Interim results
For the six months ended
31 March 2023

Issued on 25 May 2023

Agenda

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Business update

HY23 key messages

AJBell

The **investment platform market remains very attractive,** having **grown 11.5% p.a.** on average over the last decade, driven by **long-term structural growth drivers**

Our **diversified revenue model** has enabled us to respond to inflationary cost pressures and **invest in our brand**, whilst at the same time **increasing revenue and PBT margins**

Our **dual-channel platform** has enabled us to **consistently gain market share in the advised and D2C markets** and delivered another **£2 billion of net inflows** in HY23

Our **profitable and cash-generative business model** enables **investment in strategic initiatives** whilst also supporting **increasing returns to shareholders**

Key investment highlights

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

Key investment highlight	HY23 update
Our market	» Long-term structural growth drivers remain strong, boosted by recent changes to pensions » Short-term headwinds for flows into the market, but still plenty of opportunity
Our propositions	» Customers value the strong service levels they receive from us – AJ Bell Trustpilot rating of 4.7 stars throughout 2023 » Significant growth in AJ Bell Investments' AUM to £3.9bn, with increased penetration of both advised and D2C AUA
Our customers	» High quality new customers in both advised and D2C markets, and retention remains high at 95.5% » Full-service platform propositions provide a wide range of investment options – fixed income popular in HY23
Our people	» First awards made under all-employee free-share scheme – over 1,000 awards of £2,000 each » Fiona Clutterbuck appointed Non-executive Chair with effect from 1 May 2023
Our business model	» Dual-channel platform continues to deliver market share gains across both the advised and D2C markets » Single operating model ensures efficiency in serving both markets and provides margin improvement opportunities
Quality of earnings	» Diversified revenue model enables us to deliver top line growth in different macroeconomic environments » Treasury management capability has enabled us to pay competitive interest rates to customers whilst increasing revenue margins
Cash generation	» Cash generated from operations of £48 million in HY23, with cash balances of £100 million at the period end » Enables investment in strategic initiatives whilst also supporting a 26% increase in interim dividend to 3.50 pence

