Interim results
For the six months ended
31 March 2020

Agenda

Business update
Andy Bell

HY20 highlights

- **Strong organic growth –** We have continued to attract high levels of new customers and assets across both our Advised and D2C platform propositions
- **COVID-19 response –** We moved quickly to keep our people safe in response to the COVID-19 pandemic and have successfully adapted to new and more remote ways of working, with the vast majority of our people working from home
- **Proven operational resilience –** We have been able to maintain our services, uphold high customer service levels and preserve operational efficiency throughout, including a particularly busy tax year end
- **Strong financial performance –** Revenue up 22% to £60.9 million and PBT up 28% to £22.7 million in the first half of the year
- **Interim dividend declared –** We have a strong balance sheet and robust liquidity position and are pleased to announce an interim dividend of 1.50p per share

COVID-19

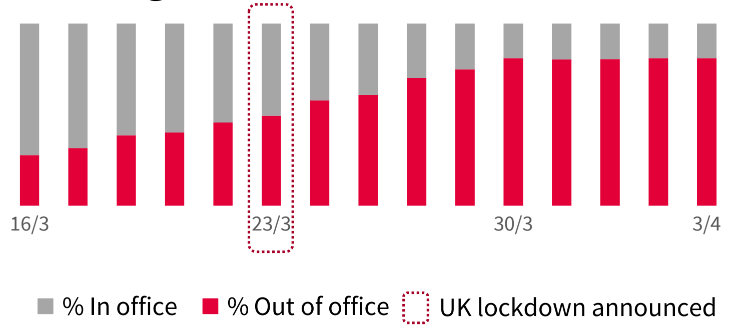
An update on AJ Bell's response to COVID-19

Supporting our people

- We successfully transitioned the vast majority of our people to work from home
- We have implemented measures in line with PHE guidance to ensure the safety of staff continuing to work from our head office
- No staff will be furloughed and we will not be claiming any other government benefits

Figure 1

A managed transition to WFH



Supporting our customers

- We provide an essential service, with many customers relying on income from pensions and other investments at this difficult time
- We have remained fully operational throughout the crisis, ensuring minimal disruption to our customers and advisers
- We have seen record trading days over the past few months, demonstrating the robustness and stability of our platform

Feedback received during COVID-19

"Thank you. I have to say that AJ Bell seem to be one of the very few providers managing to hold anything together in recent weeks, and we've noticed no difference in service standards."

Supporting the community

- AJ Bell Wage War on COVID Fund launched
- The AJ Bell Trust kick-started the fund raising by allocating £50,000 of its charitable reserves to the Fund
- Board directors and senior management have committed to donate three months' salary to the fund
- A large number of our staff and customers have also donated to the Fund, with the total pledged expected to exceed £300,000
- All proceeds will be distributed to charities supporting the COVID-19 efforts or directly to those in need as a result of the virus

COVID-19

Customer insights during the pandemic

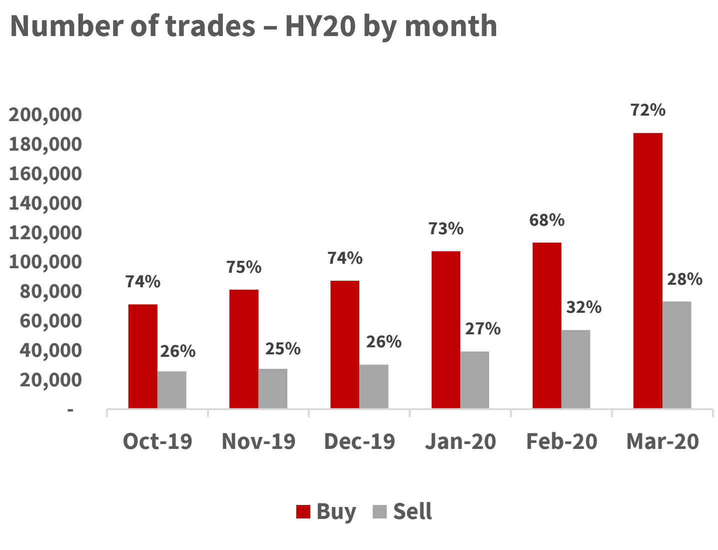
Advised platform

- Advisers are embracing new and existing technologies to continue supporting their clients
- New AJ Bell Investcentre account applications made online increased from 54% in w/c 2 March to 80% in w/c 23 March
- '*On the Road*' seminars rebranded to weekly '*Off the Road*' webinars during the UK lockdown to keep the adviser community updated with latest industry developments:
  - Over 2,000 attendees across four webinars held in April
  - A new record attendance of 659
  - Over 95% of attendees viewed the April webinars in full
- No significant change in transactional behaviour from advisers, who act as a 'fear filter' for their clients in times of significant volatility

