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AJ Bell press release - 11 March 2018

AJ Bell prepares for IPO with exclusive customer element

AJ Bell, one of the UK's leading investment platforms operating in both the direct-to-consumer and advised markets, has appointed Numis Securities Limited to explore an Initial Public Offering (IPO) on the Main Market of the London Stock Exchange.

The IPO would include a retail share offer, available exclusively to AJ Bell customers* and is expected to take place towards the end of 2018 or early 2019.

A listing will give investors, including AJ Bell customers, the opportunity to participate in AJ Bell's future success. The Group does not intend to raise new capital as part of the IPO given its financial strength, highly profitable business model and debt-free balance sheet.

The Group's two largest shareholders, co-founder and chief executive Andy Bell and Invesco Perpetual, will both retain cornerstone shareholdings post-IPO.

Andy Bell, chief executive, said:

"These are exciting times for our business. Over the last 22 years we have built a multi-award winning and easy to use investment platform that is the engine room of a fast growing and profitable business. An IPO is a natural next step in our journey and will provide a further boost to our future growth through the increased profile a stock market listing will give us.

"We believe the outlook for our business is extremely positive. The need for people to save and invest for their future has never been stronger and we are making it easier for them to do that. Our focus on the needs of our customers has resulted in assets invested via our platform increasing by 26% a year on average over the last five years, with total assets under administration hitting £42 billion**.

"Our highly profitable, proven model continues to deliver outstanding performance. In 2017 revenues grew 17% to £75.6m whilst our efficient operating model delivered a 29% growth in profit before tax to £21.7m. We were pleased to grow our dividend by 10%, equating to a 66% pay-out ratio. Our profitable operations are supported by a strong, debt-free balance sheet and give us a secure platform from which to realise our growth ambitions.

"We now have 172,000 customers and I want them to be able to share in our success by giving them exclusive access to the offer."

AJ Bell's business model and growth prospects:

1. Our Market – a fast growing retail market within the UK savings and investment industry

- The investment platform market's share of UK retail savings is forecast to grow from 35% of a £1.5tn addressable market in 2015 to 55% of a £2.2tn market in 2020.***
- The sustained historic organic growth of AJ Bell (Platform AUA Compound Annual Growth Rate of 26% over past 5 years) has outpaced growth in the platform market.

2. Our Proposition – an award-winning platform, operating in both the direct-to-consumer and advised market segments

- Unlike many of our competitors, AJ Bell maximises growth opportunities by embracing both the direct-to-consumer and advised market segments.
- AJ Bell has highly competitive prices in both segments – headline platform charge of 0.25% in the direct to consumer segment and 0.20% in the advised market.

3. Our Customers – a loyal base of high quality customers

- Average customer portfolio value in both the direct-to-consumer (£100,000) and advised (£327,000) markets are higher than the respective market leaders.
- Customer retention rate of over 95%.

4. Our Business Model – profitable and scalable platform

- A history of consistent profitability - pre-tax profit of £21.7m in FY17.
- Back-office re-platforming completed and fully embedded in the business.

5. High quality of earnings

- Predictable and sustainable revenue streams through high retention rates and a mix of transactional and recurring revenue.
- Our profit margins are driven by our efficient operating model.

6. Highly cash generative and capital light model supports progressive dividend policy

- Debt-free balance sheet and strong cash generation
- Track record of both maintaining investment in the business and progressive dividend payment.

7. Our Team – entrepreneurial, founder-led management team

- Committed and stable senior management team led by co-founder Andy Bell.
- Management sell down modest and remaining with the business post IPO.

Financial highlights and Q1 trading update

For the 12 months ended 30 September 2017 AJ Bell reported record revenue of £75.6 million (FY16: £64.5 million) and pre-tax profit of £21.7 million (FY16: £16.8 million). AJ Bell has no debt and this strong financial position enabled it to continue its progressive dividend policy with a 10% increase to 28.25p a share in the period.

Trading continued to be strong in the company's first quarter to 31 December 2017 with customer numbers increasing to 172,000 and AUA of £42 billion.

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Notes to Editors:

About AJ Bell

AJ Bell is one of the largest investment platforms in the UK, operating in both the advised and direct-to-consumer markets. AJ Bell's flagship platform propositions in the advised and direct-to-consumer markets are AJ Bell Investcentre and AJ Bell Youinvest.

Established in 1995, the business has 172,000 customers with over £42bn of assets under administration (AUA). AJ Bell is headquartered in Manchester, UK and has 700 employees.

*The IPO will be open to UK residents only

**As at 31 December 2017

***Source: KPMG Market Themes July 2016

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