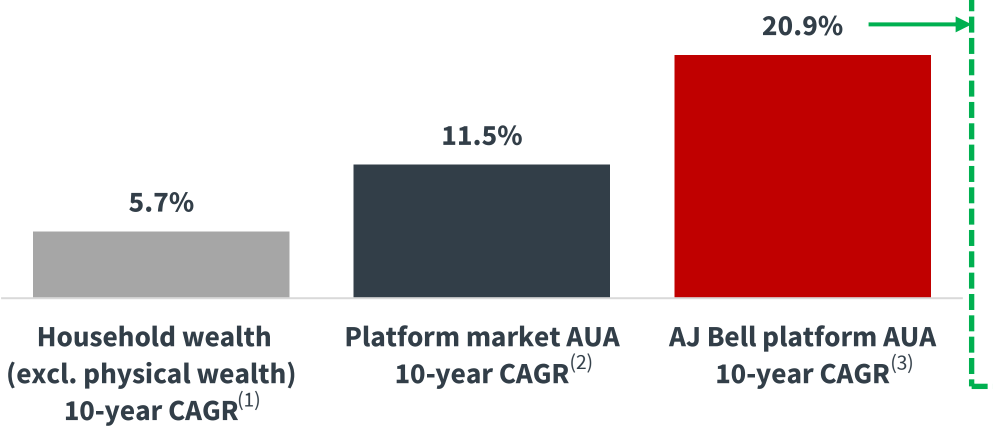
Our market

Long-term growth opportunity remains significant

Growth significantly outpaces the broader wealth sector

Figure 1

Platform market vs wealth sector growth



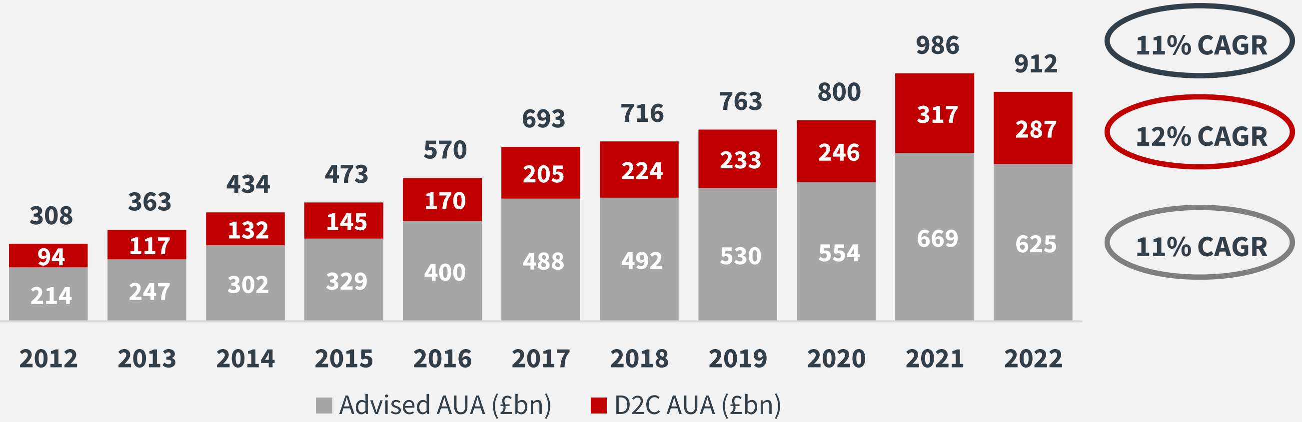
AJ Bell has grown faster than the UK platform market

Since 2012 we have grown ~2x faster than the platform market, which itself has grown ~2x faster than the broader wealth sector

Both advised and D2C channels are beneficiaries

Figure 2

UK platform market AUA growth (2)



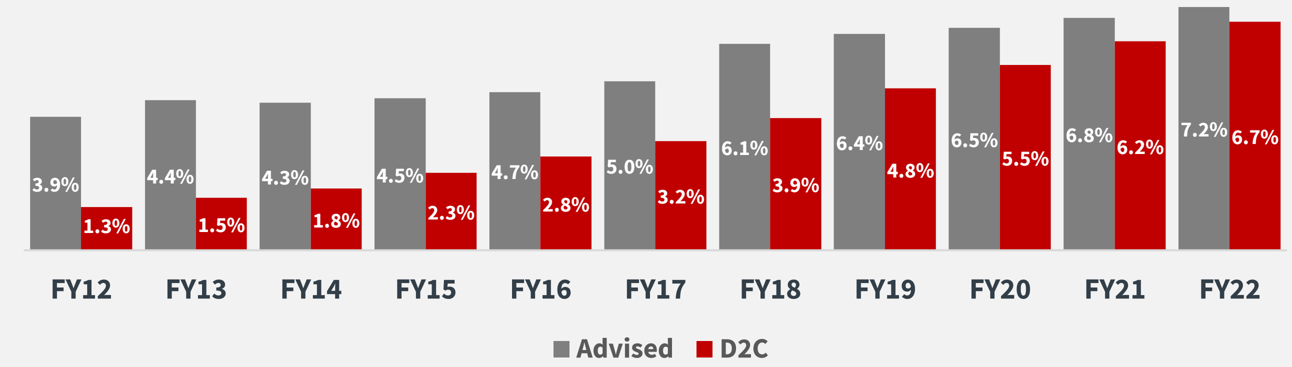
Driven by long-term structural growth drivers

Demographics	Technology
Government & regulatory	Financial

Dual-channel platform maximises our growth opportunity

Figure 3

AJ Bell platform market share (2,3)



(1) Source: ONS: Wealth in Great Britain. 10-year CAGR in total household wealth (excluding physical wealth) between 2010 and 2020
(2) Source: Platforum (as at 30 September each year)
(3) Source: Company data

