Interim results
For the six months ended 31 March 2022

Issued on 26 May 2022

Agenda

AJBell

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Business update

HY22 key messages

We are in an **attractive market** benefiting from **long-term structural growth drivers**

Our **dual-channel** model serves the growing advised and D2C segments, **maximising our growth opportunity**

Our **scale** and **diversified revenue model** has enabled us to **lower charges** for customers whilst also **protecting us from the inflationary environment**

We have **launched Dodl by AJ Bell**, a commission-free investment app which **broadens our reach in the D2C market**

Key investment highlights

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

Key investment highlight	HY21 update
Our market	» UK platform market currently worth approximately £1 trillion, with around two-thirds advised and one-third D2C » £3 trillion total addressable market presents a significant long-term growth opportunity
Our propositions	» Investment in new propositions to support growth is progressing as planned. Dodl launched, Touch on track » Pricing reductions announced, sharing the benefits of our scale with customers
Our customers	» We continue to attract high quality customers, with the average value of new customers in HY22 up versus HY21 » Our strong customer service levels helped to achieve a platform customer retention rate in excess of 95%
Our people	» Helena Morrissey formally appointed as Chair at 2022 AGM in January » Peter Birch to join the business as CFO on 1 July 2022
Our business model	» Dual-channel model continues to deliver market share gains across both advised and D2C channels » Single technology & operating model enables us to serve both markets efficiently, delivering attractive PBT margins
Quality of earnings	» Diversified revenue model provides high level of protection from the current inflationary environment » Interest income provides a tailwind to revenue and PBT margins in H2 and into FY23
Cash generation	» Strong profitability, high cash generation and regulatory capital surplus supports an interim dividend of 2.78 pence in line with our stated dividend policy

Our market

A growing market within the UK retail savings and investment industry

Uncertain market backdrop for investors in the short term

Cost of living increasing, driven by rising inflation[1]

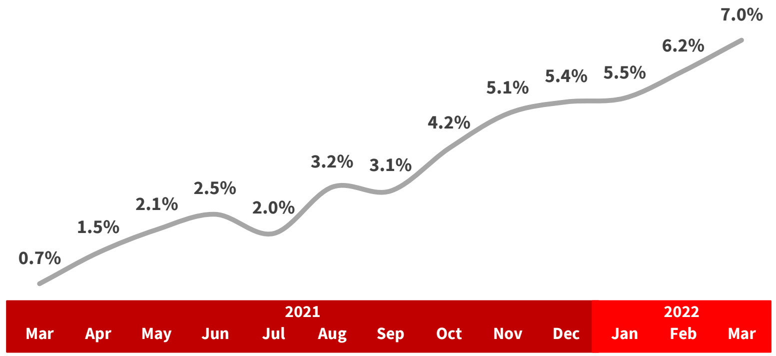


Figure 1

Household savings[2] **moderating from COVID highs**

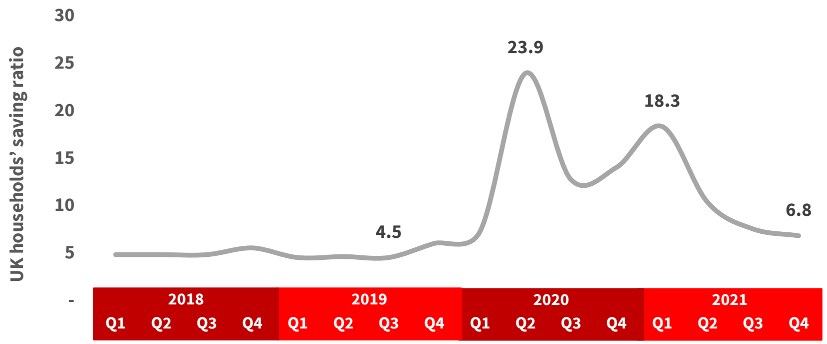


Figure 2

However… long-term structural growth drivers remain strong

A fast-growing platform market[3]

