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8 November 2018

AJ Bell Holdings Limited

Potential Intention to Float on London Stock Exchange and 2018 Full Year Results

AJ Bell Holdings Limited (the "**Company**", "**AJ Bell**" or the "**Group**"), one of the largest investment platforms in the UK, announces that it intends to publish a Registration Document later today and is considering proceeding with an Initial Public Offer (the "**IPO**" or the "**Offer**").

AJ Bell is also announcing its financial results for the year ended 30 September 2018 in which the Group reported revenues up 19% to £89.7 million, profit before tax up 31% to £28.4 million and a 29% increase in basic earnings per share to 55.26 pence. Performance was driven by strong growth in the core platform business with assets under administration ("**AUA**") increasing 25% to £38.6 billion and platform customer numbers up 30% to 183,213.

AJ Bell's interim and final dividends totalled £14.6 million (35.5 pence per share) in respect of full year 2018, together with a further special dividend of £8.0 million (19.5 pence per share).

Andy Bell, Chief Executive Officer, comments:

"The purpose at the heart of our business is to make it easy for people to invest. We do this by delivering innovative, low-cost and transparent investment products via our platform. This focus on the customer has enabled us to grow since formation in 1995 to become one of the largest investment platforms in the UK, spanning both D2C and advised markets. With nearly 200,000 customers and AUA of £46.1 billion, we are a business of scale operating in a fast growing market.

"We have a history of profitability, cash generation and dividends and this is once again demonstrated in our latest full year results. Revenue was up 19% and profit before tax increased 31%, with interim and final dividends totalling £14.6 million, an increase of 25% on the previous year.

"Our intention to float the business on the London Stock Exchange reflects both our historic achievements and our belief in how much more we can achieve. A listing offers us further reputational and commercial benefits that will support our growth plans."

2018 FULL YEAR FINANCIAL RESULTS

- AJ Bell's retail customers for the year ended 30 September 2018 increased 20% to 197,912 (FY17: 164,557) and AUA increased 16% to £46.1 billion (FY17: £39.8 billion).
- The increase in AUA was driven primarily by the Company's core platform business: platform AUA increased 25% to £38.6 billion (FY17: £30.9 billion), platform customer numbers increased

30% to 183,213 (FY17: 141,207) and net platform inflows were £5.9 billion in the year (FY17: £5.5 billion).

- Revenue was up 19% to £89.7 million (FY17: £75.6 million) and profit before tax increased 31% to £28.4 million (FY17: £21.7 million), whilst basic earnings per share increased 29% to 55.26 pence (FY17: 42.85 pence).
- AJ Bell's interim and final dividends totalled £14.6 million (35.5 pence per share) in respect of full year 2018, together with a further special dividend of £8.0 million (19.5 pence per share).
- This strong profitable business growth is why AJ Bell is recognised as one of the most financially stable investment platforms in the market. It has materially no debt, net assets of £64.0 million and 440% coverage over its minimum required regulatory capital.

BUSINESS HIGHLIGHTS

- AJ Bell is one of the UK's leading investment platforms operating successfully in both the advised and D2C segments.
- AJ Bell's multi-channel model means it is well positioned to capitalise on the rapid structural growth of the accessible UK savings and investment market. The investment platform market is a fast growing segment within this sector with a number of key growth drivers:
 - The decline of defined benefit pensions and policy changes such as pension freedoms are creating demand for platform based savings products.
 - Increasing life expectancy means people are having to invest more for longer.
 - Regulation and capital requirements create high barriers to entry.
- Since 2012, the Company has achieved a 26% compound annual growth rate ("**CAGR**") in platform AUA, well in excess of both the platform and wider investment market.
- AJ Bell's success has been built on its proven, profitable and highly cash generative operating model:
 - The Company benefits from a stable and diverse income stream, reinforced by a 95% customer retention rate, offering good visibility to future performance.
 - AJ Bell's re-platforming was completed in 2014 and its efficient operational structure and technology architecture enable positive operating leverage.
 - The business is materially debt free, had an average cash conversion rate over 100% over the last three years and has declared a dividend in each of the last 15 years.
- AJ Bell's platform delivers a high quality service at a competitive price and is designed to be easy to use by both advisers and retail customers. AJ Bell has won a total of 30 industry awards in 2016, 2017 and 2018. AJ Bell's platform gives access to a wide range of tax wrappers and investments, allowing advisers and customers to choose how they invest, and provides relevant and accessible investment content to assist with that choice.
- AJ Bell maintains a strong independent brand and has one of the highest levels of customer retention in the market. Customer retention levels have remained relatively constant at approximately 95% in each of the last 3 financial years. The customer base for AJ Bell's platform propositions has grown strongly in recent years, both in terms of the number of new

