Annual results
For the year ended
30 September 2022

Issued on 1 December 2022

Agenda

AJBell

Title	Page
Business update	3
Financial update	15
Outlook	20
Appendices	24
Glossary	27

Business update

FY22 key messages

AJBell

Our **dual-channel platform** delivered **net inflows of £5.8 billion** and **AJ Bell Investments grew strongly**, with AUM increasing 27% to **£2.8 billion**

Our strategy of **serving the advised and D2C segments** via full-service and simplified propositions **maximises our growth opportunity**

Our **scale** and **diversified revenue model** has enabled us to **reduce customer charges whilst increasing revenue and profit**

Our **strong financial position** supports **ordinary dividend increases** whilst enabling **continued investment to deliver long-term growth**

Key investment highlights

An update on the seven pillars of the AJ Bell investment case

Key investment highlight	FY22 update
Our market	» Strong structural growth drivers – £3 trillion total addressable market presents a significant growth opportunity » Inflation a near term headwind but we are well positioned in a market set to deliver long-term growth
Our propositions	» Dodl launched, increasing our footprint in the D2C market. Touch will do the same in the advised market » AJ Bell Investments growing strongly and delivering excellent performance for our customers
Our customers	» Organic customer growth of 16% across the platform in the year » Strong customer service levels resulted in a platform customer retention rate of 95.5%
Our people	» Carefully executed succession for key ExCo roles – blend of internal and external hires » Pay and benefits package enhanced, including the launch of an annual free share award for all employees
Our business model	» Our dual-channel platform has delivered steady market share gains in both the advised and D2C market segments » Single operating model, supported by our hybrid technology stack, serves both of these channels efficiently
Quality of earnings	» Diversified revenue model once again performed strongly in a fast-changing macroeconomic environment » Interest income provides a tailwind to revenue and PBT margins as we look ahead to FY23
Cash generation	» Sustainable profitability, high cash generation and regulatory capital surplus supports final dividend of 4.59 pence » Total ordinary dividend for the year of 7.37 pence, a 65% payout ratio in line with our stated dividend policy

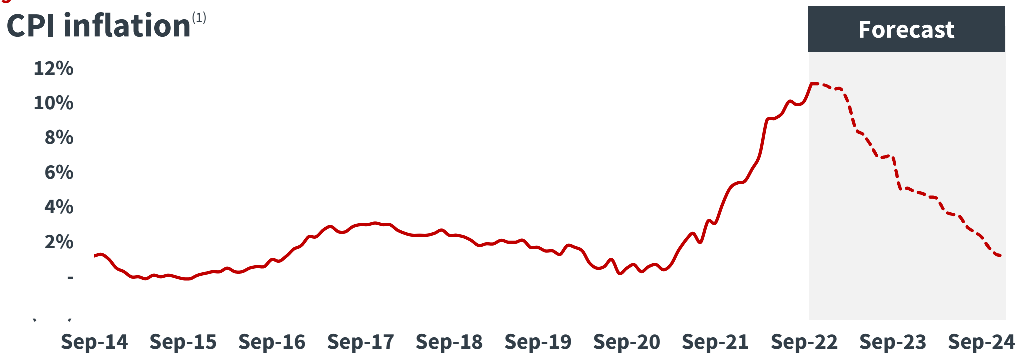
Our market

A challenging backdrop in the short term

Cost of living squeeze has been driven by rising inflation

Figure 1

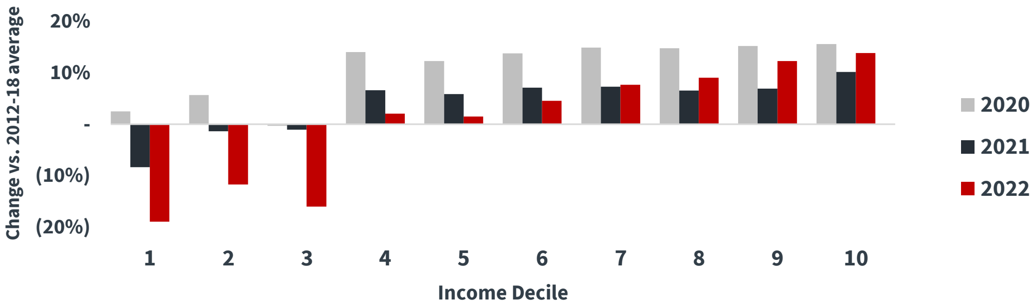
CPI inflation[(1)]



