Nucleus Financial - intention to float on AIM

2 July 2018

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2 July 2018

Nucleus Financial Group Limited

Intention to Float on AIM

Nucleus, a leading independent wrap platform provider, today announces its intention to apply for admission of its Ordinary Shares to trading on the AIM market of the London Stock Exchange. Dealings are expected to commence on AIM in late July 2018.

Nucleus provides independent wrap platform services to over 2,200 adviser users across more than 800 financial adviser firms and is responsible for assets under administration ("AUA") of £14.3 billion on behalf of more than 90,000 customers as at 31 May 2018.

The multi-award winning Nucleus wrap platform (the "Platform" or the "Nucleus Wrap") offers a range of custody, trading, payment, reporting, fee-handling, research and integration services across a variety of tax wrappers and asset choices including cash, OEICs, Unit Trusts, offshore funds, structured products and listed securities, including ETFs and investment trusts.

Shore Capital is acting as Nominated Adviser, Sole Bookrunner and Broker to the Company and Craven Street Capital Limited is acting as Financial Adviser to the Company.

Highlights:

Well positioned within a structurally growing market

- The UK financial planning and wealth management market is growing due to demographic, lifestyle and regulatory factors, most notably in respect of the increase in ISA allowances and greater pension flexibility and financial advisers have increasingly come to rely on the efficiencies and capabilities offered by platforms to deliver their proposition.
- Since the end of 2012, AUA in the advised platform market has grown from £123 billion to around £350 billion and is projected to grow to £745 billion by the end of 2021 (Source: Fundscape Platform Market Report Q3 2017's 'Realistic Channel Projections')

Long-term engagement with leading, forward-looking advisers

- Nucleus requires financial advisers to meet stringent acceptance criteria and as a result, the Directors believe that the financial advisers that use the Nucleus wrap are generally younger and generate greater revenue per adviser than wider market averages
- Users are encouraged to participate in user sessions and platform development groups to help stimulate user engagement and moderate the Group's product development costs

Competitive online and offline capabilities, consistently reflected in major awards

- The Nucleus wrap is designed to meet the requirements of adviser users and is developed to offer as much online capability as possible, supported as necessary with high quality offline support
- Nucleus has won CoreData's 'best medium sized platform' for the last six years, the Schroders 'platform of the year' award for the last two years and recently won 'best platform' at the Money Marketing Awards. In addition, the Platform's 'Narrate' portfolio reporting tool has attracted significant third-party recognition since launch in 2015, receiving awards at the Schroders UK Platform Awards, Money Marketing Awards and the ScotlandIS Digitech Awards

Blend of in/outsourced technology balances cost with agility, scalability and resilience

- The Nucleus wrap is designed to meet the changing requirements of advisers and customers through a blend of in-house and outsourced technology
- In-house technologies are increasingly preferred by the Group to provide front-end differentiation and outsourced technology is selected where specialist software can offer performance, cost or scalability advantages

Operational discipline supports modern and flexible cost base

- Consistent with its approach to marketing and technology, Nucleus has in the past operated with a top quartile AUA per full time employee metric (source: Finalytiq, 2016) and very competitive cost efficiencies when expressed as a percentage of AUA (source: Company analysis)
- Outsourcing core technology, back office operations and insured bond tax wrappers has allowed the Group to retain a highly competitive cost base through simplicity and a focus on added value activities

Simple revenue model has delivered consistently strong organic growth

- 100 per cent. of income is derived from Platform fees that are recurring subject to AUA levels, themselves driven by net flows of AUA to/from the Platform and by market movements
- Nucleus' AUA and revenues have grown at compound annual rates of 25 per cent. and 24 per cent. respectively between 31 December 2012 and 31 December 2017 and the Directors believe the Group has the potential to continue growing organically as a result of secular growth and by signing up new users and achieving greater penetration of existing users

Opportunity to leverage data insights for product development

- The Group has established a business intelligence team which can provide detailed insight into user behaviour and trends in customer portfolios
- The Directors believe this capability will allow the Group to enhance the Platform in accordance with customer requirements and create new revenue-generating opportunities

Profitable, clean balance sheet, cash generative and opportunity for operational leverage

