



Schroders

2014 Results

5 March 2015

Michael Dobson | Chief Executive



Schroders

2014: record results

Continued progress in line with strategic goals

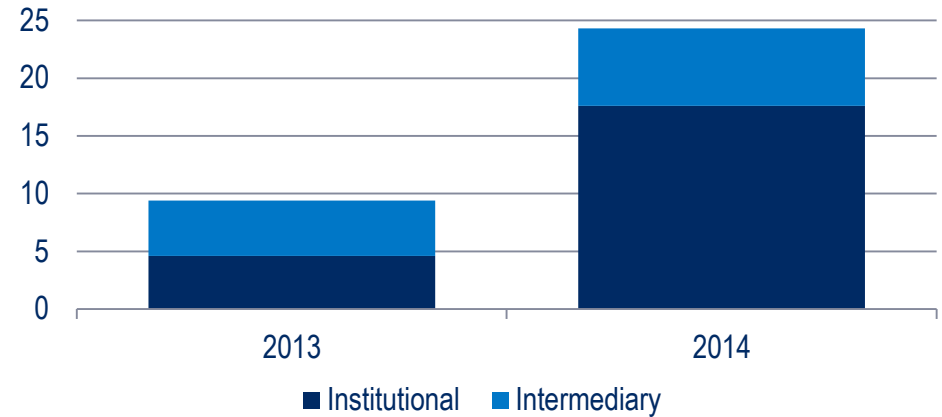
- Net revenue up 9% to £1,531.2m (2013: £1,407.6m)
- Profit before tax and exceptional items up 11% to £565.2m (2013: £507.8m)
- Earnings per share up 17% to 152.7 pence (2013: 130.6 pence)
- Full year dividend up 34% to 78 pence per share (2013: 58.0 pence per share)
- 78% of assets under management outperforming over three years
- Net new business £24.8bn (2013: £7.9bn)
- Assets under management up 14% to £300.0bn (2013: £262.9bn)

Asset Management

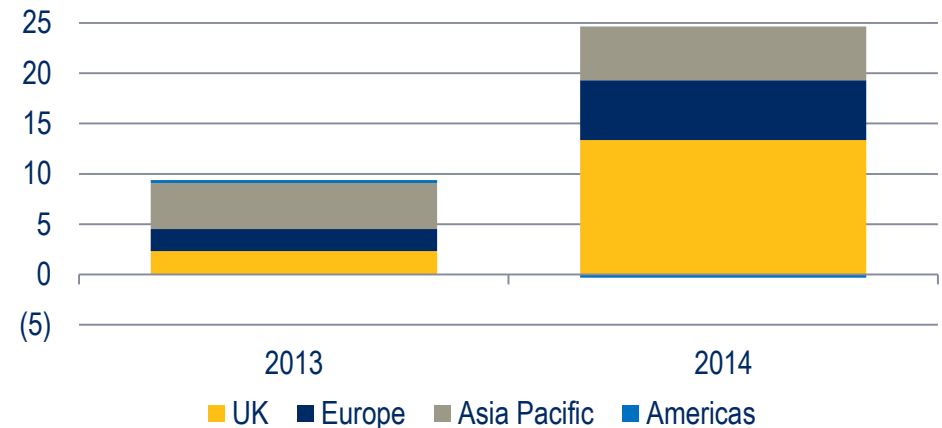
Higher gross and net flows

- Gross inflows £85.1bn (2013: £70.2bn)
- Net inflows £24.3bn (2013: £9.4bn)
- Strong results across channels and regions
- Growth driven by Multi-asset, Fixed Income and Equities