Our market

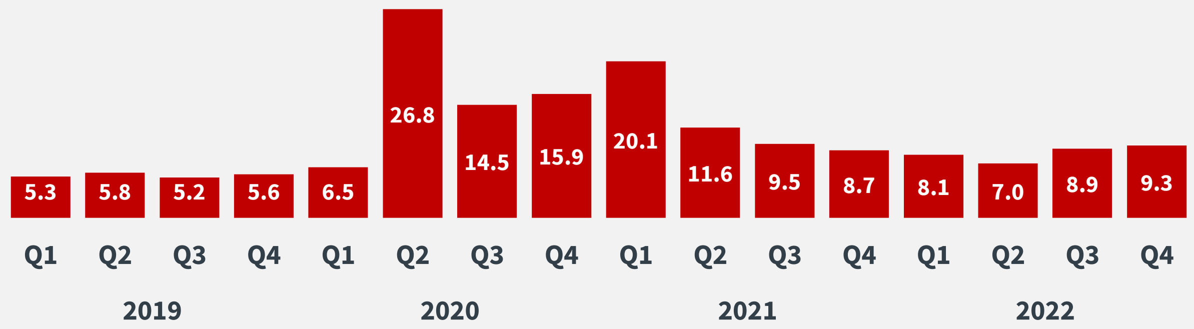
Current key themes in the UK platform market

Macroeconomic environment

- Overall household finances have held up relatively well to-date compared to to pre-COVID levels

UK households' savings ratio (%)[1]

Figure 4



- The cost of living squeeze has been felt disproportionately by those in lower wealth deciles – not our target demographic
- The impact of higher mortgage costs is more impactful on our typical customers, particularly in the D2C market
- Cash savings and fixed income more popular than it has been for many years – we support customers by offering competitive interest rates on cash, fixed income investment options on the platform and access to a range of cash products via our Cash savings hub

Regulatory and legislative updates

The advice gap

- Advice/guidance boundary review – we welcome the news that the FCA and Treasury are undertaking a holistic review in this area
- Core investment advice proposals – the FCA has stepped back from these proposals, about which we harboured serious reservations

Tax wrappers

- Changes to pension allowances in 2023 Budget – we have long campaigned for pensions to be simplified and support these changes, which also strengthen the overall attractiveness of pensions
- One ISA campaign – we have called on the Government to overhaul ISAs to further simplify the UK savings system for consumers, proposing a single ISA product instead of the six current variations
- Pensions dashboards project delayed again – this is disappointing given its potential to help more people engage with pensions

Consumer Duty

- Effective 31 July 2023 – focus on customer outcomes is in our DNA

(1) Source: ONS

Our platform propositions

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

Figure 5

	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 currently being developed for the advised market

Our platform propositions

An easy-to-use platform underpinned by great service

Advised

AJBell Investcentre

TOUCH

- New, improved reports added to the Investcentre reporting suite in response to adviser demand
- We provide strong technical support to advisers – our recently launched Consumer Duty hub helps them to meet their obligations under the new Duty for FCA-regulated firms
- Touch now in closed beta phase; testing with a small number of adviser firms is next on the roadmap

D2C

AJBell

Trustpilot
Reviews 3,912 • Excellent
4.7

Dodl

boring money
Best For
Beginners
2023

- Removal of AJ Bell Youinvest sub-brand completed – focus of all brand and marketing activity is now on the core AJ Bell brand and a there is a simpler journey for new customers
- Successful first phase for our pension finding service which we are building out to offer a quick, easy solution to consolidate old pensions
- Several enhancements to Dodl in HY23, including 30 US shares added to the investment universe and easy bank transfer option added for customer contributions

