



Annual results
For the year ended
30 September 2019

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Business update

- Successful completion of our IPO in December 2018
- Strong financial performance in maiden annual results as a listed business - significant increase in revenue and profit
- Financial performance driven by success of platform propositions which continued to attract high levels of new customers and assets, supported by strong customer retention
- AUA broke through the £50 billion milestone in the year, reaching £52.3 billion at the year-end
- Highest ever score in the Sunday Times' 100 Best Companies to Work For, achieving a three-star accreditation which represents the highest standard of workplace engagement
- Launch of innovative CSR initiative, enabling charitable causes to benefit from our future success

Key investment highlight	Description
Our market	An attractive retail market within the UK savings and investment industry
Our proposition	An award-winning platform operating in both advised and D2C market segments
Our customers	A growing base of loyal, high quality customers
Our people	Entrepreneurial, founder-led management team and a highly engaged workforce
Our business model	A profitable and scalable platform with embedded growth and margin expansion opportunities
Quality of earnings	High quality, largely recurring revenue from a diversified mix of revenue streams
Cash generation	Our highly cash generative and capital light model supports a progressive dividend policy

Key investment highlight

1. Our market

2. Our proposition

3. Our customers

4. Our people

Commentary

- UK platform market remains an attractive, growing market despite recent headwinds
- Regulatory change continues at pace – we are well positioned
- Platform technology continues to evolve for both AJ Bell and the wider market
- Significant advice gap – access to guidance solutions for D2C customers is important
- Our ongoing campaigning aims to improve fairness and simplicity for customers

- Improved mobile apps and websites to improve platform ease of use
- New investment solutions launched to improve choice for our customers
- Enhanced investment content and guidance solutions for D2C customers
- Highly competitive pricing for both propositions, with a strong pricing advantage over key competitors

- Our low-cost, award-winning platform propositions continued to attract new customers
- Strong underlying inflows to the platform in challenging market conditions
- Platform customer retention rate improved to 95.4%

- Achieved Best Companies 3-star accreditation following our best ever survey results
- Evolution of AJ Bell culture – launch of our ‘Employee Voice Forum’
- Executive Management Board strengthened with the appointment of Mo Tagari as CTO

An attractive retail market within the UK savings and investment industry

Growth

- Growth of the UK investment platform market continued to outpace the growth of the wider UK economy
- We operate in the Advised and D2C segments of this attractive market, both of which continue to grow strongly despite ongoing economic and political uncertainty:
 - Advised platform market estimated to be worth £530 billion at 30 September 2019, up 7.8% year-on-year⁽¹⁾
 - D2C platform market estimated to be worth £222 billion at 31 March 2019, up 7.4% year-on-year⁽¹⁾
- Defined benefit pension transfers continue to decline due to regulatory and other pressures

Regulation

- Investment Platform Market Study
 - Concluded that the platform market is generally working well
 - Consultation on simplifying transfers / discussion on exit fees
 - Final policy statement awaited – no material impact expected
- Retirement Outcomes Review (PS19/21)
 - Introduction of ‘investment pathways’ for customers entering drawdown without taking advice
 - Ensuring that customers entering drawdown only invest mainly in cash if they take an active decision to do so
- New prudential regime for investment firms

Other market dynamics

- Fintech new entrants:
 - Barriers to entry remain high – technology, brand, regulation and financial strength
 - Building scale cost-effectively and achieving profitability is a significant challenge
- Opportunities arising from technology:
 - Open Banking
 - Robotic Process Automation
 - Other: Big Data, Machine Learning, Blockchain
- Significant advice gap in the UK – Best buy lists and other guidance solutions are the best way for platforms to help D2C customers
- Our campaigning initiatives are aimed at delivering simplicity and fairness for customers

Our proposition

An award-winning platform operating in both advised and D2C market segments

AJ Bell Investcentre

- Improved mobile and website functionality, including enhanced adviser reporting capabilities
- Execution-only dealing option extended to ISAs and GIAs
- Retirement Investment Account (RIA) to be launched and third-party DFM model portfolios to be made available on the platform early in 2020
- Multiple industry awards received during the year, including:
 - ‘Best Overall Advised Platform of the Year’ at the lang cat Awards 2018
 - ‘Best Full SIPP Provider 2019’ at the Professional Paraplanner Awards

AJ Bell Youinvest

- New website launched, delivering a modern design and improved mobile responsiveness
- Fully updated Android app launched, closely aligning functionality with iOS version
- Enhanced investment content for customers including ‘Money & Markets’ podcast and a range of seminars and webinars
- Recognised as a ‘Which? Recommended Provider’ for 2019
- Best ever customer rating for “How easy is it to use AJ Bell Youinvest?”

AJ Bell Investments

- A number of new investment solutions introduced:
 - ‘Pactive’ MPS and Retirement Portfolio Service for advisers
 - Ready-made portfolios for D2C customers
 - Two new income funds launched
- Cap on annual charges (OCF) on passive funds reduced from 50bps to 35 bps

Revenue margin

19.2bps

- We have one of the lowest revenue margins in the advised platform market and we have a significant pricing advantage over our key competitors

Developments in the year

- Removal of charges for deals executed through Bulks & Models tool and Junior SIPPs
- RIA – particularly attractive for smaller pension portfolios

RIA – the lang cat view⁽¹⁾

“Our analysis shows that adding the RIA positions AJ Bell firmly at the front of the market in terms of pricing, before any bespoke deals other providers may offer. That’s the case looking at both the pension in isolation (in accumulation and drawdown) and using a mixed portfolio including ISA and GIA”

