

EW/Sec/2022/86

May 13, 2022

BSE Limited P J Towers, Dalal Street, Fort, Mumbai - 400 001. Scrip Code:- 532922	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051. Symbol:- EDELWEISS
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Dear Sir/Madam,

Sub: Scheme of Arrangement

The Board of Directors of the Company at its Meeting held on May 13, 2022, has approved the Scheme of Arrangement between the Company and Edelweiss Securities Limited and their respective shareholders and creditors under Sections 230 to 232 read with Section 52 and other applicable provisions of the Companies Act, 2013, we are enclosing herewith the investor communication being issued in this regard.

Thanking you,

Yours faithfully,
For Edelweiss Financial Services Limited



Tarun Khurana
Company Secretary

Encl.: as above

Edelweiss Wealth Management (EWM) Demerger and Listing

1. Demerger and listing update

- Phase 1: PAG's strategic Investment in EWM Complete
 - Phase 2: NCLT order received and made effective for Phase 2 demerger scheme Complete
 - Phase 3
 - Solicit share entitlement report and fairness opinion Complete
 - Demerger completion expected by Dec 22
 - Edelweiss Securities Limited (ESL*) listing expected by Feb 23
- *ESL is the legal entity under which the EWM business is housed

2. Proposed ESL ownership structure post demerger

- 30% EFSL Shareholders on a pro rata basis
- 14% Edelweiss Group
- 56% PAG

3. Rationale for this approach for the demerger -- win-win for all stakeholders

- **For ESL**
 - ESL will be an independent listed business with a focused strategy and flexibility to attract business-specific investors, strategic partners, and capital
- **For EFSL Shareholders**
 - Provides opportunity to have direct ownership in ESL's growth journey in addition to EFSL's journey
- **For EFSL**
 - The EFSL holding will enable strategic alignment and provide opportunity to monetise this in the future. [EFSL intends to be Debt Free by 2024]. This will also provide liquidity to EFSL for investment and/or for shareholders.

4. EFSL intends to be Debt Free by 2024

- EFSL currently has debt of ~INR 2,500 Cr
- Objective to be debt free over the next 2 years will be enabled by:
 - Stake monetization (as required) in ESL: expect ~INR 1,500 – 2,000 Cr
 - Investments & liquid assets: expect ~INR 600 – 800 Cr
 - Release of equity from ECL Finance Wholesale Book: expect ~INR 1,000 - 1,200 Cr; [Total release from wholesale book is expected to be ~INR 3,000 Cr; balance to be used to scale up Retail Credit businesses]

5. Consideration for demerger

- Post demerger, 1,05,28,746, ESL shares, (at face value of Rs 10 each) shall be allotted to EFSL shareholders (as on the record date) on proportionate basis as a consideration for demerger.
- These 1,05,28,746 shares represent ~30% of ESL share capital.

6. EWM – valuable business in a high-opportunity segment

- Financial wealth in India is set to grow 2x by 2025, Organized wealth managers in India have ~10% penetration. Low penetration coupled with an evolving competitive landscape makes Indian wealth management a large structural opportunity
- Edelweiss Wealth Management is India's leading and preferred wealth management platform for affluent, HNI, UHNI segments with AuA ~INR 194,000 Cr and ~8 lakh customers as on Dec 21: growth of 6x and 2x respectively over past 5 years
- Edelweiss Wealth Management had a revenue of INR 1,186 Cr; 35% YoY growth, profit after tax of INR 203 Cr, 12% YoY growth and RoE of ~15% annualized (9M numbers, reported on Dec 21)
(Detailed presentation on EWM business is attached)

Note: Percentage holdings are rounded off to nearest integer and based on current outstanding share capital of ESL



Edelweiss Wealth Management (EWM)



