



Annual results
For the year ended
30 September 2020

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Presenters



Andy Bell
Chief Executive Officer



Michael Summersgill
Chief Financial Officer



Business update
Andy Bell

FY20 highlights

- **Strong organic growth** – We have continued to attract high levels of new customers and assets, with total customers up 27% to 295,305 and total AUA up 8% to £56.5 billion
- **Record financial performance** – Revenue up 21% to £126.7 million and PBT up 29% to £48.6 million in the year
- **COVID-19** – an unprecedented event, which we continue to navigate successfully:
 - New working arrangements implemented swiftly to keep our people safe
 - We have continued to offer all of our services to customers and advisers
 - No use of government financial support schemes and no employees furloughed
 - Over £380,000 raised for our Wage War on COVID Fund to support charitable causes
- **Increased ordinary dividend** – Strong balance sheet and robust liquidity position supports a final dividend of 4.66p, increasing the total ordinary dividend in the year by 28% to 6.16p in line with stated dividend policy

■ Key investment highlights

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 business model	A profitable and scalable platform with embedded growth and margin expansion opportunities
Our people	Entrepreneurial, founder-led management team and a highly engaged workforce
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

Key investment highlight

Our market

Our proposition

Our customers

Our business model

Our people

Commentary

- Our addressable market is estimated to be worth at least £2.5 trillion⁽¹⁾, of which only 30% is currently on platforms⁽²⁾
- The structural growth drivers for the platform market remain strong across the Advised and D2C sectors
- COVID-19 has caused people to engage with their finances and take greater responsibility for their financial future
- Continual enhancement of our award-winning platforms propositions:
 - AJ Bell Investcentre – Retirement Investment Account and Third-party MPS
 - AJ Bell Youinvest – Cash savings hub and our new investment trust 'Select List'
- Strong organic customer growth across both platform propositions, with AJ Bell Youinvest enjoying the most successful year of new business in its history
- We continue to attract an increasingly diversified customer base on our D2C platform, with an encouraging uptake of AJ Bell guided and in-house investment solutions by new D2C customers
- COVID-19 put the robustness and scalability of our business model to the test
- Record new business and dealing volumes, whilst vast majority of staff working from home
- Vaccine announcement on 9 November saw industry wide issues in D2C market
- We maintained our three-star accreditation and achieved a top 25 position in the “Sunday Times 100 Best Companies to Work For” in 2020
- Board recruitment process commenced – Chair succession as announced in 2019 and two new non-executives

(1) Source: Hardman & Co - Platform Potential, May 2020

(2) Source: Platform – D2C + Advised platform AUA estimated to be worth c.£750bn, equating to 30% of the estimated addressable market

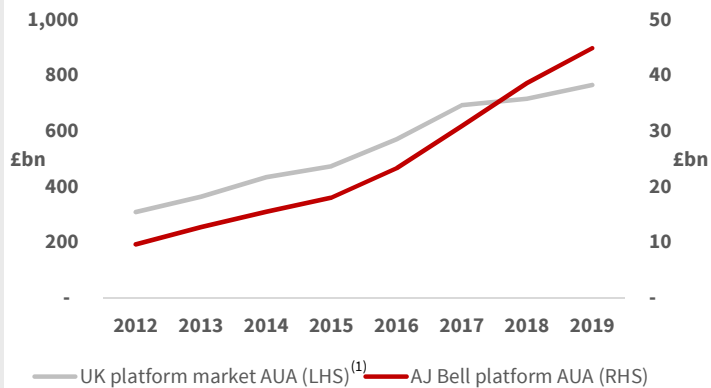
Our market

An attractive retail market within the UK savings and investment industry

Growth

Figure 1

UK platform market & AJ Bell AUA growth



- Pension and net financial wealth in Great Britain grew by 8% per annum over the decade to 2018⁽²⁾
- The UK platform market grew by 14% per annum between 2012 and 2019
- AJ Bell platform AUA grew by 25% per annum over the same period

• Structural factors supporting continued future growth

- **Demographics** – an ageing population that is both living and working for longer
- **Government and regulatory** – drive for greater personal responsibility and self-provision of long-term savings, supported by pension freedoms and auto enrolment
- **Technology** – digital age driving tech-savvy customers and asset flows to platforms
- **Financial** – growing awareness of the UK savings gap and a shift from DB to DC pensions