Lower income households most impacted

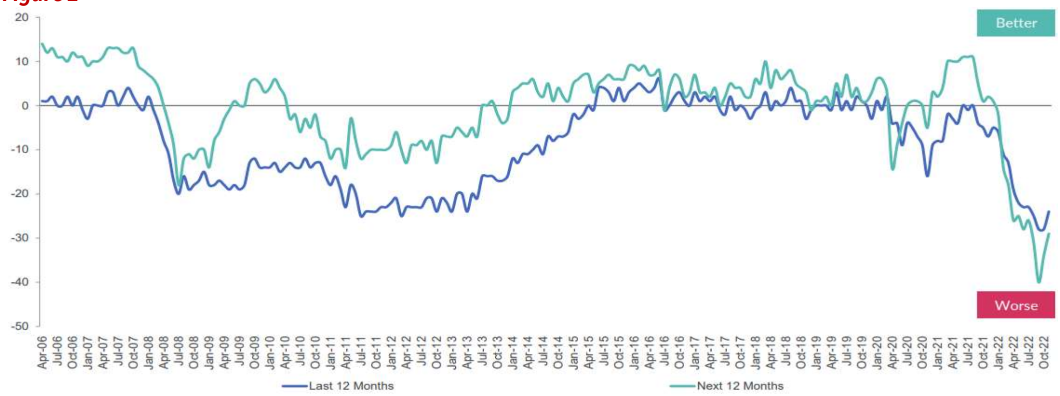
Figure 3

Forecast UK household saving rate by income decile[(3)]



Household personal finances are under pressure[(2)]

Figure 2

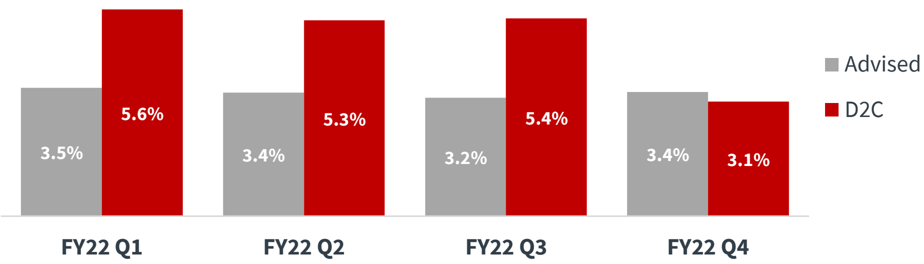


Q1 How has the financial situation of your household changed over the last 12 months? Got a lot better = 1 / Got a little better = 0.5 / Stayed the same = 0 / Got a little worse -0.5 / Got a lot worse = -1;
Q2 How do you expect the financial position of your household to change over the next 12 months? Get a lot better = 1 / Get a little better = 0.5 / Stay the same = 0 / Get a little worse -0.5 / Get a lot worse = -1

The advised market has been more resilient

Figure 4

AJ Bell gross inflows as % of opening AUA



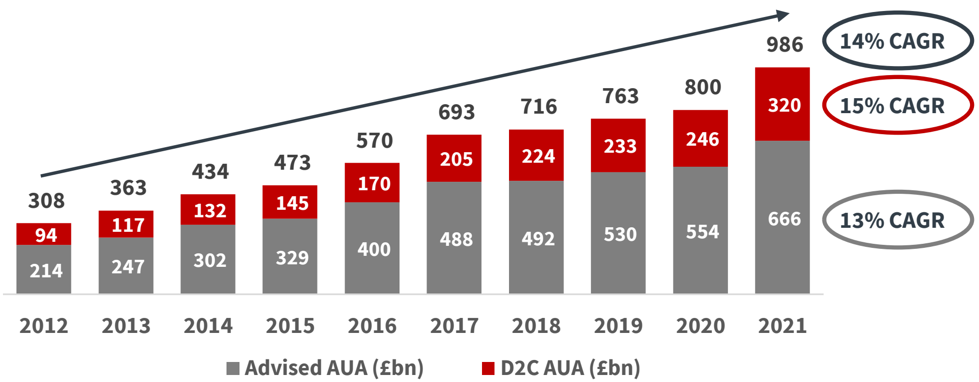
(1) Sources: ONS 12-month CPI data to October 2022, Capital Economics forecasts thereafter (correct as at 18 November 2022)
(2) Source: GfK UK Consumer Confidence Barometer, Personal financial situation of household (November 2022)
(3) Source: Citi / https://ifs.org.uk/publications/uk-outlook-why-we-need-to-do-things-differently

Our market

Significant long-term growth opportunity remains

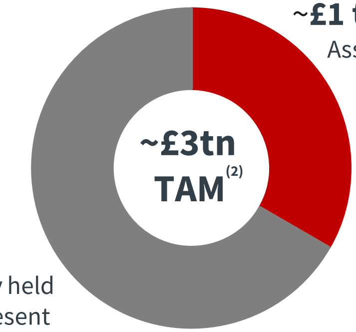
A fast growing UK platform market[1]

Figure 5



A total addressable market currently worth £3 trillion

Figure 6



~£1 trillion
Assets currently held on platforms:
» **Advised** ~£0.7tn
» **D2C** ~£0.3tn

~£2 trillion
Assets currently held off-platform present a significant opportunity

Assets 'in the system'
Off-platform assets are already in the financial system, meaning platform growth opportunity is not wholly reliant on new contributions