D2C platform

- Increased customer engagement on AJ Bell Youinvest in March 2020, with customers logins up 55% and longer average session times than last year
- Significantly increased transactional activity in March 2020 versus March 2019:
  - Trades per customer up 125%
  - Total trades executed on the platform up 201%
- A mixed approach to trading:
  - Buys trades have continued to significantly outweigh sells
  - During mid-March sell-off, the most popular investments were passive funds and ETFs
  - However, total sales order value in March was more than double that seen in January

Figure 2



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

HY20 update

Key investment highlight	Commentary
1. Our market	• The structural growth drivers in the market remain strong across the Advised and D2C sectors • Our addressable market is estimated to be worth at least £2.5 trillion, of which we have a 1.7% share • The FCA has delayed a numbers of initiatives, including investment pathways and consultation on exit fees
2. Our proposition	• We continue to refine our proposition in response to customer and adviser feedback, as we maintain our strategic focus on being the easiest platform to use • Retirement Investment Account launched in January – well received by advisers and good traction building
3. Our customers	• Strong organic customer growth across both platform propositions, with D2C customer acquisition being at a record level for the six-month period • We have a loyal and highly engaged customer base, with record dealing activity in the period • There has been a gradual change in the profile of new D2C customers, as anticipated
4. Our business model	• The response to the COVID-19 outbreak in recent months has demonstrated the resilience of our business model during a period of record trading activity and new customer acquisition: – Our scalable and robust technology platform proven by high levels of online servicing and straight-through processing
5. Our people	• We again received a three-star accreditation in the 'Sunday Times 100 Best Companies to Work For' • Our people have responded magnificently to the current challenges and in particular to the new way of working during the UK government's lockdown measures

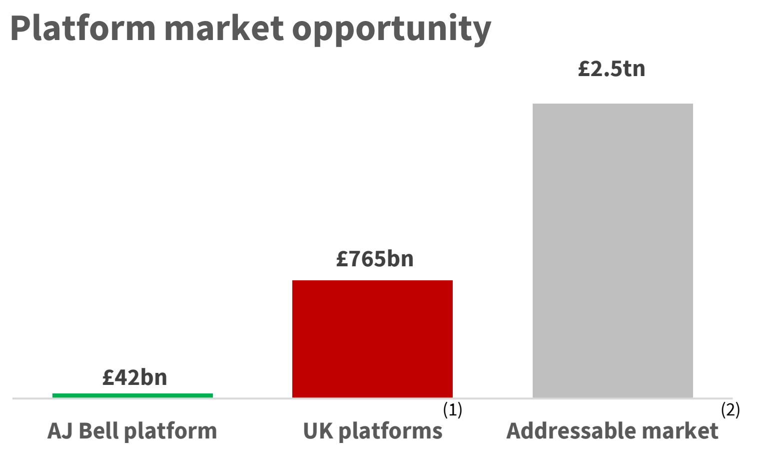
Our market

An attractive retail market within the UK savings and investment industry

Addressable market

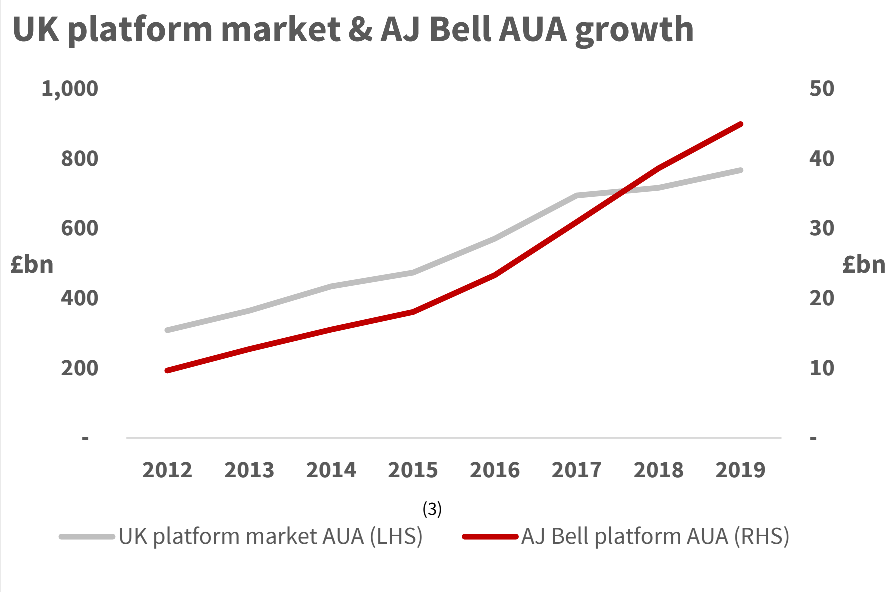
- The addressable market for the investment platforms in the UK is currently estimated to be worth at least **£2.5 trillion**, of which 31% is currently on platforms
- This opportunity includes DC and DB pensions, cash deposits and other savings and investments not currently held on platforms
- AJ Bell currently has a 5.5% share of the UK platform market and a 1.7% share of the addressable market