Net flows by channel £bn



Net flows by region £bn

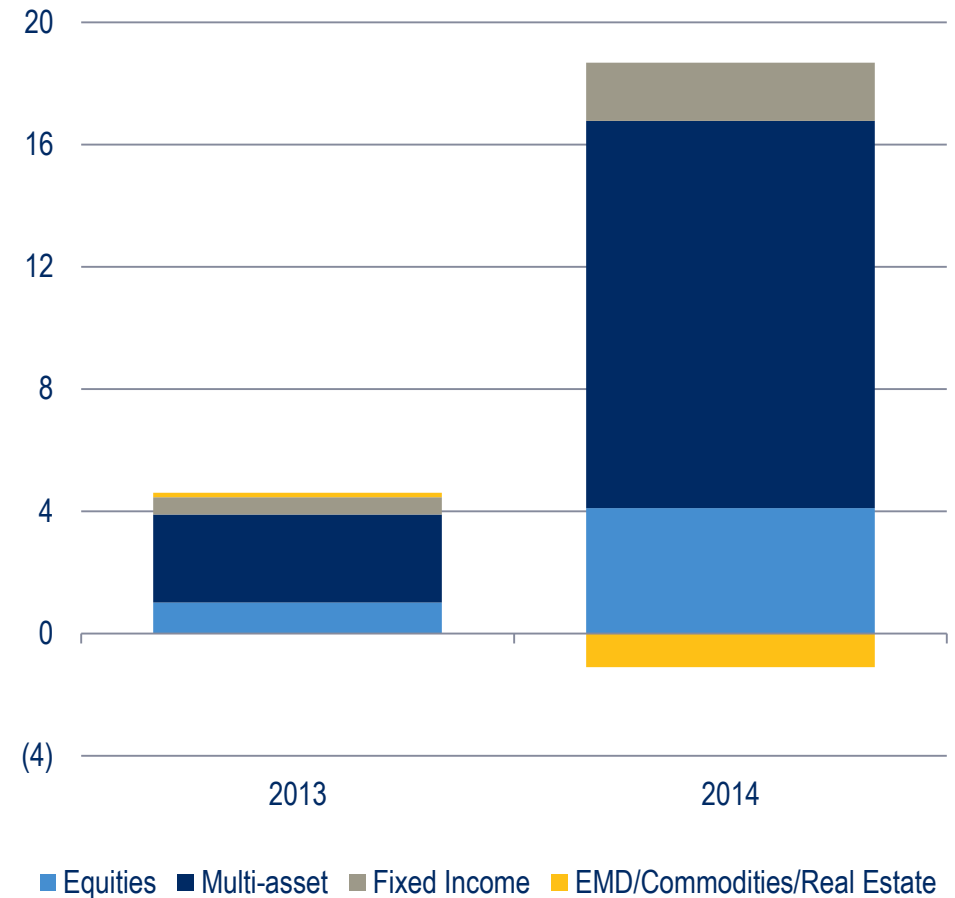


Institutional

Assets under management: £171.1bn (2013: £144.3bn)

- Net inflows £17.6bn (2013: £4.6bn)
of which Friends Life £12.0bn
- Diversified across Multi-asset, Equities, Fixed Income
- Strong results in UK, Asia Pacific, Europe

Net flows by asset class £bn

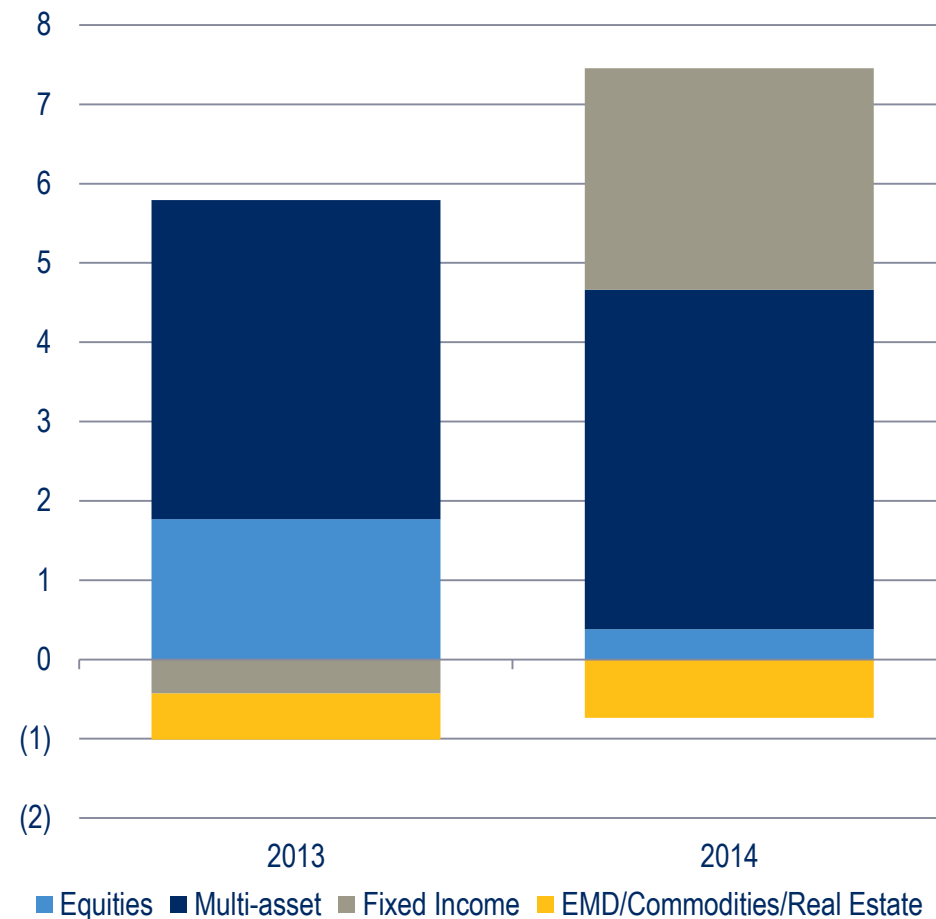


Intermediary

Assets under management: £97.8bn (2013: £88.5bn)

- Net inflows £6.7bn (2013: £4.8bn)
- 87% in branded funds
- Strong flows in continental Europe and Asia Pacific
- Income theme in Multi-asset, Fixed Income, Equities

Net flows by asset class £bn



Equities

Assets under management: £129.6bn (2013: £119.6bn)

- Net inflows £4.5bn
- Emerging markets, Asia, Japan, Dividend Maximiser
- 76% of AUM outperforming over 3 years
- Good pipeline of new products
- Strengthened capability in Global and International

Multi-asset

Assets under management: £72.0bn (2013: £52.3bn)

- Net inflows £16.9bn
- Validates focus on investment outcomes/solutions: income
de-risking
risk controlled growth
- 88% of AUM outperforming over 3 years
- New initiatives in wealth preservation, emerging markets, liquid alternatives

Fixed Income

Assets under management: £51.1bn (2013: £43.4bn)

- Net inflows £4.7bn (2013: £0.1bn)
- Strong flows in euro corporates, global multi-sector
- 83% of AUM outperforming over 3 years
- STW fully integrated and maintained top performance track record
- Key product areas reaching 3-year track records
- Well positioned for continued growth

Wealth Management

Assets under management: £31.1bn (2013: £30.1bn)