Our dual-channel model maximises our growth opportunity

Figure 7

AJ Bell platform net inflows

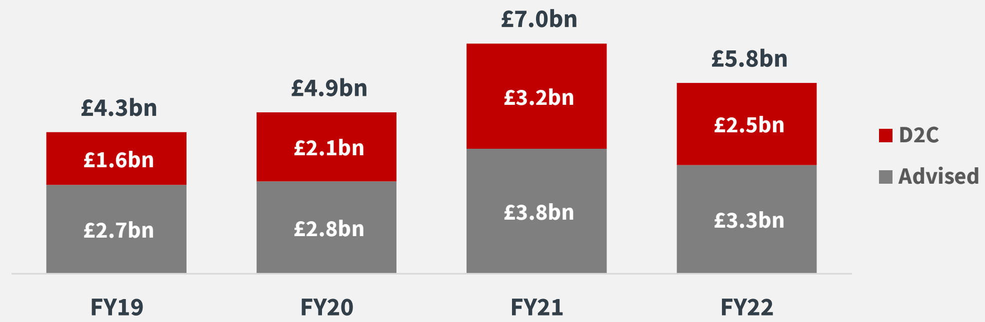
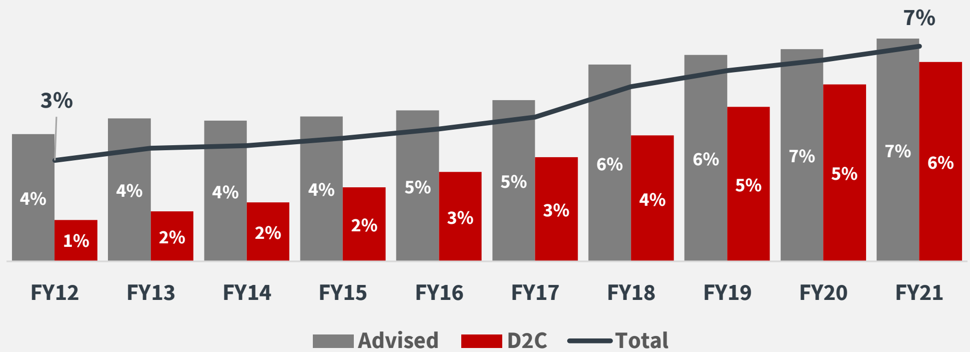


Figure 8

AJ Bell platform market share[3]



(1) Source: Platforum
(2) Source: Liberum
(3) Source: Platforum/Company data

Our platform propositions

An award-winning platform operating in both advised and D2C market segments, with in-house investment solutions

Figure 9

	Advised	D2C
Full-service Established platform propositions offering a wide range of investment choice and functionality	AJBell Investcentre	AJBell
Simplified Digital-only platform propositions offering an easy to use, streamlined investment service in the advised and D2C markets	TOUCH	Dodl
Investment solutions A range of in-house funds and MPS solutions which support our offerings in both the advised and D2C market segments	AJBell Investments	

Touch is a new simplified proposition for the advised market, launching in 2023

Our platform propositions

Advised	D2C
AJBell Investcentre » **Pricing reductions made and interest rates on cash increased**, delivering further value to advisers' clients » Several enhancements delivered, including **making the SIPP annual statement process paperless** and **launching a Flexible ISA** » **Winner of three awards** at Money Marketing Awards 2022	**AJBell** (Recommended Provider, Which? Investment Platforms May 2022) » **Rebranded from AJ Bell Youinvest** in October 2022, creating a streamlined customer journey » **Pricing reductions made and interest rates on cash increased**, sharing the benefits of our scale with customers » First phase of **pension finding service** rollout completed
TOUCH » A digital custody platform that will enable IFAs to deliver a streamlined advice service **entirely through their client's smartphone** » **Touch will increase our footprint** in the advised market » **Launching** in 2023	**Dodl** » **A simple, app-only investment platform** launched in April » **Dodl has increased our footprint** in the D2C market » **New features added since launch** with transfers and US stocks recently made available

Our platform propositions – AJ Bell Investments

Our investment solutions are an increasingly important part of AJ Bell's platform offering

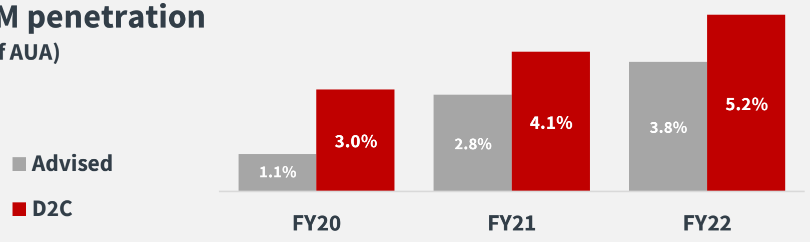
AUM up 27% in FY22 to £2.8 billion, a 10x increase since IPO

Transparent, low-cost, simple investment solutions

- Continued momentum across both channels:

Figure 10

AUM penetration
(% of AUA)



- Over £1 billion of underlying net inflows in FY22
- Named UK's Best Overall Medium Firm at the Citywire Investment Performance Awards 2022

Delivering excellent performance

Figure 11

AJ Bell Funds: Investment Association sector quartiles by period
(to 30 September 2022)