Figure 3



Growth

Figure 4



- Pension and net financial wealth in Great Britain grew by 8% per annum over the decade to 2018[4]
- 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

(1) Source: Platforum – D2C + Advised platform AUA as at 30 September 2019
(2) Source: Hardman & Co - Platform Potential, May 2020
(3) Source: Platforum
(4) Source: ONS: Total Wealth in Great Britain

Our proposition

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

AJ Bell Investcentre

- RIA launched in mid-January
  - A simplified pension offering with an all-in charge of 25bps
  - Designed for sub-£250k portfolios, the RIA is expected to drive both customer acquisition and customer retention
  - In the first 11 weeks post-launch, approximately 1,200 accounts were opened with an average value of £81k[1]
- In H2 we plan to open up our platform to a select group of Third Party Discretionary Fund Managers
- AJ Bell Investcentre won the award for 'Best platform for Advisers (AUA over £25bn) 2020' at the Professional Adviser Awards

AJ Bell Youinvest

- Investment trust 'select list' launched, selected by our investment specialists based on a range of factors including price, performance and size
- AJ Bell Youinvest won multiple awards during the period, including 'Best SIPP Provider' at the City of London Wealth Management Awards 2020

AJ Bell Investments

- Increased demand for investment guidance and use of our online investment solutions
  - 20% of AJ Bell Youinvest customers invested in AJ Bell funds
  - Higher usage of our Favourite funds list and Ready-made portfolios
- The five original AJ Bell funds now have a 3-year history having been launched in 2017 – 3-year performance is top quartile for all funds

(1) As at 31 March 2020

Our customers

A growing base of loyal, high quality customers

Figure 5

Advised

AJBell Investcentre

Average customer profile

56 years old ⬌

£302k of AUA ⬇ (-12%)

1.18 accounts ⬆ (+0.01 accounts)

Customers

103,974 ⬆ (+6%)

AUA

£31.4bn ⬇ (-7%)

Customer Retention

95.4% ⬆ (+0.7ppts)[(1)]

Revenue Margin

19.1bps ⬇ (-0.4bps)[(1)]

Figure 6

D2C

AJBell Youinvest

Average customer profile

44 years old ⬇ (-1 year)

£74k of AUA ⬇ (-20%)

1.25 accounts ⬌

Customers

144,100 ⬆ (+20%)

AUA

£10.6bn ⬇ (-5%)

Customer Retention

95.4% ⬇ (-0.4ppts)[(1)]

Revenue Margin

38.0bps ⬆ (+5.0bps)[(1)]

Commentary

- We have a high quality customer base across both Advised and D2C platform propositions, with average AUA remaining high despite the adverse impact of COVID-19.
- Strong organic customer growth across both platform propositions, with D2C customer acquisition being at a record level for the six-month period
- High customer retention rate of 95.4% across both Advised and D2C propositions

