

SANNE

Independent, global provider of corporate, fund and private client administration services



Interim Results Presentation

Wednesday 7 September 2016

Agenda

- **Key highlights and group overview – Dean Godwin**
- Financial review – Spencer Daley
- Operational review and strategic update – Dean Godwin
- Summary and outlook
- Q&A

Key highlights – H1 2016

Sanne continued to record a strong performance in the first half of 2016

Financial highlights

- Group revenue increased 31% to £27.6 million (2015: £21.1 million) of which 26.5% was organic growth
- Underlying operating profit up 30% to £10.3 million (2015: £7.9 million)
- Strong underlying operating cash conversion of 117.3% (2015: 114.9%) in the period
- Underlying diluted earnings per share stood at 8.1 pence (2015: 6.4 pence)
- The Board has declared a 3.2 pence interim dividend for 2016 (2015: 1.4 pence)

Operational highlights

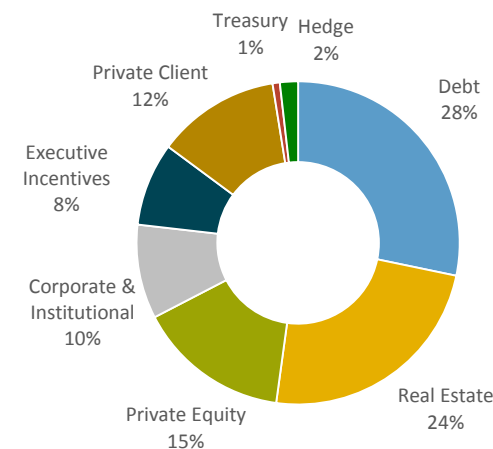
- Strong underlying performance within Sanne's core alternatives focused business divisions (Real Estate, Private Equity and Debt)
- New business with annualised fees of approximately £6.7 million won in the first six months with good pipeline continuing into the second half
- Acquisitions completed in Ireland and South Africa and acquisition signed in Netherlands broadening capabilities, geographic footprint and increasing scale
- Larger office space secured in Dublin to support growth in the jurisdiction

Group overview

Specialist provider of outsourced corporate and fund administration, reporting and fiduciary services

Business line	Client profile	Services delivered
Debt	<ul style="list-style-type: none"> Global financial institutions and credit fund managers 	<ul style="list-style-type: none"> Fund and corporate administration Accounting and reporting services
Real Estate	<ul style="list-style-type: none"> Real estate management, sovereign wealth funds, pension funds and institutions 	<ul style="list-style-type: none"> Asset servicing Loan agency and servicing (Debt)
Private Equity	<ul style="list-style-type: none"> Asset managers, institutions and family offices 	<ul style="list-style-type: none"> Depository services Compliance monitoring Transaction management
Corporate and Institutional	<ul style="list-style-type: none"> International corporates, entrepreneurial groups and asset managers 	<ul style="list-style-type: none"> SPV administration Company secretary / governance support
Executive Incentives	<ul style="list-style-type: none"> Internationally listed companies, private companies and asset managers 	<ul style="list-style-type: none"> ManCo services (Hedge)
Private Client	<ul style="list-style-type: none"> Ultra high net worth individuals and family offices 	<ul style="list-style-type: none"> Regulatory reporting services including FATCA, Annex 4 and CRS reporting Listing services (CISE) (C&I)
Treasury	<ul style="list-style-type: none"> Sanne clients requiring treasury support 	<ul style="list-style-type: none"> Director and trustee services Portfolio reporting (Private client)
Hedge	<ul style="list-style-type: none"> South African hedge fund managers 	<ul style="list-style-type: none"> Philanthropy services (Private client) Cash and FX management (Treasury)