Our platform propositions – AJ Bell Investments

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

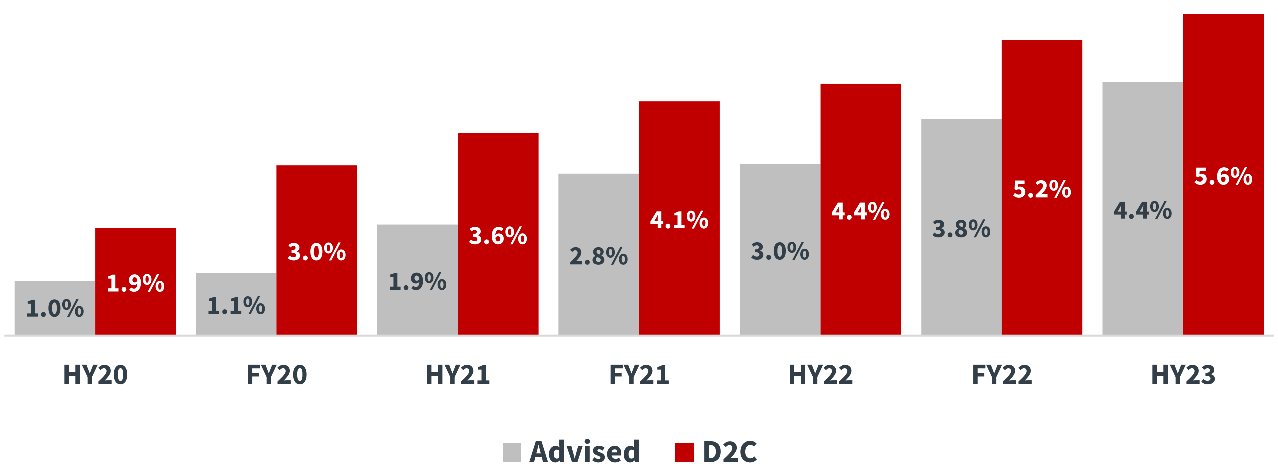
AJ Bell Investments

£0.9 billion of net inflows in HY23 drove AUM **up 39% to £3.9 billion**

Momentum across both advised and D2C channels

Figure 6

AJ Bell Investments AUM penetration
(% of AUA)



Continued strong performance

Figure 7

AJ Bell Funds: Investment Association sector quartiles by period
(to 31 March 2023)

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

Our customers

A growing base of loyal, high quality customers

Advised

AJBell Investcentre

Average customer profile

56 years old (HY22: 55)

£308k of AUA (HY22: £339k)

1.23 accounts held (HY22: 1.22)

94.9% retention rate (HY22: 94.6%)

Customers

+6% in HY23 to **153,400**

AUA

+6% in HY23 to **£47.3bn**

D2C

AJBell Dodl

Average customer profile

43 years old (HY22: 43)

£71k of AUA (HY22: £77k)

1.28 accounts held (HY22: 1.28)

95.8% retention rate (HY22: 95.9%)

Customers

+8% in HY23 to **301,608**

AUA

+10% in HY23 to **£21.3bn**

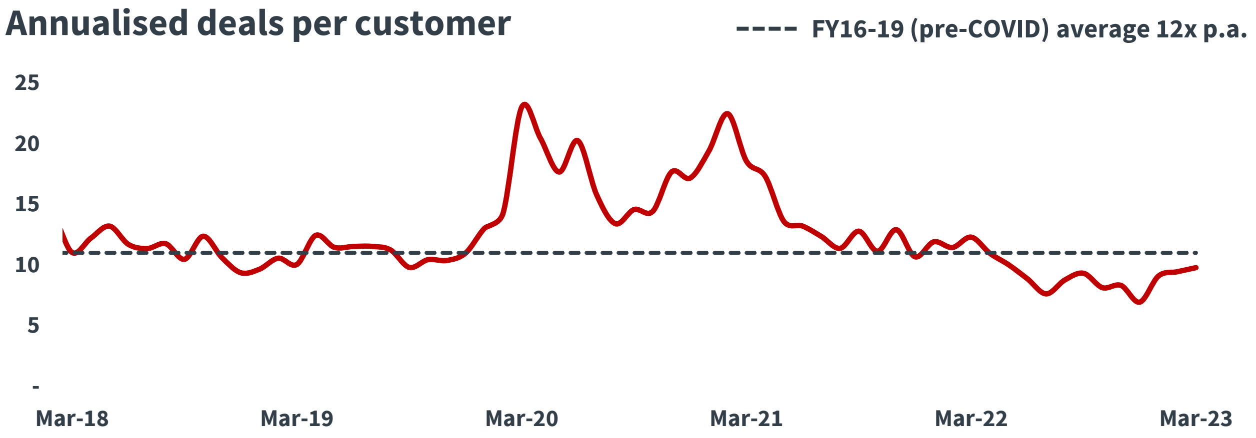
- Our dual-channel platform delivered further organic growth in HY23, with **over 29,000 customers added across the platform**
- Customer **portfolio values remained high across both channels** despite adverse market movements since HY22, evidencing the quality of both new and existing customers
- Our **very high retention rates** drive high customer lifetime values

