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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

FOR IMMEDIATE RELEASE

19 September 2024

Close Brothers agrees sale of Close Brothers Asset Management to Oaktree

Close Brothers Group plc ("the group" or "Close Brothers") has agreed to sell its wealth management business, Close Brothers Asset Management ("CBAM"), to funds managed by Oaktree Capital Management, L.P. ("Oaktree") for an equity value of up to £200 million (the "Transaction").

Transaction Highlights

- The equity value of up to £200 million, including £28 million of contingent deferred consideration in the form of preference shares, represents a multiple of 27 times CBAM's statutory operating profit after tax for the 2024 financial year^[1]
- Close Brothers intends to retain all upfront cash proceeds from the Transaction of approximately £172 million^[2]. The Transaction will strengthen the group's capital base and improve its position to navigate the current uncertain environment
- The Transaction is expected to complete in early 2025 calendar year and is conditional upon receipt of certain customary regulatory approvals

Mike Biggs, Close Brothers' Chairman, commented:

"Following a comprehensive strategic review, the Board is pleased to announce the agreed sale of CBAM to Oaktree. The transaction is expected to increase the group's common equity tier 1 capital ratio by approximately 100 basis points, marking significant progress towards the plan we outlined in March 2024 to strengthen our capital base. The Board has unanimously approved the transaction and believes that the agreed sale represents competitive value for our shareholders, allowing us to simplify the group and focus on our core lending business. CBAM has delivered impressive growth over the past years and has developed into a strong franchise. Under the new ownership, it will benefit from additional resources to accelerate its growth trajectory. I would like to thank our CBAM colleagues for their dedication, professionalism and exceptional service to our clients."

Federico Alvarez-Demalde, Oaktree Managing Director commented:

"We are delighted that Close Brothers chose to partner with us on this important transaction. We have observed CBAM's progress over several years and hold the franchise in high regard. The business is well known for its client centric culture which we absolutely intend to preserve and nurture as we invest in its service capabilities and technology to build a vertically integrated UK wealth business of scale. In the coming months we will bring to bear our extensive operational experience in the sector to work closely with Close Brothers and ensure a successful separation and transition of the business."

Strategic Benefits of the Transaction

CBAM is a well-regarded UK wealth management franchise with a strong track record, healthy net inflows and

significant growth potential. To realise the potential value of the business in the medium-term to the fullest extent possible, Close Brothers would need to continue to invest to accelerate CBAM's growth strategy in the short and medium term, including via acquisitions against a consolidating market backdrop.

Selling its wealth management division at this stage allows Close Brothers to realise a competitive valuation for CBAM and strengthen Close Brothers' capital position. The Transaction also allows the group to focus its resources on its core lending business, where it continues to see good growth prospects and encouraging customer demand.

The Transaction will enable CBAM to accelerate its growth strategy under Oaktree's ownership, which recognises CBAM's value and its potential to become a leading UK wealth manager of scale. In order to achieve this, Oaktree intends to provide CBAM with the incremental investment required to increase its profitability and presence in the wealth management sector.

Following the Transaction, the group will remain focused on executing its strategic objectives for the retained businesses. The group's key priorities in this respect include:

- Protecting the group's valuable franchise by further progressing the initiatives previously outlined to strengthen our capital position in the current uncertain environment
- Maintaining the strengths of the group's business model, being our long-term relationships, the extensive expertise of our people and our customer-centric approach
- Continuing to focus on the prudent management of our financial resources, by retaining our strong capital, funding and liquidity position
- Maintaining our consistent and disciplined pricing and underwriting criteria, which underpin the quality of the group's loan book
- Progressing further our tactical and strategic cost management initiatives, as well as the additional cost actions mobilised in March 2024
- Continuing to explore diversifying revenue streams and growth opportunities at Winterflood, whilst ensuring the trading business remains well positioned to benefit when investor appetite returns

The group remains focused on resuming our track record of earnings growth and attractive returns in our core business and is well positioned to take advantage of future opportunities.

Net Proceeds and Use of Proceeds

Under the terms of the Transaction, the equity value of up to £200 million includes:

- £172 million of cash to be paid at or before completion of the Transaction ("**Completion**"), comprising
 - an upfront cash consideration of approximately £146 million payable by Oaktree to Close Brothers on Completion; and
 - a dividend of approximately £26 million payable by CBAM to Close Brothers on or before Completion, subject to applicable regulatory capital requirements; and
- £28 million of contingent deferred consideration in the form of preference shares.