- The Group's profit before tax has grown from £0.03 million in the year to 31 December 2012 to £5.1 million in the year to 31 December 2017, with year-end cash balances growing from £3.4 million to £17.0 million in the same period
- Approximately one third of the Group's cost base has been linked to AUA between 2015 and 2017, and the Directors anticipate that the Group will benefit from operational leverage as AUA continues to grow
- As a result of the cash generative business model, the Board has adopted a policy of paying interim and final dividends such that the annual pay-out ratio represents between 60 and 70 per cent. of the Group's profit after tax, adjusted for any exceptional items

Experienced management team and Board

- The Group's executive management team has more than 60 years of collective experience in the platform market
- David Ferguson co-founded the Group in 2006, growing it from a team of two to more than 200 employees. He is Her Majesty's Treasury Fintech Envoy for Scotland and the Chairman of FinTech Scotland

David Ferguson, CEO and founder of Nucleus, commented:

"We started this business in 2006 to create value through greater strategic alignment of advisers and their clients. Our commitment to this goal drives the development of our award-winning platform and has enabled us to grow from AUA of £100 million in 2007 to more than £14.3 billion today."

"Nucleus has been an exciting journey so far and we expect this Admission to AIM to mark an important milestone in the business's maturity and to open up new opportunities for us. We remain committed to keeping adviser / client alignment and transparency at the heart of what we do and to continue developing a market-leading platform and best in class customer service to deliver on our objectives."

Angus Samuels, Chairman of Nucleus, added:

"Nucleus is a business that has been built in collaboration with advisers and we are proud to be embarking on the next stage of the Company's development together. This is an exciting moment for the business and one we could not have achieved without the support of our dedicated team and community of supportive adviser users. We are looking forward to life as a listed company and the opportunities that lie ahead of us."

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Business Overview

Nucleus was established in 2006 in collaboration with financial advisers, with financial support from Sanlam UK Limited, to generate greater alignment between advisers and their customers. The Company's founders observed an emerging trend for financial advisers to be paid by clients for advice rather than by investment product providers for selling their products to the financial advisers' customers. By encouraging adviser firms to become shareholders in order to access the Platform and promoting active participation by advisers in product development, Nucleus has fostered strong and durable client relationships and the Platform has won a range of respected industry awards.

Since 2012, the Group has grown AUA by a compound annual growth rate of 25 per cent. to 31 December 2017, with revenue increasing at a compound annual growth rate of 24 per cent. over the same period. The Platform currently facilitates over 1.1 million client account transactions on average per month. It won 'platform of the year' at the Schroders UK Platform Awards again in 2016 and 2017 and was named CoreData's 'best medium sized platform' each year from 2012 to 2017.

The Group's growth has been organic to date, where it had over 200 employees and £14.3 billion in AUA from more than 800 financial adviser firms as at 31 May 2018. These firms represent more than 2,200 financial advisers, through whom 90,000 underlying clients' assets are managed. Client numbers increased by 10 per cent. in 2017.

The Nucleus Wrap

The Nucleus wrap platform offers adviser users custody, trading, payment, reporting, fee-handling, research and integration services across an open architecture universe of more than 5,000 assets (including cash, OEICs, Unit Trusts, offshore funds, structured products and listed securities, including ETFs and investment trusts) through a range of tax wrappers.

The Directors believe that the development of a modern, transparent and strong customer-led culture has been important in the establishment of a competitive and successful wrap platform and has allowed the Group to benefit from the tailwinds generated by the regulatory drive for greater transparency across the financial advice industry.

Consistent with the Group's strong relationships with financial advisers, the Platform was built in collaboration with adviser users and, where necessary, can be integrated into other adviser systems using API connectivity.

The Platform is agnostic in respect of the account or tax wrapper structure in which clients' assets are held and in respect of underlying asset choices preferring instead to focus on supporting customer requirements as far as possible.

Technology and operating model

The Nucleus wrap is designed to meet the changing requirements of advisers and customers and aims to achieve a sustainable balance between agility, scalability, resilience, and cost. To that end, the Group's operations consist of an evolving blend of in-house and outsourced technologies and services.

In-house technologies and operations are increasingly preferred where the Group believes there is scope for differentiation or a positive direct impact on the user experience (for example the Platform front-end and customer service elements) and outsourced relationships have been selected where specialist and proven software or operations partners can offer performance, cost or scalability advantages.

In 2017, the Platform processed more than 15.6 million underlying client transactions and handled more than 615,000 transactions per day at peak times.

Strategy

To date, Nucleus' growth has been driven by attracting and developing long-term net inflows from adviser users. The Group aims to continue to grow AUA and revenues, increase operating margins and create new income streams through product development.