Figure 1

	£50k	£75k	£100k	£150k	£250k	£500k	£1m	£2.5m
Aegon Retirement Choices (ARC)	0.58%	0.55%	0.54%	0.51%	0.49%	0.24%	0.12%	0.05%
AJ Bell Investcentre – SIPP	0.68%	0.52%	0.44%	0.36%	0.20%	0.20%	0.20%	0.13%
AJ Bell – NEW RIA	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.23%	0.21%
Ascentric	0.36%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.18%
Aviva Platform	0.38%	0.37%	0.36%	0.36%	0.36%	0.28%	0.22%	0.18%
FundsNetwork	0.34%	0.31%	0.30%	0.28%	0.27%	0.26%	0.25%	0.25%
LV=	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.10%	0.10%
Nucleus	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.26%	0.13%
Old Mutual Wealth	0.42%	0.40%	0.39%	0.36%	0.33%	0.32%	0.28%	0.20%
Parmenion	0.30%	0.30%	0.30%	0.30%	0.30%	0.25%	0.20%	0.15%
Prudential Retirement Account	0.45%	0.45%	0.40%	0.40%	0.35%	0.30%	0.25%	0.25%
Scottish Widows Retirement Account	0.30%	0.30%	0.30%	0.30%	0.25%	0.20%	0.10%	0.10%
Standard Life Wrap	0.55%	0.55%	0.55%	0.53%	0.52%	0.48%	0.42%	0.32%
Standard Life Wrap (Core)	0.45%	0.45%	0.45%	0.43%	0.42%	0.38%	0.32%	0.22%
Transact	0.66%	0.56%	0.37%	0.34%	0.32%	0.31%	0.26%	0.15%
Zurich	0.50%	0.45%	0.42%	0.38%	0.35%	0.30%	0.20%	0.14%
Royal London Pension Portfolio	0.50%	0.45%	0.45%	0.45%	0.40%	0.40%	0.35%	0.35%
Market average	0.43%	0.40%	0.38%	0.36%	0.34%	0.30%	0.24%	0.18%

Commentary

- Figure 1 shows lang cat’s market comparison for pensions in accumulation phase – RIA is best value proposition at sub-£250k level
- lang cat’s analysis is very similar for pensions in drawdown, as well as for ISAs and GIAs
- Adviser segmentation of their clients is an area of regulatory focus - our RIA ensures that we offer highly competitive pricing across all client segments

(1) Source: lang cat paper “A review of AJ Bell Investcentre’s New Retirement Investment Account”, November 2019

Revenue margin



- We have one of the lowest revenue margins in the D2C platform market and we have a significant pricing advantage over our key competitors

AJ Bell Youinvest charges compared to wider D2C market – Platform analysis⁽¹⁾

Figure 2

Key

	>10% cheaper than average
	>30% cheaper than average

Smaller portfolios⁽²⁾

Platform	£10k	£20k	£30k	£40k	£50k
AJ Bell Youinvest	£31	£56	£81	£106	£131

Larger portfolios⁽³⁾

Platform	£75k	£100k	£150k	£250k	£500k
AJ Bell Youinvest	£256	£319	£386	£511	£824

Developments in the year

- Reduced foreign exchange charges
- Increased tiered interest rates paid to customers

Commentary

- Platform’s analysis shows that our charges are competitive across the spectrum of different portfolio values. Specifically, AJ Bell Youinvest charges are:
 - equal to, or lower than the market average for all portfolio values analysed
 - over 30% cheaper than the market average for portfolio values of £10k
 - over 10% cheaper than the market average for 7 of the 9 other scenarios modelled

(1) Source: Platform UK D2C Investor Experience Report, November 2019

(2) Platform analysis of 13 D2C platforms based on a portfolio of funds only held in an ISA, with four annual trades

(3) Platform analysis of 13 D2C platforms based on a portfolio of 50% shares/50% funds, held 50% ISA/50% SIPP, with twelve annual trades

