



# Moving forward with our global wealth management strategy

*JULY 5, 2017*

To us there are no foreign markets.™

CANACCORD | Genuity  
Wealth Management

CANACCORD | Genuity

# Caution regarding forward looking statements

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This document may contain certain “forward-looking information” (as defined under applicable securities laws). These statements relate to future events or future performance and include management’s expectations, beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, business and economic conditions and Canaccord Genuity Group Inc.’s (the “Company”) growth, results of operations, market position, ability to compete and future financial or operating performance of the Company, performance and business prospects and opportunities. Such forward-looking information reflects management’s current beliefs and is based on information currently available to management. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target”, “intend”, “could” or the negative of these terms or other comparable terminology. By its very nature, forward-looking information involves inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking information. In evaluating these statements, readers should specifically consider various factors, which may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry, the risks and uncertainties discussed from time to time in the Company’s interim and annual consolidated financial statements and its Annual Information Form filed on [www.sedar.com](http://www.sedar.com). Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Except as may be required by applicable law, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

## Non-IFRS measures

Certain non-IFRS measures are utilized by Canaccord Genuity as measures of financial performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Non-IFRS measures presented include assets under administration, assets under management, book value per diluted common share, return on common equity and figures that exclude significant items.

Assets under administration (AUA) and assets under management (AUM) are non-IFRS measures of client assets that are common to the wealth management business. AUA – Canada, AUM – Australia or AUM – UK and Europe is the market value of client assets managed and administered by Canaccord Genuity from which Canaccord Genuity earns commissions and fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. AUM – Canada includes all assets managed on a discretionary basis under programs that are generally described as or known as the Complete Canaccord Investment Counselling Program and the Complete Canaccord Private Investment Management Account Program. Services provided include the selection of investments and the provision of investment advice. Canaccord Genuity’s method of calculating AUA – Canada, AUM – Canada, AUM – Australia and AUM – UK and Europe may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses these measures to assess operational performance of the Canaccord Genuity Wealth Management business segment. AUM – Canada is also administered by Canaccord Genuity and is included in AUA – Canada.

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes are defined as including restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill, and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions as well as gains or losses related to business disposals including recognition of realized translation gains on the disposal of foreign operations, as well as certain expense items, typically included in development costs, which are considered by management to reflect a singular charge of a non-operating nature.

Management believes that these non-IFRS measures will allow for a better evaluation of the operating performance of Canaccord Genuity’s business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude significant items provide useful information by excluding certain items that may not be indicative of Canaccord Genuity’s core operating results. A limitation of utilizing these figures that exclude significant items is that the IFRS accounting for these items does in fact reflect the underlying financial results of Canaccord Genuity’s business; thus, these effects should not be ignored in evaluating and analyzing Canaccord Genuity’s financial results. Therefore, management believes that Canaccord Genuity’s IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

# Transaction summary

## A powerful, market leading combination

### Canaccord Genuity Wealth Management to acquire 100% of outstanding shares of Hargreave Hale Limited

- Hargreave Hale a leading, UK-based independent wealth management business with £8 billion<sup>1</sup> in assets under administration and management including:
  - £2.8 billion AUM – private clients division
  - £4.0 billion AUM – fund management

### Driving earnings power by transforming business mix and growing global wealth management

- Transaction supports strategy to increase contributions from global wealth management
- Increases global wealth management assets under administration and management to over C\$50 billion
- CGWM (UK) to become a top 10 wealth manager by assets in the UK

### Transaction accretive to earnings

- CGWM UK & Europe earned net income before taxes of C\$27.6 million<sup>2</sup> in fiscal 2017
- Expected to contribute additional profit before taxes<sup>2</sup> of £2 million initially, and over £5 million in year two and thereafter
- Hargreave Hale earned net income after taxes of £4.4 million and EBITDA of £8.0 million<sup>3</sup> for the twelve months ended March 31, 2017

### Debt funded, non dilutive to CF shareholders

- CGWM (UK) will pay an initial consideration of £52.0 million (C\$87.9million)
- Additional contingent consideration of up to £27.5 million (C\$46.5 million), if paid, will be funded from the ongoing cash flow of the business
- Maintaining strong balance sheet allows CF to support increasing business activities and continue to invest in opportunities to capture additional market share across all operations

1. At March 31, 2017

2. Excluding significant items, non-IFRS

3. Excluding deal-related and other non-recurring costs

# Transaction supports strategy to expand global wealth management

Positioned for margin expansion and enhanced earnings as we increase scale across wealth management