- AUA and revenue growth
  - The Group aims to increase the number of adviser users and to deepen penetration of existing users
  - The number of active advisers (defined as advisers that have (i) added new customers or top-ups from existing customers in the last quarter; and (ii) maintained customer numbers above 80 per cent. of their highest ever level) rose by 6 per cent. in 2017 and increased by a further 2 per cent. in Q1 2018 to reach an all-time high of 1,346 at the end of March 2018

- Operational leverage
  - Approximately one third of the Group's annual cost base has been linked to AUA between 2015 and 2017, and the Directors anticipate that the Group will benefit from operational leverage as AUA continues to grow
  - The Group intends to target improvements in margins by using outsourced services more selectively and focusing more on end-to-end processes automation

- Product development
  - Alongside the development of product features to grow user numbers and improve user penetration, the Group anticipates using its data science capability to better extend the Platform's functionality so that it can better understand the sources of return and other trends in customer portfolios
  - The Directors intend to make any such new capabilities available exclusively to Nucleus wrap financial adviser users, which the Directors believe could lead to growth in adviser user numbers and net inflows of AUA to the Platform

Wealth Management and Wrap Platform Markets

Wealth management in the UK

Aggregate UK household wealth has grown considerably in recent years (source: ONS) and this increase in household wealth has coincided with shifts in demographics and working patterns which are resulting in people living longer and also spending longer in retirement (source: TISA). On top of this, certain regulatory changes, including pension freedoms and ISA allowance increases, have provided more freedom for customers to manage their investments.

The complex UK wealth management market remains difficult for many individuals to navigate. The impact of this complexity can be more pronounced for more affluent individuals who are more likely to seek the guidance of a wealth manager or financial adviser. These complexities are leading to more investors seeking professional financial advice in relation to their personal savings and investments and the number of adviser firms with relevant FCA investment permissions in the UK has been rising since 2014. To meet changing requirements, achieve greater control and better manage risk, financial advisers have increasingly come to rely on the efficiencies and capabilities of platforms to underpin the delivery of their service.

Benefits of wrap platforms for financial advisers

Platforms, particularly those run independently of asset managers and those not vertically integrated, provide financial advisers with access to a wider range of securities and assets into which they can invest client assets. Off-platform, in order to access a breadth of securities, advisers are reliant on lengthy investment searches and, in some cases, individual relationships with certain asset providers, in contrast to wrap platforms which provide easy and transparent access to thousands of different securities, with a variety of current and historic investment data on each.

When combined with the transparency and conflict of interest changes enforced as part of the RDR and MiFID II, and similarly to retail execution platforms, wrap platforms have helped to change the way the financial advice market operates, giving more discretion, flexibility and power to clients and make investment managers more accountable for their performance.

Platforms as a tool for retail distribution of financial products have become increasingly important. Accordingly, between 2012 and 2017, total AUA across the advised platform market grew at a compound annual growth rate of 23 per cent., to reach £350 billion. AUA is projected to grow by a further 113 per cent. to £745 billion by 31 December 2021 (Source: Fundscape Platform Market Report Q3 2017's 'Realistic Channel Projections').

Selected historical financial information and KPIs

Year ended	31 December 2015 £000	31 December 2016 £000	31 December 2017 £000
Revenue	28,957	33,281	40,365
Cost of Sales	(10,523)	(11,695)	(14,495)
Gross profit	18,434	21,586	25,870
Other operating income	877	76	36
Administrative expenses	(14,521)	(17,346)	(20,788)
Operating profit	4,790	4,316	5,118
Finance income	9	13	9
Finance costs	(26)	-	(3)
Profit on ordinary activities before tax	4,773	4,329	5,124
Taxation	(473)	(942)	(1,013)
Profit on ordinary activities after tax	4,300	3,387	4,111
Non-IFRS and unaudited KPI measures			
Year-end AUA* (£'bn)	9.1	11.1	13.6
Net AUA inflows	1.2	1.0	1.7
Underlying EBITDA**	4,636	5,114	6,249

*Excludes in-transit assets
**Underlying EBITDA excludes a one-off compensation payment received by the Group in 2015 and other miscellaneous non-recurring income, and is stated before share based payment charges

Reasons for the potential Admission and Placing

The Directors believe that the potential Placing and Admission will:

i. offer existing shareholders a liquid market in the Company's Ordinary Shares and the Placing is designed to allow existing shareholders to realise all of, or a portion of, their investment in the Company;
ii. allow the Company to simplify its share capital structure;
iii. provide the Company with the flexibility to access the capital markets, if required, to enable it to accelerate or facilitate its expected future growth;
iv. enable the Company to use incentive arrangements to align the interests of key management personnel with shareholders; and
v. raise the public profile of the Company.