Our customers

A growing base of loyal, high quality customers

Figure 3

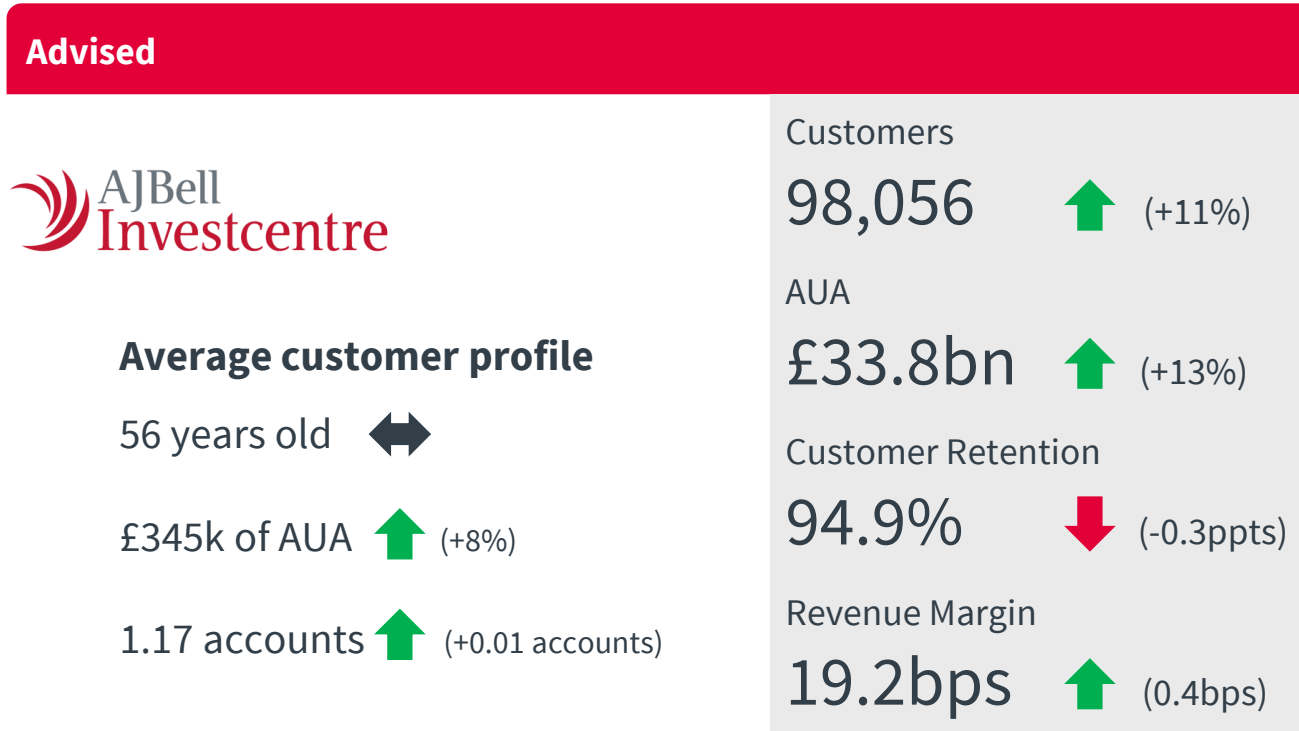
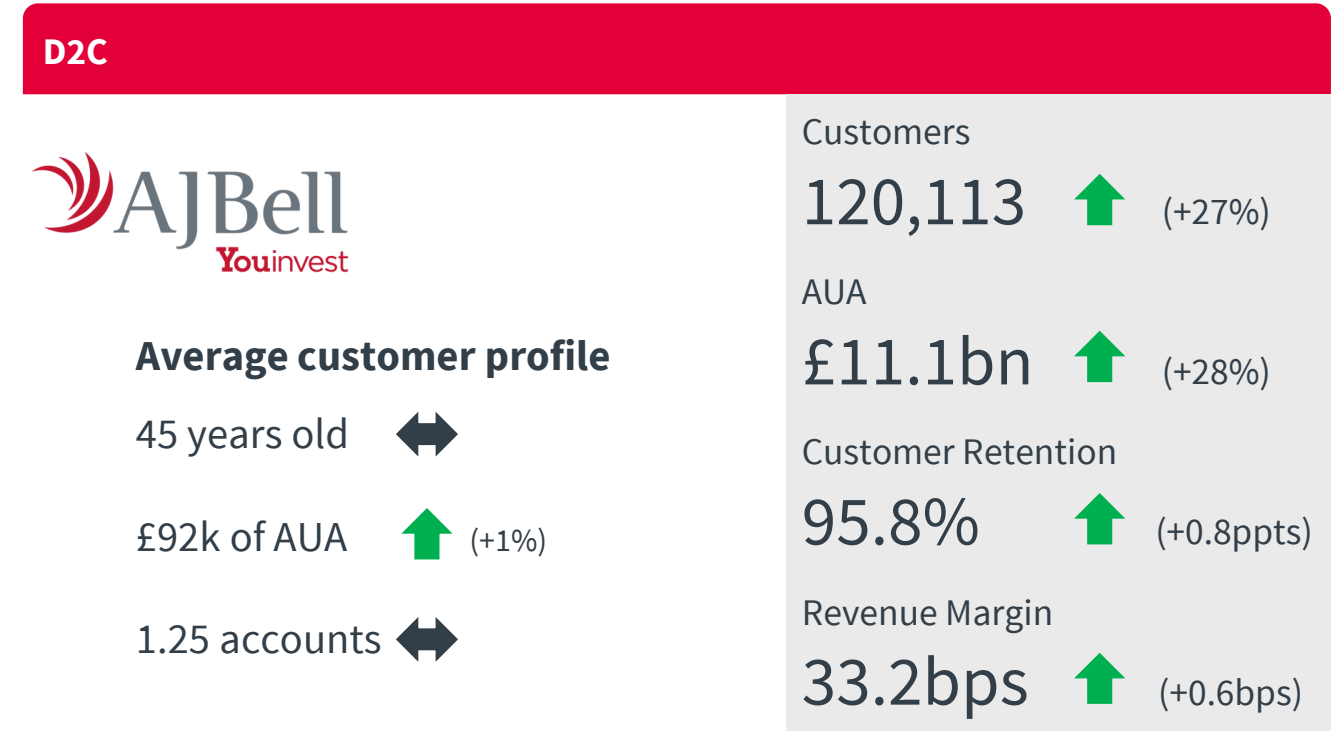


Figure 4



Commentary

- Average customer profile remained very similar to FY18 across both Advised and D2C platform propositions – high quality new customers being acquired to supplement strong existing book
- We continue to attract ‘Hungry for Help’ and ‘Nervous Newcomer’ D2C customers who tend to have smaller portfolios, therefore average AUA per D2C customer unlikely to grow at a similar rate to our Advised platform
- Strong customer retention rates across both Advised and D2C propositions

Our customers

Platform AUA and Customers

Figure 5

AUA (£ billion)	FY19			FY18		
	Advised platform	D2C Platform	Total Platform	Advised platform	D2C Platform	Total Platform
Opening AUA	29.9	8.7	38.6	24.3	6.6	30.9
Underlying inflows	3.4	2.0	5.4	3.3	1.9	5.2
Outflows	(1.6)	(0.6)	(2.2)	(1.4)	(0.5)	(1.9)
Underlying net inflows	1.8	1.4	3.2	1.9	1.4	3.3
DB inflows	0.9	–	0.9	1.8	–	1.8
Bulk migration inflows	–	0.2	0.2	0.5	0.3	0.8
Total net inflows	2.7	1.6	4.3	4.2	1.7	5.9
Market & other movements	1.2	0.8	2.0	1.4	0.4	1.8
Closing AUA	33.8	11.1	44.9	29.9	8.7	38.6
<i>Variance to FY18</i>	<i>+13%</i>	<i>+28%</i>	<i>+16%</i>			
Customers	98,056	120,113	218,169	88,658	94,555	183,213
<i>Variance to FY18</i>	<i>+11%</i>	<i>+27%</i>	<i>+19%</i>			