Regulation

- Investment Platform Market Study now closed with review on exit fees abandoned – FCA struggled to define exit fees; we proposed broad definition & to allow recovery of costs
- Investment Pathways delayed to February 2021 – positive engagement with FCA over perceived flaws in the rules
- Investment Firms Prudential Regime – new regulatory capital rules delayed, now due to be introduced in 2022

Current market dynamics

- COVID-19 has driven the UK household saving ratio to an unprecedented level in 2020
- Individuals are taking more personal responsibility for their financial future, either advised or direct
- Streamlined online processes required – paperless is the direction of travel
- Guided solutions increasingly important to younger D2C customers new to investing
- Increased M&A activity in both Advised and D2C markets

(1) Source: Platform
 (2) Source: ONS - Total Wealth in Great Britain

Our proposition

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

AJ Bell Investcentre

- **Retirement Investment Account** launched:
 - A simplified pension offering with an all-in charge of 25bps
 - Targeted at customers with pensions worth sub £250,000
- **Third-party MPS** launched, enhancing the choice for advisers:
 - Provides access to third-party DFMs, with AJ Bell providing the tax wrapper, custody, dealing and settlement service
 - Sits alongside the existing AJ Bell MPS option and AJ Bell Funds
- **‘Fundamentals’** introduced – free access for advisers to AJ Bell’s research on funds and ETFs to support their own due diligence
- **Increased use of digital communication channels** – adviser engagement adapted to be held virtually, with large audiences for our weekly ‘Off the Road’ webinars and over 1,200 attendees for our flagship Investival conference held online in November
- **Customer service during COVID-19 recognised by advisers** – we were rated as the top platform for customer service in light of the COVID-19 crisis in a Platorum survey of advisers
- **Modest price increase** for complex, pension-only services on the platform effective January 2021 – core platform charge unchanged

AJ Bell Youinvest

- **Cash savings hub** launched:
 - Offers customers a range of competitive notice and fixed-term cash savings accounts, all FSCS-protected
 - Enables easy management of cash savings alongside investments
- **Investment trust select list and ESG funds** added to Favourite funds list, enhancing our guided solutions for D2C customers
- **Best ever customer rating** for “How easy is it to use AJ Bell Youinvest?”, validating the success of recent enhancements
- **‘Which? Recommended Provider’** for both platform and SIPP
- **Drawdown charges to be removed** in profit-neutral repricing exercise – will increase our competitiveness in at-retirement market

AJ Bell Investments

- **Increased demand for investment guidance** from D2C customers
- **Strong performance record** for the five AJ Bell funds launched in 2017, with all being top quartile over the last 3 years⁽¹⁾
- **‘Responsible Growth Fund’ launched** recently for customers who want diversified exposure to companies with strong ESG credentials