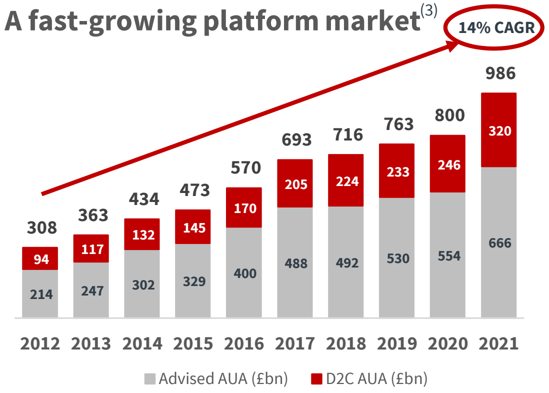


Figure 3

A huge addressable market

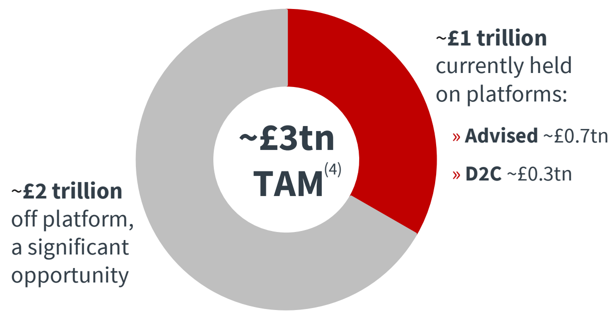


Figure 4

- **Structural shift from non-platform providers to platforms** – providing increased flexibility and reduced costs to retail investors
- **DC pension membership up 10x in last decade to over 21 million**[5] – significant pension consolidation opportunity for platforms, supported by the success of auto-enrolment legislation introduced in 2012
- **Regulator focused on ensuring consumers can invest with confidence** – 8.6m UK adults with over £10k of investible cash[6] which risks being eroded by inflation. FCA targeting a 20% reduction by 2025, which will benefit platforms

(1) Source: ONS 12-month CPI data
(2) Source: ONS Households (S. 14): Households' saving ratio data
(3) Source: Platforum
(4) Source: Liberum
(5) Source: ONS Occupational Pension Schemes Survey (2019)
(6) Source: FCA

Our propositions

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

Figure 5

Advised market | **D2C market**

Full service propositions
Established platform propositions offering a wide range of investment choice and functionality

AJ Bell Investcentre

AJ Bell Youinvest

Simplified propositions
Digital-only platform propositions offering an easy to use, streamlined investment service in the advised and D2C markets

TOUCH by AJ Bell

Dodl by AJ Bell

(Launched in April 2022)

Investment solutions
A range of in-house funds and MPS solutions which support our offerings in both the advised and D2C market segments

AJ Bell Investments

Touch by AJ Bell is a new proposition currently being developed for the advised market, due to soft launch in second half of 2022

Our propositions

Advised propositions

AJBell Investcentre

- **Pricing reductions announced**, delivering further value across a range of advised customer scenarios
- **Flexible ISA launched** in response to adviser demand
- **Hugely successful Investival conference** – held in hybrid format in November 2021, attracting over 700 attendees

TOUCH by AJBell

- **Simplified, mobile-led proposition** for the adviser market
- **Development on track** for soft launch later in 2022

D2C propositions

AJBell Youinvest

- **Pricing reductions announced**, sharing the benefits of our scale with our customers at a time when living costs are rising
- **New, simpler customer login** process implemented
- **Market-leading fixed savings accounts added** to our Cash savings hub

Dodl by AJBell

- **Easy-to-use, low-cost investment app launched in April**
- **Broadens our reach** in the growing D2C market

AJBell Investments

- **AJ Bell fund charges reduced** – several reductions implemented to share scale benefits with customers
- **Strong 5-year performance of multi-asset funds launched in 2017** – all five were top 30% versus their respective peer groups, with four being in the top quintile

Our customers

A growing base of loyal, high quality customers

Figure 6

Advised

AJBell Investcentre

Average customer profile

55 years old (HY21: 56)

£339k of AUA (HY21: £347k)

1.22 accounts held (HY21: 1.19)

94.6% retention rate (HY21: 95.4%)

Customers

+8% in HY22 to **137,201**

AUA

+2% in HY22 to **£46.5bn**

Figure 7

D2C

AJBell Youinvest

Average customer profile

43 years old (HY21: 43)

£77k of AUA (HY21: £79k)

1.28 accounts held (HY21: 1.26)

95.9% retention rate (HY21: 94.4%)

Customers

+10% in HY22 to **266,182**

AUA

+5% in HY22 to **£20.4bn**

» Our advised and D2C propositions delivered further organic growth in HY22, with **over 35,000 customers added across the platform**