Details of the potential Admission and Placing

- The Company intends to apply for admission of all of its issued Ordinary Shares to trading on the AIM market of the London Stock Exchange
- It is expected that Admission will occur in late July 2018
- The Placing will be in respect of existing Ordinary Shares held by certain financial advisers, employees and directors (the "Selling Shareholders"), with no new shares being issued, and therefore no proceeds receivable by the Company
- Sanlam UK Limited is anticipated to be a major shareholder on Admission
- Sanlam UK Limited and members of the Company's senior management team are expected to enter into customary lock-in agreements with respect to their shareholdings in the Company for specified periods of time following Admission
- Full details of the Placing will be included in the Admission Document. Prospective investors should rely only on the information contained in the Admission Document when making a decision whether to participate in the Placing
- Shore Capital is acting as Nominated Adviser and Shore Capital Stockbrokers Limited is acting as Broker to the Company Craven Street Capital Limited is acting as Financial Adviser to the Company.

Dividend policy

The Directors intend that the Company will pay interim and final dividends going forwards, with the interim dividend to be announced at the time of the release of the Company's interim results and the final dividend at the time of the release of the Company's annual results.

The Board intends to pay interim and final dividends representing a pay-out ratio of between 60 per cent. and 70 per cent. of the Group's profit after tax, adjusted for any exceptional items. The Board may, however, revise or adapt the Group's dividend policy from time to time in line with the actual results of the Group and the cash requirements of the Group's activities.

The ability of the Company to pay dividends is dependent on a number of factors including, inter alia, the results of the Group's operations, its financial condition, anticipated cash requirements, regulatory capital requirements, future prospects and its profits available for distribution, and there can be no assurance that the Company will pay dividends or, if a dividend is paid, of the amount that dividend will be.

Directors at Admission

The Board on Admission will comprise:

Angus Samuels, Independent Non-Executive Chairman, aged 67.

Angus Samuels joined the Board of the Company in July 2006 as a Non-Executive Director and was appointed Chairman in March 2017. He has previously held a number of Chief Executive Officer roles, including at Sanwa Asset Management UK Limited, Credit Suisse Asset Management Limited and Sanlam Investment Management Limited (South Africa).

He currently serves as the chairman of Punter Southall Group Limited and Craven Street Capital Limited and holds a number of other Non-Executive Directorships, including with Sanlam UK Limited and Sanlam Life and Pensions UK Limited.

David Ferguson, Chief Executive Officer, aged 48.

David Ferguson co-founded the Company in 2006 and is currently the Chief Executive Officer. Previously, he was Director of Abacus Financial Marketing Limited. He was a trainee actuary with Life Association of Scotland Limited prior to working at Ivory & Sime Limited and what was then known as Scottish Life International Limited.

He has also been a member of Her Majesty's Treasury Fintech Envoy for Scotland since December 2016 and is the Chairman of FinTech Scotland. He has a BSc (Hons) (Actuarial Mathematics and Statistics) from Heriot-Watt University.

Stuart Geard, Chief Financial Officer, aged 44.

Stuart Geard joined the Company as Managing Director in 2012 and more recently became Chief Financial Officer in August 2017. Mr Geard started his career in 1997 with what is today PwC South Africa before moving to Sanlam Limited as a senior manager in corporate finance. He moved to the UK in 2005 as head of finance and investments for what is now Sanlam Life and Pensions UK limited prior to becoming Finance Director of Sanlam UK Limited.

He also served as Director at Sanlam Private Investments UK Limited and Sanlam Life and Pensions UK Limited. Mr Geard qualified as a Chartered Accountant in South Africa with PwC in 2000 and has passed all three levels of the CFA exams. He graduated from the University of Cape Town with a BBusSc (Finance) and a Post-Graduate Diploma in Accounting.

Margaret Hassall, Independent Non-Executive Director, aged 57.

Margaret Hassall will join the board immediately prior to Admission as an Independent Non-Executive Director. She has held senior positions at Barclaycard PLC, Bank of America Merrill Lynch Corporation and The Royal Bank of Scotland PLC. In addition to her executive roles Mrs Hassall has also worked extensively as a consultant for Deloitte and Touche Limited, Oracle Corporation and Xceed Limited, and led the Financial Services consulting business for Charteris PLC.