Commentary

- Despite unsettled markets, we have continued to add and retain AUA on the platform
- Growth driven by platform propositions, with both Advised and D2C channels increasing underlying inflows versus FY18
- Strong growth in customer numbers across both platform propositions, with particularly strong customer acquisition delivered by our D2C platform

Guidance for FY20

- Advised underlying inflows estimated to be in the region of 10% of opening AUA
- Advised DB inflows estimated to be c.£50m per month
- D2C underlying inflows estimated to be in the region of 20% of opening AUA



Financial update

Key investment highlight

5. Our business model

6. Quality of earnings

7. Cash generation

Commentary

- Hybrid technology model – we develop our platform user interfaces in-house, whilst outsourcing the back office functionality
 - Expansion of IT department to provide greater capacity to deliver change
 - Operational gearing contributed to an improved PBT margin
-
- Strong growth in revenue (up 17%) and PBT (up 33%), driven by our platform propositions
 - High quality of earnings – proportion of recurring revenue increased to 84%
-
- Short cash generation cycle supports progressive dividend policy
 - Total ordinary dividend of 4.83 pence, in line with policy previously communicated
 - Strong balance sheet - net assets of £86.1m at the year-end, with £69.1m held in cash

Our hybrid platform technology model

We develop our platform user interfaces in-house, whilst outsourcing the back office functionality to industry expert software providers

Advantages of a hybrid technology model

- Proprietary user interfaces - adaptable and easy to use
- Back-office systems outsourced to industry expert software providers, providing the following benefits:
 - Cost of regulatory change shared with software provider’s other clients
 - Scalability proven in a live environment as some other users currently have higher AUA, more customers or higher transaction volumes than AJ Bell

Evolution of AJ Bell technology platform

- Back-office re-platforming completed in 2014 – we moved from proprietary software to existing hybrid technology model
- Our technology model continues to evolve. Key developments in FY19:
 - Implementation of Stripe as our new payment provider
 - Introduced robotic process automation software to automate labour-intensive and routine back-office tasks

Figure 6

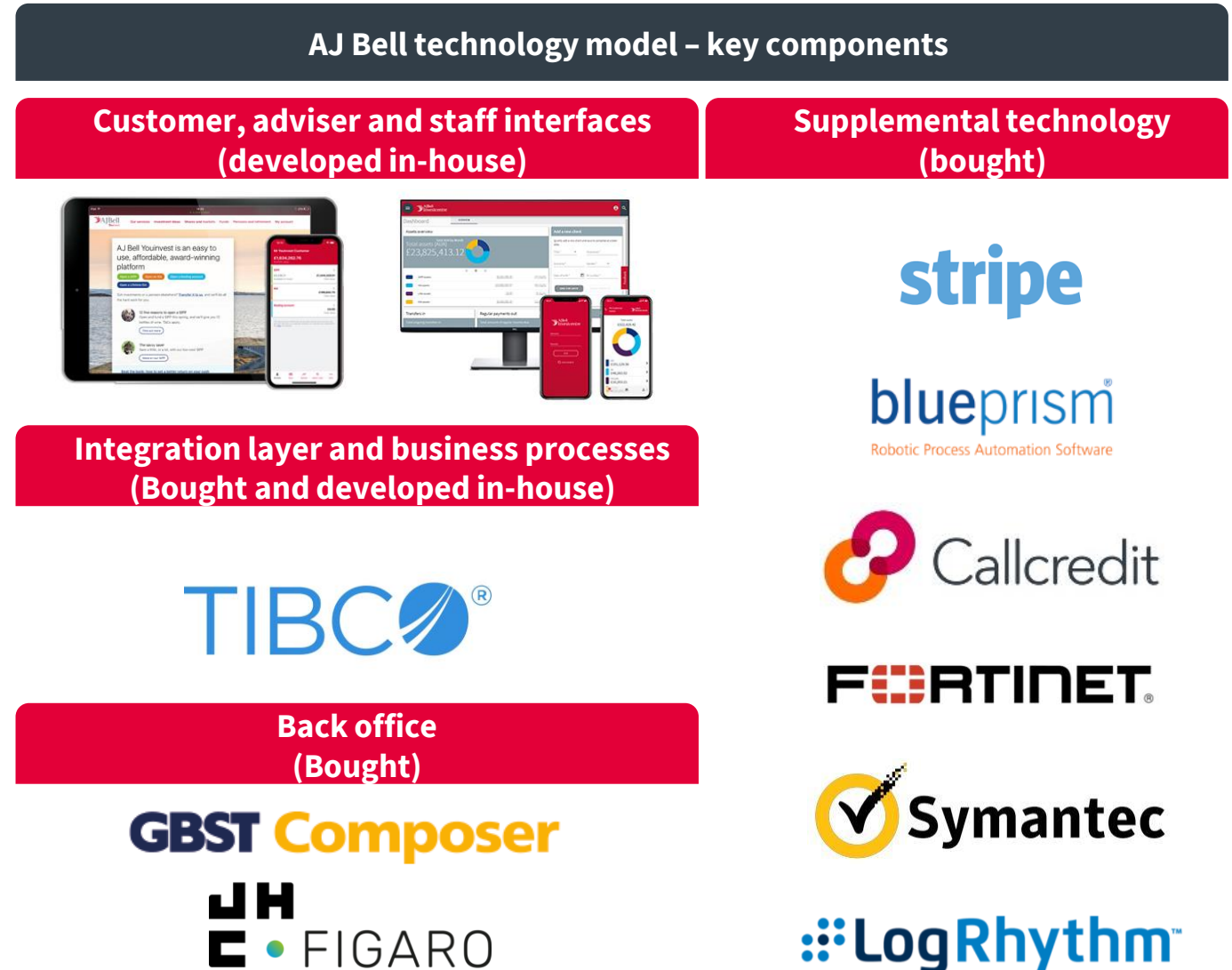


Figure 7

	FY19	FY18	+/-
Revenue	£104.9m	£89.7m	17%
Revenue margin	21.9bps	21.0bps	0.9bps
Profit before tax	£37.7m	£28.4m	33%
PBT margin	35.9%	31.6%	4.3ppts
Diluted earnings per share	7.47p	5.63p	33%
Total ordinary dividend per share	4.83p	3.70 ⁽¹⁾	31%