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

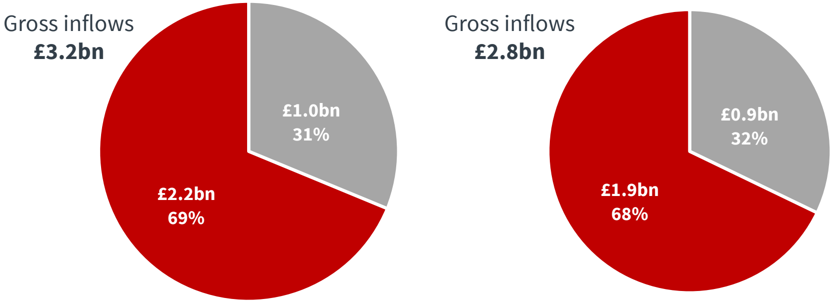
» Accounts per customer continued to trend upwards, **increasing our share of wallet**

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

Our customers

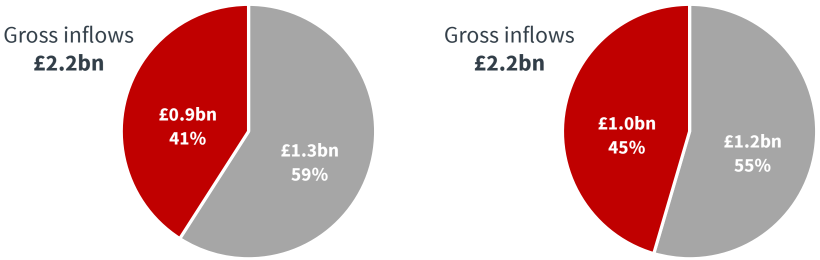
Platform AUA – gross inflows from new and existing customers

Figure 8



	HY22	HY21
Average inflows per new customer	**£160k**	£156k
Average inflows per existing customer	**£8k**	£8k

Figure 9



	HY22	HY21
Average inflows per new customer	**£30k**	£21k
Average inflows per existing customer	**£5k**	£7k

■ Inflows from new customers ■ Inflows from existing customers

» Gross inflows across the platform up by 8% to £5.4 billion (HY21: £5.0 billion)

Advised

» New customers again contributed over two-thirds of gross inflows

» 3% increase in average new customer inflows to £160k

» £8k average inflows from existing customers in line with prior year

D2C

» Total inflows from new customers reduced slightly to £0.9 billion, reflecting lower customer acquisition compared to HY21

» Quality of new customers remained high, with average inflows per new customer up 43% to £30k

Financial update

HY22 financial highlights

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Figure 10

	HY22	HY21	+/-
Revenue	**£75.5m**	£73.9m	2%
Revenue margin	**20.3bps**	24.0bps	(3.7bps)
Profit before tax	**£26.1m**	£31.6m	(17%)
PBT margin	**34.6%**	42.8%	(8.2ppts)
Diluted earnings per share	**5.08p**	6.26p	(19%)
Interim dividend per share	**2.78p**	2.46p	13%

» Revenue growth slower than customer & AUA growth due to lower revenue margin, caused by:

- Normalised D2C customer dealing activity
- Lower average interest rate earned on cash balances versus HY21

» PBT down 17% due to lower revenue margin, coupled with planned investment spend to support long-term growth