(1) Correct as at 27 November 2020

Our customers

A growing base of loyal, high quality customers

Figure 2

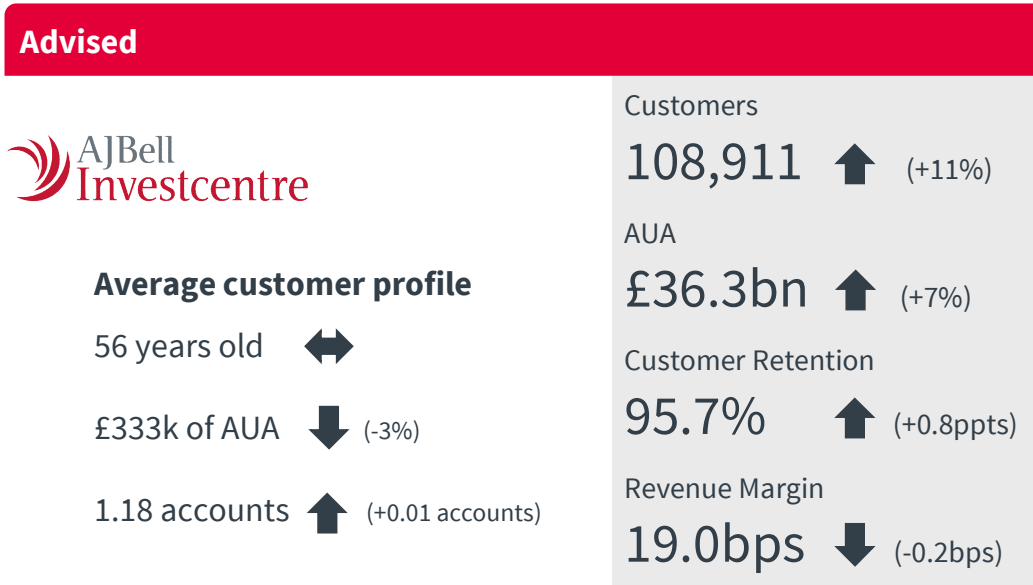
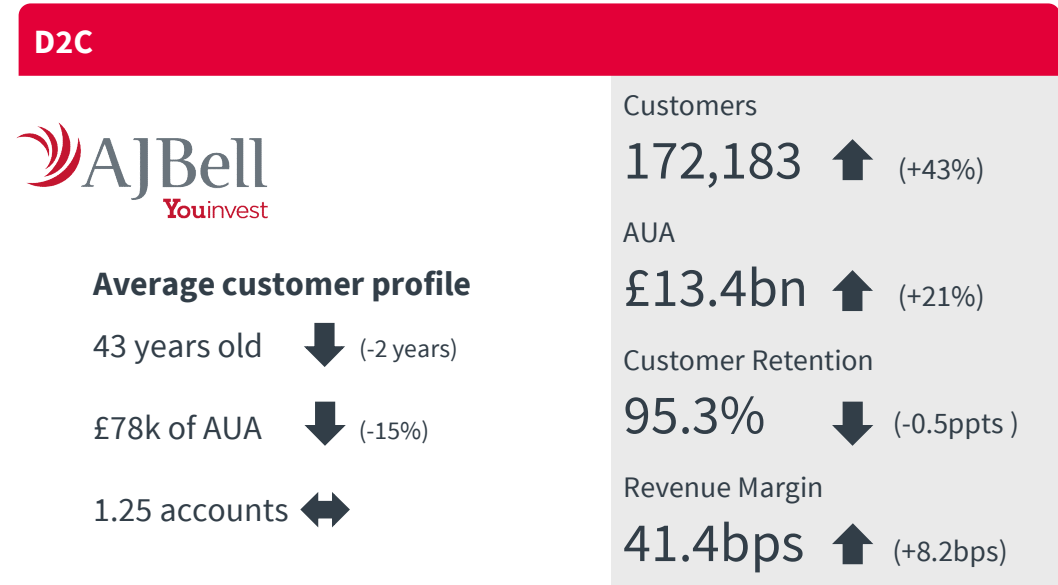


Figure 3



Commentary

- Strong organic customer growth across both platform propositions, with D2C customer acquisition being at a record level in the year
- Younger new customers being attracted to AJ Bell Youinvest, resulting in a reduction in the average age of D2C customers
- High customer retention rate of over 95% across both Advised and D2C propositions
- Advised and D2C AUA up 7% and 21% respectively in the year, compared to a 19% fall in the FTSE All-Share Index

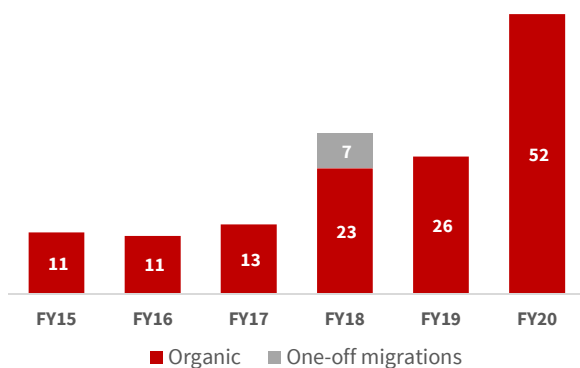
Our customers

D2C customers – a changing profile

Record growth from a different type of customer

Net new D2C customers (000s)