customers (CAGR over the last 6 years of 24%) and AUA (CAGR over the last 6 years of 26%). Net inflows (total inflows less total outflows) are also positive at 17% for AJ Bell Investcentre and 26% for AJ Bell Youinvest, expressed as a percentage of opening assets for FY2018.

- AJ Bell's platform technology is consistently improving to support the planned growth of the business and provide a reliable, easy to use service for clients. AJ Bell continues to invest significantly in technology to ensure the platform remains secure, flexible and scalable. The business took the decision some time ago to re-platform and the stability of its digital architecture and its ability to introduce innovative new services represents a material advantage compared to a number of other platforms that have undergone upgrades of their technology or re-platforming in recent years.
- AJ Bell's business was founded on a transparent and innovative culture. This entrepreneurial spirit is supported by a committed management team, with an average length of service of 11 years, led by founder Andy Bell. In addition to senior management, AJ Bell's staff are highly engaged, and in February 2018 AJ Bell was named as one of the Sunday Times' 100 Best Companies to Work For. The Company also has a well-established corporate governance framework. This combination of culture, talent and structure underpins the future growth of the company.

POTENTIAL OFFER STRUCTURE

Should AJ Bell proceed with an IPO, the following is intended:

- Premium listing on the Official List of the FCA (the **"Official List"**) and admission to trading on the Main Market for listed securities of the London Stock Exchange (the **"LSE"**) (together, **"Admission"**).
- Secondary sell-down of existing ordinary shares by selling shareholders. There is no intention for there to be a primary raise.
- The Company will also offer participation to qualifying AJ Bell customers through its platform.
- The Company intends that it would have a free float of at least 25% and expects that it would be eligible for inclusion in FTSE UK indices.
- A prospectus including full details of the offer is expected to be published on or around 27 November 2018.
- The Group will be re-registered as a public limited company prior to the intended date of Admission. This re-registered company would apply for admission of its ordinary shares (the **"Shares"**) to the premium listing segment of the Official List and to trading on the Main Market of the LSE.
- Sponsor, financial adviser, sole bookrunner and broker: Numis Securities Limited.

REGISTRATION DOCUMENT

The Company has today submitted a Registration Document to the FCA for approval. Following approval, the Registration Document will be published and a copy will be submitted to the National Storage Mechanism and available for inspection at <http://www.morningstar.co.uk/uk/NSM>. A copy of the Registration Document will also be available from the Company's registered office, at 4 Exchange Quay, Salford Quays, Manchester, M5 3EE and online at www.ajbell.co.uk, subject to certain access restrictions.

Access to supplemental information for bona-fide, unconnected research analysts:

A presentation in person by AJ Bell for unconnected research analysts will be held at 10am on 13 November 2018 at the Company's office, 4 Exchange Quay, Salford Quays, Manchester, M5 3EE. Please contact Shaun Yates at AJ Bell at Shaun.Yates@ajbell.co.uk if you would like to attend the presentation.

ENQUIRIES**AJ Bell**

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FURTHER INFORMATION ON THE GROUP**History of the Group**

AJ Bell was co-founded in 1995 in Manchester by Andy Bell and Nicholas Littlefair to provide actuarial, trustee and pension administration services to customers with a SSAS or SIPP.

In 2000 AJ Bell launched the UK's first online SIPP for execution only investors – Sippdeal (now AJ Bell Youinvest). Two years later in 2002, Sippcentre (now AJ Bell Investcentre) was launched as a low-cost SIPP for advised customers.

