

NUCLEUS & FNZ ANNOUNCEMENT Q&A

ANNOUNCEMENT

Q1. Why is James Hay, making an offer for Nucleus?

We believe that the acquisition of Nucleus represents an attractive opportunity to create the leading financial planning and retirement-focused adviser platform in the UK with more than £45 billion of assets under administration.

Q2. What is the rationale for seeking to combine the James Hay and Nucleus businesses?

The combination of our expertise in SIPPs and retirement with Nucleus' reputation as an adviser-led, financial planning and investment platform, will enable the Combined Group to compete successfully at scale in the industry, delivering the products and services which advisers and their clients' need.

Both ourselves and Nucleus have strong and trusted reputations in the UK platform market, with a service-driven approach that will continue to be an integral and growing part of the Combined Group's high tech, high touch service proposition and philosophy post-transaction.

The combined group will become one of the largest adviser platform providers in the UK and this scale will enable greater investment in technology, products and service for the benefit of advisers and their clients.

Q3. When does the deal complete?

The transaction has not yet completed. The guide time is around 3-6 months while we await Nucleus shareholder and FCA approval.

Q4. What is the FNZ transaction?

We have separately reached a long-term strategic partnership deal with FNZ.

FNZ has agreed to provide technology and administration services in relation to our existing pension and investment management business and to configure a new asset management platform onto which the assets currently under administration on our platform will be migrated and subsequently administered. This is separate to the offer for Nucleus and will go ahead irrespective of what happens on that deal.

Q5. Will you be moving all your and Nucleus' customers onto the new FNZ built and administered platform? What about Nucleus' technology provider Bravura?

We entered into a master services agreement (MSA) with FNZ and pursuant to the terms of the MSA, FNZ has agreed to provide technology and administration services in relation to our existing pension and investment management business and to configure a new asset management platform onto which the assets currently under administration on our platform will be migrated and subsequently administered. The agreement with FNZ is separate from the offer for Nucleus and will go ahead irrespective of what happens on that deal

If the offer for Nucleus successfully completes, there will be no immediate change, but we intend to work with Nucleus' management team to undertake a detailed evaluation of the existing Nucleus arrangements (in particular those relating to Bravura) which is envisaged will take up to three months.

Subject to the outcome of this evaluation, the medium-term intention is to optimise and align the target operating model for the combined group around Nucleus' front-end user experience. The technology and platform administration services would then be provided by FNZ.

It is envisaged that underlying platform administration services for the combined group will be

provided by FNZ over time in a measured and controlled way to ensure continuity for clients, with the migration of some technology and the platform administration of Nucleus' assets from the existing arrangements (including Bravura's technology) onto FNZ's technology and operations.

Following the acquisition, we intend to work with Nucleus' management team to evaluate the existing arrangement with Bravura, with a medium-term intention to migrate Nucleus' assets, currently administered on the Bravura platform, onto the new platform which will be administered by FNZ.

This is all subject to Nucleus shareholder and approval by the FCA of the Nucleus deal.

Q6. So this will be a replatforming exercise?

We intend to configure a new asset management platform (with FNZ) onto which the assets currently under administration on our platform will be migrated and subsequently administered. Once the Nucleus acquisition completes, we intend to conduct an evaluation of Nucleus's existing arrangements and subject to the outcome of this evaluation, the medium-term intention would be to migrate Nucleus' assets, currently administered on the Bravura platform, onto the new platform which will be administered by FNZ, leveraging FNZ's substantial expertise and successful track record in platform migrations.

Q7. When will the replatforming take place, and how much do you see this work costing?

It's a complex process, with a number of moving parts, all of which will need to be carefully planned out. Therefore, we cannot confirm exact timescales or costs.

Q8. Why FNZ?

FNZ has a 15-year history in the UK of successful strategic partnerships with wealth management platforms, that have helped those platforms to continuously evolve the quality and personalisation of their services, whilst reducing costs to clients.

FNZ's combination of highly configurable core platform services with state-of-the-art APIs (or interfaces) will enable us to differentiate without constraint.

