



 **LawDebenture**

**AGM Presentation
April 2019**

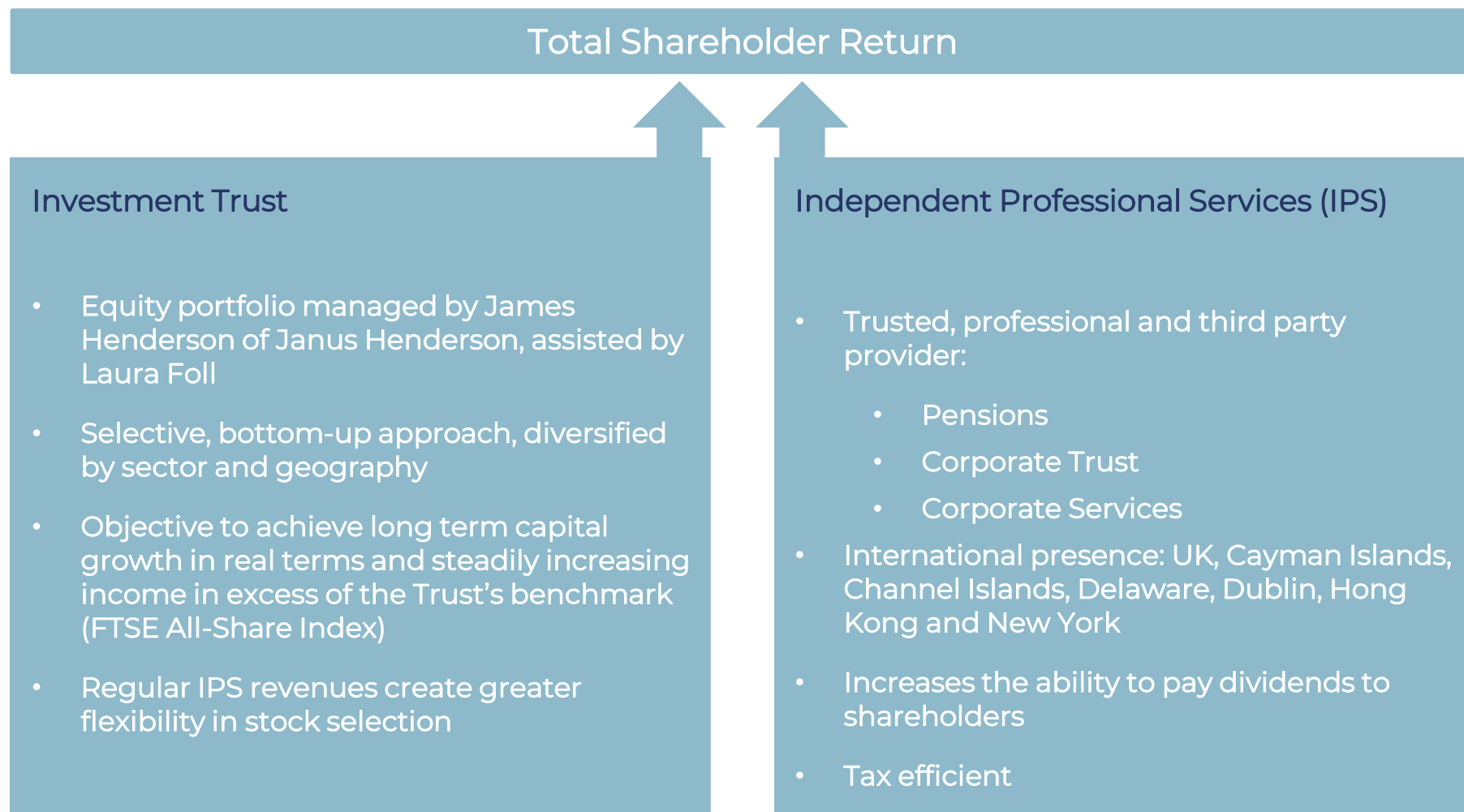


Agenda

1. The Law Debenture Model
2. Group Highlights
3. Investment Portfolio
4. Independent Professional Services
5. Conclusion