Figure 4



Younger customers with a preference for mobile

Average customer age

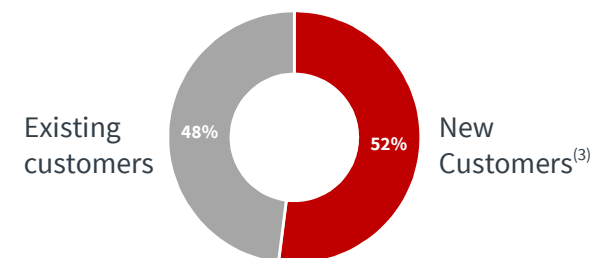
Figure 6



A higher propensity to use AJ Bell products

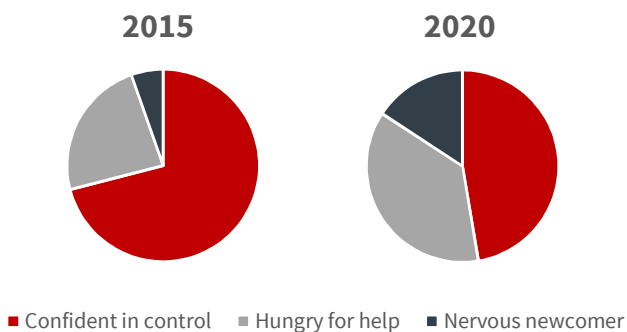
Customers who invested in the new AJ Bell Responsible Growth fund

Figure 8



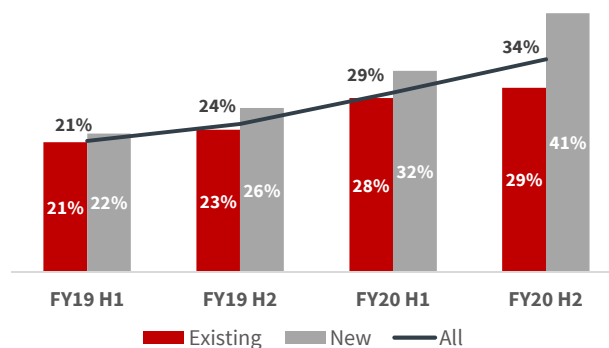
Customer profile⁽¹⁾

Figure 5



D2C customers trading via our mobile app⁽²⁾

Figure 7



Top 10 funds held by D2C customers

Figure 9

Rank	Fund
1	Fundsmith Equity
2	AJ Bell Balanced
3	AJ Bell Moderately Adventurous
4	Lindsell Train Global Equity
5	AJ Bell Adventurous
6	Vanguard Lifestrategy 60
7	Vanguard Lifestrategy 80
8	Vanguard Lifestrategy 100
9	AJ Bell Global Growth
10	Baillie Gifford American

(1) Source: AJ Bell Youinvest annual customer survey July 2020. Confident in control – confident investors, hungry for help – engaged but inexperienced, nervous newcomers – not confident
 (2) Total number of customers placing at least one trade on the AJ Bell Youinvest mobile app, divided by the total number of customers placing at least one trade in the period
 (3) New customers defined as those customers who joined AJ Bell Youinvest between 1 October 2019 and the fund launch date of 23 November 2020

Our customers

Platform AUA and Customers

Figure 10

AUA (£ billion)	FY20			FY19		
	Advised platform	D2C Platform	Total Platform	Advised platform	D2C Platform	Total Platform
Opening AUA	33.8	11.1	44.9	29.9	8.7	38.6
Underlying inflows	3.6	3.0	6.6	3.4	2.0	5.4
Outflows	(1.6)	(0.9)	(2.5)	(1.6)	(0.6)	(2.2)
Underlying net inflows	2.0	2.1	4.1	1.8	1.4	3.2
Defined Benefit inflows ⁽¹⁾	0.8	–	0.8	0.9	–	0.9
Bulk migration inflows	–	–	–	–	0.2	0.2
Total net inflows	2.8	2.1	4.9	2.7	1.6	4.3
Market & other movements	(0.3)	0.2	(0.1)	1.2	0.8	2.0
Closing AUA	36.3	13.4	49.7	33.8	11.1	44.9
<i>Variance to opening</i>	<i>+7%</i>	<i>+21%</i>	<i>+11%</i>	<i>+13%</i>	<i>+28%</i>	<i>+16%</i>
Opening customers	98,056	120,113	218,169	88,658	94,555	183,213
Closing customers	108,911	172,183	281,094	98,056	120,113	218,169
<i>Variance to opening</i>	<i>+11%</i>	<i>+43%</i>	<i>+29%</i>	<i>+11%</i>	<i>+27%</i>	<i>+19%</i>