Close Brothers intends to retain the cash received by Completion, expected to amount to approximately £172 million, gross of transaction costs.

Further details on Contingent Deferred Consideration

The contingent deferred consideration will be in the form of preference shares, redeemable no later than Oaktree's exit, for an amount of up to £28 million plus interest at a rate of 8 per cent. per annum, stepping up to 12 per cent after five years. The deferred consideration is subject to potential deductions, including in relation to retention of key individuals and certain potential regulatory costs and separation cost overruns.

Impact on Close Brothers

Financial impacts of the Transaction on Close Brothers are currently expected to be (based on financials as at 31 July 2024) as follows:

- The upfront proceeds would increase the group's common equity tier 1 ("**CET1**") capital ratio by approximately

100 basis points on a pro forma basis. This calculation is based on a net asset value of £121.8 million at 31 July 2024, a tangible net asset value of £66.1 million, and assumes an immediate reduction in credit risk weighted assets ("RWAs") associated with the CBAM business. It does not include any immediate reduction in operational risk RWAs and excludes any capital impact in respect of the contingent deferred consideration. This estimate is subject to change before Completion.

- The accounting treatment and associated capital impact of the contingent deferred consideration remains under review.
- Close Brothers' pro forma operating profit before tax for the 2024 financial year would be £131.0 million (representing a £11.0 million adjustment)
- Close Brothers' pro forma total assets as at 31 July 2024 would be £13,889 million (representing a £192.0 million adjustment)
- Close Brothers' pro forma total liabilities as at 31 July 2024 would be £12,168 million (representing a £70.2 million adjustment)

Assets of CBAM

As at 31 July 2024, the value of the gross assets of CBAM was £192.0 million. In the 2024 financial year, the profit after tax attributable to the assets the subject of the Transaction were £7.4 million.

Board Recommendation

Close Brothers' Board has unanimously approved the Transaction and believes the terms of the Transaction are in the best interests of Close Brothers and the group's shareholders as a whole.

Next steps/Timing

The Transaction is expected to complete in early 2025 calendar year. The Transaction is conditional upon receipt of certain customary regulatory approvals.

Additional Information

The Transaction is being treated as a significant transaction as per UK Listing Rules due to the agreed maximum total consideration receivable comprising 25.2%^[3] of Close Brothers' market capitalisation, which is in excess of the 25% threshold. As such this announcement is made in accordance with Close Brothers' disclosure obligations pursuant to Chapter 7 of the Listing Rules.

Unless otherwise stated, all financial information relating to Close Brothers and CBAM disclosed in this announcement (including the Appendices) has been extracted, without material adjustment, from Close Brothers Group's Full-Year 2022 and Full-Year 2023 published audited financial statements and the unaudited Preliminary Results for the year end to 31 July 2024, on the bases and assumptions set out therein.

The person responsible for arranging for the release of this announcement on behalf of Close Brothers is Sarah Peazer-Davies, Company Secretary.

About Close Brothers

Close Brothers is a leading UK merchant banking group providing lending, deposit taking, wealth management services and securities trading. We employ approximately 4,000 people, principally in the United Kingdom and Ireland. Close Brothers is listed on the London Stock Exchange and is a constituent of the FTSE 250.

LEI: 2138001S47XKWIB7TH90

About CBAM

CBAM, wholly-owned subsidiary group of Close Brothers, is a vertically integrated UK wealth manager, providing personal financial advice and investment management services to private clients in the UK.

CBAM operates out of 15 offices with more than 150 investment professionals and c.870 employees. CBAM's offering includes full bespoke management, managed portfolios and funds, distributed both directly via in-house financial planners and investment managers, and through third-party financial advisers.

CBAM is led by Eddy Reynolds and overseen by its board of directors.

About Oaktree

Oaktree is a leader among global investment managers specialising in alternative investments, with 193 billion in assets under management as of 30 June 2024. Oaktree emphasises an opportunistic, value-oriented and risk-controlled approach to investments in credit, private equity, real assets and listed equities. The firm has over 1,200 employees and offices in 18 cities worldwide. Given Oaktree's global reach and experience, it believes its team has the required investment, operational, diligence and capital raising expertise to effect a business combination with an attractive target and to position it for long-term success in the public markets.