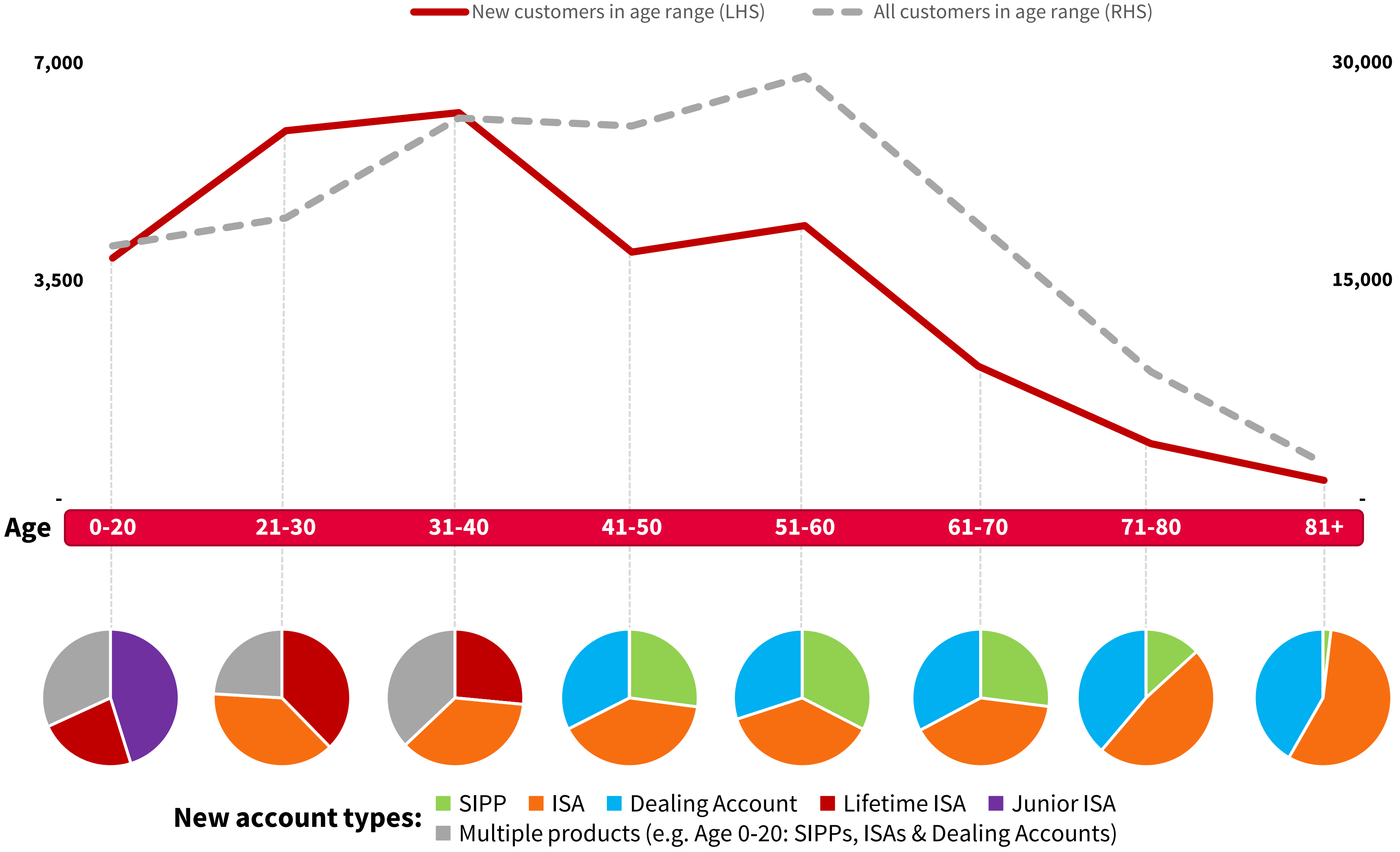
(1) Variance to six months ended 31 March 2019

Note: All variances are based on changes since 30 September 2019, except those indicated by footnote (1)

AJBell Youinvest changing customer profile

Figure 7

New D2C customers and new account types by age group



Commentary

- **A gradual shift towards younger customers**
  We are acquiring slightly younger new customers, reflecting a broadening of our investment solutions, an intuitive mobile app and a focused marketing approach targeting people at an earlier stage of their investment journey

- **Popularity of LISAs with younger investors**
  Lifetime ISAs make up a significant proportion of accounts opened by first-time investors. They offer a 25% government bonus and are popular with customers saving for their first home

- **Pension consolidation activity still strong**
  SIPPs continue to contribute a healthy proportion of new accounts opened by customers over the age of 40

- **Importance of ISAs**
  ISAs are very popular with customers across all age groups due the tax advantages and flexibility that they offer

Notes:
Junior ISAs only available for people under the age of 18
Lifetime ISAs only available for people between the ages of 18 and 39

Our customers

Platform AUA and Customers

Figure 8

AUA (£ billion)	HY20 Advised platform	HY20 D2C Platform	HY20 Total Platform	HY19 Advised platform	HY19 D2C Platform	HY19 Total Platform
Opening AUA	**33.8**	**11.1**	**44.9**	**29.9**	**8.7**	**38.6**
Underlying inflows	2.0	1.4	3.4	1.6	0.9	2.5
Outflows	(0.9)	(0.4)	(1.3)	(0.8)	(0.3)	(1.1)
Underlying net inflows	**1.1**	**1.0**	**2.1**	**0.8**	**0.6**	**1.4**
Defined benefit inflows	0.4	–	0.4	0.5	–	0.5
Bulk migration inflows	–	–	–	–	0.2	0.2
Total net inflows	**1.5**	**1.0**	**2.5**	**1.3**	**0.8**	**2.1**
Market & other movements	(3.9)	(1.5)	(5.4)	(0.3)	0.2	(0.1)
Closing AUA	**31.4**	**10.6**	**42.0**	**30.9**	**9.7**	**40.6**
Variance to opening	*(7%)*	*(5%)*	*(6%)*	*3%*	*11%*	*5%*
Variance to prior year	*2%*	*9%*	*3%*			
Opening customers	**98,056**	**120,113**	**218,169**	**88,658**	**94,555**	**183,213**
Closing customers	**103,974**	**144,100**	**248,074**	**93,496**	**107,426**	**200,922**
Variance to opening	*6%*	*20%*	*14%*	5%	14%	10%
Variance to prior year	*11%*	*34%*	*23%*			