- Net revenues up 42% to £213.5m (2013: £150.0m)
performance fees and release of loan loss provision: £9.0m
- Profit before tax and exceptional items up 80% to £61.7m (2013: £34.3m)
- Full year from Cazenove Capital
- Integration completed
- Net inflows £0.5bn (2013: net outflows £1.5bn)
- Targeting: 2-3% net new business growth
65bps revenue margin
70% cost:income ratio



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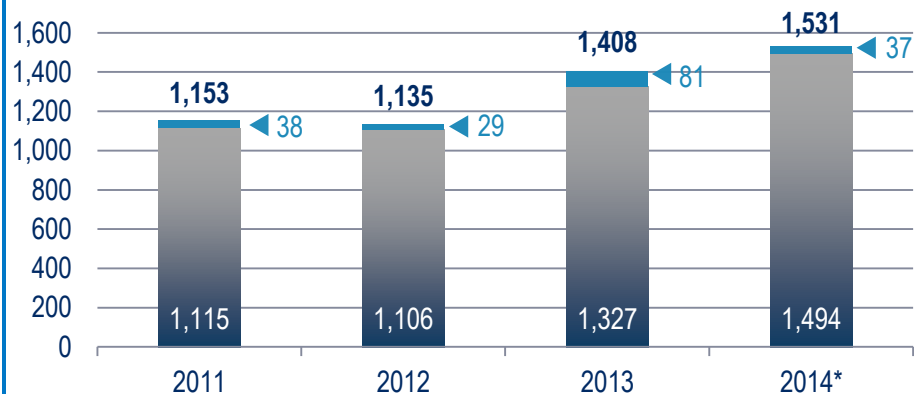
Richard Keers | Chief Financial Officer



Schroders

Financial highlights

Net revenue, including performance fees (£m)

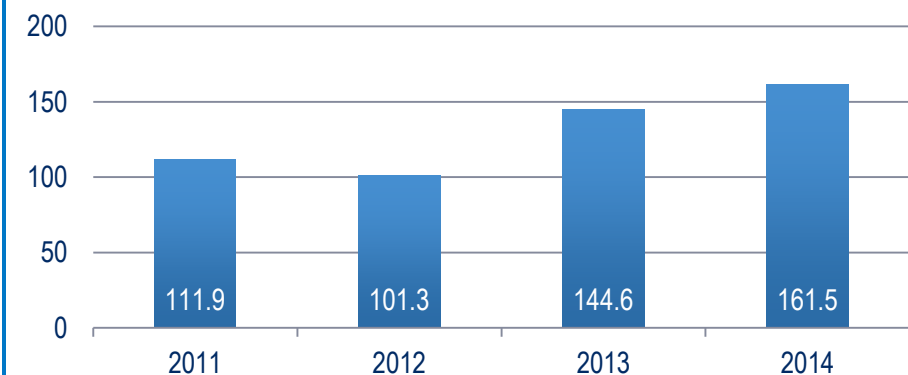


* Includes exceptional items.

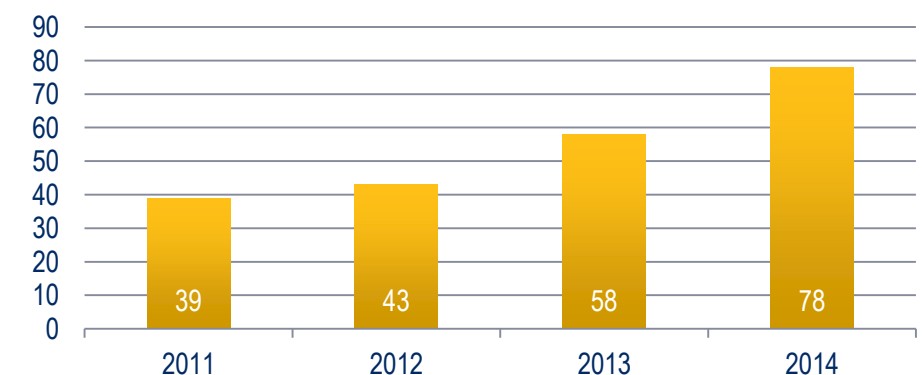
Profit before tax (£m)



Diluted earnings per share before exceptional items (pence)