Fund	1 year	2 years	3 years	4 years	5 years
Cautious	1st	1st	1st	1st	1st
Moderately cautious	1st	2nd	1st	1st	1st
Balanced	1st	1st	1st	1st	1st
Moderately adventurous	1st	1st	1st	1st	1st
Adventurous	1st	1st	1st	1st	1st
Global growth	1st	1st	1st	n/a	n/a
Responsible growth	2nd	n/a	n/a	n/a	n/a

Our brand

In FY23 we will be investing more to increase our AJ Bell brand awareness

D2C rebrand

» Most important features[1] investors consider when choosing an investment product:

1. Low annual charges (58%)
2. Trusted brand (51%)

» To maximise value from the AJ Bell brand in the D2C market, AJ Bell Youinvest has been renamed to AJ Bell

- D2C website previously youinvest.co.uk, now ajbell.co.uk
- Drives all search activity generated from PR, marketing and sponsorship activity to our D2C platform rather than corporate website – a simpler customer journey

New brand initiatives

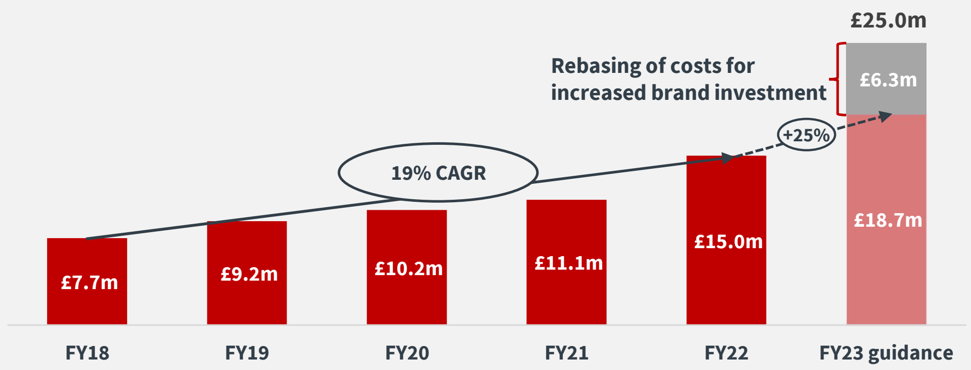
» A new integrated, multi-channel brand and customer acquisition campaign (launching in January 2023)

» A major new headline sponsorship deal is expected to be announced in the coming weeks

Distribution costs rebased for brand investment

Figure 12

Total distribution costs



(1) Source: Boring Money Online Investing Report, February 2022

Our customers

A growing base of loyal, high quality customers

Advised	
AJ Bell Investcentre	**Customers**
Average customer profile	**+15%** in FY22 to **145,371**
56 years old (FY21: 57)	**AUA**
£308k of AUA (FY21: £361k)	**-2%** in FY22 to **£44.8bn**
1.23 accounts held (FY21: 1.21)	
94.9% retention rate (FY21: 95.2%)	

D2C	
AJ Bell Dodl	**Customers**
Average customer profile	**+16%** in FY22 to **280,281**
43 years old (FY21: 44)	**AUA**
£69k of AUA (FY21: £81k)	**-1%** in FY22 to **£19.3bn**
1.28 accounts held (FY21: 1.27)	
95.8% retention rate (FY21: 94.8%)	

» Our dual-channel platform delivered further organic growth in FY22, with **over 57,000 customers added across the platform**

» Customer **portfolio values remained high across both channels** despite adverse market movements, evidencing the quality of both new and existing customers