Edelweiss
Ideas create, values protect



1 **Wealth Management - a large structural opportunity in India** **3**

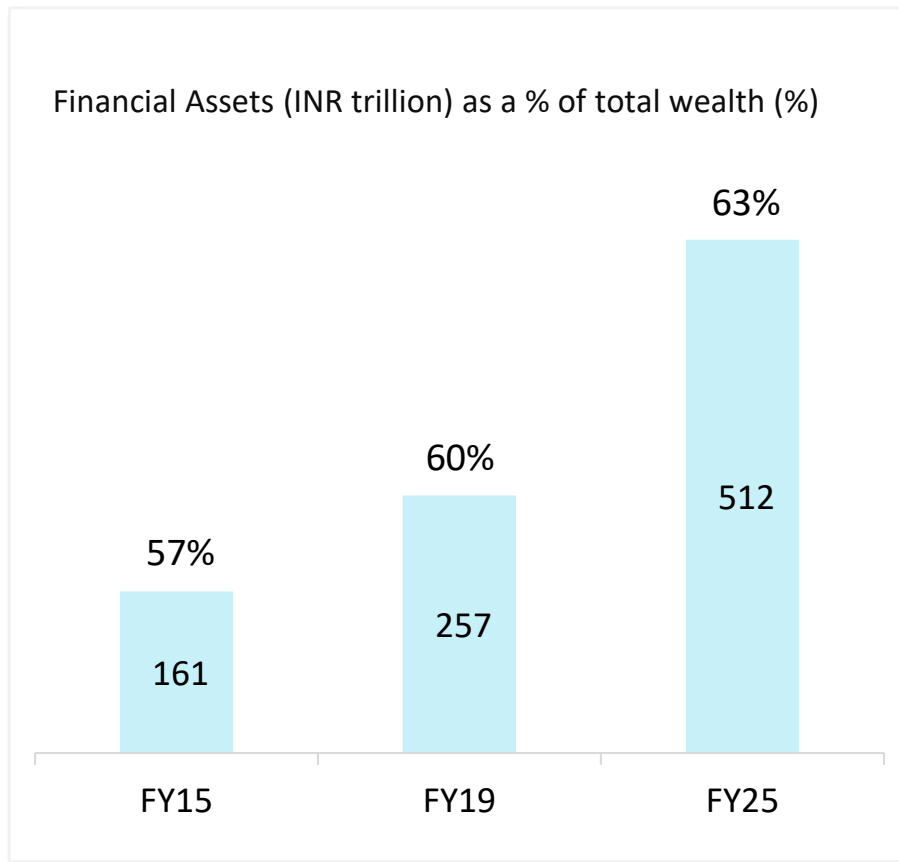
2 **EWM - valuable franchise in a high opportunity segment** **8**

3 **Way forward - focus areas** **13**

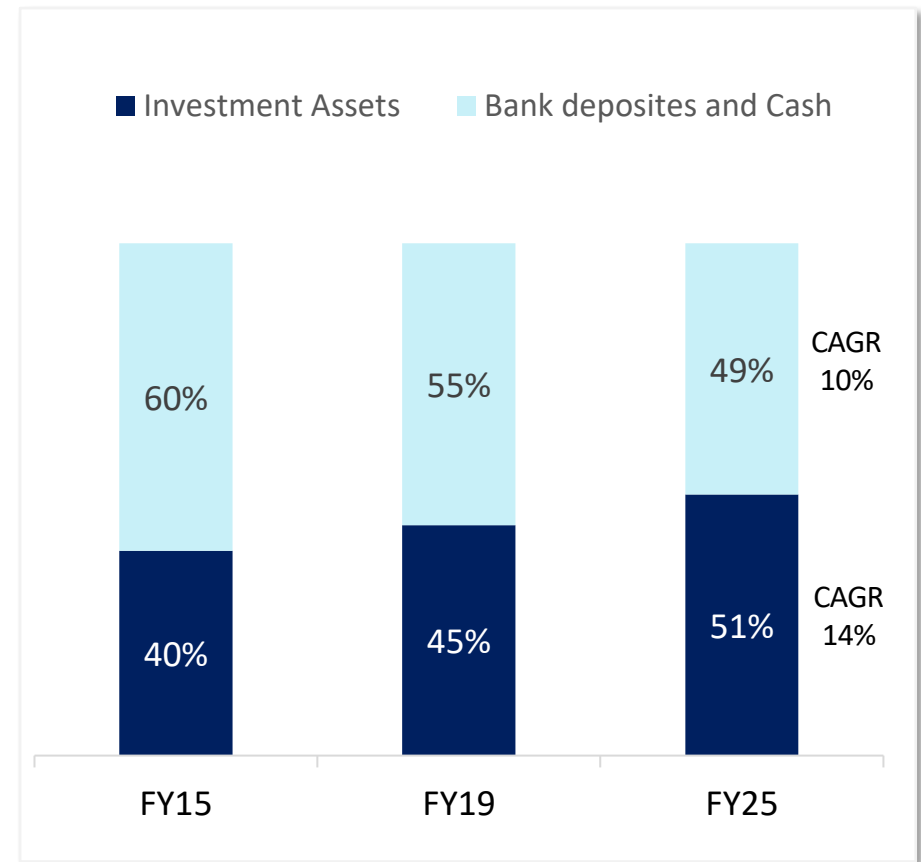
Financial wealth in India is set to grow 2x by 2025