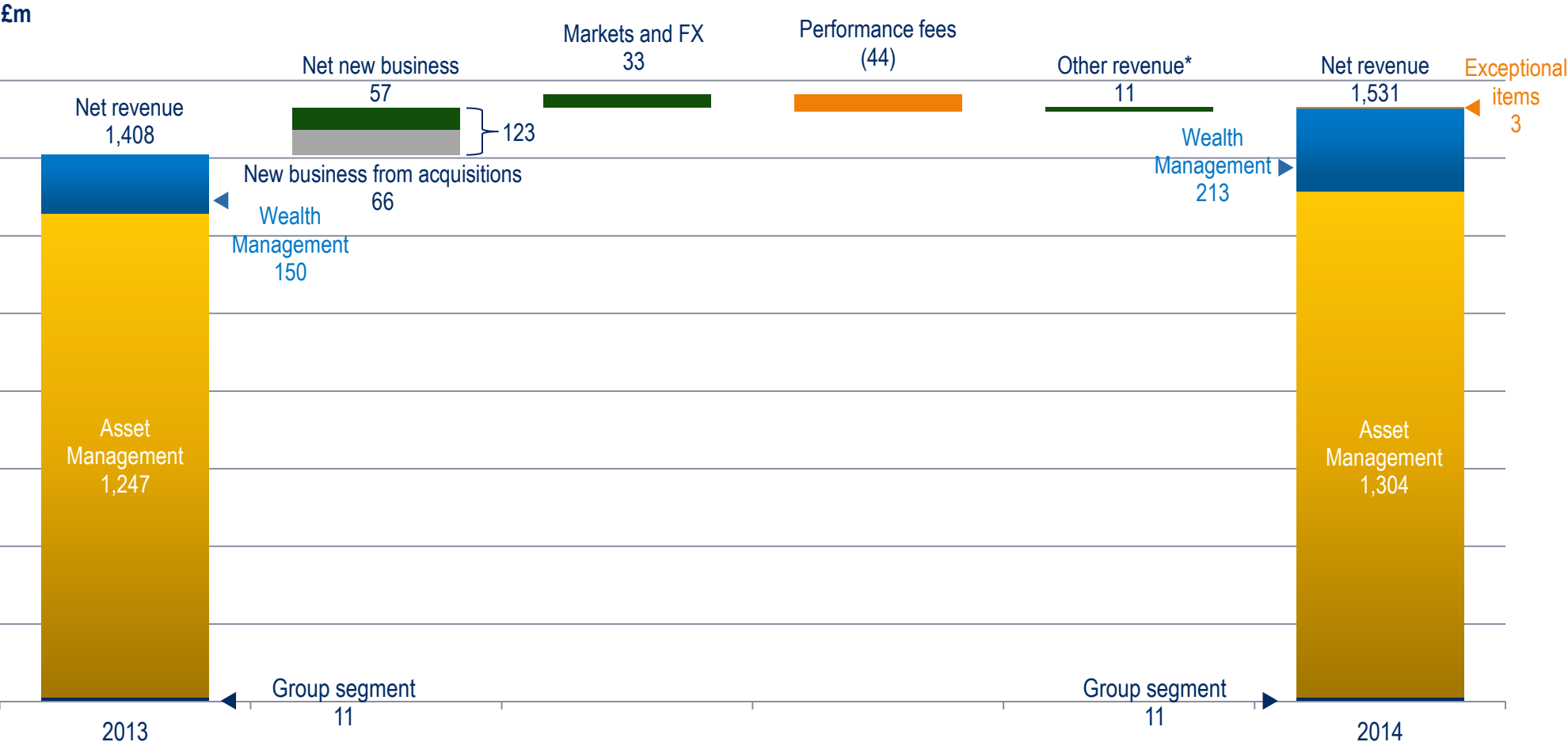


Dividend per share (pence)