Commentary

- Another year of strong growth in customers and assets under administration, despite an uncertain backdrop:
 - Total platform customers up 29% to 281,094
 - Platform AUA up 11%, compared to a 19% fall in the FTSE All-Share Index
- Robust performance delivered by our **Advised platform**:
 - Customers up 11% in the year to 108,911
 - Underlying net inflows up 11% versus FY19
 - DB transfers have now moderated as anticipated
 - Record closing AUA of £36.3 billion
- A record-breaking year for our **D2C platform**:
 - Customers up 43% to 172,183
 - Underlying net inflows up 50% versus FY19
 - Record closing AUA of £13.4 billion

(1) As indicated in the FY20 trading update announced on 22 October 2020, it is anticipated that DB inflows will not be shown separately in future reports

Our customers

Platform AUA – gross inflows from new and existing customers

Figure 11

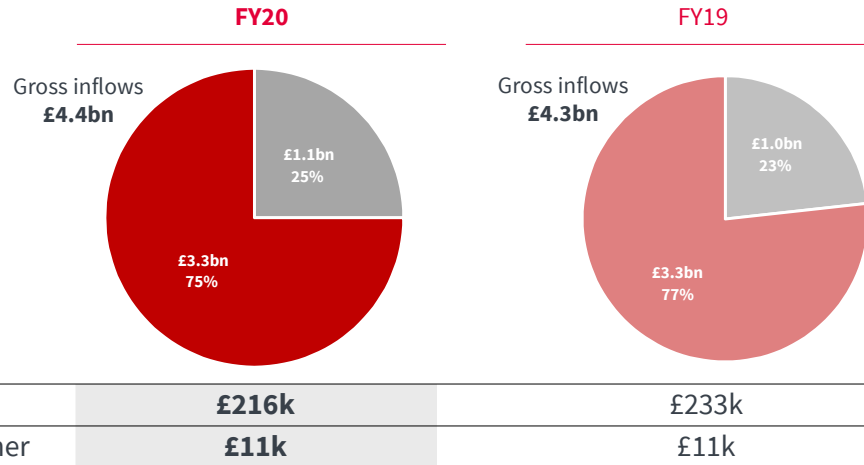
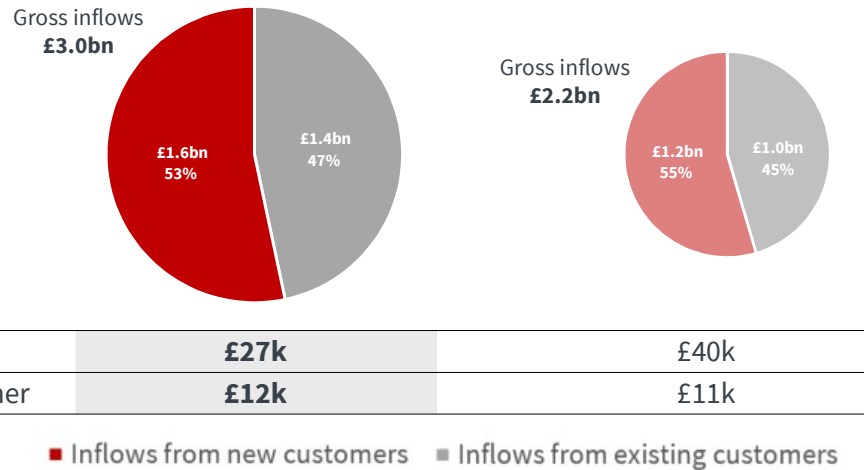


Figure 12



Commentary

- No material change to the composition of inflows compared to FY19

Advised

- High proportion of inflows from new customers relates to pension consolidation activity which is typically higher value than annual contributions from existing customers

D2C

- Strong growth in the total value of inflows from both existing and new customers
- The proportion of inflows from existing customers is expected to further increase over time as the D2C customer book continues to grow



Financial update
Michael Summersgill

FY20 financial highlights

Figure 13

	FY20	FY19	+/-
Revenue	£126.7m	£104.9m	21%
Revenue margin	23.9bps	21.9bps	2.0bps
Profit before tax	£48.6m	£37.7m	29%
PBT margin	38.4%	35.9%	2.5ppts
Diluted earnings per share	9.47p	7.47p	27%
Net assets	£109.5m	£86.1m	27%
Total ordinary dividend per share	6.16p	4.83p	28%