H1 16 revenue by division



>900 clients

>4,000 structures

Overview of our operations / footprint

Presence in major financial centres with Jersey as Group headquarters



c. 600 staff world-wide
12 jurisdictions
>50% of staff outside Jersey

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Group income statement

	H1 2016 (£'m)	H1 2015 (£'m)	% change	
Revenue	27.6	21.1	30.8%	<ul style="list-style-type: none"> Strong organic revenue growth of 26.5%. Remaining growth as a result of completed acquisitions in Ireland and South Africa
Gross profit	18.0	13.5	33.3%	
<i>Gross profit margin</i>	<i>65.2%</i>	<i>64.0%</i>	<i>+120bps</i>	
Underlying operating profit	10.3	7.9	30.4%	<ul style="list-style-type: none"> New business secured of approximately £6.7 million on an annualised basis (2015: £7.6 million) with a healthy pipeline leading into H2
<i>Underlying operating profit margin</i>	<i>37.3%</i>	<i>37.4%</i>	<i>-10bps</i>	
Initial public offering expense	-	(7.0)		<ul style="list-style-type: none"> Stable underlying operating profit margin
Share based payments	(0.4)	(1.8)		
Acquisition expense	(0.7)	-		
Amortisation of intangible assets	(0.9)	(0.8)		
Operating profit/(loss)	8.3	(1.7)		<ul style="list-style-type: none"> Interest cost reduction H1 16 reflective of IPO refinance
Interest cost and other gains and losses	(0.2)	(3.3)		
Profit/(loss) before tax	8.1	(5.0)		<ul style="list-style-type: none"> H1 2015 tax reflects one-off benefit from IPO listing costs
Tax	(1.0)	(0.2)		
Profit/(loss) for the period	7.1	(5.2)		<ul style="list-style-type: none"> Progressive dividend policy 1/3:2/3 split
Underlying diluted earnings per share	8.1	6.4		
Interim dividend per share	3.2p	1.4p		

Divisional revenue analysis



1. Revenue in H1 2016 includes £0.9m revenue from acquisitions made during the period. Organic growth was 26.5%.

2. The Corporate and Institutional division includes acquisition revenue in H1 2016 of £0.4m.

3. % change in revenue is calculated on non-rounded figures.

Group balance sheet and working capital

	H1 2016 (£'m)	H1 2015 (£'m)
Intangible assets	23.4	8.5
Equipment	1.6	1.8
Total non-current assets	25.0	10.3
Trade receivables	17.0	12.9
Other debtors and prepayments	1.3	1.0
Cash and bank balances	14.5	12.2
Accrued income	2.1	3.0
Total current assets	34.9	29.1
Borrowings	(17.7)	(17.7)
Deferred tax liabilities	(2.3)	-
Total non-current liabilities	(20.0)	(17.7)
Trade and other payables	(7.3)	(2.7)
Current tax liabilities	(2.3)	(1.8)
Provisions	(0.1)	-
Deferred revenue	(7.5)	(4.5)
Total current liabilities	(17.2)	(9.0)
Total equity	22.7	12.7
Working capital	11.6	11.4
Annualised half year revenue	61.1	42.2
Working capital / Revenue	19%	27%
Net debt	(7.2)	(8.6)

- Strong control of working capital
- Working capital has reduced to 19% of annualized half year pro forma revenues (2015 : 27%)
- No impairment of non-current assets to report
- Amortisation on the intangible assets created by the acquisitions are not allowable for tax and have resulted in deferred tax liabilities
- Trade and other payables includes deferred consideration of £3.3m due on the acquisition of the IDS group which was paid in July 16

Group cash flow statement

	H1 2016 (£'m)	H1 2015 (£'m)
Operating profit/(loss)	8.3	(1.7)
Depreciation of equipment	0.4	0.4
Amortisation of intangible assets	0.9	0.8
Share-based payment expense	0.4	1.8
Operating cash flows before movements in working capital	10.0	1.3
Net movement in working capital	1.4	0.8
Cash generated by operations	11.4	2.1
<i>Underlying operating cash conversion</i>	117%	115%
Income taxes paid	(0.3)	-
Net cash from operating activities	11.1	2.1
Interest received	0.1	-
Purchases / disposals of plant and equipment	(0.2)	(0.4)
Acquisition of subsidiaries	(10.0)	-
Net cash used in investing activities	(10.1)	(0.4)
Net cash used in financing activities	(6.2)	(1.7)
Net decrease in cash and cash equivalents	(5.2)	-
Cash and cash equivalents at beginning of year	19.4	12.6
Effect of foreign exchange rate changes	0.3	(0.4)
Cash and cash equivalents at end of year	14.5	12.2

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Operational review

Alternatives

Debt – Continued focus on delivery of services to banks and non-bank lenders including peer-to-peer platforms and asset managers and strong pipeline of new business

Real Estate – Strong demand continues for multi-jurisdictional fund structures and new mandates driven by a trend for fund managers to outsource non-core roles

Private Equity – Continued growth from successor fund strategies for existing clients and new clients. Increasing focus on transparency of reporting and adaptability in response to regulatory and tax reporting reforms

Hedge – New business division established through the acquisition of IDS in Cape Town. Strong domestic opportunities driven by new regulatory environment

Corporate and Trustee

Corporate and Institutional – Development of product suite to support cross-divisional initiatives including regulatory reporting and depositary services and leveraging CCS acquisition to broaden service offer in Dublin

Executive Incentives – Uncertainty generated in advance of the EU referendum impacted underlying transaction levels; however, pipeline of FTSE 100 and 250 mandates remains healthy