FOR FURTHER INFORMATION PLEASE CONTACT

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IMPORTANT NOTICES

No statement in this announcement is intended as a profit forecast and no statement in this announcement should be interpreted to mean that the future earnings per share, profits, margins or cash flows of Close Brothers following the Transaction will necessarily match or be greater than the historical published earnings per share, profits, margins or cash flows of Close Brothers.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect Close Brothers' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Close Brothers'

business, results of operations, financial position, liquidity, prospects, growth and strategies. Forward-looking statements speak only as of the date they are made.

You are advised to read this announcement in its entirety for a further discussion of the factors that could affect the group's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this announcement may not occur.

This announcement does not constitute and should not be construed as, an offer to purchase or sell or issue securities, or otherwise constitute an inducement, invitation, commitment, solicitation or recommendation to any person to purchase, subscribe for, or otherwise acquire securities in Close Brothers, or constitute an inducement to enter into any investment activity in any jurisdiction. Nothing contained in this announcement is intended to, nor shall it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever and, in particular, must not be used in making any investment decision.

The distribution of this announcement in or from certain jurisdictions may be restricted or prohibited by the laws of any jurisdiction other than the UK. Recipients of this announcement are required to inform themselves of, and comply with, all restrictions or prohibitions in such other jurisdictions. Any failure to comply with applicable requirements may constitute a violation of the laws and/or regulations of such other jurisdictions.

Save as required by the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules, the UK Listing Rules or by applicable law, each of Close Brothers, Goldman Sachs International and their respective affiliates and representatives expressly disclaim any intention, obligation or undertaking to update, review or revise any of the information or the conclusions contained herein, including forward-looking or other statements contained in this announcement, or to correct any inaccuracies which may become apparent whether as a result of new information, future developments or otherwise.

APPENDIX I FINANCIAL INFORMATION

Key Historical Financial Information on CBAM

Balance Sheet^[4]

	31-Jul-22	31-Jul-23	31-Jul-24
Total Assets	172.8	177.9	192.0
Total Liabilities	70.5	64.1	70.2
Net Asset Value	102.3	113.8	121.8
Tangible Net Asset Value			66.1

Income Statement^[5]

	FY 2022	FY 2023	FY 2024
Net Interest Income/ (Expense)	(0.7)	6.7	11.0
Non-interest Income	148.7	138.1	146.8
Operating Income / (Expense)	148.0	144.8	157.8
Administrative Expenses	(120.7)	(123.3)	(139.5)
Depreciation and Amortisation	(5.6)	(5.5)	(6.1)
Impairment Losses on Financial Assets	-	(0.1)	-
Total Operating Expenses Before Amortisation of Intangible Assets on Acquisition	(126.3)	(128.9)	(145.6)
Adjusted Operating Profit / (Loss)	21.7	15.9	12.2
Amortisation of Intangible Assets on Acquisition	(1.9)	(1.5)	(1.2)
Operating Profit / (Loss) Before Tax	19.8	14.4	11.0

APPENDIX II

RELATED PARTY TRANSACTIONS

Save as disclosed in: (i) Note 22 on page 73 of Close Brothers' unaudited Preliminary Results for the year end to 31 July 2024; (ii) page 238 of Close Brothers' 2023 Annual Report; and (iii) page 186 of Close Brothers' 2022 Annual Report, the Company has not entered into any related party transactions (within the meaning ascribed to that term in UK-adopted international accounting standards) during any of the financial years ended 31 July 2022, 31 July 2023 and otherwise up to the date of this announcement.

APPENDIX III

SIGNIFICANT CHANGE IN THE ISSUER'S FINANCIAL POSITION

1. Close Brothers

There has been no significant change in the financial performance or financial position of Close Brothers since 31 July 2024, being the end of the last financial period for which financial information of Close Brothers has been published.

2. CBAM

There has been no significant change in the financial performance or financial position of CBAM since 31 July 2024, being the end of the last financial period for which financial information of CBAM has been published.^[6]

APPENDIX IV

LEGAL AND ARBITRATION PROCEEDINGS

1. Close Brothers

Save as set out below in relation to Novitas and in connection with the FCA's review of motor finance commissions, related Financial Ombudsman, County Court and Court of Appeal proceedings (as detailed in Close Brothers' 2023 Annual Report and Preliminary Results for the year end to 31 July 2024), there are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Close Brothers' is aware) during a period covering the 12 months prior to the date of this announcement which may have, or have had in the recent past, a significant effect on Close Brothers' financial position or profitability.