» Our **very high retention rates** drive high customer lifetime values

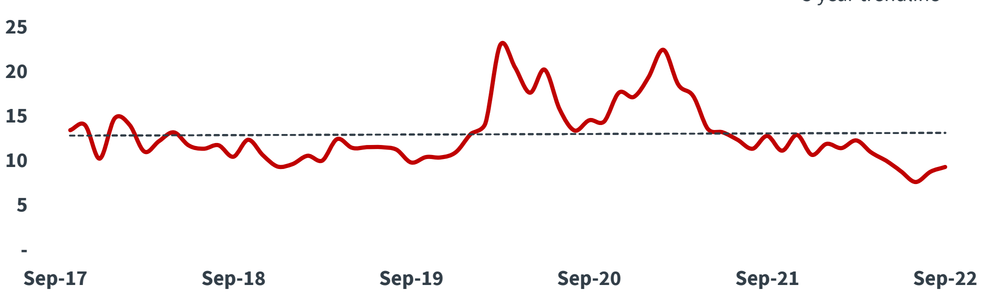
Our customers

AJ Bell D2C customer insights

Subdued dealing activity in second half of FY22

Figure 13

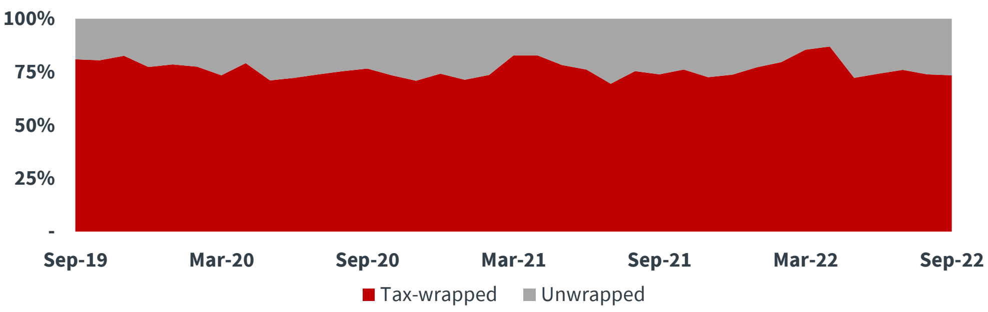
Annualised deals per customer



Tax-wrappers continue to dominate new accounts

Figure 14

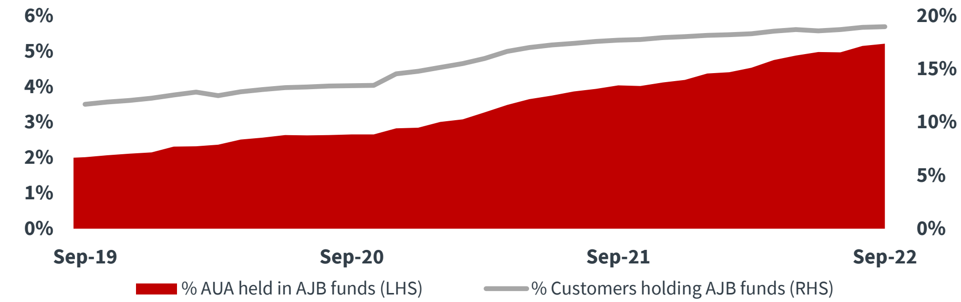
New accounts: Tax-wrapped vs. unwrapped



AJ Bell funds continue to attract new customers and assets

Figure 15

AJ Bell funds penetration



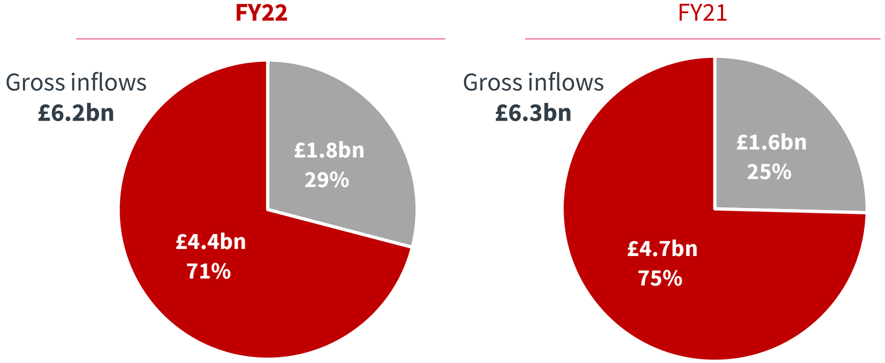
» We have continued to attract high quality D2C customers who demonstrated long-term investing behaviours:

- Average inflows per new customers of £32k
- Fewer than one trade per month on average
- Tax-wrappers represented 76% of all new accounts
- Increasing penetration of AJ Bell funds
- Customer retention rate of 95.8%

Our customers

Platform AUA – gross inflows from new and existing customers

Figure 16



	FY22	FY21
Average inflows per new customer	**£172k**	£198k
Average inflows per existing customer	**£14k**	£15k

Figure 17

	FY22	FY21
Average inflows per new customer	**£32k**	£29k
Average inflows per existing customer	**£10k**	£13k

■ Inflows from new customers ■ Inflows from existing customers

» Gross inflows across the platform of £10.1 billion (FY21: £10.9 billion)

Advised

» New customers again contributed the majority of gross inflows

» Average inflows from existing customers broadly in line with FY21 at £14k

D2C

» Total inflows from new customers fell 30% to £1.6 billion, reflecting lower customer acquisition compared to FY21

» However, the quality of new customers remained high, with average inflows per new customer up 10% to £32k

Financial update

FY22 financial highlights

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Figure 18

	FY22	FY21	+/-
Revenue	**£163.8m**	£145.8m	12%
Revenue margin	**22.6bps**	22.2bps	0.4bps
Profit before tax	**£58.4m**	£55.1m	6%
PBT margin	**35.6%**	37.8%	(2.2ppts)
Diluted earnings per share	**11.35p**	10.67p	6%
Total ordinary dividend per share	**7.37p**	6.96p	6%
Total special dividend per share	**-**	5.00p	n/a

» Revenue up 12% due to higher average AUA and improved revenue margin, despite price reductions during the year

» Revenue margin improvement reflects higher average interest rate earned on cash, which more than offset the impact of moderated D2C customer dealing activity