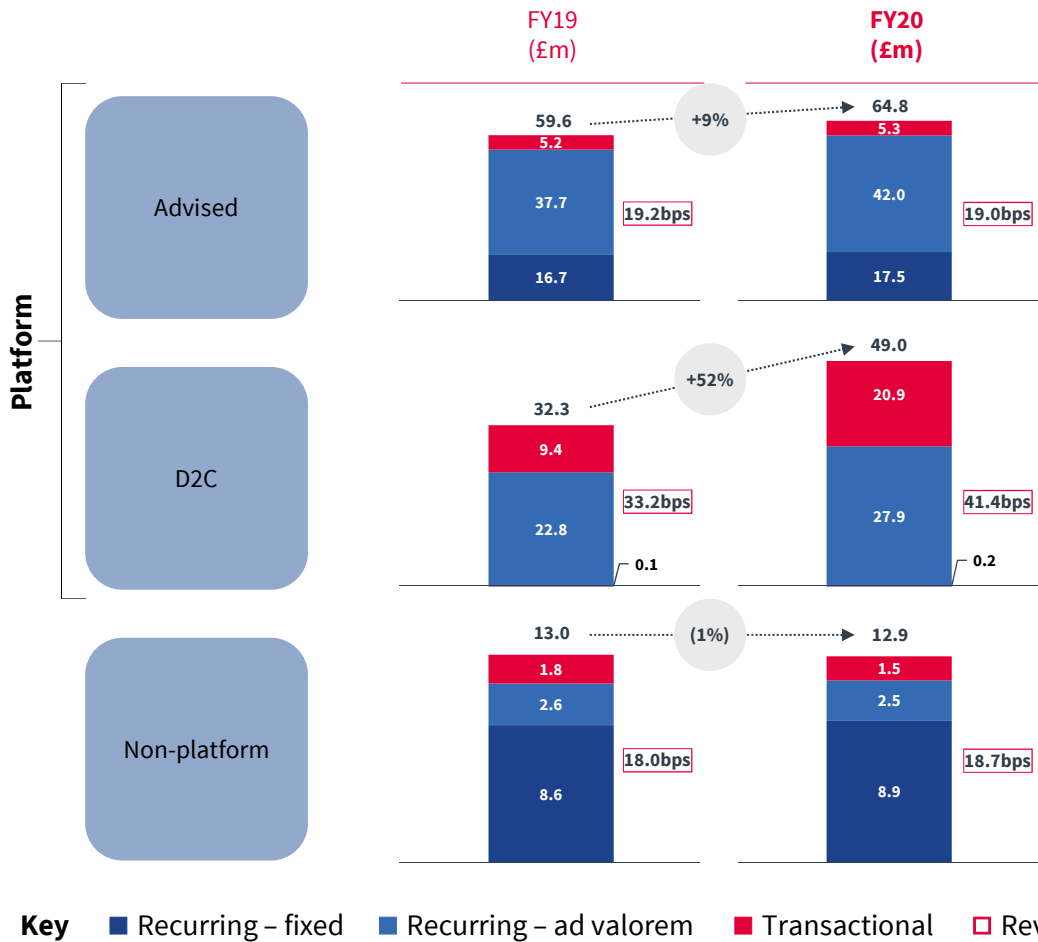
Commentary

- Strong growth in revenue and profitability driven by the continued success of our platform propositions
- Total revenue margin increased by 2.0bps to 23.9bps in the year, primarily due to increased transactional revenues generated by our D2C platform
- PBT margin increased by 2.5ppts, driven by the increased revenue margin and positive effects of operational gearing
- Net assets closed up 27% at £109.5m, driven by the increased profit in the year
- A short working capital cycle ensures that profits are quickly converted into cash, resulting in closing cash balances of £86.4m
- Proposed final dividend of 4.66 pence, taking the total ordinary dividend to 6.16 pence – a 65% payout in line with our stated dividend policy

Revenue analysis

Revenue by proposition, nature of revenue streams and revenue margins

Figure 14



Commentary

High quality of earnings – 78% of revenue recurring in nature

Advised

- Increase driven primarily by ad valorem revenue which was up 11% due to the growth in average platform AUA during the year