1. Law Debenture: A highly differentiated and unique business model





2. Group Highlights – Katie Thorpe, CFO



2. Group Highlights – Year Ended 31 December 2018

Investment Trust Highlights:

- NAV total return for the year was -5.8%, compared to -9.5% returned by the benchmark FTSE All-Share Index
- The portfolio has been sheltered from ~40% of market decline
- The trust has consistently outperformed its benchmark, with outperformance on a one, three, five and ten year metric
- £10,000 invested in Law Debenture ten years ago would be worth £34,350¹ at the end of 2018
- On-going charges remain low at 0.43% compared to a sector average of 1.21%

¹ Calculated on a total return basis assuming dividend re-investment between 31 December 2008 and 31 December 2018



2. Group Highlights – Year Ended 31 December 2018

Consistently outperforming benchmark on one, three, five and ten year metric

	1 year	3 years	5 years	10 years
NAV total return ¹	-5.8%	27.3%	30.4%	199.0%
FTSE Actuaries All-Share Index Total Return ²	-9.5%	19.5%	22.1%	138.3%
Share price total return ²	-11.6%	19.0%	18.8%	243.5%
Change in Retail Price Index ²	2.7%	9.6%	12.7%	34.1%

¹ NAV is calculated in accordance with AIC methodology, based on performance data held by Law Debenture including the value of the IPS business and long term borrowings
² Source: Bloomberg



2. Group Highlights – Year Ended 31 December 2018

Dividend:

- Total proposed dividend of 18.90p per share for 2018 (2017: 17.30p), a 9.2% increase
- Annualised dividend growth of 4.5%¹ over 10 years
- Reserves position remains strong with retained earnings of £50m at the end of 2018

¹ Calculated on an annualised basis on dividend payments made by accounting year between 31 December 2008 and 31 December 2018



2. Group Highlights – Year Ended 31 December 2018

Independent Professional Services:

- Strong performance from the business continues to support dividend growth
- Revenues increased 9.0% to £29.6m (2017: £27.1m) following strong performance from all three divisions
- Normalised earnings per share increased by 9.2% to 7.87p (2017: 7.21p)
- Increase in fair valuation of the IPS business of 10.4% in 2018

	2018 £000	2017 £000
Fair valuation of IPS		
EBITDA at a multiple of 8.4 (2017: 7.9)	87,562	77,396
Surplus net assets	16,844	17,176
	104,406	94,572