### UK & Europe wealth management

- Well positioned for consolidation: operational and technology platform facilitating growth and cost efficiencies
- Further organic growth potential from domestic intermediaries and international fund managers
- Added execution business from C. Hoare (March, 2017)
- Added client portfolios from Duncan Lawrie in Isle of Man (March, 2017)
- Assets in UK investment funds up over 40% y/y
- Margin improvement through additional scale and product mix

### Canada wealth management

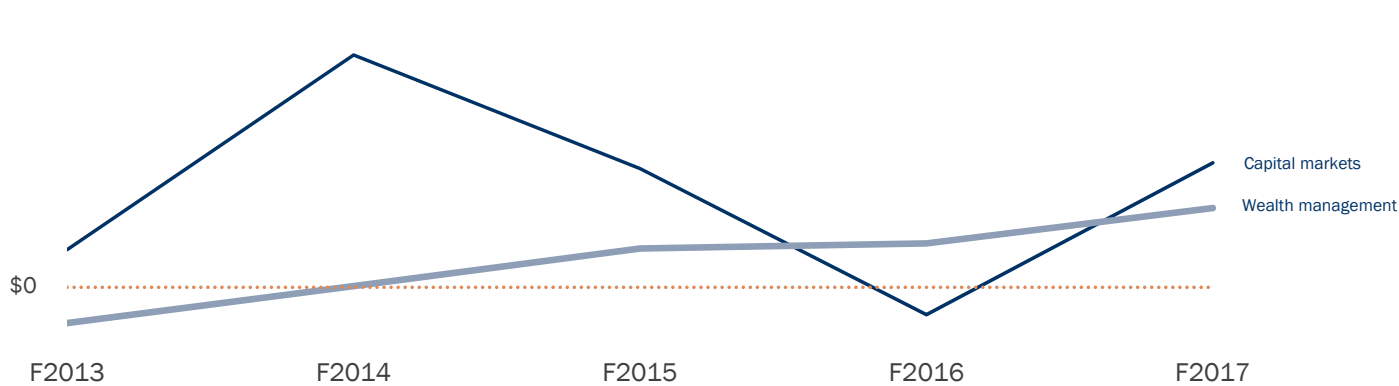
- A key distribution channel for capital markets transactions
- Total assets have increased to \$13.2 billion <sup>2</sup> from \$9.2 billion last year
- \$60M private placement to finance growth (October, 2016)
- Attracting leading advisory teams, new assets in excess of \$1.5 billion added to platform
- Average book per advisory team <sup>1</sup> increased 42% y/y
- Sophisticated investment solutions contribute to improved product mix; driving increased share of client assets
- Improve margin through added scale

### Australia wealth management

- Exceptional performance of capital markets business in the region creating opportunity to grow wealth management



### Income (loss) before income taxes<sup>1</sup>



1. Excluding significant items, non-IFRS  
 2. At March 31, 2017

# Current platform: UK & Europe Wealth Management

**\$24.5 B/  
£14.7 B**

Assets under  
management<sup>1</sup>

**\$134.8 M/  
£77.2 M**

Fiscal 2017 revenue<sup>1</sup>

**70%**

Fee-based revenue<sup>1</sup>

## CANACCORD Genuity Wealth Management

- Offices in London, Jersey, Guernsey and Isle of Man; 118 Investment Professionals
- Disciplined Investment Process with collaborative and multi-disciplinary approach across various Investment, Asset Allocation & Stock Selection Committees
- Discretionary portfolio management, fund management, stockbroking and wealth planning
- CityWealth IFC Awards 2017 – Investment Management Company of the Year – Isle of Man; CityWealth IFC Awards 2016 – Investment Management Company of the Year – Channel Islands; Five Star Defaqto 2017 for DFM MPS on Platform and DFM MPS Direct; Five Star Defaqto 2016 for DFM Bespoke)
- Onshore client base 65% Private Clients; Offshore client base 65% Institutional (Intermediary)
- Operational and technological infrastructure driving growth and cost efficiencies
- Organic growth bolstered by acquisition of C. Hoare execution business and Duncan Lawrie investment management clients in Isle of Man.