Commentary

- Total platform AUA increased by 3% compared to the prior year, although the impact of COVID-19 on markets resulted in platform AUA declining by 6% in HY20
- Strong growth in underlying net inflows across both platform propositions compared to HY19
- Inflows from defined benefit pension transfers levelling off as anticipated
- Customer growth across both platform propositions was higher than in HY19, with D2C customer acquisition at record levels

Financial update
Michael Summersgill

HY20 financial highlights

Figure 9

	HY20	HY19	+/-
Revenue	**£60.9m**	£50.1m	22%
Revenue margin	**23.2bps**	22.0bps	1.2bps
Profit before tax	**£22.7m**	£17.7m	28%
PBT margin	**37.2%**	35.3%	1.9ppts
Diluted earnings per share	**4.36p**	3.50p	25%
Interim dividend per share	**1.50p**	1.50p	-

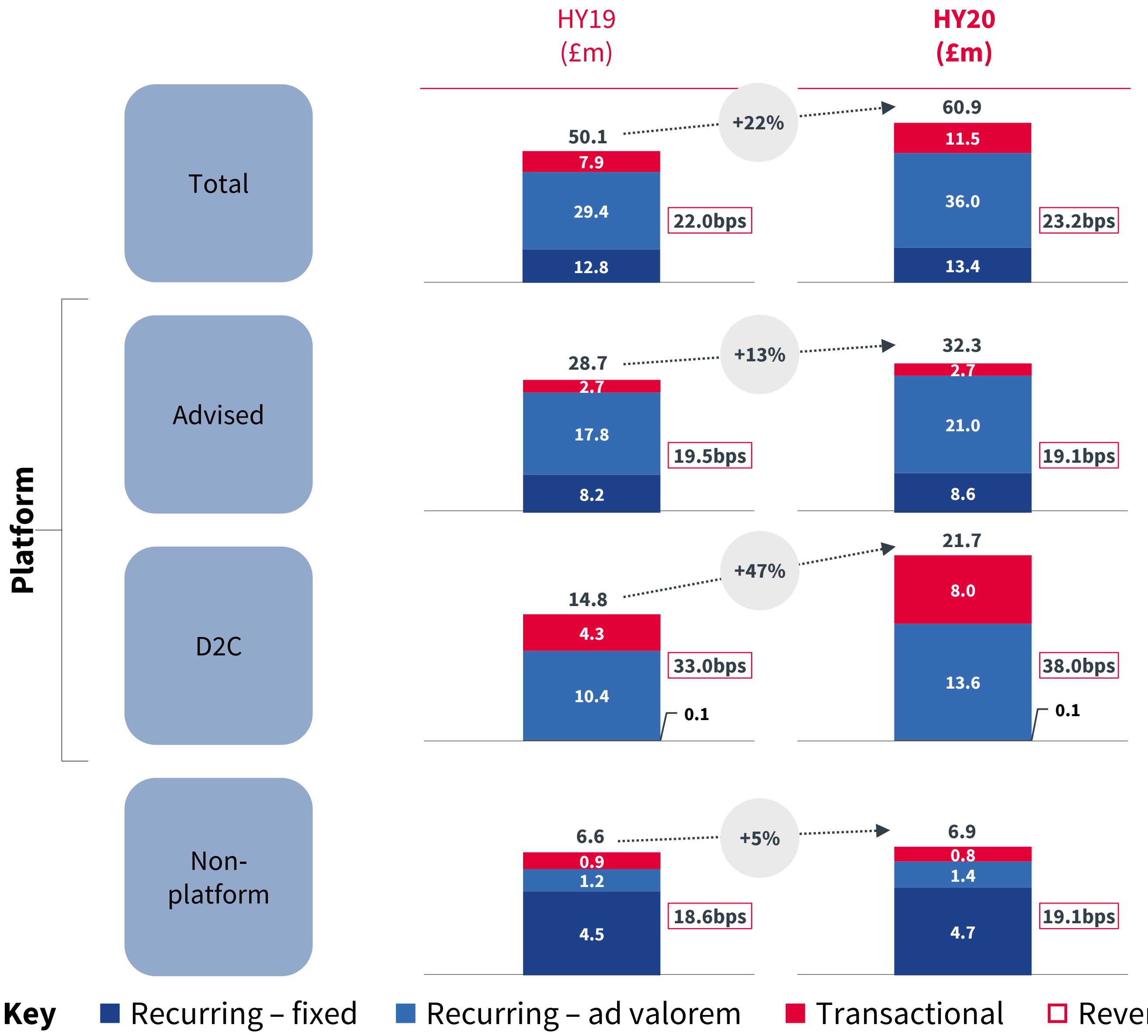
Commentary

- Strong growth in revenue (up 22%) and PBT (up 28%), driven by our platform propositions
- Increased transactional revenue outweighed the impact of adverse market movements due to COVID-19, pushing revenue up 1.2bps to 23.2bps