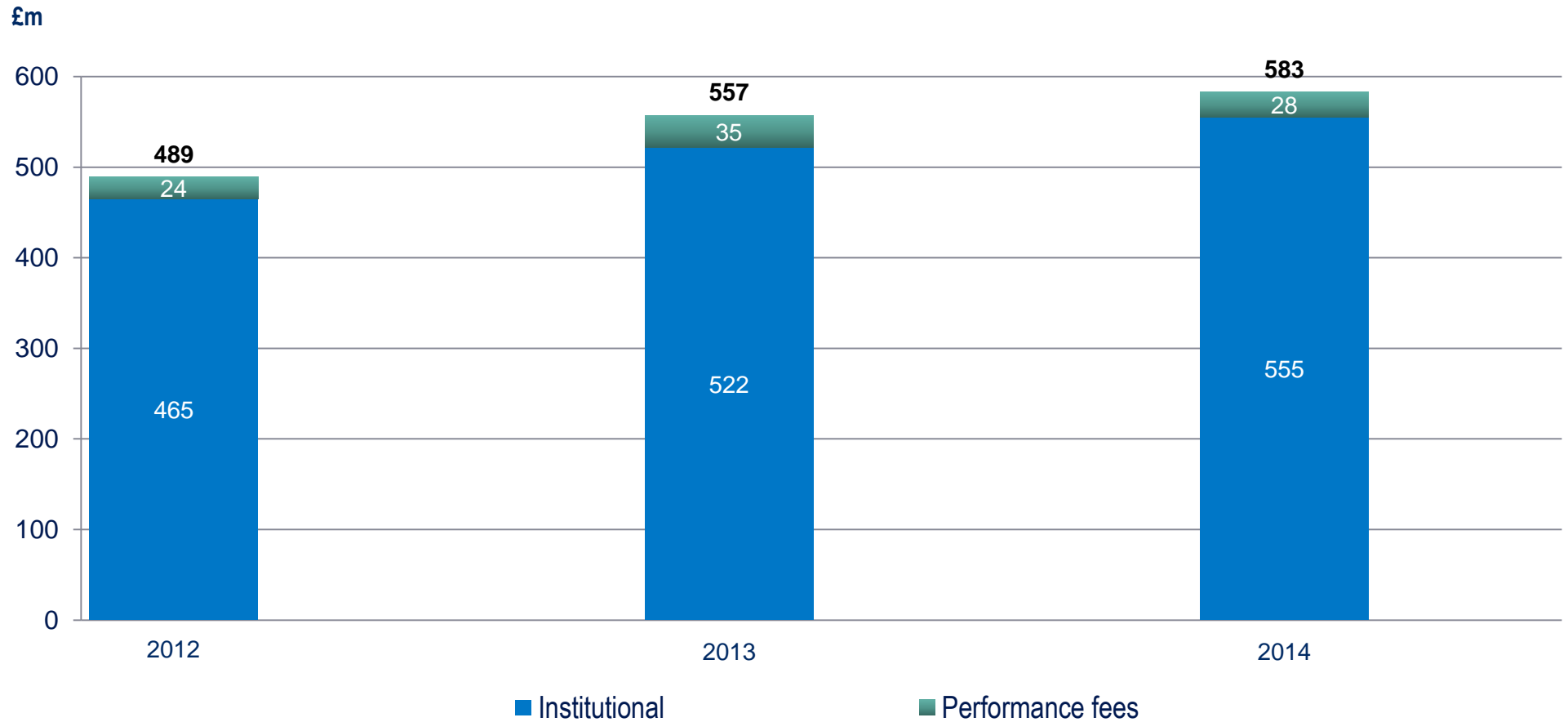
Net revenue

Increase of £123m



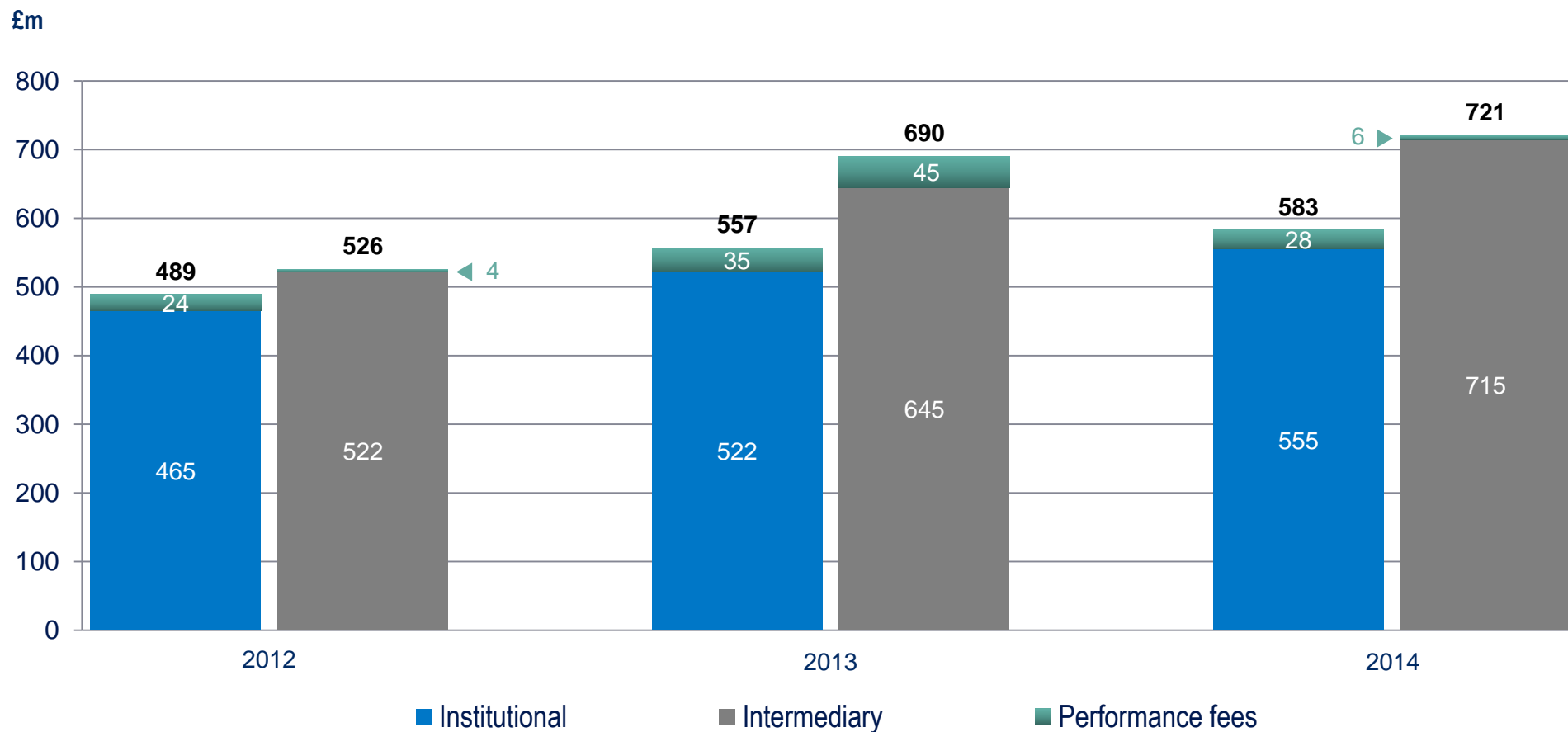
* Includes exceptional items.

Asset Management net revenues (1)



