



ARBUTHNOT BANKING GROUP PLC

10 December 2020

Arbuthnot Banking Group PLC

Acquisition of Asset Alliance

Arbuthnot Banking Group PLC (“Arbuthnot” or the “Group”) today announces that its subsidiary Arbuthnot Latham (“AL” or the “Bank”) has agreed the purchase of the entire issued share capital of Asset Alliance Group Holdings Limited (“Asset Alliance”).

Asset Alliance provides vehicle finance and related services, predominantly in the truck & trailer and bus & coach markets. Operating from five locations, it is the UK’s leading independent end-to-end specialist in commercial vehicle financing and has over 4000 vehicles under management. As at 31 August 2020 Asset Alliance had assets for lease with a net book value of approximately £150 million.

The consideration is based on an agreed discount to the tangible net assets of Asset Alliance at completion, after adjusting for the fair value of the assets available for lease. The consideration is expected to be approximately £4.1 million.

The shares are being purchased from CS Capital Partners III LP (“Cabot Square”) and a small number of other investors which include the senior management of Asset Alliance.

Completion will take place after, inter alia, regulatory change of control approval is received. This is expected to be within three months.

The third-party funding of Asset Alliance at completion, which is associated with the assets available for lease, and includes a revolving credit facility of approximately £140 million, is expected to be refinanced by Arbuthnot soon after the completion date.

Asset Alliance had adjusted net assets of £8.1 million as at 31 August 2020. It reported an EBITDA of approximately £7.2 million for 2019 and is expecting to record £2.3 million for the same measure in 2020. This is anticipated to increase to £5.5 million in 2021. In addition, this acquisition should generate a net negative goodwill accounting adjustment of £1.7 million. Therefore, the transaction is expected to be earnings accretive to the Group in the year ending 31 December 2021. The Group anticipates Asset Alliance transaction costs of approximately £0.8 million will be recognised in its 2020 trading results.

The consideration for the purchase of Asset Alliance’s share capital and the refinancing of the third-party funding will be satisfied by cash from the Group’s own resources.

Willie Paterson, the CEO of Asset Alliance, and his management team, who collectively have many years of experience within the leasing and banking industries will remain in place to help deliver the business’s growth plans.

Sir Henry Angest Chairman and CEO of the Group said:

“We are delighted to welcome Willie and his team to the Group. This acquisition of Asset Alliance is complementary to our strategy of diversification and developing businesses in the specialist commercial finance sectors. Their experienced management team have built the foundations for future growth and now that it will no longer be constrained by third party funding limits, I look forward to Arbuthnot enabling this business to grow and prosper in the future.”

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement, this inside information is now considered to be in the public domain.

The Directors of the Company accept responsibility for the contents of this announcement.

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