Financial assets growing faster than physical assets



Investment asset class expected to grow at 14% CAGR



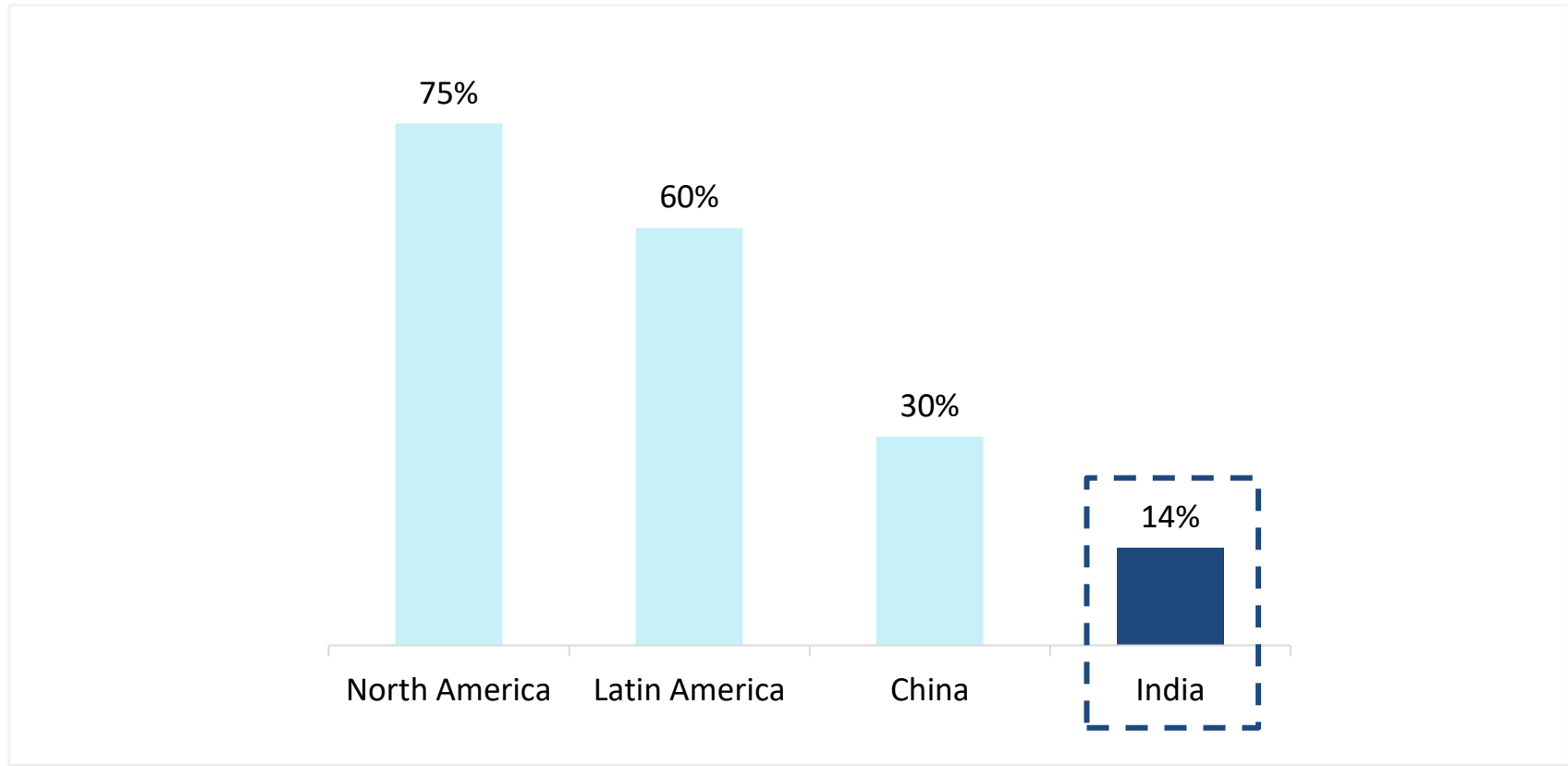
~80% of the financial wealth in hands of 0.7% of households



Distribution of financial wealth in India (2019)