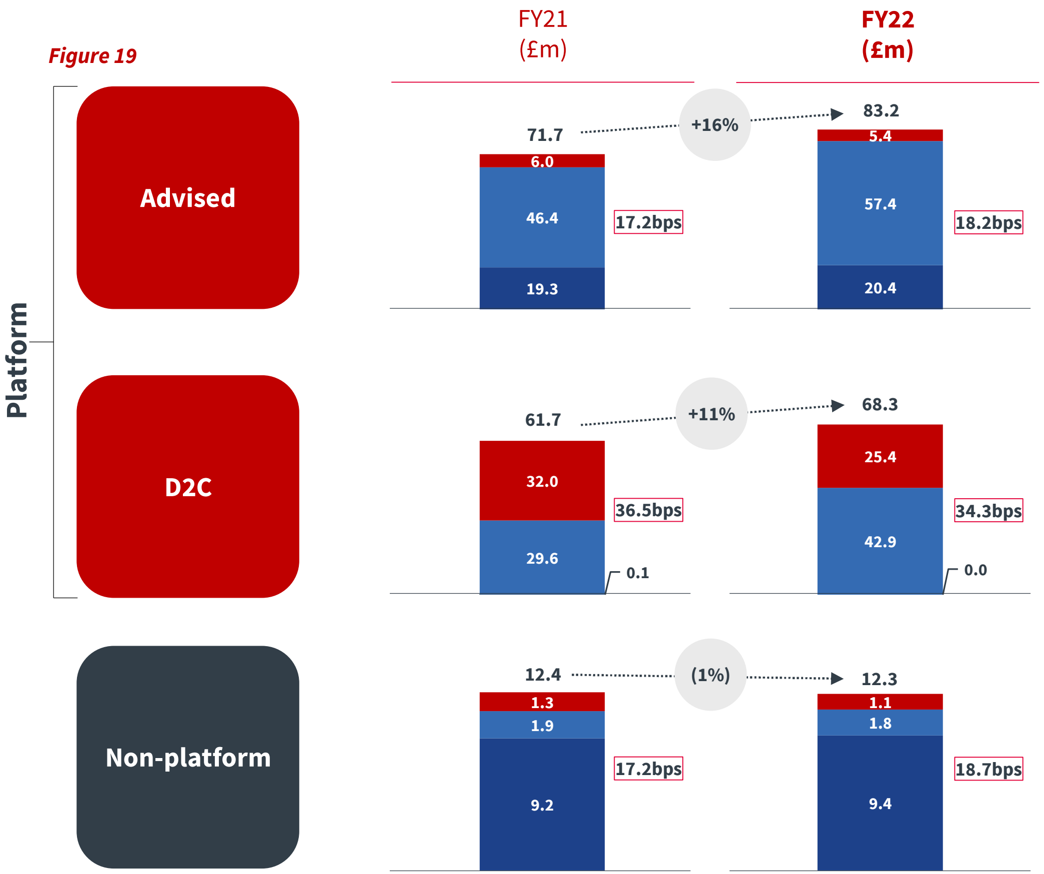
» PBT up 6% whilst PBT margin fell slightly to 35.6%, reflecting planned investment in brand, technology and pricing to drive long-term growth

» Final dividend of 4.59 pence, increasing the total ordinary dividend for the year by 6% to 7.37 pence, our 18th consecutive year of ordinary dividend growth

Revenue analysis

Revenue by proposition, nature of revenue streams and revenue margins

Figure 19



A well diversified revenue model – mix of fixed fees and recurring charges provides resilience across different market conditions

Advised

» Overall revenue increase driven primarily by 24% increase in recurring ad valorem revenue, due to:

- Higher average AUA in the year versus FY21
- Improved revenue margin due to higher average interest rate earned on cash balances compared to prior year

D2C

» Overall revenue increase of 11% despite 2.2bps fall in revenue margin, with key factors being:

- Transactional revenue down 21% due to moderated dealing activity by D2C customers versus prior year
- Ad valorem revenue up 45% due to increased average AUA and higher average interest rate earned on cash versus FY21

Key Recurring – fixed Recurring – ad valorem Transactional Revenue margin

Cost and PBT Analysis

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Figure 20

	FY21 (£m)	Change	**FY22 (£m)**	Business as usual drivers	Other factors
Distribution	11.1	+35%	15.0	» Increased D2C marketing activity, including Dodl launch » AJ Bell brand investment through sponsorships and a new TV advert	» Low prior year comparative: - COVID restrictions impacted advertising and sponsorship opportunities in FY21, resulting in lower prior year costs
Technology	25.8	+27%	32.7	» 24% increase in average headcount » Continued investment in platform scalability and resilience to support our growth ambitions	» Investment in new propositions which contributed to headcount growth
Operational & support	53.1	+8%	57.2	» 7% increase in average headcount to support continued business growth	» Accelerated EIP share-based payment expense in the year was partially offset by the impact of reduced customer dealing activity on costs compared to FY21
PBT and PBT margin	55.1 (37.8%)	6%	58.4 (35.6%)	» PBT up 6%, driven by improved revenue margins in the second half of the year » PBT margin down slightly versus FY21, reflecting planned investment in brand and technology	» Price reductions worth ~£5m per annum implemented in the second half of FY22 » Investment in new propositions » Underlying business continues to scale effectively