Private Client – Strong pipeline of new mandates as a result of increased business development activity. Recruitment of Global Head of the division will continue to drive expansion of target client focus into newer markets

Treasury – Team continues to position itself as a strategic partner to the other divisions and their clients in relation to their specialist treasury requirements

Acquisitions

Two acquisitions completed in H1 2016 with further acquisition announced post period

	IDS Fund Services	Chartered Corporate Services
Overview	Provider of outsourced investment administration services to the domestic South African asset management industry, particularly focused on hedge fund clients.	Corporate services business that specialises in the delivery of company secretarial, liquidations, payroll and VAT reporting services.
Price	R 265 million (£11.8m)	€ 3.65 million (£2.9m)
Offices	Cape Town Malta	Dublin
Staff	150	15
Strategic rationale	<p>Broadens Sanne’s alternative asset capabilities, through delivery of hedge platform and builds operational scale in South Africa and Malta.</p> <p>Provides an opportunity to leverage IDS’s lower-cost South African platform to deliver wider operational benefits across the Group.</p>	<p>Delivers a full service corporate team based in Dublin who can be integrated into the C&I business division.</p> <p>Doubles size of Ireland operation in support of expansion of wider servicing capabilities</p> <p>Offers additional product specialisms for C&I to market (liquidations, VAT, payroll)</p>
Status	<p>Completed June 2016</p> <p>Established as new Hedge business division</p> <p>Integration progressing well and trading in line with expectation</p>	<p>Completed February 2016</p> <p>Integration into Corporate and Institutional business division nearing completion</p> <p>Good operational scale in Dublin</p>

Post period end Sanne has entered into an agreement to acquire Sorato B.V. a Netherlands based domiciliation and associated corporate services business for c. € 2 million

Delivering growth – a compelling strategy

Focus on core strategy continues to deliver growth in H1 16

Market share development

- Deepening of key client relationships in core asset classes
- Increased billing across top clients through take-on of new structures and broader service scope

Expansion of core asset-led offering

- Continuing to build capabilities across all asset classes
- Hedge platform delivered through recent South African acquisition completing alternatives suite

Expansion of global network and platform

- Staff number outside Jersey now represent more than 50% of total employees
- Scaled operations in London, Luxembourg, Dublin and added Cape Town and Malta

Expansion of services provided

- Increased scale in depositary and loan agency specialisms
- ManCo capabilities delivered through South African acquisition
- Focus on FATCA, Annex 4 and CRS reporting as part of developing regulatory reporting capability

Inorganic strategy

- Acquisition of Chartered Corporate Services in Dublin
- Acquisition of IDS Fund Services in Cape Town
- Post period – Entered into agreement to acquire Sorato B.V. in Netherlands
- Continuing to evaluate and progress strategic acquisition targets with strong pipeline

Geographic focus

Sanne's strategic focus is on building scale in established and emerging markets

	EUROPE		EMERGING MARKETS		US / CARIBBEAN
Existing Sanne offices	<u>UK and CI</u> Jersey Guernsey London	<u>European Union</u> Luxembourg Rotterdam* Dublin Malta	<u>Asia and Middle East</u> Hong Kong Shanghai Singapore Dubai	<u>Sub-Saharan Africa</u> Cape Town	
Future focus	Frankfurt		Japan	Mauritius	New York Cayman
Comment	<ul style="list-style-type: none"> Continue to build out operations in UK and Guernsey to deepen outsource relationships and service proposition across all core asset classes Number of strategic acquisition targets under review 	<ul style="list-style-type: none"> Continue to expand Luxembourg base to build market capability in continental Europe Dublin operation reaching critical mass with CCS acquisition Initial footprint in Netherlands to strengthen Benelux proposition 	<ul style="list-style-type: none"> Focus on building out operational centres to deliver scalable operating platform on the ground to service Asia growth Seeking to build out Singapore capability in line with developing client servicing requirements 	<ul style="list-style-type: none"> IDS acquisition delivers strong operational base upon which to build out hedge expertise Also delivers operational leverage across the group platform Continued exploration of complementary jurisdictions 	<ul style="list-style-type: none"> Increasing number of existing client enquiries in relation to servicing of US structures Trend increasingly moving towards outsourcing within alternatives space Actively identifying suitable acquisition targets in US and Caribbean

* Subject to regulatory approval

Brexit – the impact

Sanne is well placed to adapt to the potential challenges and opportunities of Brexit