Segment	Financial Wealth	# Households (~ In lakhs)	Financial Wealth (~ ₹ tn)
Retail	Below ₹ 70 lacs	3,300	57
Affluent	₹ 70 - 700 lacs	22	40
HNI	₹ 700 - 3500 lacs	1.4	20
UHNI	₹ 3500+ lacs	0.2	140
Total		3,328	257

Organized WM players in India have only ~14% penetration



Increasing product complexity, regulatory focus and technology will drive consolidation

Wealth Management - a large structural opportunity in India



1

Strong Economics

Lower capital requirements and a higher return on equity (ROE)

2

Critical to Client

Client value advisor relationships and personal advice

3

Greater Growth

Economic prospects, demographic dividend, rising income levels

(AUA of top 3 WM players as % to GDP: USA-40% vs India-4%)

4

Highly Fragmented

Low penetration levels by organised players and distributed landscape



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Strategic choices to leverage the opportunity



1

Affluent, HNI, UHNI

over

Mass Affluent, Retail

2

Hybrid Delivery Channel

over

RM led / fully digital

3

Direct access in top ~30-35 cities

over

Wide geography

4

Multi Product Suite

over

Monoline offering

EWM – India’s preferred wealth management platform



Revenue

~INR 1,186 Cr

~33% YoY growth

Profit after tax

~INR 203 Cr

~12% YoY growth

Customer Count

777,700

~16% YoY growth

LAS Book

~INR 2,500 Cr

~63% YoY growth

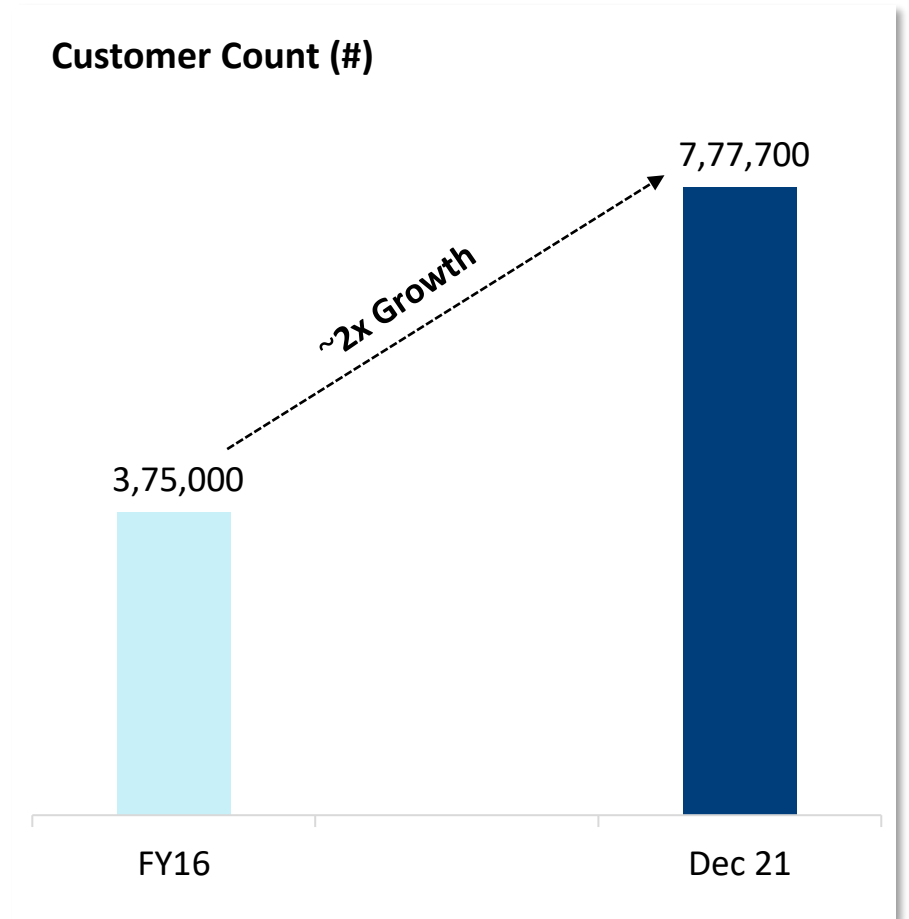
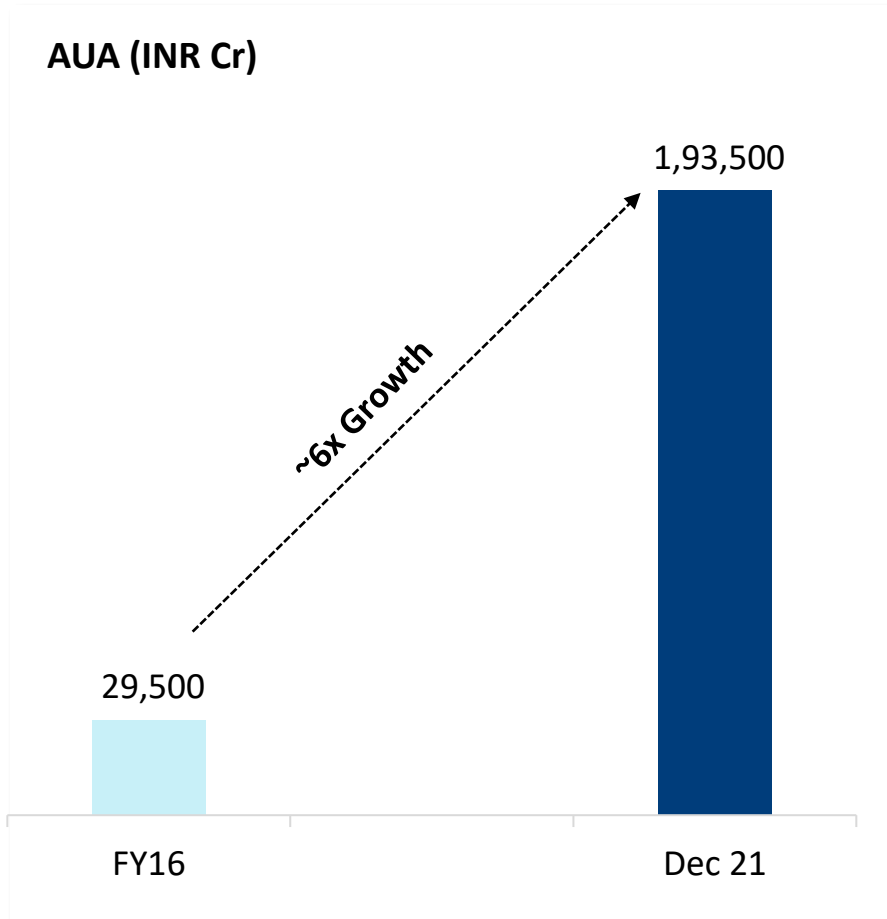
Customer Assets