The decision was made to wind down Novitas and withdraw from the legal services financing market following a strategic review in July 2021, which concluded that the overall risk profile of the business was no longer compatible with our long-term strategy and risk appetite. As announced in H1 2023, Close Brothers has accelerated its efforts to resolve the issues surrounding this business and continue to pursue formal legal action issued against one of the After the Event ("ATE") insurers in November 2022. Close Brothers is actively seeking recovery from a second insurer and entered into a settlement with another smaller ATE insurer in July 2023.

2. CBAM

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Close Brothers is aware) during a period covering the 12 months prior to the date of this announcement which may have, or have had in the recent past, a significant effect on CBAM and/or CBAM's financial position or profitability.

APPENDIX V MATERIAL CONTRACTS

1. Close Brothers

1.1 Transaction Agreements

(A) Share purchase agreement

Parties and structure

The Transaction is governed by the share purchase agreement ("**Share Purchase Agreement**") entered into between Close Brothers, Close Brothers Holdings Limited, the direct holding company of CBAM and Titan Holdco S.a r. l, a newly incorporated, wholly-owned acquisition vehicle of Oaktree. Pursuant to the Share Purchase Agreement and subject to the Regulatory Conditions (as defined below), Close Brothers Holdings Limited has agreed to sell and Titan Holdco S.a r. l has agreed to purchase the entire issued share capital of CBAM (the "**Shares**"). Following Completion, CBAM shall become a wholly-owned portfolio company of Oaktree.

Conditions

The Transaction is subject to obtaining approval from the FCA and the Guernsey Financial Services Commission (as one subsidiary of CBAM is incorporated in Guernsey) in respect of the change of control of CBAM (the "**Regulatory Conditions**").

Consideration

The consideration for the Transaction comprises of approximately £146 million payable in cash at Completion and £28 million contingent deferred consideration (the "**Consideration**"). As the Consideration is calculated pursuant to a locked box mechanism under the Share Purchase Agreement, any payments made by CBAM to Close Brothers between 31 March 2024 and Completion, which were not previously approved by Oaktree, shall be deducted from the Consideration at Completion. The contingent deferred consideration will be in the form of preference shares, redeemable no later than Oaktree's exit, for an amount of up to £28 million plus interest at a rate of 8 per cent. per annum, stepping up to 12 per cent after five years. The deferred consideration is subject to potential deductions, including in relation to retention of key individuals and certain potential regulatory costs and separation cost overruns.

Warranties and indemnities

Close Brothers Holdings Limited has given customary fundamental warranties relating to its title to the Shares. Close Brothers and Close Brothers Holdings Limited have also given customary limited fundamental warranties relating to capacity and solvency.

Warranty and indemnity insurance is in place in respect of the majority of warranties given by Close Brothers and Close Brothers Holdings Limited under the Share Purchase Agreement in relation to the CBAM business and Close Brothers' liability in relation to those warranties is capped at £1.

Close Brothers has given certain indemnities in respect of potential pension and regulatory risks which are not material in the context of the group.

Guarantees

Close Brothers has agreed to guarantee all of Close Brothers Holdings Limited's obligations, commitments and undertakings arising under or in connection with the Share Purchase Agreement.

Financing

Oaktree has received both equity and debt financing, including via minority co-investors, in order to fund the consideration for the Transaction.

Governing law and jurisdiction

The Share Purchase Agreement is governed by English law. The English courts will have exclusive jurisdiction to settle any dispute arising out of or in connection with the agreement.

ENDS

[1] Calculated based on Operating Profit After Tax per Close Brothers' Preliminary Results for the year end to 31 July 2024 published by Close Brothers

[2] Comprising an upfront cash consideration of £146 million payable by Oaktree to Close Brothers on Completion; and a dividend of approximately £26 million payable by CBAM to Close Brothers on or before Completion, subject to applicable regulatory capital requirements

[3] Market capitalisation as of 18 September 2024 per Bloomberg.

[4] Extracted from Close Brothers' annual consolidated balance sheets for the last three financial years, except for the Tangible Net Asset Value

[5] Extracted from Close Brothers' annual consolidated income statements for the last three financial years

[6] This refers to Close Brothers' Preliminary Results for the year end to 31 July 2024 published by Close Brothers, which includes financial information of CBAM

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