**3. Investment Portfolio – James Henderson, Laura Foll
& Charlotte Greville
Janus Henderson**



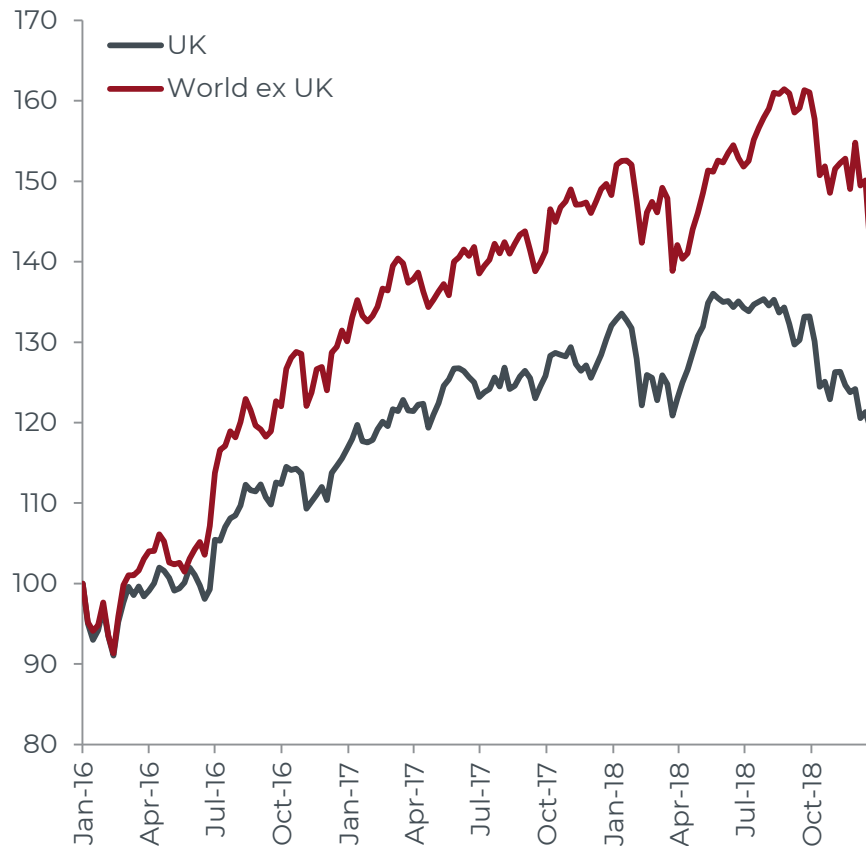
3. Investment portfolio

- Aim to achieve a better return than the FTSE All Share
- Stock picking decisions made on a valuation based approach
- Overseas holdings bring exposure to opportunities that cannot be found in the UK stock market
- The equity portfolio is expected to provide good dividend growth over long term
- Gearing 3% at 31 December 2018 (31 Dec 2017, 1%)
- Switching from Global to UK sector

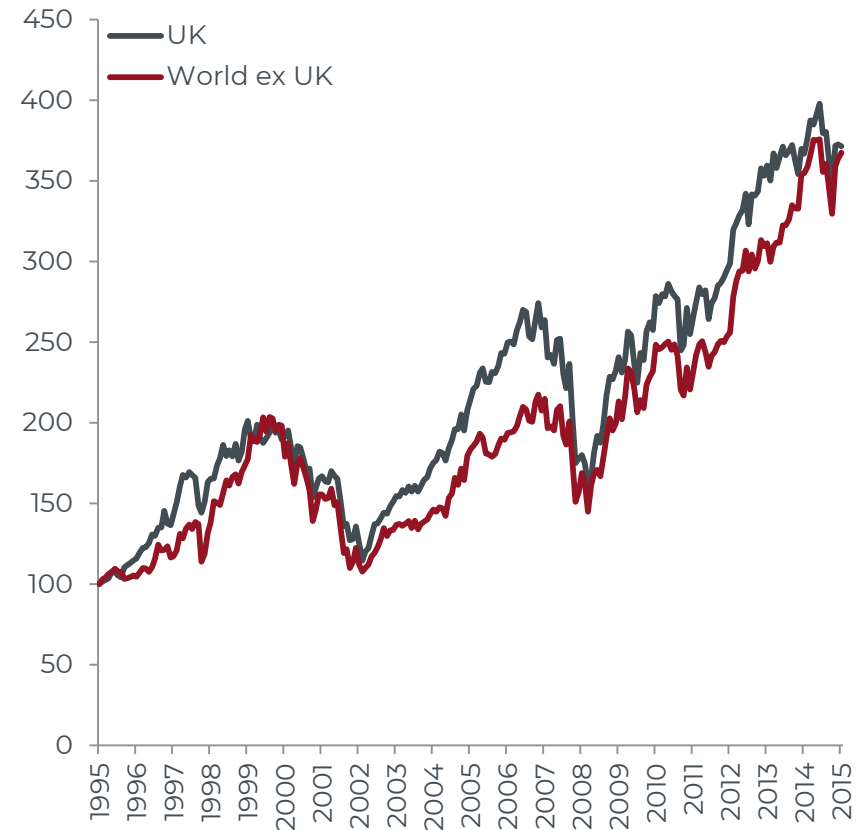
The UK represents a value opportunity relative to history



The UK market underperformance since EU referendum



The UK market performed roughly in line with the world over the long term up until the EU referendum