With over 3,500 technology and investment employees across 16 countries, FNZ combines breadth and depth of expertise, global scale and continuous innovation that is highly regarded in the industry.

FNZ administers over £700 billion assets for over 150 institutional partners worldwide supporting 8,000+ wealth management firms and their circa 15 million investing clients.

FNZ has a track record of over 40 successful platform migrations, and has industrialised the process of platform transformation, to minimise risk and disruption for clients.

Q9. Why is FNZ a good strategic fit for James Hay?

Advisers and their end clients not only to continue to benefit from our pension expertise, but also from the considerable investment FNZ has made over many years in the development of its market-leading technology, people and best-practices administration.

FNZ is a complementary partner for us due to being:

- A strong strategic fit –FNZ's consumer-focused mission is to help people achieve their financial goals, through partnerships with firms like us, and therefore enabling us to lower costs, improve digitisation and personalisation of the service we provide to independent wealth management firms and their clients.
- Having a proven track record – FNZ has a proven, highly scalable global solution and significant migration expertise, having implemented platforms for 150 financial institutions, including at least 40 substantial platform migrations.

- Strong support for financial advisers – A shared desire to enable financial advisers to be the best they can be, through provision of market leading solutions, tools and customer service.

Q10. Did you conduct a formal process when selecting the outsourcer, and were Bravura considered?

In 2020 we ran an RFP process on technology, and we have been continually evaluating the market. We chose FNZ as we consider the technology and outsource capability to be as good as anything available in the market, and the structure of the deal will enable us to become a sustainably profitable and competitive business capable of investing in price, service, and product going forward.

Q11. There's been negative comment from advisers over the Quilter replatforming to FNZ. Will your advisers experience similar issues?

Re-platforming is an extremely complex process. FNZ continuously improves its approach to platform migrations, minimising risk and disruption for advisers and clients.

Following migration, FNZ-powered platforms have without exception achieved leadership positions in the market, as a result of strong support from advisers and their clients

We expect this will be a positive experience for advisers and their clients, both during and following migration.

Q12. Is FNZ investing in the deal?

No, FNZ is not investing in this deal.

Q13. Given all of James Hay's recent customer service issues, why would Nucleus advisers want to move across?

The deal is subject to approval by the Nucleus shareholders and the FCA, so there are no immediate changes for advisers and their clients, and the two platforms will continue to run separately.

We acknowledge that at times it has not been to the high standards we set ourselves, or that advisers and their clients would reasonably expect.

We've already invested heavily in improving service – we opened a new office in Q4 last year to expand capacity, hiring and upskilling new employees. Getting service back on track is a priority.

We're a specialist platform for retirement wealth planning, providing services to financial advisers and their clients, enabling them to administer pensions, savings and investments in a cost and tax efficient way. As one of the first SIPP providers in the UK we were a pioneer in developing the modular approach to retirement wealth planning. Our flagship retirement planning vehicle, the Modular iPlan (launched in 2014), utilises a modular approach for SIPPs, ISAs and General Investment Accounts. This modular proposition enables transparent and flexible pricing, ensuring end-clients only pay for the services utilised. Our proposition was most recently recognised by winning the 2020 MoneyAge Sipp Provider of the Year award.

Following completion of the acquisition, which is subject to shareholder and regulatory approval, and utilising FNZ's technology and outsourced administration, the combined group will have an enhanced ability to provide clients and advisers with a comprehensive financial planning and retirement proposition, including leading SIPP and drawdown features among a broad range of tax wrappers.

We believe that the acquisition of Nucleus represents an attractive opportunity to create the leading financial planning and retirement-focused adviser platform in the UK. The combination of our expertise in SIPPs and retirement with Nucleus' reputation as an adviser-led, financial planning and

investment platform, will enable the Combined Group to compete successfully at scale in the industry, delivering the products and services which advisers and their clients' need.

Both ourselves and Nucleus have strong and trusted reputations in the UK platform market, and a service-driven approach that will continue to be an integral and growing part of the combined group's high tech, high touch service proposition and philosophy post-transaction

Q14. Who will be on the board/senior management team of the combined group?