AJ Bell attracted its first institutional investment in 2005 with Midas Capital Partners (now Seneca Investment Managers) acquiring shares in the Company on behalf of its retail funds; and subsequently in 2007 Invesco Perpetual acquired shares in the Company, also on behalf of its retail funds.

While most of AJ Bell's business until 2007 was as a SIPP provider and administrator, in that year the Board decided to make a strategic move to broaden and deepen AJ Bell's product range and services. AJ Bell acquired a stockbroker called Lawshare Limited in 2007 (now AJ Bell Securities) and this enabled it to bring "in-house" the provision of dealing, custody and investment administration services to Sippdeal and Sippcentre customers, rather than outsource to a third party. This allowed it to take full control of pricing and service quality. The acquisition also paved the way for the transformation of Sippdeal and Sippcentre to full investment platform propositions in 2011; offering ISAs and general investment/dealing accounts in addition to the existing SIPP products.

In 2011 AJ Bell further expanded its service to advised customers through the launch of a custody solution for wealth managers. Also in 2011, co-founder Nicholas Littlefair, who had assumed a non-executive role in 2009, took early retirement.

In 2012 AJ Bell made its next strategic move, acquiring MSM Media Limited (now AJ Bell Media), the publisher of Shares magazine. This acquisition provided AJ Bell with access to a wide array of proprietary investment content, supplementing the technical expertise already present within the

business. By leveraging the content available within Shares magazine, in particular, the acquisition has allowed AJ Bell to provide an increased level of relevant content to its platform customers.

In 2013 and 2014 the flagship platform propositions were rebranded: Sippdeal was renamed AJ Bell Youinvest (2013) and Sippcentre was renamed AJ Bell Investcentre (2014).

In early 2016 AJ Bell acquired Mansard Capital LLP and Indexx Markets Limited which together became AJ Bell's investment management business. This allowed AJ Bell to develop a range of its own investment solutions designed specifically to meet the needs of its customers, with the first of these, the AJ Bell Investcentre Managed Portfolio Service, launched during the same year. This was followed, in 2017, by the launch of the AJ Bell Passive funds range and the AJ Bell Favourite funds list and, the AJ Bell Ready-made portfolios are due for launch before the end of 2018.

Also in 2017, all Manchester based staff relocated to new headquarters at Exchange Quay in Manchester and the Board subsequently made the strategic decision to close its Tunbridge Wells office, with all core operational functions relocating to the Manchester headquarters and some specialist functions relocating to the London office. The relocation of all functions was successfully completed by the end of September 2018.

In 2018 AJ Bell was ranked in the Sunday Times "100 Best Companies to Work For" in the UK.

Overview of the Business

AJ Bell is one of the largest investment platforms in the UK, based on the value of its AUA. The total value of the Group's AUA was £46.1 billion as at 30 September 2018. AJ Bell's flagship propositions are AJ Bell Investcentre, which operates in the advised segment of the platform market and AJ Bell Youinvest which operates in the D2C segment. The Group operates principally as a platform business although it also maintains an element of non-platform business.

AJ Bell Youinvest and AJ Bell Investcentre provide access to a broad investment range including shares and other financial instruments traded on the major stock exchanges around the world, as well as mainstream collective investments available in the UK. AJ Bell also offers a range of in-house investment solutions, including the AJ Bell Passive funds, the AJ Bell Investcentre Managed Portfolio Service, the AJ Bell Favourite funds list and AJ Bell Ready-made portfolios (the latter due for launch before the end of 2018).

AJ Bell has a diverse revenue model which arises from the fees charged for the provision of platform services. AJ Bell's revenue can be classified into the following:

- **Recurring revenues:** includes both ad-valorem charges (including custody charges, retained interest margin and annual management charges), together with fixed fees (including annual administration charges, drawdown, property and off panel charges).
- **Transactional revenues:** includes both dealing charges (for buying and selling investments and foreign exchange) together with other transactional charges (for transfer, off-panel investments, pension withdrawals and other transactional activity).

AJ Bell's distribution model is diversified, operating in these different segments of the platform market. It is not reliant on any key customer or introducer, providing stable earnings despite customer inflows and outflows.

