

Building on our strategy

“The group made solid progress in the implementation of its strategic plan.”



Group performance

We report on a year characterised by solid progress, with continued investment in our strategic priorities.

The group's operating income for the year ended 30 April 2019 has grown to £278.1 million (2018: £266.7 million). Operating profit increased 12.6% to £50.9 million (2018: £45.2 million), while adjusted operating profit, one of the group's key performance indicators (see page 22), increased by 4.8% to £48.4 million (2018: £46.2 million). Funds under management and advice have increased by 6.5% to £21.4 billion (2018: £20.1 billion).

This performance was achieved against a backdrop of geo-political uncertainty, during which the group made solid progress in the implementation of its strategic plan.

Our people have embraced our long-term strategy. They have worked hard to incorporate it in their ways of working to drive growth.

Growth rates across a number of our professional services core business areas have been encouraging, particularly in tax, assurance and business services and restructuring and recovery services, while our financial services business has also performed well, led by higher market levels and increased banking income.

Clients are seeking more services from us across the full breadth of our capabilities, which enables us to deepen our relationships and expand our offering to their specific needs.

Brexit has dominated the political landscape again this year. While this has led to a period of significant uncertainty, stock markets are more robust than in previous periods of political turmoil. To mitigate any potential impact on the group or its clients, we have taken necessary steps this year, including the launch of a new MiFID-authorized subsidiary, Smith & Williamson Investment Management (Europe) Limited, as the operating vehicle for our investment and financial planning activities in Ireland.

The new subsidiary, which is regulated by the Central Bank of Ireland, will act as the group's European hub of operations, allowing us to provide practical, effective solutions and advice to clients resident both in Ireland and across the EU.

We further underlined our commitment to Ireland by completing a merger with leading Dublin-based accountancy firm LHM Casey McGrath in October 2018, which doubled the size of our professional services operations in Ireland and strengthened our presence in an important EU territory.

Our business

An important strength of the business is its ability to establish relationships that endure and gain momentum over a long period of time. In combination with the complementary breadth and depth of services we deliver, this is a powerful proposition to clients and sets us apart in our market.

We always place clients at the absolute centre of our attention and ensure those services are managed and delivered by a single, senior point of contact.

For all the advantages that technology can bring, this high-touch service remains a core part of our DNA and is integral to the way we deliver our services to clients. They continue to seek a personalised service and value regular interaction with a trusted adviser who understands their personal financial affairs and their business interests.

The world is evolving constantly and it is important that we adapt to clients' changing needs throughout their lifecycles, to the ebb and flow of investment markets and to the volatile external environments in which we operate.

To ensure we are doing this as effectively as possible, we are investing heavily in our digital capabilities. The value in doing so is twofold: it ensures we are futureproofing our business and also enables our advisers to free up time to engage directly with our clients on a strategic basis more regularly than ever.

Strategic update

We remain committed to our long-term strategy and have been encouraged by engagement levels within the business and the tangible results it has delivered so far.

To deliver on this commitment, during the year we formed a group executive committee to lead the execution of our strategy and ensure integration across the business as a whole.

We are confident that successful delivery of the strategy will provide clients with greater access to best-in-class advice, more accessibility to a mix of services and more time discussing the issues they face.

We are focused on delivering profitability but place equal importance on how we achieve it in accordance with the group's strategic objectives and our commitment to growing the business sustainably.

The quality of our people is paramount to the services we are able to provide to our clients. Indeed, our view continues to be that if you have the right people, your business will do well. They remain integral to the success of our relationship-led service.

This year, we have continued to focus on building the next generation of talent with a strong programme of graduate recruitment and some outstanding lateral hires. The group has recruited 213 people in client-facing roles, which equates to 73 net new colleagues, including 24 partners and directors.

New talent has enhanced our existing offering by introducing fresh skills and experience and helping us to drive a new agenda. Their expertise is invaluable as we seek to provide an environment where bright, ambitious people can flourish and fulfil their career goals.

As part of our diversity and inclusion commitment, the firm remains a proud signatory to HM Treasury's Women in Finance Charter, which seeks to improve gender balance within the financial services sector. We have also redoubled our efforts to minimise our environmental footprint. Further details can be found in the corporate responsibility report on page 36.

“We want to enhance our business and accelerate our growth plans...but we will not compromise by diluting the quality of our business.”

We believe our people should have the opportunity to build a capital stake in the business, which helps to ensure they are aligned with our strategic aims and the interests of all stakeholders. Therefore, we have put in place a number of schemes to give employees and partners the opportunity to acquire equity in the group. Details of these schemes can be found in note 32 to the consolidated financial statements.

We want to ensure that people in senior positions fully recognise that team performance is key. The evidence supports our view that when colleagues work together across disciplines as a team, they can produce outstanding results for our business and our clients.