~INR 193,500 Cr

~33% YoY growth

Operating in 3 major business units - Wealth Management, Capital Markets and Investment Management

With strong growth in customer franchise



Enabled by customer-centric tech platforms



Intellinvest Mobile

MF distribution app for partner's client



Mobile Trader

Richer charts, screeners, scanners and integrated fintech powered features



Edelweiss PWM App

Personal connect for UHNI clients



Digital Onboarding

One of the simplest and quickest AI based Geo Tagged onboarding of clients



Automated Report generation

High automation using intelligent BoTs



Enhanced CRM

Single view of client + AI based cross selling algorithm & predictive analytics



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3 Way forward - focus areas **13**

Way forward – focus areas



- **Grow wealth management platform for Affluent, HNI and UHNI segments**
 - UHNI: Augment Capacity and Talent
 - HNI and Affluent: Client Acquisition, Digital Capabilities and Geographic expansion
- **Maintain dominance in Capital Markets**
- **Scale Investment Management**
 - Strengthen platform - differentiated strategies and products
 - Build robust distribution – both onshore and offshore
- **Provide enhanced technology and digital capabilities**
 - Build for scale to support business growth
 - Enrich client experience
 - Improve efficiency across value chain by leveraging technology

EWM aims to grow its AUA by ~2.5x and client base by 30-40% over the next 5 years

Safe Harbour



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NOTES:

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|-------------|---|
| Slide 3: | Source: Karvy Wealth Report 2020, National Accounts, EWM estimates, Investment assets includes Insurance, Direct Equity, Mutual Fund, Unlisted Equity, Alternative Investments and International Assets |
| Slide 4: | Source: Kotak Wealth Report, Karvy Wealth Report, Mckinsey Wealth Report 2017-2019 and EWM estimates; UHNI includes promoter equity of ₹ ~36 tn |
| Slide 5: | Source: Asian Private Banker 2020, and Credit Suisse EWM estimates |
| Slide 6: | AUA of top 3 WM players as % to GDP - based in EWM estimates |
| Slide 9,10: | Customer Assets, Customer Count, AUM and LAS Book rounded off to nearest 100 |