AJ Bell's business is highly cash generative and it has a capital light model. Cash generated from operations has averaged over 100% of profit before taxation for the period covered by the historical

financial information as AJ Bell benefits from a short working capital cycle and low levels of capital expenditure following the completion of its re-platforming in 2014.

Growth has been funded from retained earnings and has not required primary equity fundraising or material debt finance.

AJ Bell's strong regulatory capital position is evidenced by a regulatory capital surplus yielding coverage of 440% of its Pillar 1 regulatory capital requirements during the period covered by the historical financial information summarised below.

GROUP STRATEGY

The directors of the Company (the “**Directors**”) believe that AJ Bell will continue to prosper given its market position, its focus on delivering a quality low-cost service, its strong balance sheet and long track record of profitability.

The simple statement at the heart of the AJ Bell group strategy is “We help people to invest” and this is AJ Bell's principal focus, alongside its ambition to be the easiest platform to use. AJ Bell delivers value to its customers by working to ensure that its prices are highly competitive, its service is first class and its propositions meet their needs.

The AJ Bell Way is a structured framework that aids the development and communication of AJ Bell's strategy.

The key elements of the AJ Bell Way are:

- Guiding Principles (Intelligent, Principled, Personal, Focused, Straightforward and Energetic): that drive the culture of the business;
- Strategic Drivers (Our Customers, Growth, Finance and Assurance, Customer Services and Our People): the five drivers upon which all strategic goals are based which will not change for the foreseeable future;
- Strategic Goals: which are set to enable AJ Bell to realise its business strategy. These goals are dynamic and are reviewed every year as part of the business planning process and may change to reflect the priorities at that time; and
- KPIs: quantitative measures used to assess the achievement of the Strategic Goals.

AJ Bell's strategy focuses on:

Our customers: making investing easier

AJ Bell intends to continue to develop its customer propositions, with a focus on ease of use, price and service. AJ Bell seeks to attract new customers and to improve customer satisfaction and loyalty by taking action to improve the customer journey and by delivering a range of straightforward, transparent, low cost and mainstream investment solutions that make investing easier.

The ease of use of the platform is central to this strategy. The in-house development teams focus on developing AJ Bell's websites using new technologies and linking to the core operating systems using APIs to ensure control is maintained over customer interfaces.

Growth: Growing customer numbers and AUA

AJ Bell continues to focus on organic growth, both in terms of customer numbers and the level of AUA, by developing its marketing capabilities and improving its brand awareness. AJ Bell seeks to grow its

business in a sustainable and cost effective manner by attracting new customers to the platform through various marketing campaigns and ensuring it retains its existing customers through first-class service.

Finance and Assurance: Preserving our established culture of compliance

AJ Bell has a strong corporate culture and has been run with institutional investors since 2005. AJ Bell maintains this compliant culture to preserve its financial security and regulatory and reputational standing in the market. Under the supervision of the senior management team, it continues to enhance its relationship with the regulatory authorities.

Customer services: Improving customer services

AJ Bell continually seeks to improve the quality, efficiency and security of the services it provides to its customers through a resilient, stable and secure IT platform. AJ Bell completed the migration of its platform to a new technology platform in 2014 and its IT systems are fully embedded in the business. Ongoing investment in the platform and the IT systems continues to ensure that AJ Bell maintains a robust, scalable and adaptable technology solution.

Our people: Engaging with employees

AJ Bell recognises the importance of ensuring its staff are fully engaged with AJ Bell's objectives and strategy and are aligned with its culture. AJ Bell seeks to maintain a working environment in which its employees are fairly rewarded, provided with the right tools to do their jobs and given opportunities to progress within AJ Bell to ensure loyalty to AJ Bell and a first-class service for its customers.

INVESTMENT HIGHLIGHTS

The Directors believe that the key competitive advantages set out below will allow AJ Bell to realise its strategic goals and reinforce its competitive position.

Investment Platform Market: A fast growing retail market within the UK savings and investment industry

The Group is well placed to take advantage of the drivers for growth applying to both the advised and D2C market segments, including:

- Consolidation of non-platform investments, in particular in ISAs and pensions, onto platforms;
- Ongoing consolidation of defined contribution ("DC") pensions by consumers;
- Existing customers getting wealthier; and
- Re-pricing and re-platforming by other providers resulting in customers becoming dissatisfied with the value and service of their current provider and looking at alternatives, giving opportunities for AJ Bell to gain new customers.