The introduction of a balanced scorecard represents a significant step-change as we seek to reward people similarly for appropriate conduct and behaviours just as we do for financial performance and in a way that we can calibrate. This allows us to be absolutely clear about the standards we expect from our people, which are wholly consistent with our corporate values, and to reward them accordingly under a refreshed remuneration structure.

The group continues to invest in career development and training opportunities. This year, we have launched a talent programme, which identifies and develops highly-motivated and engaged leaders across the group, as well as our inaugural Women's Network, which has attracted more than 160 members in just four months since inception.

It is important that we provide physical environments which enhance the client experience and enable our people to benefit from modern premises and working practices. Our Guildford office relocated to a new building and we refurbished our Dublin Sandyford premises during the year. We also committed to a new London head office to which we will relocate in 2022.

Consolidation in our markets continues and inorganic growth remains an area of strategic priority for the group. This year, as we have previously mentioned, we completed a merger with Dublin-based LHM Casey McGrath, one of Ireland's leading accountancy firms and a business that shares our values and our commitment to clients.

We have always been clear that we want to enhance our business and accelerate our growth plans by seeking suitable bolt-on opportunities but we will not compromise by diluting the quality of our business. Finding high-quality people and the right businesses that share our values and our absolute commitment to clients remains a challenge. We expect to focus on extending breadth and depth in our regional network over the course of this year.

Change and technology

This business, like many others, is undergoing a period of significant change, impacting on a number of critical areas such as new technology, risk management and changing regulatory environments.

A transformative programme to enhance our IT infrastructure has made tangible progress this year and we are confident we will be in a position to launch our new system to support investment management services in the second half of 2019.

The need to operate on multiple IT platforms has resulted in an expensive period for the firm but we expect these additional costs to reduce significantly after project completions. Nonetheless, it is vital we remain commercially realistic and therefore we are intent on building a scalable platform that will put the business in a strong position to grow and expand at an appropriate cost.

In the wider professional services environment, the audit sector is undergoing a period of significant change as a result of four regulatory reviews, a situation we are monitoring closely. We believe there is likely to be minimal impact on our business, given that our risk appetite does not include audit services for public interest entities under the current definition. Indeed, we believe these regulatory changes may present us with opportunities.

Group challenges

Our main external markets grow no less competitive. Amid cost pressures, consolidation remains a significant challenge for our business while the spectre of cyber-attacks remains a very real threat.

In common with our competitors, Brexit and the continuing political turmoil it has generated remain a significant concern. However, as we have outlined, we are confident we have taken the right precautionary steps to ensure we are in the best possible position to protect client interests, whatever may occur in the coming months.

In line with industry-wide experience, compliance with MiFID II continues to be a challenge but we are pleased to have made good progress in dealing with this change. GDPR has also absorbed considerable volumes of time as we continue to review our IT systems to ensure compliance.

Risk has been an area of high priority for the group this year and we are pleased to have taken significant steps forward by successfully embedding our risk management framework across the organisation. To aid us in doing so, we have made several senior appointments, including a new chief risk officer.

Protecting client data, one of our most important assets, is a critical priority and we do everything possible to safeguard it, including investing in new technology that enables us to monitor our networks on a continuous basis.

Work continues to prepare the business for a potential IPO. While we have completed much of the preparatory work required before a possible stock market listing in areas such as governance, business structures and technology, we previously announced it was unlikely our plans would come to fruition before 2020 and that remains the case, subject to market conditions.

Despite these challenges, we are confident that the strength of our balance sheet, as demonstrated by this year's results, puts us in a good position to withstand them.

Outlook

As we reflect on solid performance across our business lines we remain positive about the future and are optimistic about growth prospects. We continue to face challenges but our business is in a good position to withstand them.

Much of the essential work required in the infrastructure of our business has been completed to support our continued focus on providing the best possible service to our clients.

As with any prudent business, however, we remain vigilant. This continues to be a period of significant investment for the group, while markets remain unpredictable and further political turbulence may arise.

Nonetheless, the increasing complexities and challenges of the modern world mean the appetite for high-quality personal advice tailored to help our clients reach their strategic goals has never been greater. Indeed, our experience tells us clients are seeking more holistic financial advice that covers all of their affairs, from financial planning and investment management to tax, estate planning, accounting and business advice.

Our ability to bring all of those services together under one roof puts Smith & Williamson in prime position to continue to help clients with their commercial and personal financial considerations.

With a relationship-driven approach offering a full range of services for clients throughout their personal and business lifecycles, made possible by the unswerving commitment of our people, we are well positioned for continued growth and to build further on our market-leading proposition.



David Cobb
CO-CHIEF EXECUTIVE



Kevin Stopps
CO-CHIEF EXECUTIVE

27 JUNE 2019

“Our business is in a good position...to support our continued focus on providing the best possible service to our clients.”