** of bolt-on business

**Effective integration** of team, product and clients

**Key insights** and confidence for future acquisition activity

**2**

Brings a **market leading data solution**, 360 SalesVista

Enterprise data management service **for asset managers**

**3**

**Recurring revenue** stream

**Live with existing clients** of Alpha

One **new client win** (FY19)

**4**

Strong **cross-selling opportunity**

**Positive pipeline** of clients

New addition to **Alpha practices**

Agenda

## Outlook

Alpha

# Platform for Growth

We look forward to building on our success while continuing to invest in people, practices and geographies

## Compelling financial performance

- **Outperformed** market expectations for FY18
- Increased **depth and breadth of service offering** through geographic and practice expansion
- Successful integration of bolt-on **acquisition of TrackTwo** providing recurring revenue and cross-sell opportunity

## Delivering through exceptional talent

- Ongoing hiring, development and retention of the very **best consultants in the market**
- **Addition of five directors** to the senior management team to support the future growth of the business
- Continued investment in building a unique and market leading culture to **attract and retain outstanding talent**

## Client demand led expansion

- Clear vision to expand the business through **organic growth and opportunistic bolt-on acquisition**
- We know the market, understand the structural drivers of change and **respond effectively to demand**
- Pursuing growth based upon **creation of new practices and roll-out** of existing practices globally

## Positive outlook

- **Confident outlook for FY19,** positive market sentiment and continued strong pipeline
- **Structural market drivers** incl. AUM growth, fee pressure and regulatory change  ongoing demand
- Proven record of expansion in terms of **service proposition, quality of people and the culture** we create

Agenda

# Appendices

# Financial Analysis

| £'000 | FY18 [1] | FY17 [2] | 2017 [3] |
|---|---|---|---|
| **Revenue** | **66,009** | **43,562** | **49,240** |
| Gross profit | 25,261 | 15,038 | 16,725 |
| *Gross profit margin %* | *38.3%* | *34.5%* | *34.0%* |
| Administration expenses | (11,328) | (6,483) | (8,481) |
| **Adjusted EBITDA** | **13,933** | **8,555** | **8,244** |
| *Adjusted EBITDA margin %* | *21.1%* | *19.6%* | *16.7%* |
| Depreciation | (297) | (289) | (289) |
| **Adjusted operating profit** | **13,636** | **8,266** | **7,955** |
| Adjusting expense items | (5,078) | (2,132) | (3,951) |
| **Operating profit** | 8,558 | 6,134 | **4,004** |
| Interest | (7,059) | (6,865) | (7,875) |
| Profit / (loss) before tax | 1,499 | (731) | (3,871) |
| **Adjusted profit after tax** | **9,956** | **6,381** | **6,189** |
| Proforma adjusted earnings per share | 9.77p | 7.99p | 7.75p |
| Dividend per share - Interim | 1.48p | Nil | Nil |
| - Final (proposed) | 3.69p | Nil | Nil |
| **Total dividend per share** | **5.17p** | **Nil** | **Nil** |

## Notes:

- Alpha's accounting period is to the year ending 31 March 2018
- The comparative statutory accounting period ('2017') is 60 weeks to 31 March 2017 from 3 February 2016, when Alpha Financial Markets Consulting plc began trading on acquisition of the Alpha business
- In order to provide better clarity to the underlying performance of the group, a 12-month comparative period is also included ("FY17")
- FY18 and 2017 are audited. FY17 is unaudited

1. FY18 audited 12 months ended 31 March 2018
2. FY17 12 months results to 31 March 2017 per Admission Document dated 6 October 2017
3. 2017 audited 60 weeks to 31 March 2017

Alpha

# Regional Breakdown

| £'000 | FY18 | FY17 | 2017 |
|---|---|---|---|
| UK | 40,020 | 28,491 | 32,280 |
| US | 9,036 | 4,364 | 4,942 |
| Europe & Asia | 16,953 | 10,707 | 12,018 |
| **Revenue** | **66,009** | **43,562** | **49,240** |
| UK | 17,034 | 11,186 | 12,521 |
| US | 2,683 | 439 | 438 |
| Europe & Asia | 5,544 | 3,413 | 3,766 |
| **Gross Profit** | **25,261** | **15,038** | **16,725** |

Notes:

- Revenue and group profit for the Group's regions is presented for FY18 and the two comparative periods, FY17 and 2017 as defined on p. 24

# Basic and Adjusted Earnings per Share

| £'000 | FY18 | FY17 | 2017 |
|---|---|---|---|
| Profit after tax | (442) | (2,033) | (4,408) |
| Weighted average number of ordinary shares | 90,185 | 79,842 | 79,842 |
| **Basic EPS (p) [1]** | **(0.49)** | **(2.55)** | **(5.52)** |
| **Diluted EPS (p) [2]** | **(0.49)** | **(2.55)** | **(5.52)** |
| Adjusted profit after tax | 9,956 | 6,431 | 6,189 |
| Adjusted number of ordinary shares | 101,860 | 79,842 | 79,842 |
| **Proforma adjusted basic EPS (p) [3]** | **9.77** | **7.99** | **7.75** |
| **Proforma adjusted diluted EPS (p) [4]** | **9.77** | **7.99** | **7.75** |