The UK represents a value opportunity relative to history

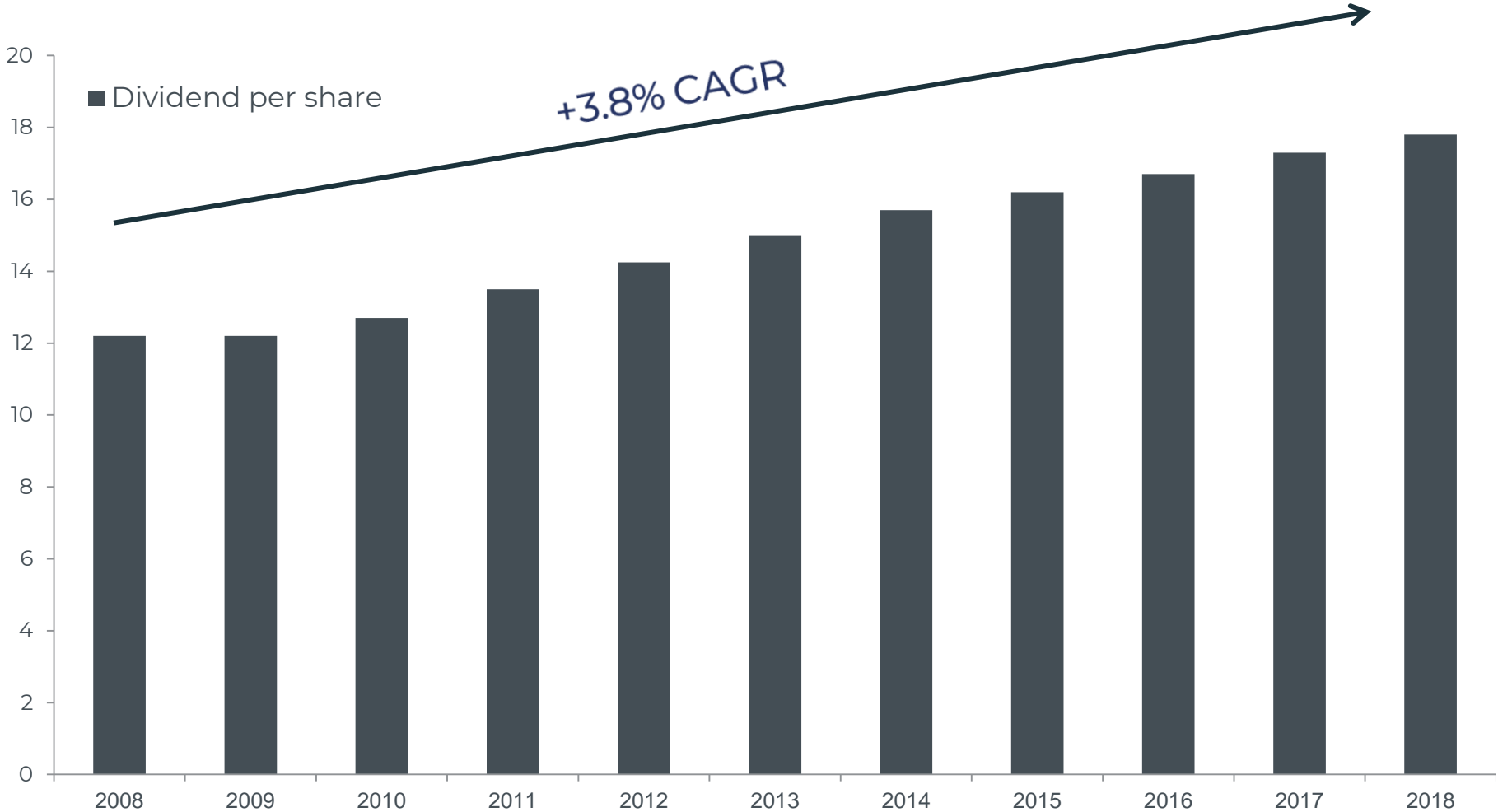


FTSE All Share – 20 year dividend yield



Source: Datastream, as at 29th March 2019

Dividend yield of 3.3% vs. global trust sector of 1.4%

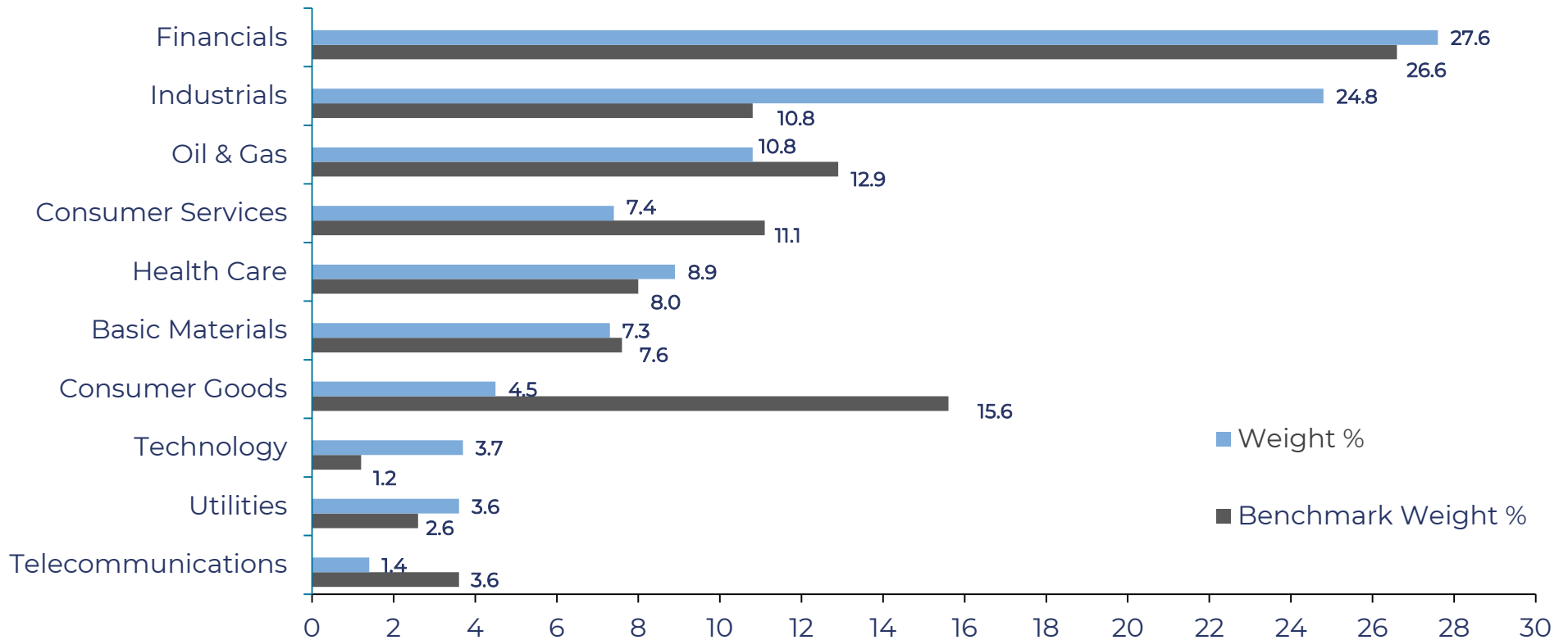


Source: Janus Henderson Investors, AIC, as at 31st December 2018

Portfolio Sector breakdown at 31 December 2018



Sector weightings (%)



Source: Janus Henderson Investors, as at 31st December 2018

Note: Figures exclude cash

Recent transactions - financial year 2019 to date



Purchases

Sales

Royal Bank of Scotland

Kier

Carnival

Marshalls

Direct Line

Becton Dickinson

Source: Janus Henderson, as at 29th March 2019



Portfolio: Top 15 holdings at: 31 December 2018

		%
1	Royal Dutch Shell	4.4
2	GlaxoSmithKline	2.6
3	HSBC	2.6
4	BP	2.4
5	Rio Tinto	2.1
6	Rolls Royce	2.1
7	Stewart Investors Asia Pacific	2.0
8	Prudential	2.0
9	Relx	1.8
10	Hiscox	1.8
11	Senior	1.7
12	National Grid	1.6
13	AstraZeneca	1.6
14	Johnson Service	1.5
15	Microsoft (USA)	1.5



Investment outlook

- The UK is generally out of favour. This will lead to opportunities
- Dividend growth is coming through from a good starting level
- Law Debenture has distinct advantages for a manager over other Trusts



4. Independent Professional Services – Denis Jackson, CEO



4. Independent Professional services (IPS) - Overview

Pensions

The longest established and largest provider of independent pension trustees in the UK