The deal is still subject to shareholder and FCA approval.

Following completion of the acquisition, we will perform a review of the Combined Group's central and head office functions. The review and integration process is expected to take up to 12 months and may identify opportunities to leverage skills and talents across the Combined Group.

Q15. What experience does the board / senior management have in successfully integrating businesses?

We have a revitalised senior management team in place with extensive experience and a strong track record in leading corporate development and M&A. Richard Rowney (CEO) delivered an award winning service and proposition at LV=, Alex Kovach (CCO) successfully scaled up the ii platform and Richard Warner (COO) was a partner at Accenture and managed Accenture's largest global financial services outsource.

Q16. What is the structure of the transaction for Nucleus shareholders?

This would be an out and out purchase of Nucleus.

Q17. How are minority shareholders being dealt with?

This deal requires the approval of Scheme Shareholders by the passing of a resolution at the Nucleus Court Meeting. The resolution must be approved by a majority in number of the Scheme Shareholders present* and voting (and entitled to vote), either in person* or by proxy, representing not less than 75 per cent.

*Due to the ongoing COVID-19 pandemic, Nucleus intends to make arrangements for appropriate online participation at the meetings.

Q18. Will James Hay or Nucleus rebrand?

We recognise that Nucleus is a trusted and leading brand with advisers in the UK platform market, and we intend to retain the Nucleus brand for at least twelve months after the acquisition while we consider the optimal branding strategy for the combined group.

Q19. How has James Hay/ Epiris funded the acquisition? Are FNZ investing?

We are providing the cash consideration payable under the Acquisition through a combination of equity and debt financing drawn from the Epiris funds as well as debt to be provided under a Facility B loan facility or facilities entered into with Ares Management Limited (as underwriter and mandated lead arranger), further details of which will be set out in the Scheme Document.

FNZ is not an investor in this deal.

Q20. FNZ has a 7% stake in Embark – is there a conflict of interest?

No. FNZ provides technology and administration support for a variety of platforms and providers in the market and this small minority stake raises no conflict of interest.

Q21. How do your fees compare to other platforms what changes can customers/advisers expect?

Our modular proposition enables transparent and flexible pricing, ensuring end-clients only pay for the services utilised.

The deal has not been completed and is still subject to shareholder and regulatory approval, so this is not something that has been decided yet.

Q22. James Hay has its own proprietary technology – why are you moving to FNZ?

Utilising FNZ's market-leading technology, outsourced administration capability, and experience of helping platforms to scale, will enhance our ability to service clients and advisers with a range of financial planning and retirement needs.

With fewer distractions around managing proprietary technology, we'll be able to focus on deploying the right service and platform products and solutions for our customers.

Q23. Given your focus on larger advisers, is Nucleus' adviser base an appropriate target for you?

Nucleus has a reputation as an award-winning, adviser-led financial planning and investment platform for smaller to medium-sized advisers – which would complement our larger adviser partnerships.

We are fully focused on the advisory platform space, and our offering will be exclusively for advisers.

FINANCIALS

Q24. What is the total acquisition consideration?

£145 million.

Q25. Under what circumstances can irrevocable undertakings lapse and cease to have effect?

If the Scheme of Arrangement does not become effective on or before the Long Stop Date.

Q26. Is James Hay profitable?

Yes. We have a strong financial backer in Epiris, and we remain well capitalised and have been consistently profitable since inception.

Q27. How profitable is Nucleus?

As at 31 December 2019, Nucleus plc generated profits (before tax) of £6.0m (up 25.2% from the previous year).

Q28. What is Nucleus' AUA?

£17.4bn (as at 31 January 2021).

Q29. How many customers does Nucleus have?

More than 101,000 (as at 31 January 2021).

INTEGRATING THE TWO BUSINESSES

Q30. Will James Hay and Nucleus staff be moved over to FNZ?

As part of the partnership with FNZ, the majority of our colleagues in Operations, IT and some support functions will transfer to FNZ.