	UNITED KINGDOM	CHANNEL ISLANDS	EUROPEAN UNION	EMERGING MARKETS
Existing Sanne offices	London	Jersey Guernsey	Luxembourg Dublin Malta	Cape Town Hong Kong Shanghai Singapore Dubai
Staff	44	306	76	165
Comment	<ul style="list-style-type: none"> • UK based fund managers already use Irish or Luxembourg alternative investment fund platforms for pan-European distribution • Brexit has the potential to enable greater flexibility to broker trade deals with other / emerging markets 	<ul style="list-style-type: none"> • Not a member of the EU but treated as “Third Party Country” • £200bn+ AUM in Jersey originate from EU markets (excluding the UK) • Offers constitutional / regulatory stability 	<ul style="list-style-type: none"> • Sanne has real substance in European financial centres • Strong cross-jurisdictional relationships already in place with other regional offices 	<ul style="list-style-type: none"> • Little or no impact • Reinforces globalisation strategy

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Summary and outlook

Sanne continues to deliver strong performance in line with expectation

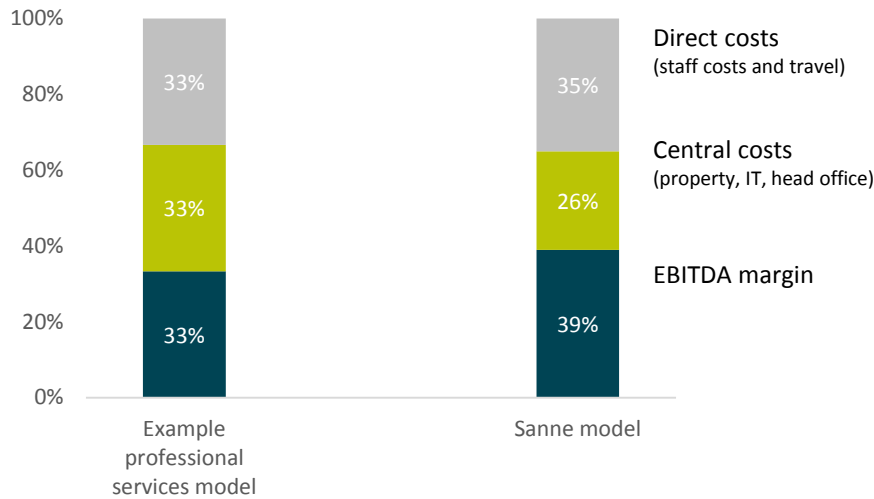
- **Continued opportunities for growth across all the Group's core markets**
 - Healthy levels of new business means there is a good level of forward momentum, particularly within those business lines focused on the alternatives markets
- **Sanne is well positioned to deal with the uncertainties of Brexit**
 - Comprehensive and regulated operational capabilities in a number of premier financial centres, both inside and outside the EU
- **Continuing trend towards the outsourcing of corporate and fund administration activities**
 - Driven by increasing regulation, cross-border investment and the growing expectation of independent oversight
- **Focus remains on building a truly global service platform through organic and inorganic investment**

Appendices

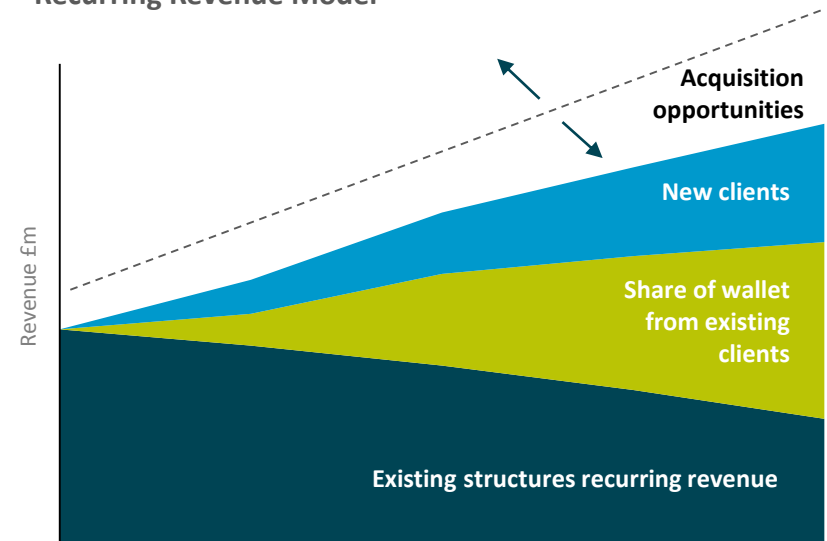
Sanne's business model

Strong understanding and control of performance drivers

Simple Cost Model



Recurring Revenue Model



- Control of working capital cycle and control of central overhead drives margin performance

- Majority of revenue is derived from multi-year structures
- Strong revenue growth driven by share of wallet gains supplemented by new client relationships

SANNE
