

Thursday 27 July, 2017

Fiske PLC

Acquisition of Fieldings and Placing

RNS Number : 2248M

Fiske PLC

27 July 2017

Fiske plc

Acquisition of Fieldings Investment Management Limited

and proposed Placing of 2,585,000 new Fiske Shares at 50 pence each

and

General Meeting

For release at 7.00 am on 27 July 2017

Fiske has recently completed a significant investment in modernising its IT systems and operations including the automation of certain front and back office processes. These actions will allow for additional portfolios to be added to its platform to generate income with a minimal increase in costs. To benefit from this Fiske is continuing its strategy of seeking new portfolio managers with established client relationships and acquisitions of similar businesses to increase its Assets Under Management ("AUM").

The Board of Fiske plc ("Fiske") is pleased to announce that a conditional Sale and Purchase Agreement has been signed for the acquisition of the whole of the issued share capital of Fieldings Investment Management Limited. The Board of Fiske also announces that arrangements are being made to raise £1,292,500 (approx. £1.22m, net of expenses) by issuing 2,585,000 new ordinary shares of Fiske at a price of 50p each. In aggregate it is intended that 3,100,000 New Fiske Shares will be issued on completion of the Acquisition and Placing, representing approx. 37 per cent. of the number of Existing Fiske Shares.

The foregoing are all subject to the passing of resolutions relating to the allotment of shares and disapplication of statutory pre-emption rights at a general meeting of Fiske and the admission of the New Fiske Shares to trading on AIM. The General Meeting is being convened for 14 August 2017 and the Admission of New Fiske Shares to trading on AIM is expected to take place on 17 August 2017.

Irrevocable undertakings to vote in favour of the Resolutions have been received in respect of 5,826,102 Existing Fiske Shares, representing 69 per cent. of the votes capable of being cast at the General Meeting, of which 4,961,462 are Fiske Shares in which the Directors have a personal interest.

The Acquisition of Fieldings

Fieldings is a discretionary and advisory investment portfolio management company with AUM of just under £165 million. Fiske has AUM of approx. £550 million, giving the enlarged Group AUM of approx. £715 million. Fieldings' turnover for the year to 30 September 2016 was £1,319,938 (2015 £1,297,267), its pre-tax profit was £315,280 (2015 £335,781) and its net assets were £2,070,785 (2015 £2,023,970). Substantially all the assets are cash balances.

The consideration payable for Fieldings comprises an initial payment of £2.3 million (subject to adjustment (i) to the extent that net assets as at 31 July 2017 are more or less than £2.0m and (ii) by 26.57p for every £1 of AUM above or below £165m as at 31 July 2017) and three payments of deferred consideration payable in the month following 12, 24 and 36 months following completion. If the AUM at 31 July 2017 is £165m each deferred consideration instalment will be a maximum of £261,333. This amount will be adjusted by 23.14p for every £1 of AUM above or below £165m as at 31 July 2017. The amount of each deferred consideration instalment actually paid will be scaled down in proportion to Fieldings' AUM on 31 July 2018, 2019 and 2020 respectively. Fieldings' AUM at 31 July 2020 will be used to recalculate the first and second instalments and if (following such calculation) a higher amount would have been paid, then the difference between the amount already paid and the higher amount will be paid at the time of the third instalment. The initial consideration will be satisfied by the issue of 515,000 New Fiske Shares and (subject to the adjustments (i) and (ii) above) £2.024 million in cash (subject to the adjustments referred to above). Some 20% of the deferred consideration will be satisfied by the issue of further Fiske Shares, save that Fiske may elect to pay cash instead if the market price of a Fiske Share at the relevant time is less than 45p.

The Sale and Purchase Agreement contains warranties and indemnities from the directors of Fieldings and restrictive client and other undertakings by all selling shareholders for three years from completion.

Fieldings' personnel comprises seven portfolio managers, six of whom will remain with Fieldings following the Acquisition, and two administrators. The Chairman of Fieldings, Tony Pattison, will join Fiske's management committee. Two of the portfolio managers (who are both directors and one of whom, Robert Bourne, is the founder) intend to retire during the deferred consideration period and have already started handing over their clients to colleagues who will remain with the business following the Acquisition. Fiske intends to integrate the Fieldings team into the enlarged Fiske Group whereby they will all work with Fiske's staff in the future as a single team. In order to align the remuneration basis of the two companies, certain Fieldings portfolio managers will be paid a lower proportion of the income they generate than they are paid currently, in compensation for which a bonus (the "Bonus Pool") will be paid to them. The size of the Bonus Pool will be calculated by reference to the income generated from the Fieldings Clients, over the three years following completion. If the revenue derived from Fieldings Clients is maintained at the current level and commission currently paid by Fieldings Clients to third party brokers is instead paid to Fiske, the Bonus Pool payments in respect of each of the three years following completion would be £100,000, £175,000 and £225,000 respectively.

Following the Acquisition, Fieldings will relocate to Fiske's offices prior to the expiry of the lease of Fieldings' office in November 2017. Following the integration of Fieldings' business, Fiske expects to save a substantial proportion of Fieldings' non-employment overhead, contributing to an enhancement in earnings per Fiske share. The actual results will depend on future performance.