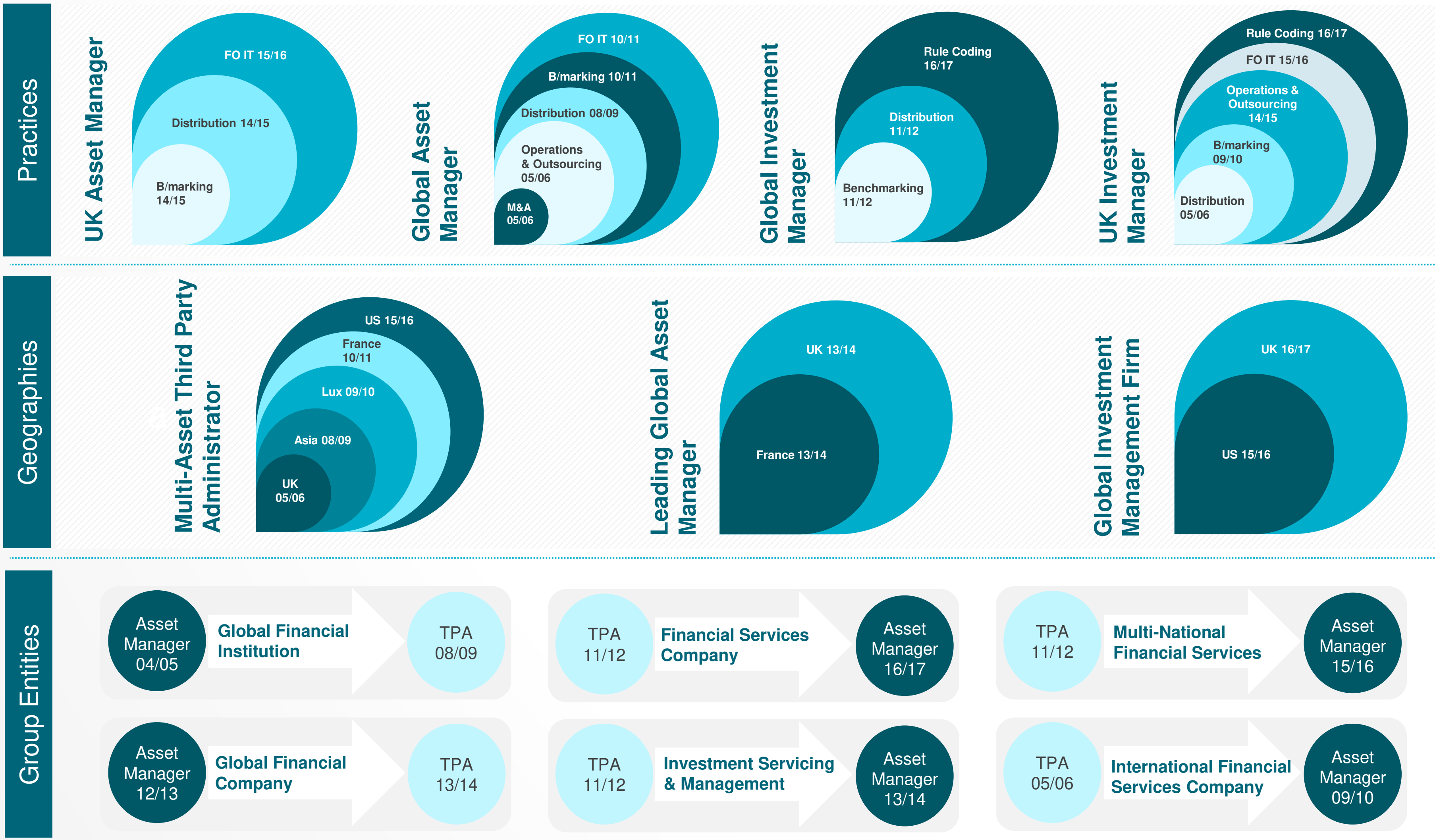
## Notes:

- Basic and diluted earnings per share data is presented, both adjusted and unadjusted for the Group's ordinary shares
- Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease EPS (or increase loss per share)
- There were no potentially dilutive ordinary shares for the FY17 period

1. Basic EPS is calculated by dividing the loss for the year by the normalised weighted average ordinary shares outstanding in the year. 2. Due to the loss in the period, ordinary shares in the year were not diluted when calculating diluted EPS. 3. Adjusted EPS is calculated by dividing the adjusted profit after tax by the total number of ordinary shares outstanding in the year, to aid comparability in future years. 4. Proforma adjusted diluted EPS has been calculated using the total number of dilutive shares outstanding in the year, to aid comparability in future years

# Building Business from Strong Client Relationships

## Proven track record of relationship growth across multiple axes



# Caution Statement

## Forward looking statements

This presentation 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, including amongst other things, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, the effect of competition, inflation, deflation, the timing effect and other uncertainties of future acquisitions or combinations within relevant industries, the effect of tax and other legislation and other regulations in the jurisdictions in which the Company and its respective affiliates operate, the effect of volatility in the equity, capital and credit markets on the Company's profitability and ability to access capital and credit, a decline in the Company’s credit ratings; the effect of operational risks; and the loss of key personnel. 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 herein by or on behalf of the Company speak only as of the date they are made. Except as required by applicable law or regulation, the Company expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained in this presentation to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

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