**Award winning, holistic wealth manager providing integrated wealth management services**

**Dedicated and knowledgeable leadership team**

**Collaborative and multi-jurisdictional expertise**

1. At March 31, 2017

# Current platform: Hargreave Hale

**£8.0 B**

Assets under administration & management<sup>1</sup>

**£48.0 M**

Fiscal 2017 revenue

**£4.4 M**

Fiscal 2017 net income<sup>2</sup>

**£8.0 M**

Fiscal 2017 EBIDTA<sup>2</sup>

1. At March 31, 2017  
2. Excluding deal-related and other non-recurring costs

## HARGREAVEHALE

### PRIVATE CLIENT DIVISION

**£1.0 B**  
Execution only

**£2.8 B**  
Assets under management

**61**  
Investment Managers

#### Execution only

- Dealing only
- No advice or recommendations

#### Advisory

- Share dealing service
- Advice on individual investment decisions

#### Managed

- Portfolio management
- With or without full delegated authority

**Opportunity to convert clients from Execution only to Managed accounts**

### FUND MANAGEMENT DIVISION

**£4.0 B**  
Assets under management

**7 Funds and 2 VCTs**

**15**  
Member Investment Team

Multi-Cap Income  
(AUM: £1.5bn)

Special Situations  
(AUM: £1.2bn)

UK Micro-Cap Growth  
(AUM: £0.8bn)

Multi-Cap Growth  
(UK AUM: £142m)

Nano-Cap Growth  
(AUM: £122m)

Extra Income  
(AUM: £57m)

EU Multi-Cap  
(AUM: £111m)

**Significant portion of deferred consideration relates to retention of assets**

#### AIM-listed Venture Capital Trusts:

AIM VCT-1  
(AUM: £64m)

AIM VCT-2  
(AUM: £49m)

# Minimal overlap in clients and revenue

DISCRETIONARY PORTFOLIO MANAGEMENT | ADVISORY AND EXECUTION STOCKBROKING | WEALTH PLANNING | ESTABLISHED FUND MANAGEMENT

## CANACCORD GENUITY WEALTH MANAGEMENT UK & EUROPE

- Over 12,000 private clients, intermediaries, corporates and charities looked after across 4 offices
- 118 client-facing professional advisers
- In-house investment funds above £700 million (C\$1billion)<sup>1</sup>

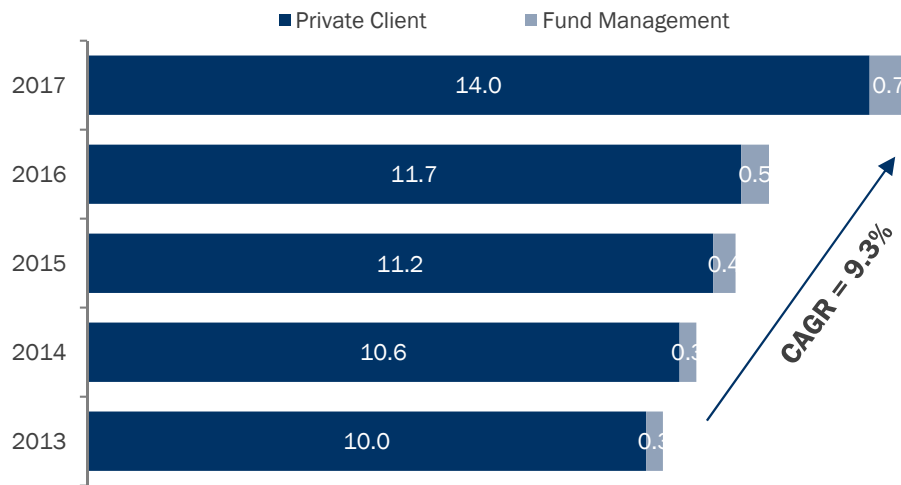


## HARGREAVE HALE LIMITED

- Over 14,000 private clients across 9 national offices
- 76 investment professionals
- Market leading range of 7 investment funds and two AIM-listed VCTs

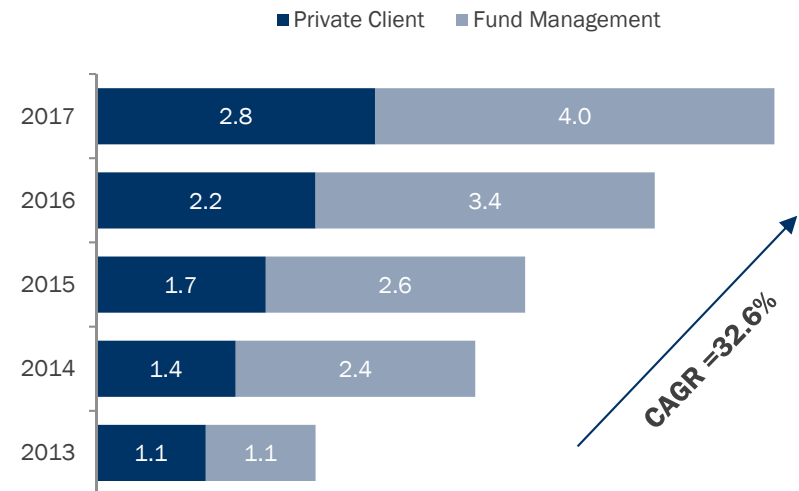


### CGWM (UK) client assets<sup>1,2</sup>



1. At March 31, 2017
2. CGWM (UK) private client amounts include execution-only assets
3. Hargreave Hale client assets do not include execution-only assets