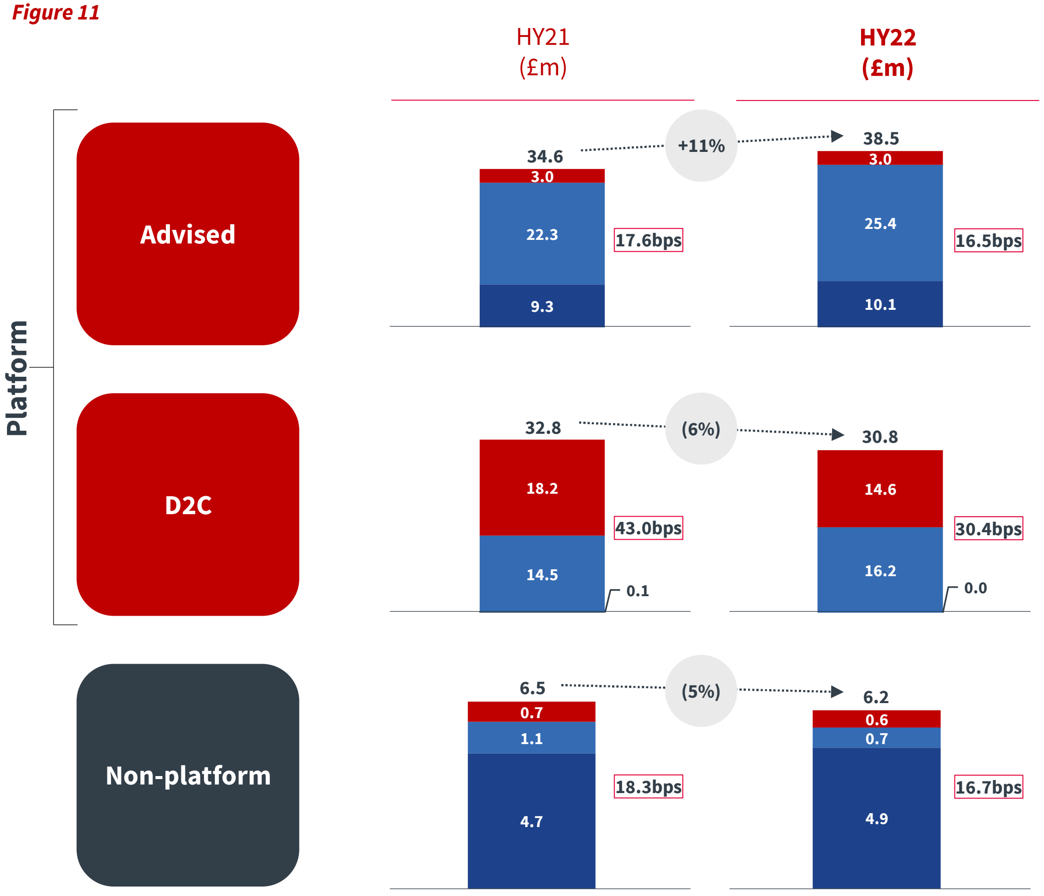
» PBT margin exceeded previous FY22 guidance of 32-33%

» Interim dividend of 2.78 pence, equating to 40% of FY21 total ordinary dividend in line with stated policy

Revenue analysis

Revenue by proposition, nature of revenue streams and revenue margins

Figure 11



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

Advised

» 11% revenue increase driven primarily by organic growth in average AUA

» Reduced revenue margin due to lower average interest rate earned on cash balances compared to prior year

D2C

» Overall revenue decline of 6% due to significantly lower revenue margin, caused by:

- Transactional revenue down 20% due to moderated dealing activity by AJ Bell Youinvest customers compared to HY21
- Recurring ad valorem revenue growth impacted by lower average interest rate earned on cash balances

Non-platform

» Revenue declined following the planned closure of the institutional stockbroking service in the period

Key ■ Recurring – fixed ■ Recurring – ad valorem ■ Transactional □ Revenue margin

Cost and PBT Analysis

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Figure 12

	HY21 (£m)		**HY22 (£m)**	**Business as usual drivers**	**Other factors**
Distribution	5.4	+41%	7.6	» Higher D2C marketing activity in an increasingly competitive market » AJ Bell brand investment, including a new national TV advertising campaign	» Low prior year comparative: - COVID restrictions impacted sponsorship opportunities in HY21, resulting in lower prior year costs
Technology	11.5	+29%	14.8	» Increased headcount versus HY21 » Continued investment in change initiatives	» Planned investment in new propositions: - Costs related to Adalpha acquisition of £1.7m (HY21: £0.3m) - 17% underlying increase (excl. Adalpha)
Operational & support	25.0	+7%	26.7	» Increased headcount versus HY21 to support continued business growth	» Elevated prior year comparative: - High dealing-related costs in HY21 due to exceptional dealing activity - Excluding this, costs increased by 10%
PBT and PBT margin	31.6 42.8%	(17%)	26.1 34.6%	» PBT and PBT margin reduced against strong HY21 comparatives, reflecting: - lower revenue margin in the period - investment in our brand and technology	» Investment in new propositions as outlined above » Underlying business continues to scale effectively

Key □ PBT margin

Capital and dividend

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

Figure 13

Regulatory capital position

£ million	HY22	FY21
Total shareholder funds	115.9	130.7
Less: unregulated business capital	(5.4)	(4.7)
Investment firm group – CET1 own funds	**110.5**	**126.0**
Less: unverified profits	(22.4)	-
Less: provision for dividend	-	(38.9)
Less: non-qualifying assets	(13.2)	(11.5)
Total capital resources	**74.9**	**75.6**
Less: capital requirement	(49.3)	(40.5)
Surplus capital	**25.6**	**35.1**
% of capital resource requirement held	152%	187%

