

# Lighthouse Group

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## Growing affinity helps Lighthouse to shine

Affinity relationships with some of the UK's largest trades unions are generating plenty of momentum for wealth management group, Lighthouse PLC (LON:LGT).

Through 21 affinity connections, almost three-quarters of the UK's union members are potential customers says Malcolm Streatfield, chief executive, who believes Lighthouse has only scratched the surface of the opportunity.

### **WATCH: Lighthouse Group 'in a better position than ever' with strong growth in revenues and earnings**

Lighthouse gets involved when a company (or other entity) undergoes a restructuring, a person is coming up to retirement or when general financial advice is required.

The union will step in and recommend Lighthouse as its preferred financial adviser.

At that point, an interview will be arranged or if it's a group arrangement, meetings will be set up.

Last year, for example, Lighthouse carried out 1,100 seminars and surgeries in the workplace at which it presented to 15,000 people.

The conversion rate was impressive, with one-in -three signing up as Lighthouse clients.

### **Good advice**

Results like that have meant affinity business has become a very large part of what the company does, but this has not been an easy space to be in over the past six months.

Headlines surrounding Port Talbot steel workers being targeted by unscrupulous salesmen following a restructuring of their long-standing work pension scheme reverberated across the whole sector.

Lighthouse did very little work at Port Talbot, says Streatfield, but where it did work with British Steel workers during its restructuring, the vast majority of its advice was to stay put with the existing pension scheme.

"If advice is delivered properly, ethically and professionally there should be no issues.

"If we think a [pension] transfer is appropriate we say so, while if someone should stay put, that's the advice."

Streatfield says a fee should be agreed at the start and after that the advice process should run its course.

Pensions account for much of the business, but Lighthouse also arranged more than £1bn in mortgages over the past twelve months as well as advising on savings, investments and asset building.

### **Risk profiling**

## Share Information

**Code:** LGT

**Listing:** AIM

**Sector:** Financial Services

**Website:** [www.lighthousegroup.plc.uk](http://www.lighthousegroup.plc.uk)

### **Company Synopsis:**

*Lighthouse Group is the largest autonomous provider of independent financial advice, wealth management and distribution of retail financial products in the UK, with in excess of £6 billion of funds under advice.*

[action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

Technology is important but is more a back-end option for the company. Face-to-face financial advice from an adviser is still the preferred option.

This involves risk profiling - to establish accurately a person's attitude to risk, especially with people on modest incomes.

"We really don't want to put forward a recommendation that will put assets at risk.

"We use a psychometric test process to establish the level of risk a person is prepared to take and apply the same structure to the product recommended."

Bitcoin is a no-no, for example, he says, as are people who refuse to follow Lighthouse's advice.

Ideally, an annual, ongoing fee is agreed so over time Lighthouse can keep an eye on changes to an individual's circumstances and how these affect a person's investment outlook. Half of group revenues are now recurring.

## **New funds**

Lighthouse also has a high net worth advisory arm, Carwood, that is based in accountancy offices dotted around the country.

A fledgling fund management business is also getting underway and has attracted £40m so far spread among five funds.

Streatfield says each fund needs to have about £20m invested before they start to make a profit contribution, but adds the fund management operation is a marathon, not a sprint.

It is focused on what Streatfield calls 'Middle Britain' and again sticks to a series of very tightly defined risk parameters.

Lighthouse still has an IFA network, though this is a legacy business and going forward affinity will very much be the focus.

## **Affinity growing**

Shares have been rising strongly as the market has started to appreciate the performance of the affinity business.

New business from affinity relationships rose 79% to £5.2m in 2017 with total revenues from affinity relationships up 41% to £9.6m (£6.8m).

That was out of total revenues of £54m but they accounted for all of the sales growth.

Underlying profits rose 27% to £2.8m and brokers suggest a rise to £3m in 2018, which looks very achievable.

"We saw 15,000 people without too much of a stretch last year and will do same again this year, but we can do a lot more than that if we wanted to," said Streatfield.

At 23.2p, Lighthouse is valued at about £30m.

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Contact us +44 (0)207 989 0813 [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

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