Our customers

AJ Bell D2C customer insights

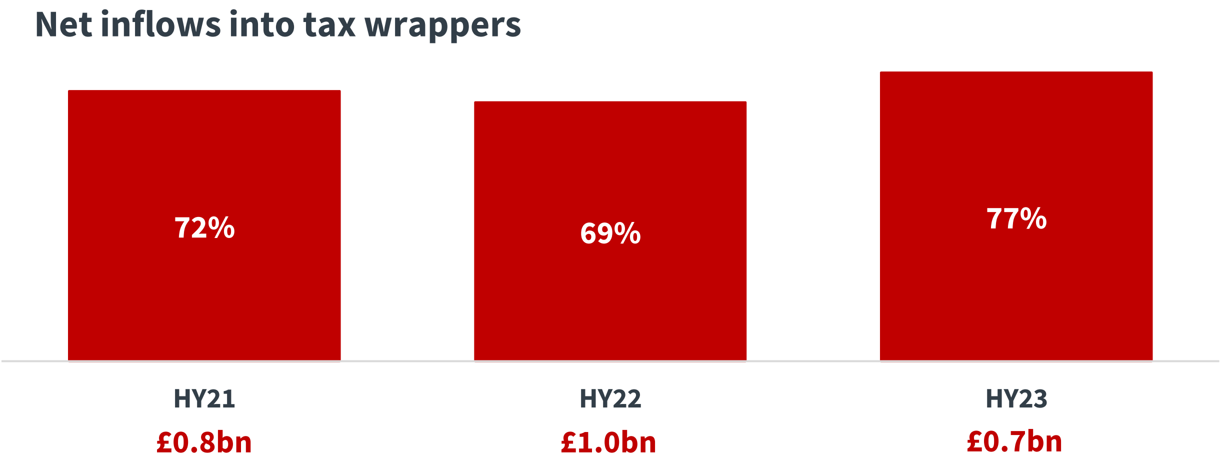
Subdued dealing activity continued for most of HY23

Figure 8



Majority of net inflows are into tax-wrapped accounts

Figure 9



We are focused on long-term investors

» Our platform attracts high quality D2C customers looking to invest over the long-term:

- Average inflows per new D2C customer of £22k
- Fewer than one trade per month on average
- High utilisation of tax wrappers
- Customer retention rate of 95.8%

» AJ Bell's wide investment universe caters for customers' investment needs across a range of market conditions

- Customers can reposition their asset allocation (e.g. increase fixed income exposure) on AJ Bell's platform, so no need to move off the platform

» Dodl customer behaviours are as anticipated:

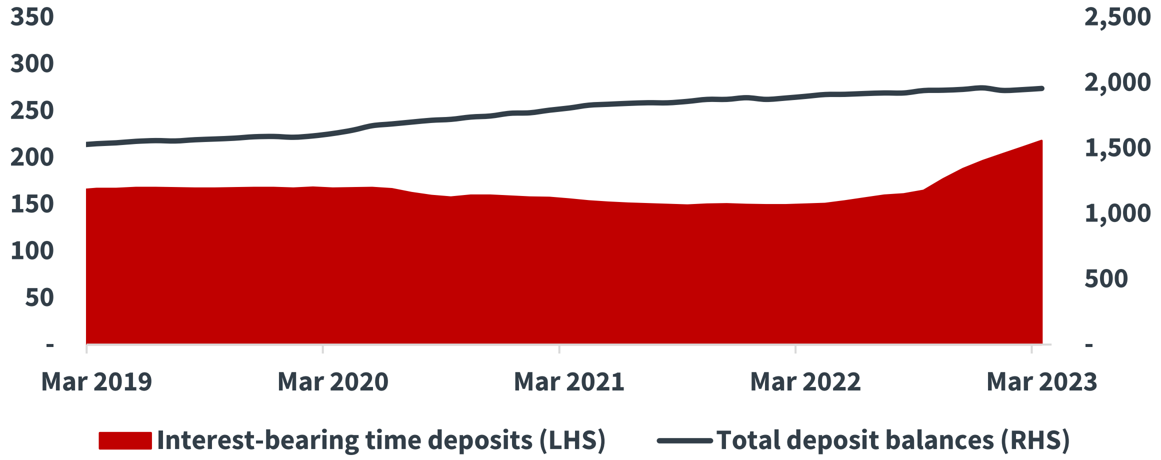
- Over 70% of AUA held in funds vs. <30% for AJ Bell
- 46% of AUA held in AJ Bell funds

AJBell D2C customer insights

Term cash deposits have spiked as rates have risen

Figure 10

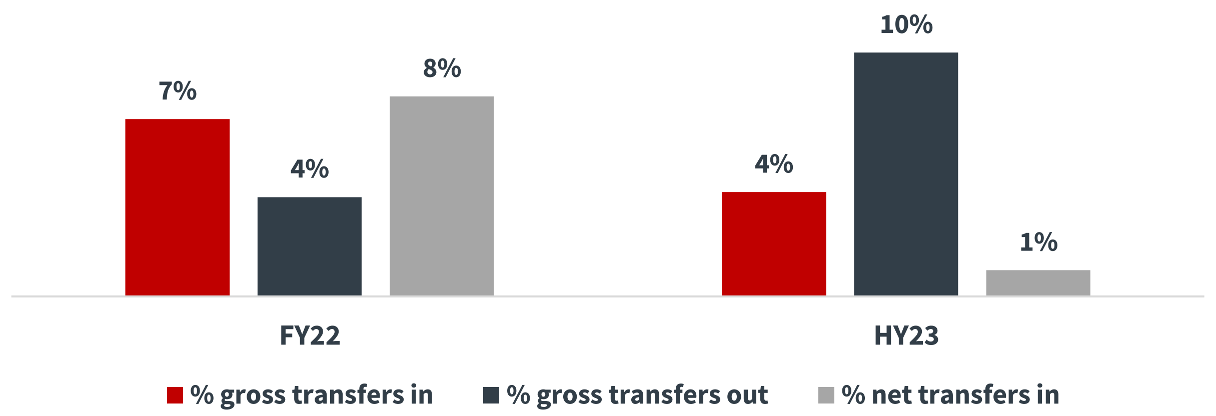
UK household deposit balances (£ billion)(1)



Impact on our net flows from cash products relatively small

Figure 11

% of transfers to/from banks and building societies(2)