Figure 14

Dividend payments

Pence per share	HY22	FY21	+/-
Interim	**2.78**	2.46	13%
Final		4.50	
Total ordinary dividend		**6.96**	
Special		5.00	
Total dividend		**11.96**	

Dividend history since IPO

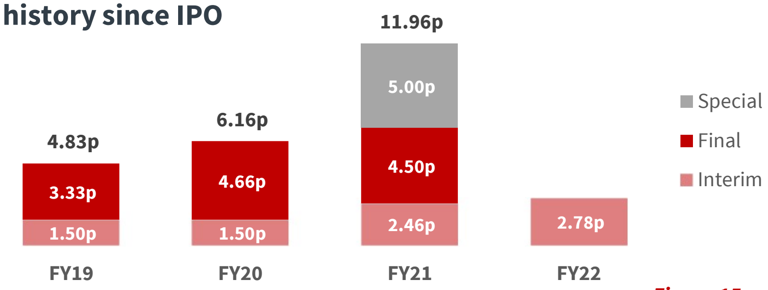


Figure 15

- New regulatory capital regime came into effect on 1 January – no significant impact anticipated on our capital requirement
- Strong capital position and the Board's confidence in the outlook for AJ Bell supports an interim dividend of 2.78 pence per share, in line with stated policy

Outlook

Financial outlook - guidance

Figure 16

	FY22 previous guidance			Updates to FY22 guidance		
	Advised Platform	**D2C Platform**	**Non-platform**	**Advised Platform**	**D2C Platform**	**Non-platform**
Revenue	Full-year revenue margin expected to be ~17bps	Full-year revenue margin expected to be ~30bps	Revenue expected to ~£10.5m	Full-year revenue margin expected to be **~17.5bps**	Full-year revenue margin expected to be **~32.5bps**	Revenue expected to be **~£11.5m**
Costs / PBT margin	Distribution and technology costs both expected to increase by 25% to 30% from FY21 levels as we invest in future growth – significant investment in brand, marketing and technology resource, including the launch of our new propositions Operational & support cost growth expected to be ~10% Overall PBT margin expected to be 32-33%			**PBT margin guidance upgraded to ~35%,** due to: - higher interest rates driving increased revenue margins as set out above; and - previous cost growth guidance unchanged		
Exceptional/ other items	Closure of institutional stockbroking business in H1 will result in non-platform AUA outflows of ~£2 billion			Closure of institutional stockbroking business expected to conclude in Q3, resulting in a non-platform outflow of ~£1.8 billion		

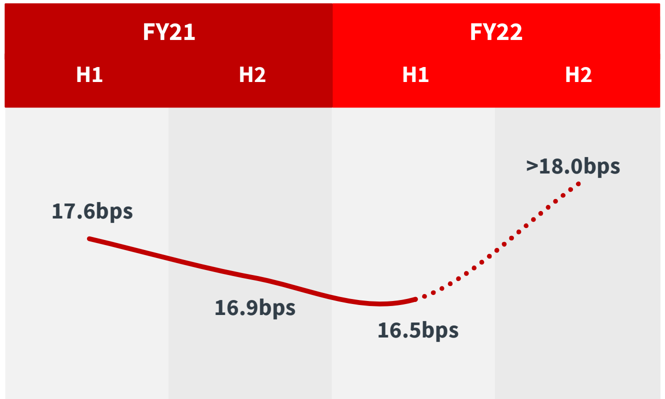
Outlook for FY23

- **Platform revenue margins to increase further** from H2-FY22 levels (see page 18 for details), to:
  - Advised: ~19bps
  - D2C: ~36bps
- **Controlled cost growth**:
  - Continued investment in distribution and technology
  - Well placed to manage inflationary pressures
- **Platform will scale effectively**:
  - Improved revenue margins and operational gearing expected to lead to PBT margin improvement of ~2ppts versus FY22

Financial outlook – platform revenue margin progression

Interest rate tailwind will boost platform revenue margins in the second half

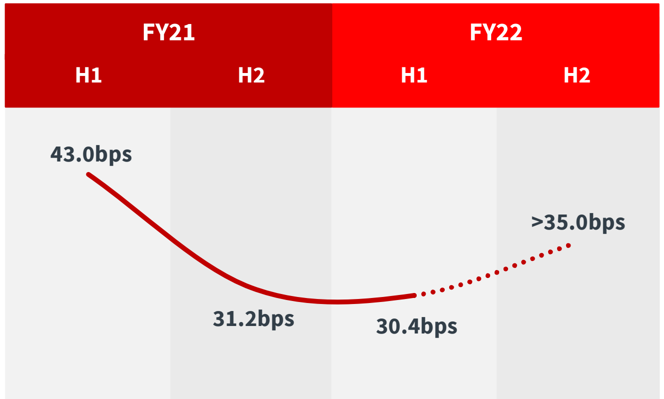
Advised revenue margin



FY21 revenue margin:	FY22 revenue margin guidance:
17.2bps	**~17.5bps**

Figure 17

D2C revenue margin



FY21 revenue margin:	FY22 revenue margin guidance:
36.5bps	**~32.5bps**

Figure 18

» Platform revenue margins were lower in HY22 than in the second half of FY21, primarily due to lower average interest rates earned on cash