Since 2016 she has been an Independent Non-Executive Director at One Savings Bank PLC, where she is a member of the Risk and Audit Committees. She is also a Non-Executive Director at Ascention Trust (Scotland) and a Trustee for Edinburgh Street Pastors. Mrs Hassall holds a BSc (Hons) (Industrial Studies) from Sheffield City Polytechnic. Her earlier career was spent across a range of organisations and industries, typically where major change was taking place, namely Lucas Industries Limited, The British Shoe Corporation and East Midlands Electricity Limited.

Tracy Dunley-Owen, Independent Non-Executive Director, aged 46.

Tracy Dunley-Owen will join the board immediately prior to Admission as an Independent Non-Executive Director. She has held senior executive finance roles up to Chief Financial Officer and Board, Audit and Risk Committee advisory responsibilities at various companies within the Old Mutual PLC group, Guardian Financial Services Group, a division of Swiss Reinsurance Company Limited and Celestial Financial Services Limited.

She is a Non-Executive Director of Lifecheq (Pty) Limited and an Independent Non-Executive Director for the Women's Investment Portfolio Holdings Limited where she serves as a Member of the Audit Committee, Chair of the Nomination & Remuneration Committee, and Chair of the Social and Ethics Committee.

John Levin, Independent Non-Executive Director, aged 54.

John Levin joined the Board in 2017 as a Non-Executive Director. He co-founded and is Chairman of Quanis Limited, Certua Group Limited and Surely Limited. He also co-founded Telecom Plus PLC where he was a Non-Executive Director from 1997 to 2006.

Mr Levin has held senior positions in several companies including, Chairman of Amtrust Europe Limited, Chief Executive Officer and Non-Executive Director of IGI Group Limited. He is presently Chairman of Car Care Plan (Holdings) Limited, Motors Insurance Company Limited and Rocketer Limited and sits on the board of Money Dashboard Limited, Ashton Insurance Services Limited and Integrated Protection Solutions Limited. Mr Levin was also a Non-Executive Director at Pedigree Livestock Insurance Limited and Chairman of Q-Cloud Services Limited.

Jeremy Gibson, Non-Executive Director, aged 45.

Jeremy Gibson joined the Board in 2013 as a Non-Executive Director and has previously fulfilled the role of Chairman of the audit and risk committees. He joined Sanlam UK Limited in September 2012 where he is currently the Chief Financial Officer. He is a qualified chartered accountant, having qualified in South Africa and has worked in a broad range of financial services organisations including stockbroking, investment banking, mortgage lending, advisory services and life and pensions in London and Sydney.

Jonathan Polin, Non-Executive Director, aged 58.

Jonathan Polin joined the Board in 2016 as a Non-Executive Director. He currently serves as the group Chief Executive Officer of Sanlam UK Limited, which he joined in 2015. Previously, he was group Chief Executive of Ashcourt Rowan Limited. Prior to this, he was a Director at Ignis Asset Management Limited. Mr Polin began his financial services career with Prudential PLC in 1992, having spent the previous 12 years in the Army. In 1994, he took up the position of Managing Director UK, European and Middle Eastern sales at what was formerly known as Aberdeen Asset Management PLC.

Important Notices

This announcement does not constitute, or form part of, any offer or invitation to sell, allot or issue, or any solicitation of any offer to purchase or subscribe for, any securities in the Company in any jurisdiction nor shall it, or any part of it, or the fact of its distribution, form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment therefor.

Recipients of this announcement who are considering subscribing for or acquiring Ordinary Shares following publication of the Admission Document are reminded that any such acquisition or subscription must be made only on the basis of the information contained in the final Admission Document, which may be different from the information contained in this announcement. No reliance may be placed, for any purpose whatsoever, on the information or opinions contained in this announcement or on its completeness. To the fullest extent permitted by applicable law or regulation, no undertaking, representation or warranty, express or implied, is given by or on behalf of the Company, Shore Capital and Corporate Limited and Shore Capital Stockbrokers Limited (together "Shore Capital") or their respective parent or subsidiary undertakings or the subsidiary undertakings of any such parent undertakings or any of their respective directors, officers, partners, employees, agents, affiliates, representatives or advisers or any other person as to the accuracy, sufficiency, completeness or fairness of the information, opinions or beliefs contained in this announcement and, save in the case of fraud, no responsibility or liability is accepted by any of them for any errors, omissions or inaccuracies in such information or opinions or for any loss, cost or damage suffered or incurred, howsoever arising, from any use, as a result of the reliance on, or otherwise in connection with this announcement.