- Improved PBT margin resulting from revenue margin improvement and positive effect of operational gearing
- A short working-capital cycle ensures that profits are quickly converted into cash, with closing cash of £60.8m
- Interim dividend of 1.50 pence in line with prior year, reflecting a prudent approach in light of COVID-19

Revenue analysis

Revenue by proposition, nature of revenue streams and revenue margins

Figure 10



Commentary

- Increase in revenue driven by the continued success of our platform propositions
- High quality of earnings – 81% of revenue recurring in nature

Platform

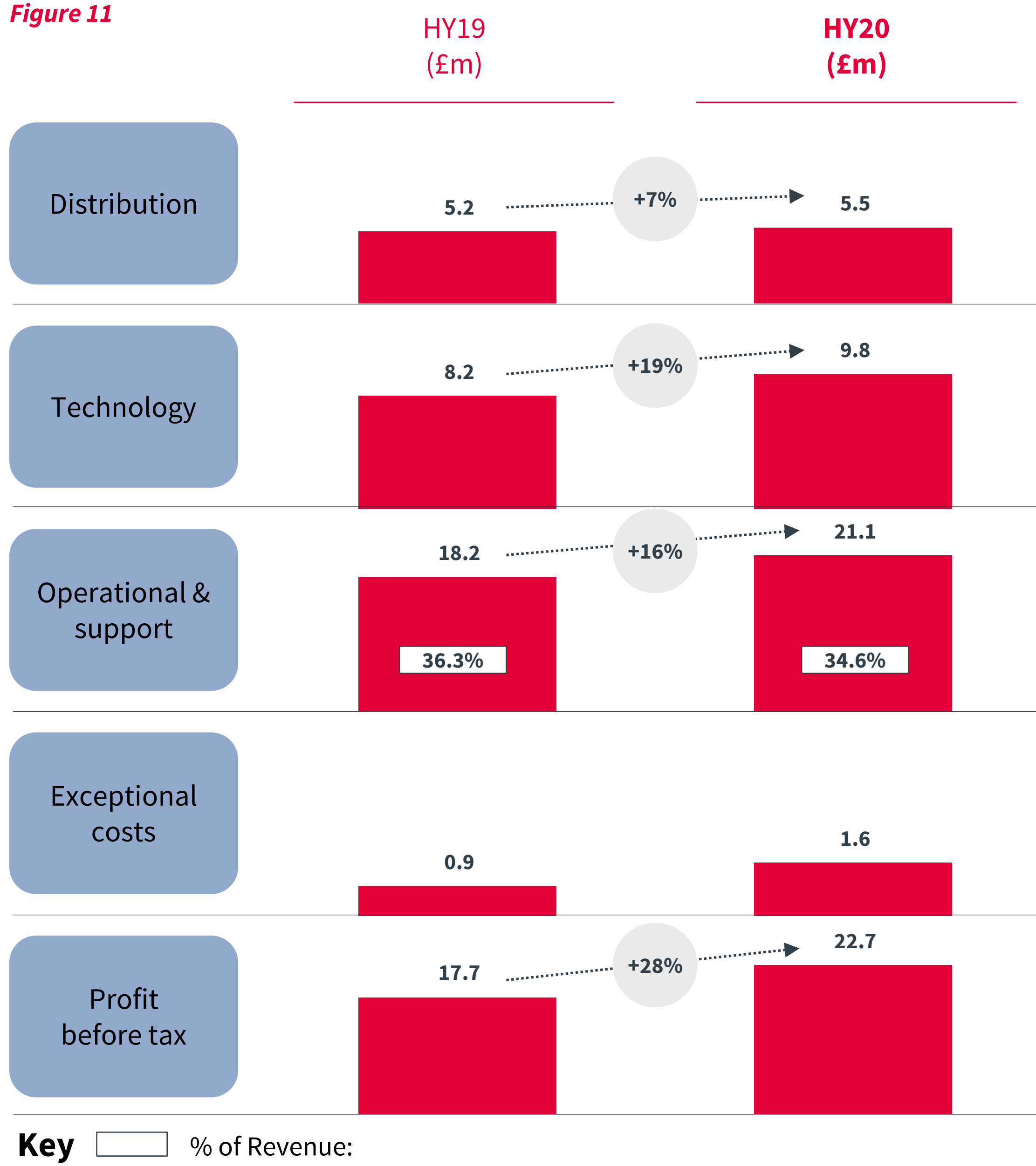
- Ad valorem revenue increase driven by growth in average AUA during HY20, with downward pressure caused by falling markets and the reduction in interest rates only felt in the last few weeks of HY20
- Strong growth in transactional revenue due to increased dealing activity by D2C customers, which caused revenue margin to increase significantly