In relation to the advised market there are a number of specific growth drivers supplementary to the general drivers for growth across the wider platform market:

- In addition to independent financial advisers benefitting from the exit of retail banks from the advice market they have also benefitted from the increased AUA advice thresholds of high-end investment banks; and
- Although volumes have fallen back from the peak in 2017, there continues to be movement from defined benefit ("DB") to DC pension schemes which is driving growth in the market.

The D2C market also has a number of specific growth drivers including the significant "advice gap" in the UK, highlighted in the FCA's Financial Advice Market Review, with an increasing number of investors unable to access, or afford, financial advice and turning to non-advised solutions. These investors are different to many of those who previously used D2C solutions - categorised by AJ Bell Youinvest as "hungry for help" or "nervous newcomers" - and are looking for more support and guidance

to help them make the right investment decisions. AJ Bell's Passive funds, Favourite funds list, and Ready-made portfolios (due to launch in the last quarter of 2018) have been designed with the needs of these investors in mind.

Following the FCA's Investment Platforms Market Study and given the structural growth drivers in place, there is no reason to believe that both the advised and D2C investment platform markets will not continue to grow strongly in the future. Given AJ Bell's established market position, its financial performance and competitive pricing policy, the Directors believe it is well placed to benefit from this future growth.

When considering the barriers to entry to the platform market, the Directors believe that AJ Bell has a highly defensible proposition in the market due in part to:

- Being one of the very few participants to already operate at scale in both the advised and D2C segments;
- Having invested, and continuing to invest, in robust and scalable systems, with high levels of straight through processing, having already completed re-platforming of its flagship platform propositions in 2014;
- Being a strong and trusted brand, as recognised by customers;
- A strong regulatory capital position; holding cash reserves comfortably in excess of its regulatory capital requirement as at the date of this announcement and benefiting from a highly experienced risk and compliance team that systematically monitors compliance with regulatory requirements and maintains regular dialogue with the FCA; and
- The combination of a profitable business model and competitive pricing for the platform propositions.

Proposition: Award-winning platform operating in both the advised and D2C market segments

Unlike most of its competitors, AJ Bell operates at scale in both the advised and D2C market segments, which were estimated by Platform at £490 billion (as at 31 March 2018) and £205 billion (as at 30 September 2017) respectively. As discussed above, there are a number of factors driving growth within both market segments, and by operating in both market segments AJ Bell can maximise these growth opportunities.

AJ Bell's platform delivers a quality service at a competitive price, servicing both advisers and retail customers. AJ Bell has won a total of 30 industry awards in 2016, 2017 and 2018.

Ease of use is a key driver of developments in the AJ Bell platform propositions. Price and service are the other key drivers for AJ Bell when developing product propositions.

AJ Bell's two flagship platform propositions give access to a wide range of tax wrappers and investments, allowing advisers and customers to choose how they invest, and provides relevant and accessible investment content to assist with that choice. The addition of simple, low-cost and transparent in-house investment solutions, like the AJ Bell Passive funds range and the AJ Bell Investcentre Managed Portfolio Service, together with the Favourite funds list and Ready-made portfolios (due to launch in the last quarter of 2018) for AJ Bell Youinvest customers, has further enhanced AJ Bell's proposition.

Central to the AJ Bell proposition is the ability to offer great customer service, ease of use and the right functionality and choice, all at highly competitive prices across the platform propositions. AJ Bell's pricing is designed to be highly competitive, for customers falling in its target markets, and to be transparent and fair, with customers charged for the work undertaken on their accounts. Information on charges is easy to find on the AJ Bell website, is presented clearly, with different charging scenarios and tools to help the customer understand how much they will pay. Competitor pricing is closely monitored with reviews of changes to competitor pricing undertaken and compared to that of AJ Bell's on an ongoing basis. When compared by reference to revenue per £AUA, AJ Bell comes out lower than its key competitors in both the advised and D2C segments.