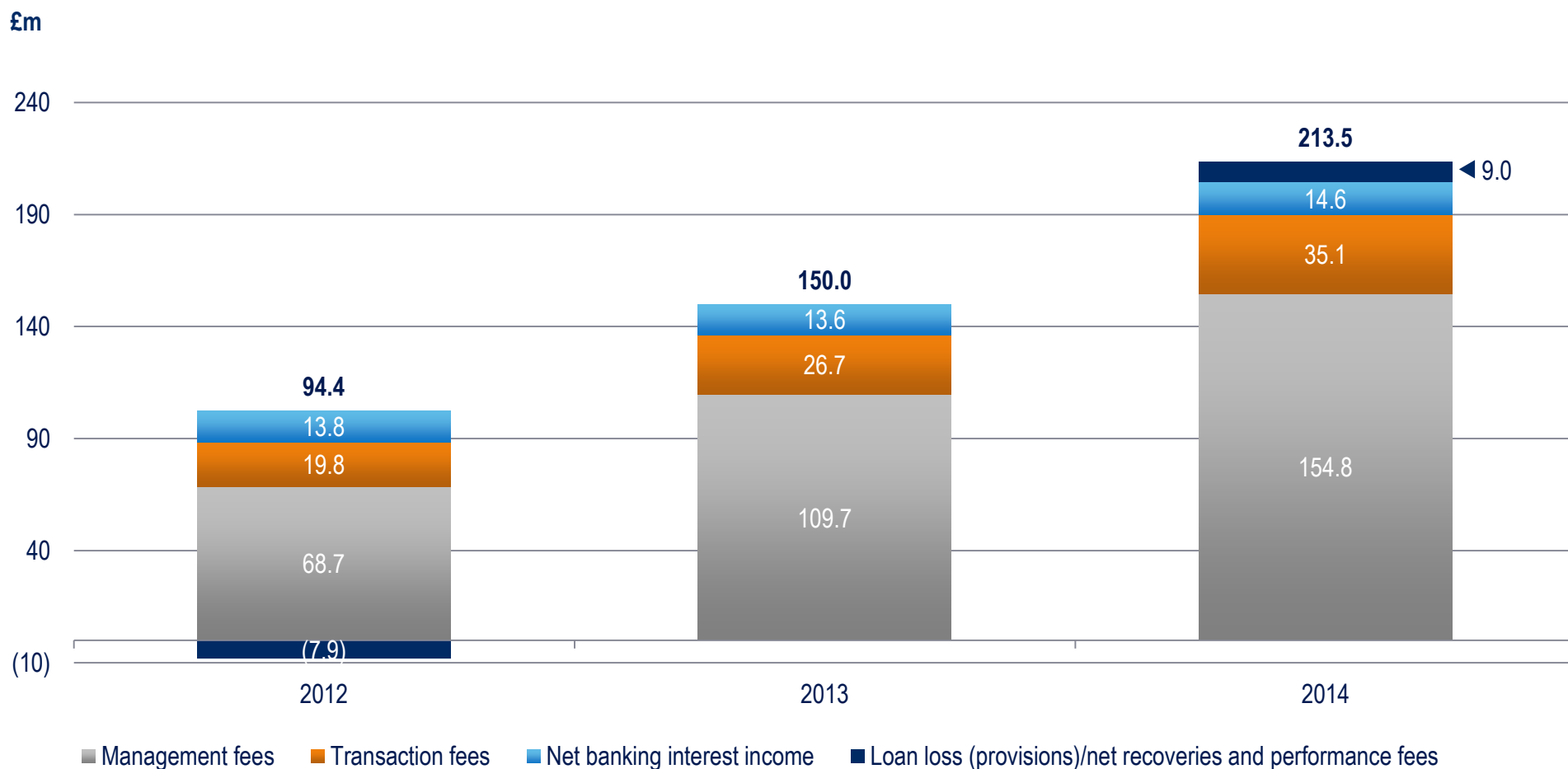
Asset Management net revenues (2)

Net revenue margins, excluding performance fees, at 52 bps



Wealth Management net revenues

Net revenue margins, excluding performance fees, 67 bps* (2013: 64 bps)