» Recent interest rate rises have begun to benefit platform revenue margins, which will improve gradually as we move through H2 and into FY23

» Full-year revenue margin guidance upgraded to reflect current interest income expectations and normalised D2C customer dealing activity

Outlook

AJBell

» **Continued platform market growth** – the long-term growth drivers for the market remain strong and the addressable market is estimated to be worth approximately £3 trillion

» **Our dual-channel model positions us well to increase market share** – advised and D2C segments remain highly attractive having both grown strongly for many years

» **New propositions will broaden our reach to support future growth** – Dodl launched in April and Touch to follow, enabling us to serve a wider range of customers

» **Uncertain market backdrop likely to persist in the short term** – potential impact on net inflows more likely in the D2C market than advised, however the need for individuals to take personal responsibility for their financial future remains

» **Positive financial outlook** – our diversified revenue model is expected to drive improved revenue and profit margins following recent interest rate rises, whilst also providing further opportunities to share the benefits of our scale with customers

Appendix

Appendix I
Platform Customers, AUA and AUM

Figure 19

Customers	HY22 Advised platform	HY22 D2C Platform	HY22 Total Platform	HY21 Advised platform	HY21 D2C Platform	HY21 Total Platform
Opening customers	126,920	241,045	367,965	108,911	172,183	281,094
Net new customers	10,281	25,137	35,418	9,598	41,584	51,182
Closing customers	**137,201**	**266,182**	**403,383**	**118,509**	**213,767**	**332,276**
Variance to opening	*+8%*	*+10%*	*+10%*	*+9%*	*+24%*	*+18%*
Variance to prior year	*+16%*	*+25%*	*+21%*			
AUA and AUM (£ billion)						
Opening AUA	**45.8**	**19.5**	**65.3**	**36.3**	**13.4**	**49.7**
Inflows	3.2	2.2	5.4	2.8	2.2	5.0
Outflows	(1.7)	(0.7)	(2.4)	(1.1)	(0.6)	(1.7)
Net inflows	**1.5**	**1.5**	**3.0**	**1.7**	**1.6**	**3.3**
Market & other movements	(0.8)	(0.6)	(1.4)	3.1	1.9	5.0
Closing AUA	**46.5**	**20.4**	**66.9**	**41.1**	**16.9**	**58.0**
Variance to opening	*+2%*	*+5%*	*+2%*	*+13%*	*+26%*	*+17%*
Variance to prior year	*+13%*	*+21%*	*+15%*			
Opening AUM	1.3	0.8	2.1	0.4	0.4	0.8
Closing AUM	**1.4**	**0.9**	**2.3**	**0.8**	**0.6**	**1.4**
Variance to opening	*+8%*	*+13%*	*+10%*	*+100%*	*+50%*	*+75%*
Variance to prior year	*+75%*	*+50%*	*+64%*			

» Continued organic growth in platform customers, closing up 10% in the period to 403,383

» Platform AUA up 2% in the period:
- Net inflows in HY22 of £3.0 billion
- Adverse market movements of £1.4 billion

» Continued strong growth of **AJ Bell Investments**:
- Underlying net inflows in HY22 of £405 million
- Closing AUM of £2.3 billion, up 10% in the period and 64% in the last year

Glossary

Glossary

AGM	Annual General Meeting
AUA	Assets Under Administration
AUM	Assets Under Management
BPS	Basis Points
CET1	Common Equity Tier 1
D2C	Direct to Consumer
DC pension	Defined Contribution Pension
FCA	Financial Conduct Authority
FY21/FY22	Year Ended 30 September 2021/2022
HY21/HY22	Six Months Ended 31 March 2021/2022
IPO	AJ Bell plc’s Initial Public Offer in December 2018
ISA	Individual Savings Account
MPS	Managed Portfolio Service
PBT	Profit Before Tax

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