Key ☐ PBT margin

Capital and dividend

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

Regulatory capital position

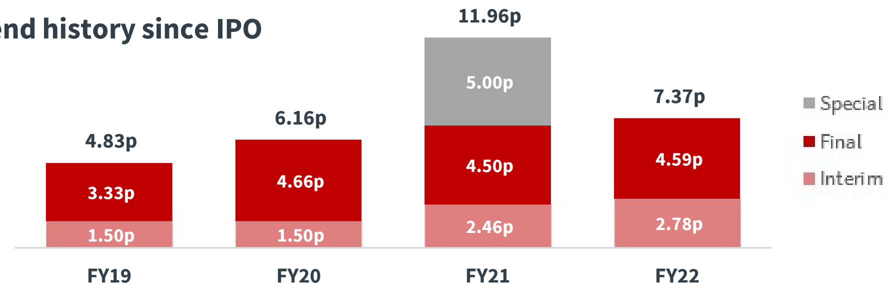
£ million	FY22	FY21
Total shareholder funds	133.4	130.7
Less: unregulated business capital	(3.7)	(4.7)
Regulatory group shareholder funds	**129.7**	**126.0**
Less: foreseeable dividends	(18.8)	(38.9)
Less: non-qualifying assets	(14.3)	(11.5)
Total qualifying capital resources	**96.6**	**75.6**
Less: capital requirement	(49.3)	(40.5)
Surplus capital	**47.3**	**35.1**
% of capital resource requirement held	196%	187%

Dividend payments

Pence per share	FY22	FY21	+/-
Interim	**2.78**	2.46	13%
Final	**4.59**	4.50	2%
Total ordinary dividend	**7.37**	**6.96**	**6%**
Special	-	5.00	n/a
Total dividend	**7.37**	**11.96**	**(38%)**

Figure 21

Dividend history since IPO



» Total ordinary dividend of 7.37 pence equates to 65% of profit after tax, in line with stated policy

» Total ordinary dividend CAGR of 15% since FY19

Outlook

Financial outlook - guidance

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	FY23 previous guidance			Updates to FY23 guidance			Outlook for FY24
	Advised Platform	**D2C Platform**	**Non-platform**	**Advised Platform**	**D2C Platform**	**Non-platform**	
Revenue	Revenue margin expected to be ~19bps	Revenue margin expected to be ~36bps	Revenue expected to ~£11.5m	Revenue margin expected to be ~21bps	Revenue margin expected to be ~45bps	Revenue expected to be ~£12.5m	

Costs / PBT margin

FY23 previous guidance:

No explicit cost guidance previously provided.

However, improved revenue margins and operational gearing were expected to lead to PBT margin improvement of ~2ppts versus FY22

Updates to FY23 guidance:

In FY23 we plan to reinvest some of the revenue margin improvement into the cost base to support long-term growth:

Distribution (FY22: £15.0m)
~25% increase vs. FY22 (of which ~4% is attributable to 'excess' inflation); plus
~£6.3m rebasing of costs related to increased brand investment (refer to page 11)

Technology (FY22: £32.7m)
~30% increase vs. FY22 (of which ~8% is attributable to 'excess' inflation), with continued investment in our platform, propositions and people

Operational & support (FY22: £57.2m)
~15% increase vs. FY22 (of which ~6% is attributable to 'excess' inflation), driven primarily by higher staff costs following recent pay and benefits review

PBT margin (FY22: 35.6%)
~2ppt improvement vs. FY22, due to improved revenue margins and operational gearing

Exceptional/ other items

FY23 previous guidance: None

Updates to FY23 guidance: Cost guidance above includes ~£2m non-cash share-based payment expense related to our new annual free share award

Outlook for FY24

» **No significant changes to platform revenue margins anticipated:**
- No material changes to our pricing are planned
- Base rate changes expected to be less impactful than in FY22/FY23

» **Controlled expenditure and investment**:
- Continued investment in distribution and technology
- Well placed to manage inflationary pressures

» **Platform to continue scaling effectively**:
- Operational gearing inherent in our business model presents further PBT margin improvement opportunities