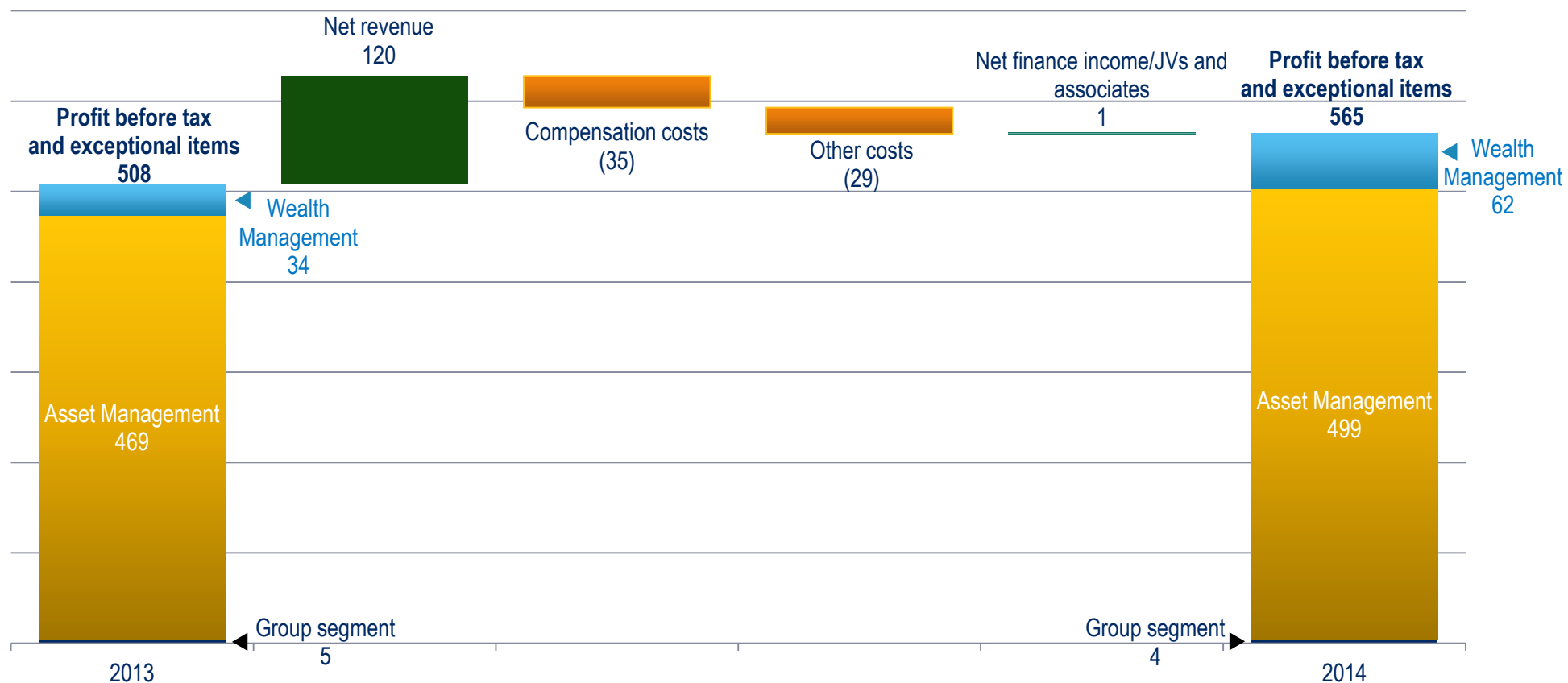


* Excluding net loan loss recoveries.

Profit before tax and exceptional items

Increase of £57m

£m



Operating expenses

Before exceptional items

£m	2013	2014			2014 versus 2013
		Asset Management & Group	Wealth Management	Total	
Compensation costs	652.5	592.9	94.9	687.8	+5%
Other costs	254.7	224.6	55.9	280.5	+10%
Depreciation and amortisation	12.5	15.0	1.0	16.0	+28%
Total	919.7	832.5	151.8	984.3	+7%
<i>Headcount</i>	3,528	2,962	594	3,556	+1%

%	2013	2014
<i>Compensation cost: net revenue ratio</i>	46%	45%
<i>Cost: net revenue ratio</i>	65%	64%

Exceptional items

2014 £m	Asset Management	Wealth Management	Group	Total
Integration and restructuring costs	(3.7)	(8.3)	-	(12.0)
Amortisation of acquired intangible assets	(13.9)	(9.2)	-	(23.1)
Deferred compensation arising from acquisitions	-	-	(12.9)	(12.9)
Other items	-	(2.9)	2.8	(0.1)
Total	(17.6)	(20.4)	(10.1)	(48.1)

Group segment before exceptional items

£m	2013	2014
Net revenue	10.4	11.4
Operating expenses	(19.1)	(23.5)
Net finance income	12.1	11.6
Share of profit of associates	1.5	4.7
Group segment profit	4.9	4.2
Other comprehensive (losses)/gains	(1.1)	2.7
Total comprehensive income	3.8	6.9



£m	2013	2014
Investment capital return	16.3	20.9
Seed capital return	2.6	2.5
Other returns	4.0	7.0
Total returns	22.9	30.4
Operating expenses	(19.1)	(23.5)
Total comprehensive income	3.8	6.9