### Hargreave Hale client assets<sup>1,3</sup>



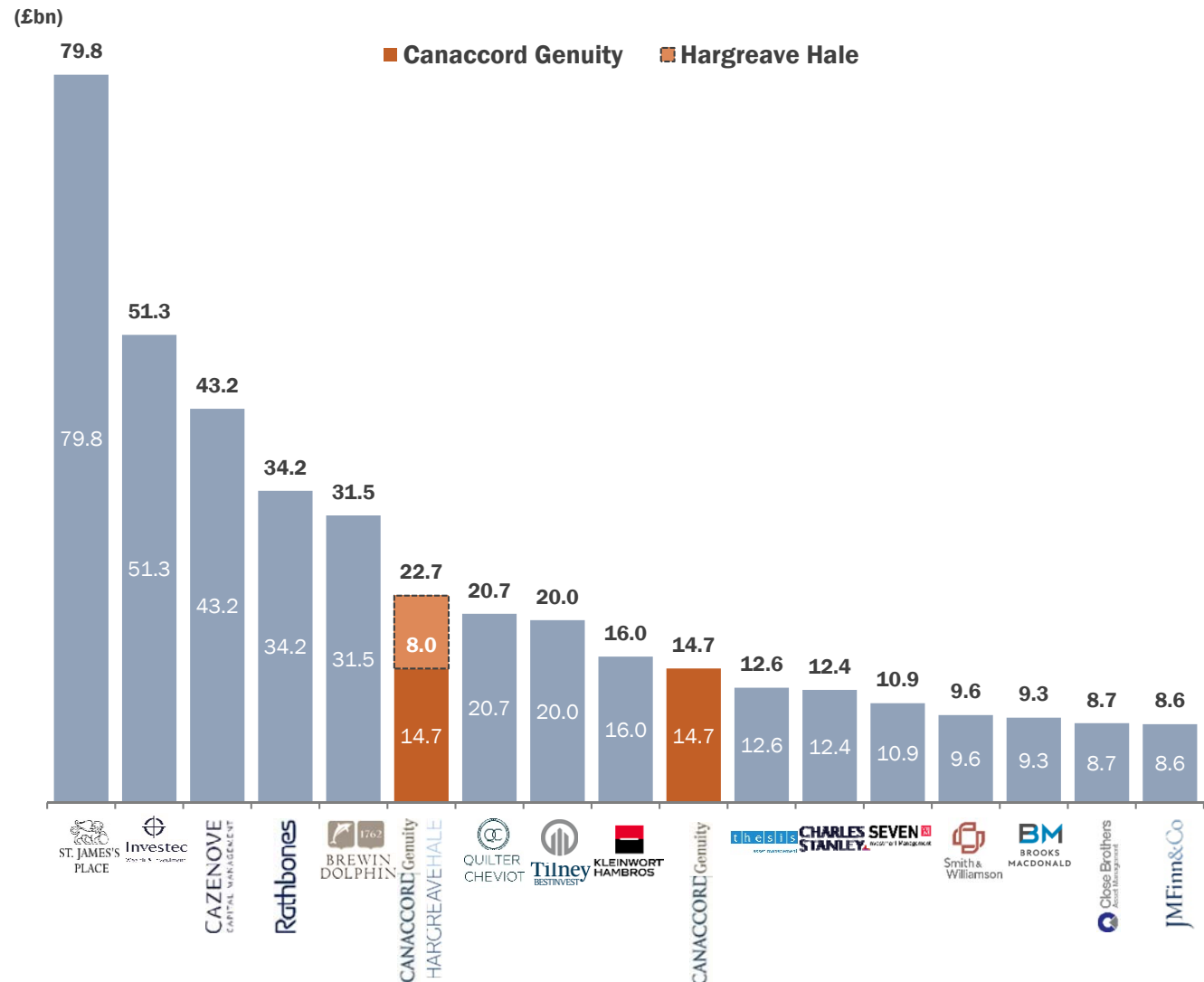


# Combination supported by compelling strategic rationale

## Rationale

- Complementary business models
- Limited overlap in respective client networks creates substantial cross-selling opportunities across multiple channels
- Opportunity to increase fund management footprint
- Strengthens London presence and creates opportunity to build a genuine national UK footprint
- Opportunity to increase share of wallet through conversion of HH execution only clients to CGWM holistic wealth management platform
- Operating costs to stabilize as synergies offset annual growth
- Core compensation ratios to become lower with addition of lower cost operational expertise
- Increased economies of scale and operational leverage
- Common culture and shared strategic vision

## A TOP 10 WEALTH MANAGER IN AN INDUSTRY WHERE SCALE REPRESENTS A SIGNIFICANT ADVANTAGE





# Shared strengths and complementary differences

	CANACCORD Genuity Wealth Management	HARGREAVEHALE
<b>Discretionary investment management services targeted to HNW/mass-affluent investors</b>	✓	✓
<b>Execution only capability</b>	✓	✓
<b>Market-leading fund management offerings</b>	✓	✓
<b>Small and mid-market focus</b>		✓
<b>Access to global investment opportunities, resources and thought leadership</b>	✓	
<b>Modern, highly scalable infrastructure &amp; technology platform</b>	✓	
<b>Offices in UK, Jersey, Guernsey and Isle of Man</b>	✓	
<b>National UK footprint with low-cost operational expertise</b>		✓



# Summary of transaction terms

Transaction	<ul style="list-style-type: none"> <li>Canaccord Genuity Wealth Management in the UK &amp; Europe, a division of Canaccord Genuity Group Inc. (TSX:CF) to acquire 100% of Hargreave Hale Limited</li> </ul>
Consideration	<ul style="list-style-type: none"> <li>Initial consideration of £52.0 million (C\$87.9 million)</li> <li>Additional contingent consideration of up to £27.5 million (C\$46.5 million), payable over a period of up to 3 years; if paid, will be funded from ongoing cash flow of the business</li> <li>The contingent consideration is structured to be payable over a period of up to three years, subject to the achievement of certain performance targets related to the retention and growth of client assets and revenues and an amount determined with reference to the fund management business</li> </ul>