Commentary

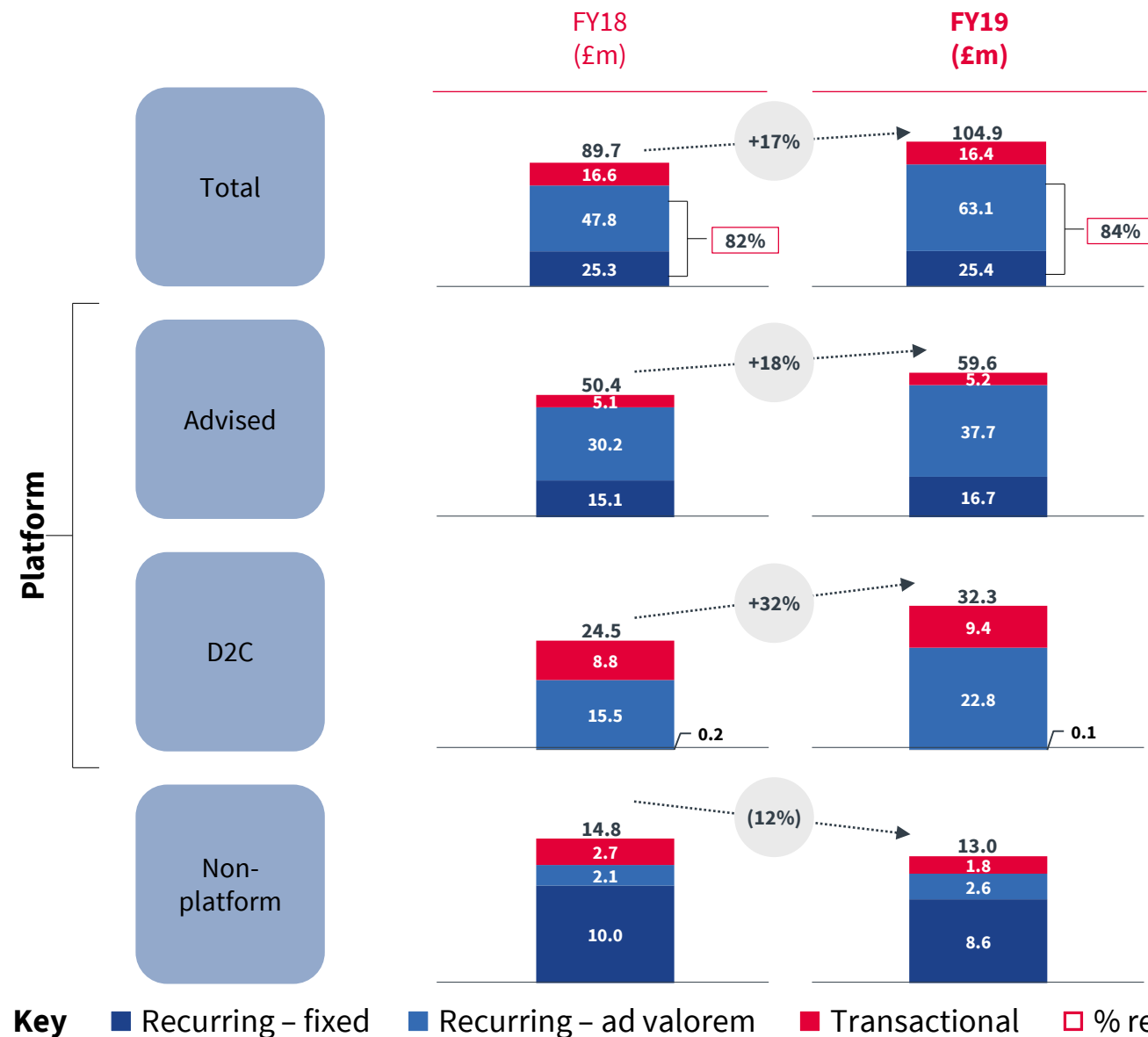
- Strong financial performance delivered in our first full year following our IPO
- Revenue and profit growth driven by continued success of platform propositions
- Improved PBT margin resulting from revenue margin improvement and positive effect of operational gearing
- 31% increase in total ordinary dividend versus FY18. Amount payable consistent with dividend policy previously communicated

(1) Restated to reflect pre-IPO share reorganisation

Revenue analysis

Revenue breakdown by proposition and nature of revenue streams

Figure 8



Commentary

- Increase in revenue driven by continued success of platform propositions
- High quality of earnings – proportion of recurring revenue increased to 84%

Platform

- Ad valorem revenue increase driven by growth in AUA and higher interest rates
- Subdued growth in transactional revenue due to lower dealing activity per customer

Non-platform

- Reduction in fixed fee and transactional revenue caused by cessation of third-party SIPP administration contracts in FY18