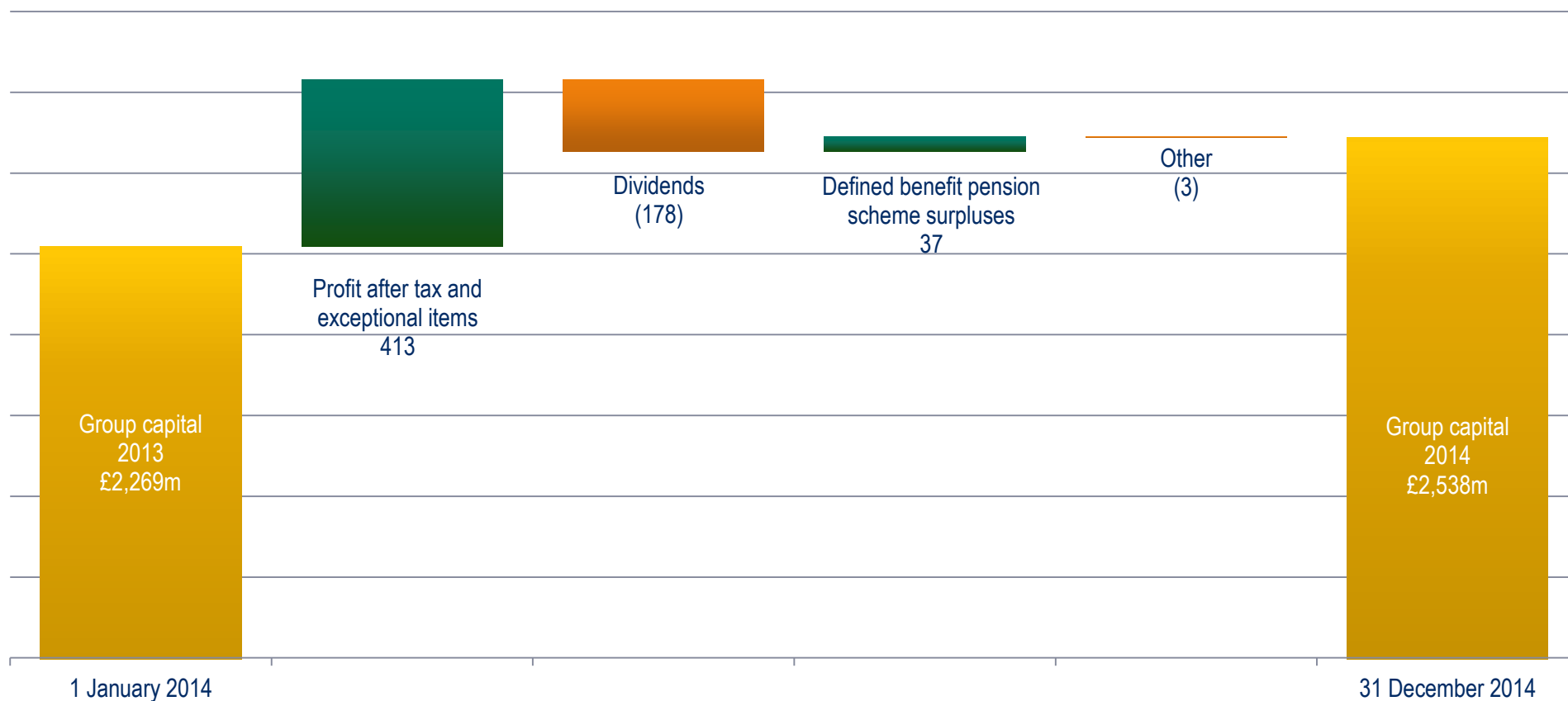
Tax charge

	2013			2014			Change 2014 v 2013 before exceptional items
	Before exceptional items	Exceptional items	After exceptional items	Before exceptional items	Exceptional items	After exceptional items	
Profit before tax – £m	507.8	(60.3)	447.5	565.2	(48.1)	517.1	+57.4 +11%
Tax – £m	(103.0)	8.2	(94.8)	(113.9)	10.0	(103.9)	+10.9 +11%
Profit after tax – £m	404.8	(52.1)	352.7	451.3	(38.1)	413.2	+46.5 +11%
<i>Effective tax rate</i>	20.3%	13.6%	21.2%	20.2%	20.8%	20.1%	
Basic earnings per share	149.9p	(19.3)p	130.6p	166.8p	(14.1p)	152.7p	+16.9p +11%

Movement in Group capital

Increase of £269m as at 31 December 2014

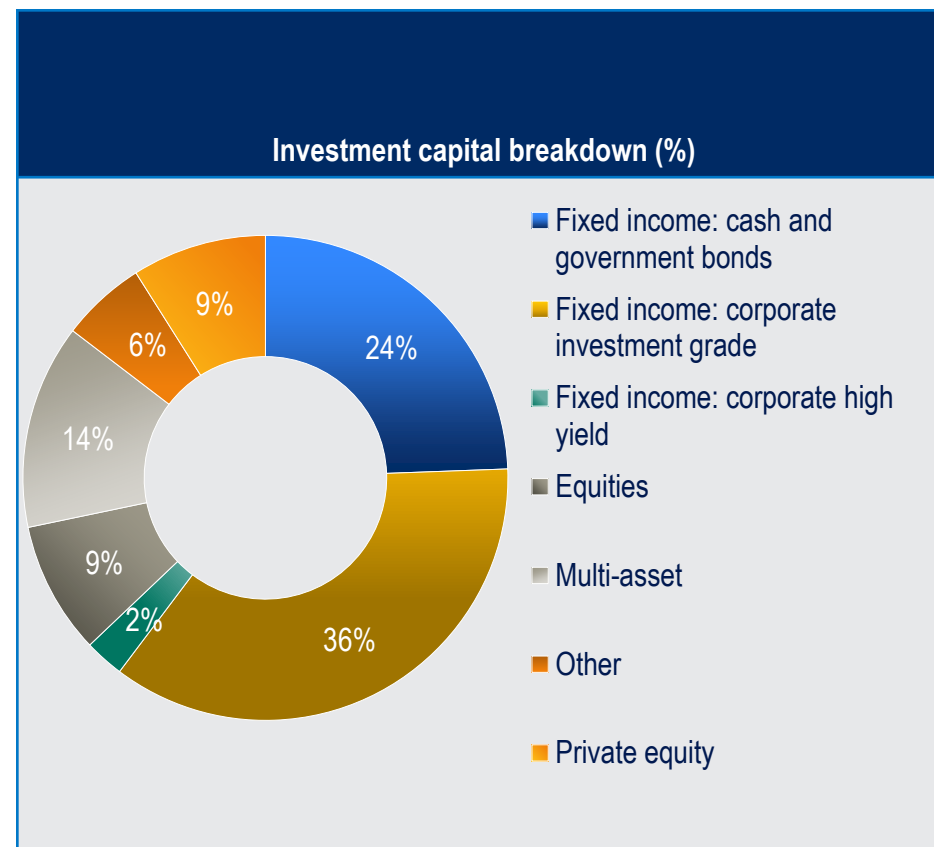
£m



Group capital allocation

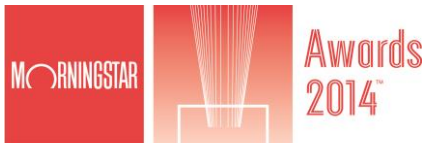
Increase of £269m as at 31 December 2014

£m	December 2013	December 2014
Regulatory capital	603	673
Other operating capital	311	284
Investment capital*	515	725
Seed capital	182	163
Other items**	658	693
Statutory Group capital	2,269	2,538



* Includes RWC Partners Limited and Schroder Ventures Investments Limited associates.

** Comprises goodwill, intangible assets, pension scheme surpluses, other associates and joint ventures, and deferred tax.



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