It is envisaged that a material number of Nucleus's employees, principally within the technology and platform operations functions, will transfer to FNZ at a time that is aligned to the migration programme, over the medium term. The timing of any transfer is dependent on the wider evaluation, including our review of Nucleus' existing contractual arrangements with Bravura.

Q31. Can Nucleus continue to sign on new advisers during the transaction process?

Of course. It's very much business as usual. You should note that the deal doesn't complete until FCA approval is given, a process that can take 3-6 months. Until that point, the two platforms continue to be run separately.

Q32. Will Nucleus be keeping its Edinburgh office?

We do not envisage any change in the location of Nucleus' offices and anticipate that any employees that transfer to FNZ will continue to work from their current locations.

Q33. Who will lead on building the new platform?

We will lead on designing the new platform, and FNZ will configure and customise their existing scale platform to meet our requirements. FNZ's solution is designed from the ground up to maximise our ability to control and differentiate our proposition, through a highly configurable core combined with state-of-the-art API services (interfaces).

Q34. Do you have ambitions within the D2C space?

No, we are fully focused on building scale within the advisory platform space and our offering will be exclusively for advisers.

Accumulating, and subsequently decumulating, wealth on the lead up to, and through, retirement is key for savers to feel comfortable that they have enough income to enjoy later life. Managing this process - which includes tax planning - can be tricky, but this is where advisers add value by helping to make retirement more rewarding for savers, and we want to support them in doing this.

Q35. Why has James Hay's management team changed so much in recent years?

Employee changes are one of the many certainties of business.

Following a private equity acquisition there is often change of management teams as it is important that the team and the owners are aligned on journey and direction.

Q36. What other acquisitions are you looking at?

We always keep watch for opportunities in the market, and those that would be the right fit for our business. However, we would only be able to provide detail of such activity when we're further along in the process.

Q37. Will you list on the stock exchange?

At the current time we remain a privately-owned business.

Q38. Why are Sanlam exiting?

That is a question for Sanlam.

ADVISERS**Q39. What does this mean for James Hay and Nucleus advisers, will there be any change to the current way of working?**

Until shareholders and the FCA gives their approval, a process that can take up to six months, it's very much business as usual. Until that point, the two platforms continue to be run separately.

Q40. What will your pricing strategy be going forward?

The Nucleus deal has not been completed and is still subject to shareholder and regulatory approval, so this is not something that has been decided yet.

We're committed to offering a simple, transparent pricing model that encourages asset consolidation to drive administrative savings for advisers and cost savings for their clients.

Q41. What tangible improvements will advisers see?

The Nucleus deal has not been completed and is still subject to shareholder and regulatory approval.

As part of our partnership with FNZ, our advisers will see improvements in technology and service as we harness FNZ's market-leading technology and outsourced administration capabilities.

EMPLOYEES**Q42. How many employees do James Hay and Nucleus currently employ?**

James Hay has around 700 employees across multiple sites, and Nucleus has 392.

Q43. Are there going to be redundancies? Who is at risk?

Following completion of the Nucleus acquisition, we will perform a review of the combined group's central and head headquarter functions. The review and integration process is expected to take up to 12 months and may identify opportunities to leverage skills and talents across the combined group but may also lead to a moderate reduction in headcount where there is duplication or where operational efficiencies might be achieved.

We will safeguard the existing statutory and contractual employment rights of the employees and management of both Nucleus and James Hay. In particular, we have no plans to make any material change in the conditions of employment, or in the balance of skills and functions, of the employees and management of Nucleus or James Hay.

Implementation of any employee transfers or reductions will be subject to comprehensive planning and engagement with employees and consultation with employees and their representatives as required by applicable law.

Q44. Will you be keeping the James Hay and Nucleus' offices? Will any employees have to relocate?

Once the acquisition, which is still subject to shareholder and regulatory approval, has completed, we expect that ourselves and Nucleus will continue to operate from our existing locations.

Q45. What about those transferring to FNZ? Will any employees have to relocate?

We anticipate that any employees that transfer to FNZ will continue to work from their current locations.