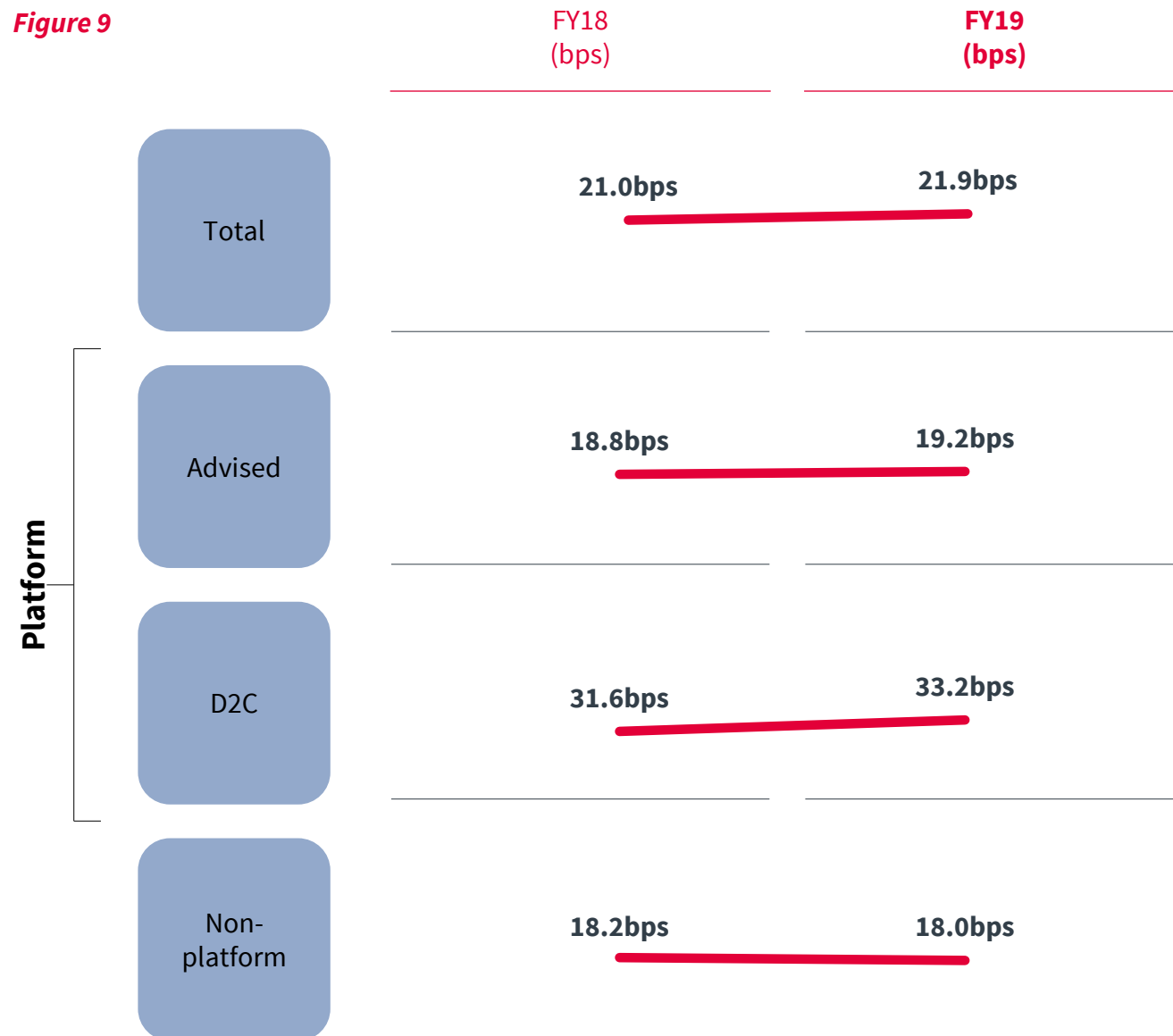
Guidance for FY20

- Non-platform revenue estimated to be between £11.5m and £12.5m in FY20

Revenue margin

Revenue earned per £ of AUA for each of our propositions

Figure 9



Commentary

- Total revenue margin increase was a result of:
 - increasing revenue margins for both platform propositions
 - faster growth of our higher margin D2C platform proposition
- Increased platform revenue margins were largely caused by interest rate increases in November 2017 and August 2018