Customers: A loyal base of high quality customers

AJ Bell maintains a strong independent brand and has one of the highest levels of customer retention in the market. Customer retention levels have been approximately 95% in each of the last 3 years.

As at 30 September 2018, the value of the average customer portfolio for AJ Bell Investcentre was £337,000, and for AJ Bell Youinvest was £92,000, both of which are higher than the market leader (by market share) in the relevant market segment, which provides an indication of the quality of AJ Bell's customers.

As at 30 September 2018, AJ Bell Youinvest had around 94,000 customers, with a total of £8.7 billion AUA. Its target customers are UK residents seeking to invest online in a range of stock market investments and collective investment schemes, through a variety of tax wrappers (for example SIPPs, ISAs and dealing accounts) on an execution-only basis. Customers are segmented on the basis of their attitude to investing, defined as either "nervous newcomer", "hungry for help" or "confident in control". Based on the latest customer survey, in August 2018, 56% of AJ Bell Youinvest's customers define themselves as "confident in control", although this percentage has been falling gradually as AJ Bell Youinvest attracts more customers from the growing numbers of those falling into the "advice gap".

AJ Bell Investcentre receives business from UK regulated financial advisers and wealth managers, who have advised around 89,000 of their clients to invest £29.9 billion of their assets through AJ Bell Investcentre, as at 30 September 2018. In a recent survey by Platform, AJ Bell is ranked fourth out of 17 investment platforms in being considered by its users as their primary platform. Platform calculated that the primary platform attracts a 46% share of the advisers' platform business.

The type of accounts opened by customers has become increasingly diverse, with more ISAs and dealing accounts being set up, but SIPPs still represent a significant percentage of accounts, both by number and AUA. This reflects both AJ Bell's heritage as one of the leading SIPP providers and its continued focus on attracting high value pension business.

Business Model: Profitable and scalable platform with embedded growth and margin expansion opportunities

AJ Bell benefits from operational gearing and a low-cost business model. Margins have grown over the period covered by the historical financial information at the same time as the number of new customers has increased. The Directors believe that as new customers are added and existing customers continue to make contributions there will be margin growth opportunities.

AJ Bell has developed a hybrid technology model, which seeks to combine proprietary and third party components to best effect.

AJ Bell maintains complete control over its interactions with its customers and advisers through its adaptable and easy to use proprietary user interfaces, which are developed and maintained in-house. These include internal interfaces, which enhance ease of use for service teams, and AJ Bell's proprietary websites and mobile apps with the focus on ease of use for customers and advisers. The two main back-office systems are well-established within the platform market, these being GBST's Composer system and JHC's Figaro software. These proven suppliers provide scalable systems which are updated for regulatory change, with regular enhancements to system functionality in response to user feedback and support for additional AJ Bell specific development. AJ Bell's systems are well integrated and efficient, allowing high levels of online customer servicing, straight-through processing and automation. Around 99% of AJ Bell's retail equity and fund deals are now placed online. The platform experiences high levels of activity with almost 43,000 accounts opened for AJ Bell Youinvest and with gross inflows of £7.8 billion for AJ Bell Youinvest and AJ Bell Investcentre during FY2018.

Following completion of the back-office re-platforming in 2014, AJ Bell's platform technology is robust, scalable and adaptable and well placed to support the planned growth. The technology is now fully embedded in the business, while many of AJ Bell's competitors are still in the midst of their re-platforming exercises. This allows new products to be added quickly, for example the Lifetime ISA

("LISA") which was made available on AJ Bell Youinvest within two months of the legislative launch date.

The centralisation of all core operational functions in AJ Bell's Manchester headquarters, following the closure of its Tunbridge Wells office in 2018, is also expected to create further opportunities to improve business efficiency and the service provided to customers.

AJ Bell continues to invest significantly in technology to ensure its platform remains secure and efficient and to deliver enhancements to the services provided to customers and advisers, in line with their changing needs.

The regulatory landscape within which AJ Bell operates changes regularly and is increasingly stringent, but as a well-capitalised business with an adaptable platform, the Directors believe AJ Bell's business is well placed to cope with these future changes.