Deal metrics	<ul style="list-style-type: none"> <li>Initial consideration of £52.0 million represents 0.65% assets, 1.1x revenue<sup>1</sup>, 11.8x earnings<sup>1</sup>, 6.5x EBIDTA<sup>1,3</sup></li> <li>Transaction creates a top 10 UK wealth management business with stronger growth potential from a base of £22 billion in assets under management and administration</li> </ul>
Fund management	<ul style="list-style-type: none"> <li>Funds under management in respect of this agreement total £3.9 billion<sup>1</sup> (C\$6.6 billion)</li> <li>Giles Hargreave and the wider fund management team will remain with the business and are committed to growing this business within CGWM (UK)</li> </ul>
Financing arrangements	<ul style="list-style-type: none"> <li>Credit facility provided to CGWM (UK) by National Westminster Bank plc and HSBC Bank plc £40 million (C\$67.6 million)<sup>2</sup></li> <li>Debt providers highly supportive of transaction based on strong balance sheet, earnings, and sound strategic rationale</li> </ul>
Management	<ul style="list-style-type: none"> <li>Alexis de Rosnay, Chief Executive Officer of Canaccord Genuity Limited (UK &amp; Europe) will continue to drive broad strategy of capital markets and wealth management operations in the UK &amp; Europe</li> <li>David Esfandi remains Chief Executive Officer of Canaccord Genuity Wealth Management (UK &amp; Europe)</li> <li>Giles Hargreave will continue to lead Investment Committee and oversee investment mandates of key HH funds</li> <li>Senior management of Hargreave Hale to continue significant involvement and influence, holding key roles within enlarged group</li> </ul>
Closing conditions	<ul style="list-style-type: none"> <li>Acquisition subject to regulatory approval and approval by shareholders of Hargreave Hale and other customary closing conditions</li> <li>CGWM (UK) has received irrevocable undertakings from shareholders of Hargreave Hale, representing approximately 81.0% of shares outstanding</li> <li>Transaction expected to be completed prior to the end of the third quarter of fiscal 2018</li> </ul>

1. Based on Hargreave Hale results for the 12 months ended March 31, 2017

2. Based on an exchange rate of 1.69

3. Excluding deal-related and other non-recurring costs