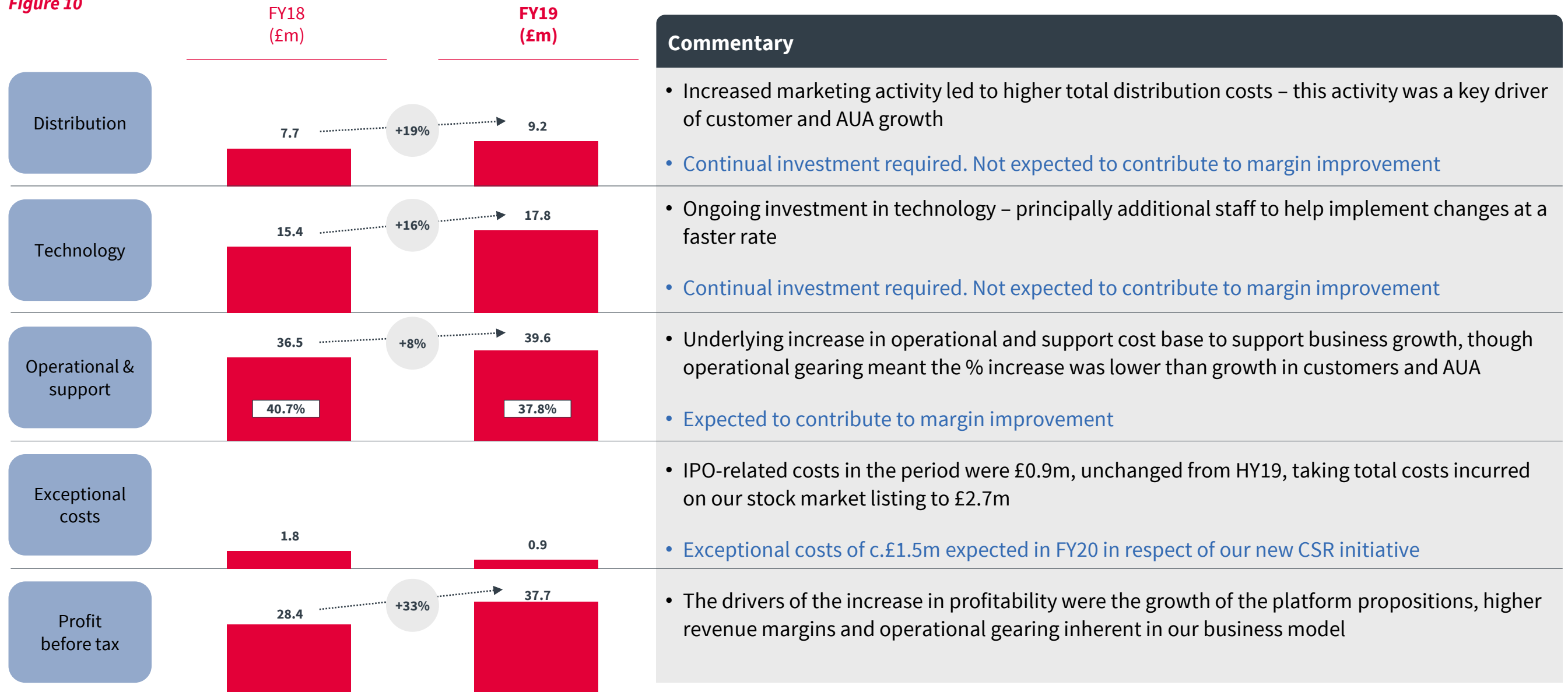
Guidance for FY20

- Advised platform revenue margin estimated to be between 18.5 and 19.0bps
- D2C platform revenue margin estimated to be between 32.0 and 33.0bps

The above guidance assumes no significant market movements and no changes to the current Bank of England base rate (sensitivity analysis for FY20 is included in the appendices)

Cost Analysis and Profit Before Tax

Figure 10



Key % of Revenue:

PBT margin improvement

We operate a profitable and scalable platform with embedded growth and margin expansion opportunities

Figure 11

	FY19 change	PBT margin
FY18		31.6%
Growth & operational gearing	+3.2%	
Revenue margin	+1.7%	
Distribution costs	(1.4%)	
Exceptional costs	+0.8%	
Total change in PBT margin		4.3%
FY19		35.9%

Commentary

- Resulting from scalability of the platform and operational efficiency improvements
- Relocation of stockbroking operation in FY18 exaggerates margin improvement, though increase in FSCS partially offset this improvement
- Expected to repeat over the medium term, though at a reduced rate
- Main cause of revenue margin improvement was the increase in interest rates in Nov 2017 and Aug 2018
- Management decision to increase the rate of marketing expenditure
- IPO-related costs impacted PBT margin in the year (FY19: £0.9m vs. FY18: £1.8m)
- Impact of CSR initiative will have an adverse impact on FY20 PBT margin
- Further margin improvement anticipated over the medium term, however only a modest improvement expected in FY20 following a particularly strong FY19

Capital and dividend

Our highly cash generative and capital light model supports a progressive dividend policy

Progressive dividend policy

The Board has adopted a dividend policy based on an expected 65% payout ratio

Interim dividend payments will equate to approximately 40% of the total ordinary dividend payment for the previous financial year

Surplus capital accrued (over and above regulatory requirements or other specific needs) will be returned to shareholders at an appropriate time

Figure 12

Progressive dividend policy			
Pence per share	FY19	FY18	+/-
Interim	1.50	1.46	3%
Final	3.33	2.24	49%
Total ordinary	4.83	3.70	31%
Special	-	2.03	
Total dividend	4.83	5.73	

Commentary

- Progressive dividend policy has been in place for a number of years – we have increased total ordinary dividend for fifteenth consecutive year
- Total ordinary dividend of 4.83 pence, representing a payout of 65% of profit after tax in line with policy
- New prudential regime for investment firms anticipated to take effect from June 2021 – no significant impact on our current regulatory capital requirement, based on our initial analysis



Outlook

- Ongoing uncertainty surrounding the timing and nature of the UK's anticipated departure from the European Union and the outcome of the UK General Election likely to result in short-term market volatility
- However, the UK platform market continues to grow and we are well placed to capitalise on the opportunities that lie ahead
- We have a track record of delivering organic growth and have developed a clear strategy to ensure that this continues
- We will also continue to listen to our customers to ensure we deliver the service they want, when they want it, at a price recognised as excellent value for money
- Our increasingly recognisable brand, two award-winning platform propositions and a robust, efficient operating model will help us deliver our ambitious growth plans

Corporate governance

An update on key governance topics for AJ Bell

New CSR initiative

- Scheme designed to enable charitable causes to benefit from our future success
- Options valued at £10m to be granted to the AJ Bell Trust, a charitable trust that supports disadvantaged young people in the UK
- Exercise of options conditional upon us meeting targeted increases in diluted EPS over a three to five year period, with any shortfall personally underwritten by Andy Bell if the targets are not achieved
- AJ Bell customers and staff will be given the opportunity to nominate which underlying causes should benefit

Tenure of Les Platts, AJ Bell Chairman

- Under the provisions of the 2018 UK Corporate Governance Code, effective for AJ Bell from 1 October 2019, the chair should not be in post beyond nine years
- Les Platts was appointed to the Board as a non-executive director in 2008 and assumed the role of chair in 2014
- A succession plan is in place and the current intention is for Les to step down from the Board at the January 2022 AGM, in order to facilitate effective succession and development of the Board

Executive Incentive Plan (EIP)

- Designed to promote and reward long-term, sustainable company performance
- Awards satisfied 100% in shares with no cash element
- Single incentive plan aligned to our business model, with performance assessed based on a balanced scorecard of financial and non-financial measures
- Best-practice guidelines incorporated with regards to deferral/holding periods, performance underpins, Remuneration Committee discretion and post-cessation shareholdings

Appointment of new external auditor

- BDO to be appointed as new external auditor for FY20 following the conclusion of a competitive tender process
- Appointment of BDO subject to approval by shareholders at our annual general meeting in January 2020



Q&A



Glossary

AUA	Assets Under Administration
BPS	Basis Points
D2C	Direct to Consumer
DB transfer	Pension Transfer from a Defined Benefit Scheme to a Defined Contribution Scheme
FCA	Financial Conduct Authority
FY18/FY19	Year Ended 30 September 2018/2019
GIA	General Investment Account
IPO	AJ Bell plc's Initial Public Offer in December 2018
ISA	Individual Savings Account
MPS	Managed Portfolio Service
OCF	Ongoing Charges Figure
PBT	Profit Before Tax
RIA	Retirement Investment Account
SIPP	Self-invested Personal Pension

Advised Platform



AJ Bell Investcentre is an investment platform proposition for regulated financial advisers and wealth managers providing a suite of products, services, investment solutions and online tools to help manage their retail customers' portfolios.