The Placing

Fiske has received indications of support for the Placing, some of which are firm commitments to subscribe, for 2,585,000 Placing Shares at a price of 50p each, raising gross proceeds £1,292,500. The estimated costs of the Placing amount to approx.£74,000, leaving net proceeds of approx. £1,218,500. Part of the cash raised will, together with Fiske's existing cash balances, be applied to paying the cash consideration due to the vendors of Fieldings and an estimated £91,000 for related stamp duty and other costs.

At 30 June 2017 Fieldings held cash balances, which amount (net of fees payable in relation to the sale to Fiske) to approx. £1.94 million. The part of the initial consideration payable in cash amounts to approx.£2.024 million (subject to certain adjustments as described above), the net effect of the Acquisition on the enlarged Fiske Group's cash balances after paying costs is an outflow of approx. £0.18 million. The balance of the net Placing proceeds is required to ensure that the enlarged Fiske Group satisfies the FCA's capital adequacy requirements plus reasonable headroom and will be held in cash or liquid securities.

The total number of Fiske Shares in issue following the Acquisition and Placing will be 11,560,205.

Certain Directors and current significant shareholders of Fiske have indicated an intention to participate in the Placing. Further details of the Placing and confirmed participation by the Directors and current significant shareholders will be set out in the announcement to be made on the closing of the bookbuild which is expected to be made later today. A total of 3,100,000 New Fiske Shares will be issued pursuant to the Placing and Acquisition.

Trading update - Fiske

Unaudited management accounts show investment management fees for the financial year to 31 May 2017 of approx.£0.969m and commission income of approx.£1.988m. The fee and commission income of approx.£2.957m for the year to 31 May 2017 is up approx. 17 per cent. compared to £2.535m for the year to 31 May 2016.

The Board expects the final results, before fair value adjustments, to be close to break-even including dividend income from the Company's investment in Euroclear in the second half of the year. This represents a considerable improvement when compared to substantial net losses for previous years while systems were being upgraded to provide a scalable platform for future growth.

No dividend will be paid until the deficit in distributable reserves has been cleared by a return to profitability.

Comments

Clive Harrison, Chairman of Fiske said: *"We look forward to welcoming Fieldings' directors, and clients to Fiske. We have invested heavily in establishing a platform for future growth, so*

I am delighted that this acquisition gives our enlarged Group a larger and wider client base with the prospect of the double benefit of incremental revenue and cost savings."

Robert Bourne, Founder and Chairman of Fieldings said: *"This merger is very good news for our clients, employees and shareholders. There is a good cultural fit with Fiske and we already know a number of their people. Our investment managers will continue to manage our clients' investments but they will be supported by younger executives from Fiske."*

For further information please contact:

James Harrison, *Chief Executive of Fiske* (Tel: 020 7448 4700)

Salmaan Khawaja / Harrison Clarke,

Grant Thornton UK LLP *Fiske's Nominated Adviser* (Tel: 020 7383 5100)

Robert Bourne, *Chairman of Fieldings* (Tel: 020 7600 0011)

Tom Van Oss, *Financial Adviser to Fieldings* (Tel: 0777 553 1500)

Definitions

The following definitions apply throughout this announcement unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the whole of the issued share capital of Fieldings by Fiske
"AIM"	the AIM market operated by London Stock Exchange plc
"AIM Rules"	the AIM Rules for Companies, as published by London Stock Exchange plc

"AUM"	Assets under management. References in this announcement to Fieldings' AUM exclude approx. £15m held in in portfolios for which a self employed portfolio manager, who will leave Fieldings prior to completion of the Acquisition, is responsible
"Bonus Pool"	the bonus pool to be established following the Acquisition for certain employees of Fieldings described in this announcement
"Completion"	the completion of the Acquisition
"Consideration Shares"	the 515,000 Fiske Shares to be issued as part of the consideration due to Fieldings Shareholders and any new Fiske Shares issued as part of the Deferred Consideration
"Deferred Consideration"	consideration payable for Fieldings in three instalments subject to adjustment by reference to the AUM attributable to Fieldings Clients 12, 24 and 36 months following the Acquisition
"Directors" or "Board"	the directors of Fiske
"Existing Fiske Shares"	Fiske Shares in issue at the date of this announcement
"FCA"	the Financial Conduct Authority
"Fieldings"	Fieldings Investment Management Limited

"Fieldings Client"	clients of Fieldings and new clients introduced to the Fiske Group by Fieldings' directors and employees, but excluding, in relation to the non competition covenants given by Fieldings Shareholders only, clients for whose portfolios a self employed consultant was responsible
"Fieldings Shareholder"	a shareholder of Fieldings
"Fiske" or "Company"	Fiske plc
"Fiske Group"	Fiske and its subsidiaries, which will include Fieldings following Completion
"Fiske Shares"	ordinary shares of 25p each in the capital of Fiske
"General Meeting"	the general meeting of Fiske, to be convened for 14 August 2017
"Initial Consideration"	the part of the consideration for Fieldings which is payable at, or shortly after, Completion
"New Fiske Shares"	the Placing Shares and the Consideration Shares
"Placing"	the proposed placing of New Fiske Shares described in this announcement
"Placing Price"	50p per Share
"Placing Shares"	the 2,585,000 New Fiske Shares the subject of the Placing

"Sale and Purchase Agreement" the contract between Fiske and the Fieldings Shareholders pursuant to which the Acquisition is effected.

"Shareholders" the holders of Existing Fiske Shares

This information is provided by RNS
The company news service from the London Stock Exchange

END