Non-platform

- Modest increase in non-platform revenue compared to HY19 primarily due to higher media revenue

Cost Analysis and Profit Before Tax

Figure 11



Commentary

- Prior year included an additional £0.5m of direct marketing spend
- Additional staff to help implement technology changes at a faster rate as we continue to develop our platform propositions
- Increase due to increased headcount, costs related to the elevated D2C customer dealing activity and a supplementary FSCS levy for 2019/20 on our FCA class
- HY20 expense is the one-off share-based payment charge for our CSR initiative, whilst HY19 cost was in relation to AJ Bell's IPO
- The drivers of the increase in profitability continued to be the growth of the platform propositions, higher revenue margins and the operational gearing inherent in our business model

PBT margin improvement

AJBell

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

Figure 12

	HY20 change	PBT margin
HY19		**35.3%**
Growth & operational gearing	+1.1%	
Revenue margin	+2.4%	
Distribution costs	(0.6%)	
Exceptional costs	(1.0%)	
Total change in PBT margin		**1.9%**
HY20		**37.2%**

Commentary

- Resulting from scalability of the platform and operational efficiency improvements
- Main cause of revenue margin improvement was the significantly increased transactional revenue on the D2C platform due to higher dealing activity

Capital and dividend

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

Dividend policy

- An expected 65% payout ratio
- Interim dividend payments will equate to approximately 40% of the total ordinary dividend payment for the previous financial year
- Any additional surplus capital accrued will be returned to shareholders at an appropriate time

Application of our dividend policy in 2020

- HY20 interim dividend of 1.50 pence per share equates to 31% of the FY19 total dividend.
- This prudent approach in light of the COVID-19 situation seeks to strike a balance between our strong financial performance and the uncertain environment in the second half of FY20
- The Board recognises the importance of our progressive dividend history and reaffirms its commitment to our stated payout ratio for future dividends

Figure 13

Dividend payments

Pence per share	FY20	FY19	+/-
Interim	1.50	1.50	-
Final		3.33	
Total ordinary dividend		**4.83**	

Commentary

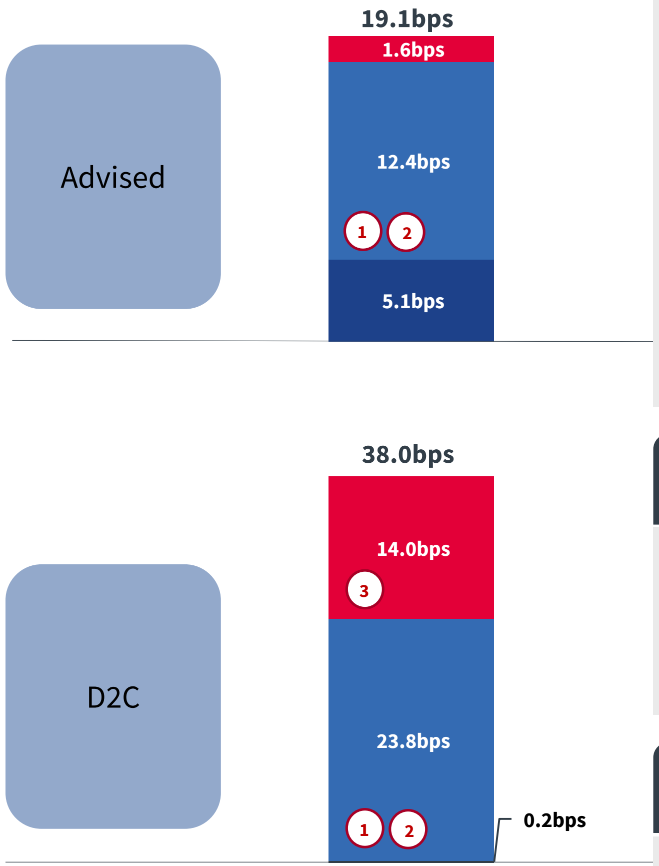
- The Group has a robust balance sheet, with net assets totalling £93.3m and cash balances of £60.8m as at 31 March 2020
- A healthy surplus above regulatory capital requirements is maintained
- Interim dividend of 1.50 pence, in line with prior year