D2C Platform



AJ Bell Youinvest is an investment platform proposition for execution-only retail customers which includes the provision of proprietary investment content and investment solutions through our in-house funds, Ready-made portfolios and selected fund ideas via the AJ Bell Favourite funds list.

Non-platform



Provides adviser-led and D2C pension administration services to customers with bespoke SIPP and SSAS accounts.



Publishes Shares magazine and other proprietary investment content to support our platform propositions



White label SIPP administration branded to Barclays Smart Investor and Halifax Share Dealing.



Provides dealing, settlement and custody services to institutional investment businesses



Appendices

Business sensitivities

Our estimated financial impact of economic and market fluctuations in FY20

Key risk

Economic and capital markets fluctuation risk

The risk that a significant and prolonged capital market or economic downturn has an adverse effect on customer confidence, asset values and interest rates

Estimated impact of FY20 income statement

Base rate impact

-25bps	Revenue/PBT reduction of c.£3.9m
+25bps	Revenue/PBT increase of c.£2.2m

Notes

Management intention is to pass majority of the benefit of a future base rate increase to customers

Market impact

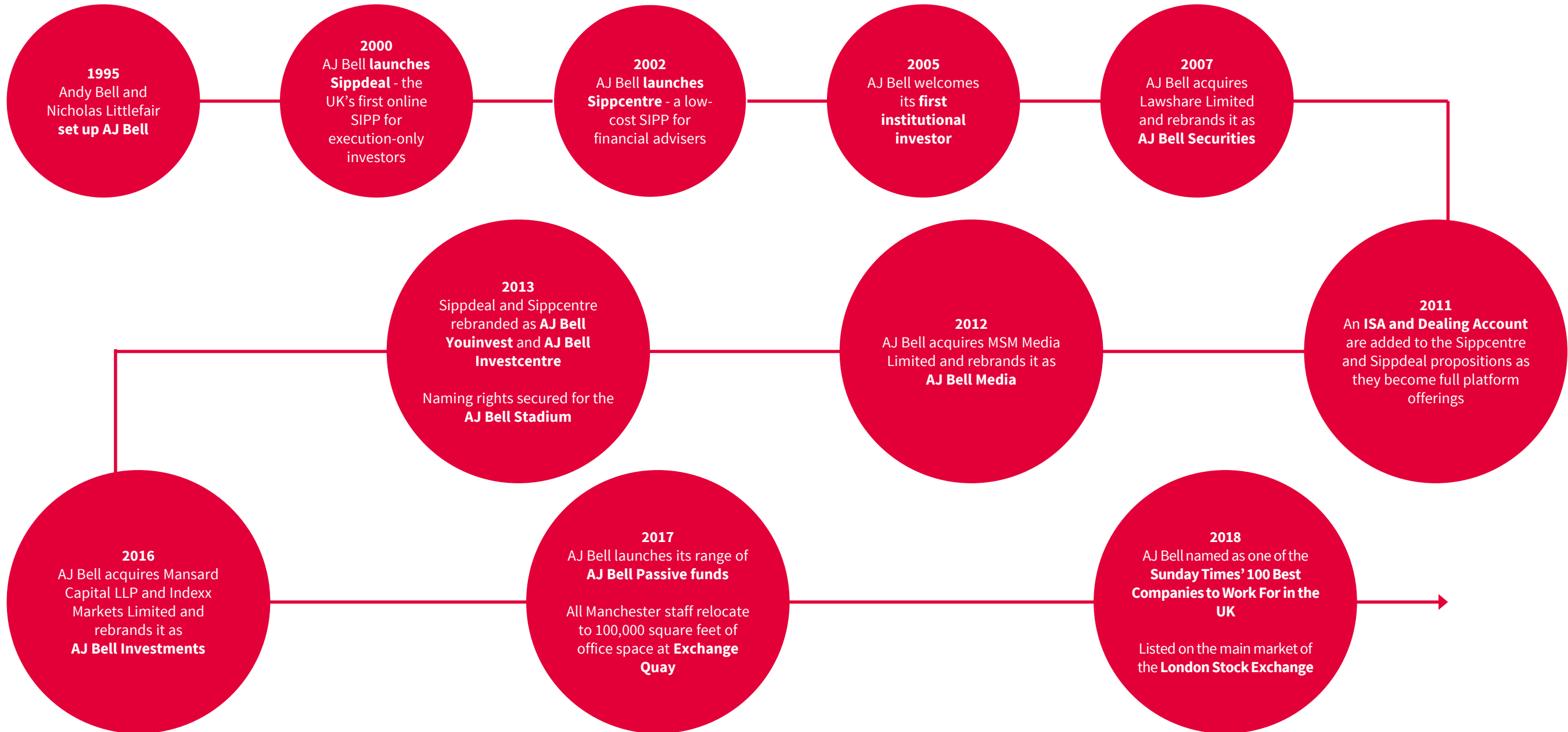
+/- 10%	Revenue/PBT increase/reduction of c.£3.4m
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Expected % change in revenue lower than % market movement as recurring fixed revenues are not correlated to AUA

Notes

- Sensitivities modelled assuming the relevant macro factor changes on 1 October 2019 and remains at adjusted level for full financial year ending 30 September 2020
- All other assumptions remain unchanged – no changes in customer behaviour or management actions modelled

AJ Bell timeline



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