Shore Capital, which is authorised and regulated by the Financial Conduct Authority, is acting only for the Company in connection with the proposed Placing and Admission and is not acting for or advising any other person, or treating any other person as a client, in relation thereto and will not be responsible for providing the regulatory protection afforded to clients of Shore Capital or advice to any other person in relation to the matters contained herein. Such persons should seek their own independent legal, investment and tax advice as they see fit. Shore Capital's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers and AIM Rules for Companies will be owed solely to the London Stock Exchange and not to the Company, to any of its directors or any other person in respect of a decision to subscribe for or otherwise acquire Ordinary Shares in reliance on the Admission Document. Shore Capital has not authorised or approved the contents of, or any part of, this announcement and no representation or warranty, express or implied, is made by Shore Capital or its affiliates as to any of its contents.

Craven Street Capital Limited, which is an appointed representative of Resolution Compliance Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for the Company and no one else in connection with the Placing. In connection with such matters, Craven Street Capital Limited, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Placing, the contents of this Announcement or any other matter referred to herein.

This announcement is only addressed to, and directed at, persons in member states of the European Economic Area who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive ("Qualified Investors"). For these purposes, the expression "Prospectus Directive" means Directive 2003/71/EC, as amended, and includes any relevant implementing measure in each member state of the European Economic Area which has implemented the Prospectus Directive. In addition, in the United Kingdom, this announcement is addressed to and directed only at Qualified Investors who are (i) persons having professional experience in matters relating to investments, i.e., investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FPO"); (ii) high net-worth companies, unincorporated associations and other bodies within the meaning of Article 49, (2) (a) to (d) of the FPO; and (iii) persons to whom it is otherwise lawful to communicate it under the FPO. It is not intended that this announcement be distributed or passed on, directly or indirectly, to any other class of person and in any event, and under no circumstances should persons of any other description rely on or act upon the contents of this announcement.

Neither this announcement nor any copy of it may be (i) taken or transmitted into or distributed, directly or indirectly, in the United States (within the meaning of regulations made under the US Securities Act of 1933, as amended), (ii) taken or transmitted into, distributed, published, reproduced or otherwise made available or disclosed in Canada, Australia, New Zealand or the Republic of South Africa or to any resident thereof, except in compliance with applicable securities laws, or (iii) taken or transmitted into or distributed in Japan or to any resident thereof for the purpose of solicitation or subscription or offer for sale of any securities or in the context where the distribution thereof may be construed as such a solicitation or offer. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any such jurisdiction. The distribution of this announcement in other jurisdictions may be restricted by law and the persons into whose possession this announcement comes should inform themselves about, and observe, any such restrictions.

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended, and may not be offered or sold in the United States, except pursuant to an applicable exemption from registration. No public offering of securities is being made in the United States. No securities commission or similar authority in Canada has in any way passed on the merits of the securities offered hereunder and any representation to the contrary is an offence. No document in relation to the proposed placing of the Shares has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission, and no registration statement has been, or will be, filed with the Japanese Ministry of Finance. Accordingly, subject to certain exceptions, the Ordinary Shares may not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into or from any other jurisdiction or offered or sold to a person within any other jurisdiction.

The date of Admission may be influenced by factors such as market conditions. There is no guarantee that the Admission Document will be published or that the Placing and Admission will occur, and you should not base your financial decisions on the Company's intentions in relation to the Placing and Admission at this stage. Acquiring investments to which this announcement relates may expose an investor to a significant risk of losing the entire amount invested. The value of shares can decrease as well as increase. This announcement does not constitute a recommendation concerning the Placing. Persons considering an investment in such investments should consult an authorised person specialising in advising on such investments.

This announcement contains certain statements that are, or may be, forward looking statements with respect to the financial condition, results of operations, business achievements and/or investment strategy of the Company. Such forward looking statements are based on the Board's expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations, and estimates and projections of the Company's financial performance. Though the Board believes these expectations to be reasonable at the date of this document they may prove to be erroneous. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements.

Certain figures in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly to the total figure given.

Notice to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that such Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Shore Capital will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Ordinary Shares and determining appropriate distribution channels.