Outlook

Financial outlook – factors influencing platform revenue

HY20 revenue margins

Figure 14



Key
- Recurring – fixed
- Recurring – ad valorem
- Transactional

1 Interest rate environment

- Changes in the interest rate earned and value of customer cash balances impacts the amount of interest income generated, which is dependent on:
  - Bank of England base rate – assumed to remain at 0.10% throughout FY20 and FY21
  - LIBOR vs. base rate spreads – expected to narrow during the second half of FY20
  - Average D2C customer cash balances – higher than historical average in HY20. Expected to revert to normalised levels in second half of FY20 and FY21
  - Treasury management – approach to the management of cash balances impacts the amount of interest income generated. Extensive use of term deposits and notice accounts expected to continue throughout FY20 and FY21
  - Interest paid to customers – currently 0% with no changes expected

2 Market levels

- Changes in the market value of assets affects AUA, which in turn impacts the amount of custody fees generated
- Average market levels assumed to remain similar to those seen in April 2020 throughout FY20 and FY21

3 Customer trading activity

- Changes in the level of customer trading activity impacts the amount of dealing commission generated
- The exceptional D2C customer trading activity in March 2020 continued in April 2020. It is assumed to return to normalised levels for remainder of FY20 and FY21

FY20/21 expected revenue margins

Figure 15

	FY20	FY21
Advised	c.19bps	c.17bps – 18bps
D2C	c.37bps	c.30bps – 32bps

Financial outlook - guidance

	FY20 previous guidance			Updates to FY20 guidance			Outlook for FY21		
	Advised Platform	D2C Platform	Non-platform	Advised Platform	D2C Platform	Non-platform	Advised Platform	D2C Platform	Non-platform
AUA inflows	Underlying inflows c.10% of opening AUA DB inflows c.£50m p.m.	Underlying inflows c.20% of opening AUA		Unchanged	Expected to be slightly ahead of guidance		No material changes from FY20	No material changes from FY20	
Revenue	Revenue margin 18.5 – 19.0bps	Revenue margin 32.0-33.0bps	Total revenue £11.5-£12.5m		Revenue margin expected to be c.37bps	Top end of guided range	Revenue margin expected to decline to c.17-18bps	Revenue margin expected to decline to c.30-32bps	Revenue to fall to less than £11.5m
Costs / PBT margin	Modest improvement – efficiency in operational and support costs			PBT margin expected to be broadly flat year-on-year			c.5ppt decline in PBT margin expected due to reduced revenue margin		
Exceptional items	Share-based payment expense relating to CSR initiative, estimated at c.£1.5m			No further exceptional costs anticipated			No exceptional costs anticipated		
Management actions				No significant management actions anticipated in FY20			Approach to be agreed in business planning process during summer 2020		

Market outlook

AJBell

- **Significant long-term uncertainty –** COVID-19 will continue to impact market volatility, investor sentiment and policy decision making, whilst creating potential M&A opportunities
- **New working practices –** Behaviours, working environments and products will need to adapt but we will continue to put our customers at the heart of everything we do
- **Our market remains attractive –** The UK platform market continues to grow and we are well placed to capitalise on the opportunities that lie ahead
- **A strong proposition –** Our competitive pricing, excellent service and increasing brand awareness will continue to drive customer growth
- **Demonstrable track record –** We have history of delivering organic growth through periods of market volatility and have a clear strategy to ensure that this continues
- **Long-term outlook is positive –** We operate a profitable, resilient business model within a growing market and the outlook remains positive

Q&A

Glossary

Glossary

AUA	Assets Under Administration
BPS	Basis Points
COVID-19	An infectious Disease Caused by a Coronavirus
D2C	Direct to Consumer
DB pension	Defined Benefit Pension Scheme
DC pension	Defined Contribution Pension Scheme
FCA	Financial Conduct Authority
HY19/HY20	Six Months Ended 31 March 2019/2020
IPO	AJ Bell plc's Initial Public Offer in December 2018
ISA	Individual Savings Account
LIBOR	London Interbank Offered Rate
LISA	Lifetime Individual Savings Account
PBT	Profit Before Tax
PHE	Public Health England
RIA	Retirement Investment Account
SIPP	Self-invested Personal Pension
WFH	Working from Home

Our products

Advised Platform

AJ Bell Investcentre

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

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

AJ Bell Platinum

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

AJ Bell Media

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

HALIFAX BARCLAYS

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

AJ Bell Securities

Provides dealing, settlement and custody services to institutional investment businesses

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