D2C

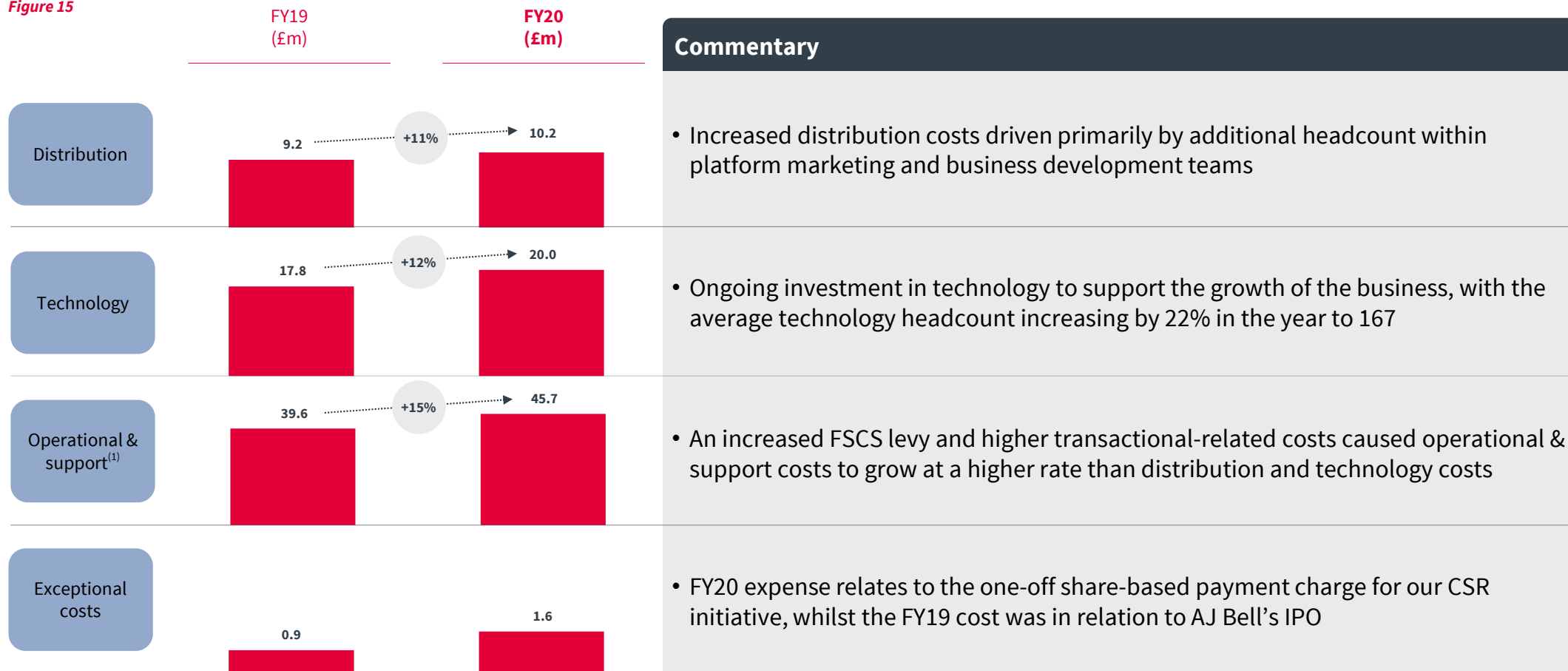
- Exceptional growth in transactional revenue due to increased dealing activity by AJ Bell Youinvest customers, which caused D2C revenue margin to increase by 8.2bps to 41.4bps

Non-platform

- Revenue fell by £0.1m to £12.9m due to the loss of a small number of institutional stockbroking clients as expected

Cost Analysis

Figure 15



(1) In accordance with IFRS 16, part of the cost related to leases has been recognised in finance costs in FY20. All lease-related costs were previously recognised in operational & support costs. If IAS 17 had still applied instead of IFRS 16, FY20 operational and support costs would have been £46.3m. The full impact of adopting IFRS 16 is disclosed in note 2 to the FY20 financial statements.