Financial outlook – platform revenue margin guidance

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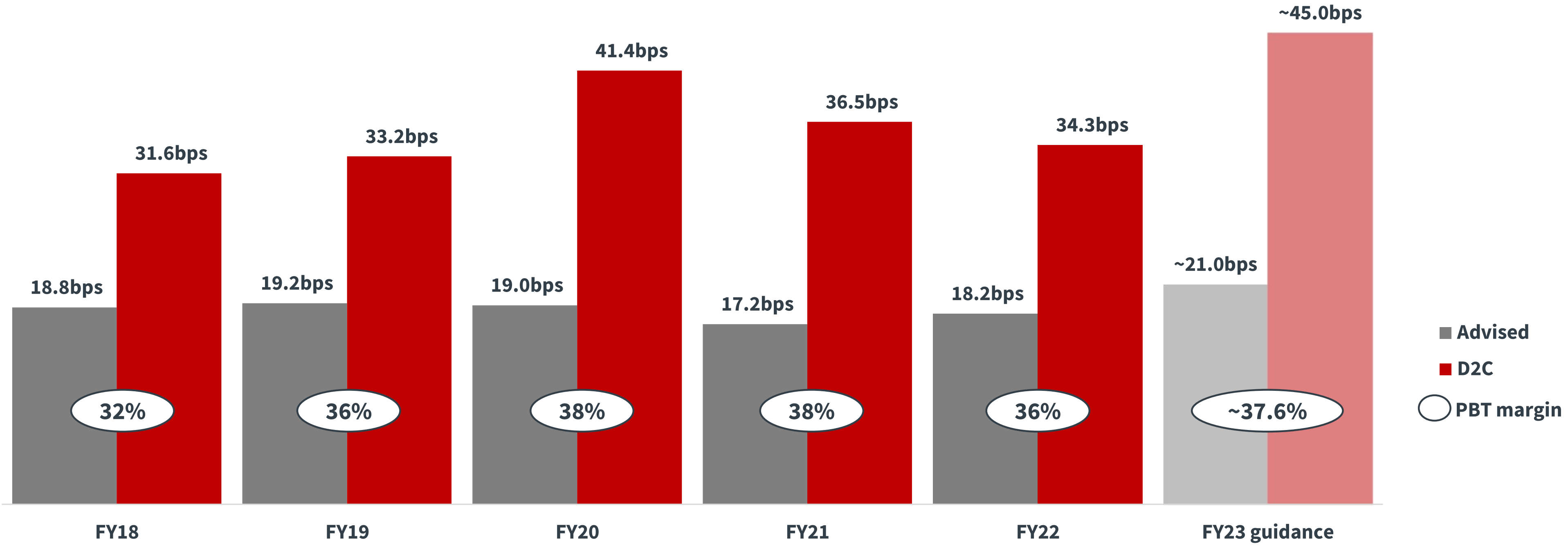
Figure 22

Platform revenue margins and PBT margins



» FY23 revenue margin guidance assumes any future base rate changes (from current 3%) will not materially impact revenue margins, as we expect the majority of the benefit from future rate rises to be passed on to our customers

Outlook

AJBell

» **Some short-term headwinds but a significant long-term opportunity**

- Inflation a near term headwind but we are well positioned in a fantastic market set to deliver long-term growth

» **We are set up to achieve long-term success**

- A talented and experienced management team in place following carefully executed succession plans
- Full service and simplified propositions maximise our growth opportunity across both the advised and D2C markets
- We are investing in our propositions, our brand and our people to support our long-term growth ambitions
- Our single operating model provides margin improvement opportunities

» **Our diversified revenue model is a proven strength**

- Resilient across different market conditions with inherent inflation protection
- Supports continued investment to benefit all key stakeholders – customers, employees and shareholders

Appendix

Appendix I

The seven pillars of AJ Bell's investment case

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

Appendix II
Platform Customers, AUA and AUM

	FY22			FY21		
Customers	**Advised platform**	**D2C Platform**	**Total Platform**	Advised platform	D2C Platform	Total Platform
Opening customers	126,920	241,045	367,965	108,911	172,183	281,094
Net new customers	18,451	39,236	57,687	18,009	68,862	86,871
Closing customers	**145,371**	**280,281**	**425,652**	**126,920**	**241,045**	**367,965**
Variance to opening	*+15%*	*+16%*	*+16%*	*+17%*	*+40%*	*+31%*
AUA and AUM (£ billion)						
Opening AUA	**45.8**	**19.5**	**65.3**	**36.3**	**13.4**	**49.7**
Inflows	6.2	3.9	10.1	6.3	4.6	10.9
Outflows	(2.9)	(1.4)	(4.3)	(2.5)	(1.4)	(3.9)
Net inflows	**3.3**	**2.5**	**5.8**	**3.8**	**3.2**	**7.0**
Market & other movements	(4.3)	(2.7)	(7.0)	5.7	2.9	8.6
Closing AUA	**44.8**	**19.3**	**64.1**	**45.8**	**19.5**	**65.3**
Variance to opening	*(2%)*	*(1%)*	*(2%)*	*+26%*	*+46%*	*+31%*
Opening AUM	1.3	0.8	2.1	0.4	0.4	0.8
Closing AUM	**1.7**	**1.0**	**2.7**	**1.3**	**0.8**	**2.1**
Variance to opening	*+31%*	*+25%*	*+29%*	*+225%*	*+100%*	*+163%*

» **Platform customers up 16%** to 425,652
- Dual-channel model delivering strong organic growth in both advised and D2C customers

» **Net inflows of £5.8 billion** to the platform
- Strong net inflows across both advised and D2C channels

» Continued **strong growth of AJ Bell Investments**:
- Underlying net inflows in FY22 of £1.05 billion
- Closing platform AUM of £2.7 billion, up 29% in the year

Glossary

Glossary

AUA	Assets Under Administration
AUM	Assets Under Management
BPS	Basis Points
CAGR	Compound Annual Growth Rate
CPI	Consumer Price Index
D2C	Direct to Consumer
EIP	Executive Incentive Plan
ExCo	Executive Committee
FY21/FY22/FY23	Year Ended/Ending 30 September 2021/2022/2023
IPO	AJ Bell plc's Initial Public Offer in December 2018
ISA	Individual Savings Account
MPS	Managed Portfolio Service
PBT	Profit Before Tax
SBP	Share-based Payment
SIPP	Self-invested Personal Pension

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