Earnings: High quality of earnings

High customer retention rates and a mixture of revenue types combine to yield predictable and sustainable revenue streams from AJ Bell's business. AJ Bell's revenue comprises a mixture of transactional and recurring revenue, both as ad-valorem and fixed monetary charges.

AJ Bell's distribution model is diversified, operating in both the advised and D2C segments of the platform market. It is not reliant on any key customer or introducer, providing stable earnings despite customer inflows and outflows. As at 30 September 2018, AJ Bell Investcentre had received business from a total of 2,730 adviser firms, with 80% of AUA controlled by 325 adviser firms and with no one firm controlling more than 3%. The largest single contract in AJ Bell's non-Platform business relates to less than 1.5% of total AJ Bell revenue and was renewed in 2017 for a term of 5 years. AJ Bell's stable, diverse earnings coupled with a low cost operating model, which is materially debt-free, supports AJ Bell's future profit potential.

Cash generation: Highly cash generative and capital light model supports progressive dividend policy

Cash generated from operations has averaged over 100% of profit before tax over the past three years and the quick conversion of profits to cash has supported the growth of the business to date.

Growth has been funded from retained earnings and has not required primary equity funding or debt finance. All investment in customer acquisition and product development has been expensed through the income statement and, apart from re-platforming, the vast majority of IT expenditure has also been expensed. AJ Bell has a track record of both maintaining investment in its platform, expanding its customer base and paying dividends.

The annual dividend per share paid by AJ Bell has increased year on year over the last 15 years and the Directors believe AJ Bell's capital light model will continue to support a progressive dividend policy.

AJ Bell's cash generative business means it has a strong regulatory capital position. This was supported by a recent FCA SREP review and the strong regulatory capital position is also evidenced by consistently high coverage of AJ Bell's Pillar 1 requirement.

Team: Entrepreneurial, founder-led, stable and experienced management team and engaged staff

AJ Bell's business was founded on a transparent and innovative culture, and is supported by a committed management team and strong corporate governance.

The senior management team has an average length of service of 11 years and is led by AJ Bell's co-founder, Andy Bell. The Senior Managers combine sector and product expertise with the benefit of long experience within the business and industry.

AJ Bell's staff are highly engaged and ranked AJ Bell in the Sunday Times "100 Best Companies to Work For" in 2018. As at 30 September 2018, 137 members of staff have shares or options in the business.

AJ Bell has a well-established corporate governance framework. The Board meets a minimum of nine times each financial year and is supported by four sub-committees: Audit; Risk and Compliance; Remuneration; and Nomination, with a fifth, the Disclosure Committee, having been established in anticipation of Admission.

The management team is familiar with the reporting obligations and delivery expectations of a listed company, through AJ Bell's relationship with its two long-standing institutional investors, Invesco Perpetual and Seneca Investment Managers.

The Directors

The following table lists the names, ages and positions of the current members of the Board:

<i>Name</i>	<i>Age</i>	<i>Position</i>
Leslie Michael Platts	64	Non-Executive Chairman
Andrew James Bell	52	Chief Executive Officer
Michael Thomas Summersgill	34	Chief Financial Officer
Laura Martine Carstensen	57	Senior Independent Non-Executive Director
Eamonn Michael Flanagan	55	Independent Non-Executive Director
Simon Turner	66	Independent Non-Executive Director

Leslie Michael Platts (Non-Executive Chairman)

Les joined AJ Bell in September 2008 having retired as an Audit Partner and practice Senior Partner for the north-east with Deloitte, a leading international professional services firm. Over a period of 33 years, Les gained extensive UK and international experience across all industry sectors, including FTSE 100, FTSE 250, smaller listed PLCs, large private companies and private equity investments. He has advised at board level on a wide range of financial, commercial and governance issues, and is also Vice Chairman of Leeds Building Society.

Andrew James Bell (Chief Executive Officer)

Andy co-founded AJ Bell in 1995, having spent a number of years working within the financial services sector. Graduating from Nottingham University in 1987 with a first class degree in Mathematics, he qualified as a Fellow of the Institute of Actuaries in 1993 and has built AJ Bell into one of the largest online investment platforms in the UK.