PBT margin improvement

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

Figure 16

	FY20 change	PBT margin
FY19		35.9%
Growth & operational gearing	+0.9%	
Revenue margin	+3.0%	
Distribution costs	(0.8%)	
Exceptional costs	(0.6%)	
Total change in PBT margin		2.5%
FY20		38.4%

Commentary
<ul style="list-style-type: none"> Resulting from scalability of the platform and operational efficiency improvements, though suppressed by a significant year-on-year increase in the FSCS levy
<ul style="list-style-type: none"> Main cause of revenue margin improvement was the significantly increased transactional revenue on the D2C platform due to higher dealing activity
<ul style="list-style-type: none"> CSR initiative expense (£1.6m) outweighed the IPO-related costs (£0.9m) in FY19

Capital and dividend

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

Figure 17

Regulatory capital position		
£ million	FY20	FY19
Total shareholder funds	109.5	86.1
Less: unregulated business capital	(3.7)	(3.1)
CRD consolidation group – CET1 capital	105.8	83.0
Less: provision for dividend	(19.1)	(13.6)
Less: non-qualifying assets	(4.1)	(4.5)
Total capital resources	82.6	64.9
Less: capital requirement	(35.4)	(30.8)
Surplus capital	47.2	34.1
% of capital resource requirement held	233%	211%

Figure 18

Dividend payments			
Pence per share	FY20	FY19	+/-
Interim	1.50	1.50	-
Final	4.66	3.33	40%
Total ordinary dividend	6.16	4.83	28%

Commentary

- Having prudently paid an unchanged interim dividend, our strong capital position supports an increased final dividend in line with our stated policy
- New capital regime delayed until at least 2022:
 - Our capital requirement will be more closely linked to business growth and is expected to increase more quickly than under the existing rules
 - At this stage, we do not anticipate any changes to our dividend policy when the new rules are introduced



Outlook

Financial outlook - guidance

Figure 19

	FY21 previous guidance			Updates to FY21 guidance		
	Advised Platform	D2C Platform	Non-platform	Advised Platform	D2C Platform	Non-platform
AUA	Underlying inflows c.10% of opening AUA DB inflows c.£50m per month ⁽¹⁾	Underlying inflows c.20% of opening AUA		Unchanged	Unchanged	
Revenue	Revenue margin expected to be c.17-18bps	Revenue margin expected to be c.30-32bps	Revenue to fall to less than £11.5m	Unchanged	Revenue margin expected to be c.31-34bps	Unchanged
Costs / PBT margin	c.5ppt decline in PBT margin expected compared to FY20 due to reduced revenue margins			PBT margin expected to be c.33-34%		
Exceptional items	No exceptional costs anticipated			Unchanged		

Outlook
<ul style="list-style-type: none"> No material change to the rate of inflows or outflows anticipated FY22 revenue margins expected to decline slightly from FY21 levels across both Advised and D2C as full impact of 2020 interest rate cuts flow through: <ul style="list-style-type: none"> – Advised <17bps –D2C <31bps PBT margin expected to modestly decline again in FY22, before recovering in FY23

(1) As indicated in the FY20 trading update announced on 22 October 2020, it is anticipated that DB inflows will not be shown separately in future reports. AUA guidance has been updated accordingly

■ Outlook

- **A ‘new normal’** – long-term impact of the pandemic on the global economy is hard to predict, though significant changes to the way we live, work and communicate are inevitable
- **Low interest rates to persist** – will have an adverse impact on revenue and profitability, though we have a diversified revenue model and have operated successfully in a low interest environment for several years
- **Our market will continue to grow** – the long-term growth drivers of the platform market remain strong with customers increasingly looking to take control of their savings with flexible, low-cost, online solutions
- **Security and trust increasingly important** – we have an established brand, built over the last 25 years, and award-winning propositions in both the advised and D2C markets
- **Gradual shift to simpler propositions** – we will continue to focus on making investing easy
- **Long-term outlook is positive** – we operate a profitable, resilient business model within a growing market and the outlook remains positive



Glossary

AUA	Assets Under Administration
BPS	Basis Points
CET1	Common Equity Tier 1
CRD	Capital Requirements Directive
D2C	Direct to Consumer
DB/DC pension	Defined Benefit / Defined Contribution Pension
DB transfer	Pension Transfer from a Defined Benefit Scheme to a Defined Contribution Scheme
DFM	Discretionary Fund Manager
ESG	Environmental, Social & Governance
ETF	Exchange-traded Fund
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
FY19/FY20	Year Ended 30 September 2019/2020
IPO	AJ Bell plc's Initial Public Offer in December 2018
MPS	Managed Portfolio Service
PBT	Profit Before Tax
SIPP	Self-invested Personal Pension

Our products

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 investment solutions through our in-house funds, ready-made portfolios and guidance via the AJ Bell Favourite funds list. We have recently launched a cash savings solution

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

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