Corporate Trust

A leading independent corporate trustee across international capital markets

Corporate Services

Highly regarded range of outsourced solutions to corporates

- Trusted, professional and independent
- High quality reputation and brand strength in core markets
- Excellent record of customer retention
- Strong repeat revenues, two thirds from on-going contractual commitments
- Cost base kept under control
- Profits give a dividend stream which increases the ability to pay dividends to shareholders



4. IPS Update by Business Area – Pensions

2018 highlights:

- Started to see returns from our accelerated investment in people, with top line revenues up 14.7% from £8.3m to £9.5m
- Significant wins of blue chip company pension scheme business in the period
- Following the launch of our outsourced administration service Pegasus in 2017, we have seen significant growth in the demand for these services in 2018

2019 priorities:

- Recruitment continues for our Pegasus business with a view to significantly scaling over the next five years
- Currently act for 200 of the 5,500 DB schemes in the UK - strength of our brand and quality of our people provides a compelling opportunity to expand our offering
- Recruiting high quality individuals to support expansion, with a focus on diversity
- Continue to build referral partnerships, focussing on those that drive business growth
- Use technology to create smarter working practices and maximise revenue

NB: Percentages quoted throughout this section of the presentation are extracted from the 2018 Annual Report, based on calculations in £000, some rounding differences to values quoted in £m may occur



4. IPS Update by Business Area – Corporate Trust

2018 highlights:

- Revenue grew by 5.8% from £7.9m to £8.4m
- Income is generated by a mixture of up-front acceptance fees on new business and long term, annual annuity fees on existing business
- More than 2/3rds of revenue contracted at start of 2018, with overall inflationary increase of 1.5% on 2017 revenue
- 19.5% revenue earned from special fees for subsequent issues such as restructurings, ratings down-grades and other actions required by the trust deed
- New business fees earned 24% higher than for 2017 - second highest recorded since the financial crisis

2019 priorities:

- Positioning our offer around what customers want to buy rather than what we want to sell
- Deepening existing relationships with banks and law firms to better leverage our network
- Engaging with boutique players to expand our customer base
- Developing additional agency services in multiple locations, e.g. Hong Kong, with two senior hires recently secured
- Expanding escrow offering to provide clients with a return on cash



4. IPS Update by Business Area – Corporate Services

2018 highlights:

- Revenue grew 6.9% to £11.7m from £11.0m in 2017
- SOP revenue up 2% globally and 6.6% in London
- Corporate Services up 4.8%
- Safecall continued its strong growth trajectory, with 15.4% increase in revenue (44% over the past three years)
- 80% of new business was driven by new website, which was re-launched in H1 2018

2019 priorities:

- Smart use of technology to increase automation and improve efficiency
- Capitalise on regional offices and law firm relationships to grow presence in Latin America and Asia
- Better leverage group relationships
- First mover advantage in Insurance SPV market
- Further development of Safecall's product offering with continued organic growth and hire of new London based sales resource



4. Independent Professional Services – Outlook

- We are focusing on our strengths – the quality of our service, our people, our reputation and our clients – with increased and more proactive promotion of our businesses and a focus on new products
- We continue to strengthen our team to support our growth objectives, with an eye always to the bottom line
- In Q4 we hired a new CTO David Williams (ex CTO of Marshall Wace LLP and Tibra Trading). We are investing in technology – enabling our people to do more, faster
- We will be pro-active in our engagement with our stakeholders, enhancing our communication and improving transparency to better tell the Law Debenture story
- We are forecasting revenue growth of mid to high single digits for 2019



5. Conclusion – Denis Jackson, CEO

5. Conclusion - Consistent Outperformance over 1, 3, 5 and 10 years



- Unique model is a key value driver in achieving long-term capital growth and steadily increasing income – allows increased flexibility in portfolio construction
- Investment Manager has a proven track record of identifying quality companies at a favourable valuation at an opportune point in the cycle
- Proposed move to a UK sector AIC category from the current global sector classification, to better reflect portfolio construction
- On-going charges remain low at 0.43% compared to a sector average of 1.21%
- IPS business grew well in 2018 – ambition to achieve similar growth in 2019
- Confident we can grow IPS considerably over time, supporting both income and capital growth objectives