Michael Thomas Summersgill (Chief Financial Officer)

Michael joined AJ Bell in July 2007 and was subsequently appointed as Chief Financial Officer in May 2011. In addition to overseeing the financial management of the Group, he is responsible for all operational functions in the business. Michael graduated from the University of Sheffield with a degree in Economics and began his career as an accountant in public practice.

Laura Martine Carstensen (Senior Independent Non-Executive Director)

Laura joined the Board in March 2018. Amongst other roles she is currently Non-Executive Chairman of Park Group Plc, an AIM-listed UK financial services business, and a Non-Executive Director and Chairman of the Values and Ethics Board Committee at the Co-operative Bank p.l.c. Previously Laura spent nearly 20 years at Slaughter and May, a major City law firm, ten years of which were as a partner and has also served as Deputy Chairman of the Competition Commission and a Commissioner of the Equality and Human Rights Commission.

Eamonn Michael Flanagan (Independent Non-Executive Director)

Eamonn joined the Board in March 2018, having previously been a director in Shore Capital Markets, a respected independent securities business, since its establishment in 2003. Prior to this, Eamonn was a director and then Head of European Insurance at a leading investment bank. He is a Fellow of the Institute of Actuaries and the Institute of Directors.

Simon Turner (Independent Non-Executive Director)

Simon joined the Board in July 2014 with strong experience in the retail, consumer electronics and IT industries, thanks to his time as Group Managing Director at Dixons PC World, a leading UK electrical retailer, and his appointment to the boards of several large internet businesses. Simon has experience in the financial services industry having spent eight years on the board at Yorkshire Building Society, one of Britain's biggest building societies and was on the UK board of Allied Irish Bank for 3 years.

Financial Highlights

The tables below present selected historical financial information and certain non-IFRS financial measures and other metrics for AJ Bell as at and for the years ended 30 September 2016, 2017 and 2018.

Consolidated statement of comprehensive income

	Year ended 30 September		
	2016	2017	2018
	£000	£000	£000
Revenue	64,466	75,576	89,691
Administrative expenses	(47,717)	(53,800)	(61,435)
Operating profit	16,749	21,776	28,256
Investment income	73	3	128
Finance costs	(43)	(82)	(25)
Profit before tax	16,779	21,697	28,359
Tax expense	(3,466)	(4,223)	(5,713)
Profit for the year	13,313	17,474	22,646
Earnings per ordinary share:			
Basic (pence)	32.85	42.85	55.26
Diluted (pence)	32.73	42.60	54.05

All income, profit and earnings are in respect of continuing operations.

There were no other components of recognised income or expense in either years and consequently no statement of other comprehensive income has been presented.

Statement of financial position

	As at 30 September		
	2016	2017	2018
	£000	£000	£000
<i>Assets</i>			
Total non-current assets	9,993	11,722	11,589
Current assets			
Trade and other receivables	17,738	22,172	20,075
Cash and cash equivalents	39,510	42,138	49,695
Total current assets	57,248	64,310	69,770
Total assets	67,241	76,032	81,359
<i>Liabilities</i>			
Total current liabilities	(11,693)	(13,634)	(15,511)
Total non-current liabilities	(1,760)	(1,036)	(1,812)
Total Liabilities	(13,453)	(14,670)	(17,323)
Net assets	53,788	61,362	64,036
Total equity	53,788	61,362	64,036

Statement of cash flows

	Year ended 30 September		
	2016	2017	2018
	£'000	£'000	£'000
Net cash flow from operating activities	15,590	16,399	28,848
Net cash used in investing activities	(845)	(3,517)	(829)
Net cash used in financing activities	(11,553)	(10,254)	(20,462)
Net increase in cash and cash equivalents	3,192	2,628	7,557
Cash and cash equivalents at end of year	39,510	42,138	49,695

Non-IFRS financial measures and other metrics

	As at 30 September		
<i>Unaudited</i>	2016	2017	2018
AUA (£bn)	31.8	39.8	46.1
Platform retail customers (000)	117	141	183

Non-Platform retail customers (000)	23	23	15
Total retail customers (000)	140	164	198
Customer retention rate (%)	94.2	94.4	95.1
PBT margin (%)	26.0	28.7	31.6
Revenue per £AUA (bps)	22.6	21.1	21.0

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