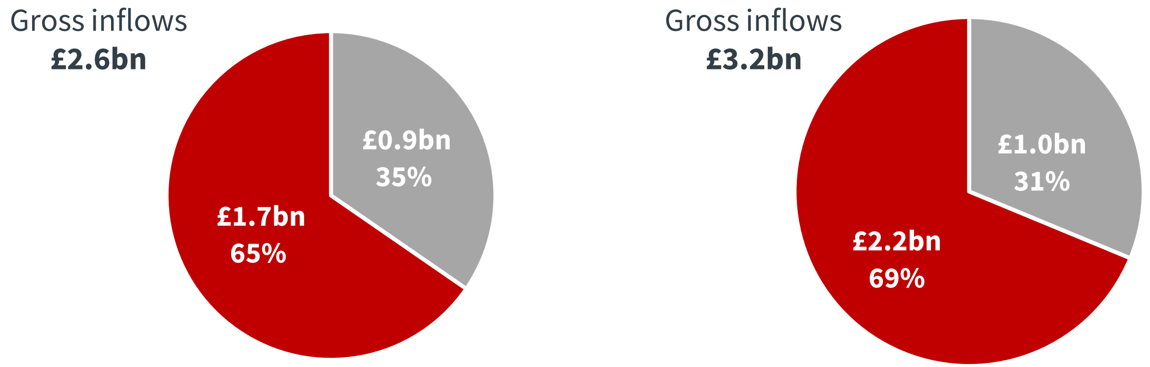
- After several years of steady decline, UK household interest bearing time deposits increased by over £68 billion in the year to March 2023 – inevitably this has impacted flows of cash from banks and building societies into the platform market
- However, for assets already held on our platform we have several investment options for customers looking to achieve competitive returns on cash – this reduces the outflow risk
- As a result, whilst outflows to banks and building societies has increased in HY23 compared to FY22, we were still a net beneficiary in the period

(1) Source: Building Societies Association
(2) Source: Company data - value of assets transferred to/from banks and building societies as a percentage of total value of transfers out/in

Our customers

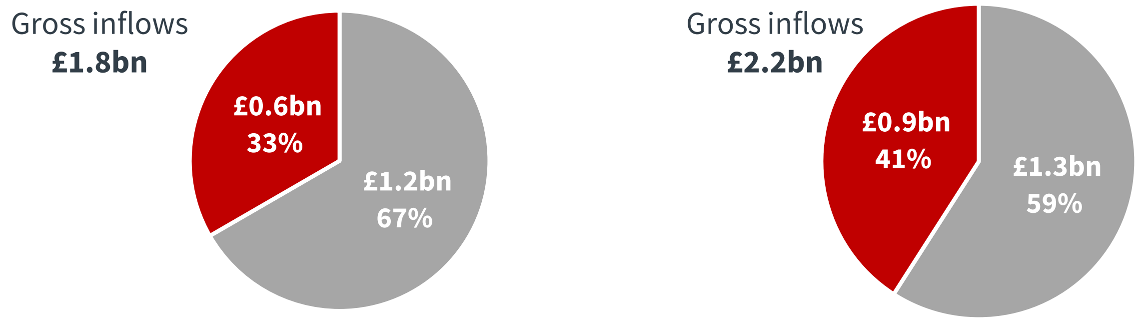
Platform AUA – gross inflows from new and existing customers

Figure 12



	HY23	HY22
Average inflows per new customer	**£144k**	£160k
Average inflows per existing customer	**£6k**	£8k

Figure 13



	HY23	HY22
Average inflows per new customer	**£22k**	£30k
Average inflows per existing customer	**£4k**	£5k

Financial update

HY23 financial highlights

Figure 14

	HY23	HY22	+/-
Revenue	**£103.6m**	£75.5m	37%
Revenue margin	**29.0bps**	20.3bps	8.7bps
Profit before tax	**£41.9m**	£26.1m	61%
PBT margin	**40.4%**	34.6%	5.8ppts
Diluted earnings per share	**7.96p**	5.08p	57%
Interim dividend per share	**3.50p**	2.78p	26%

» Revenue up 37% due to a significant increase in revenue margin to 29.0bps (HY22: 20.3bps)

» Key drivers of revenue margin improvement were an increased average interest rate on customer cash balances, net of competitive rates paid to customers, together with elevated cash balances in the period

» Administrative expenses increased by 26% in line with previous guidance, driven by business growth, planned strategic investments and one-off inflationary impacts

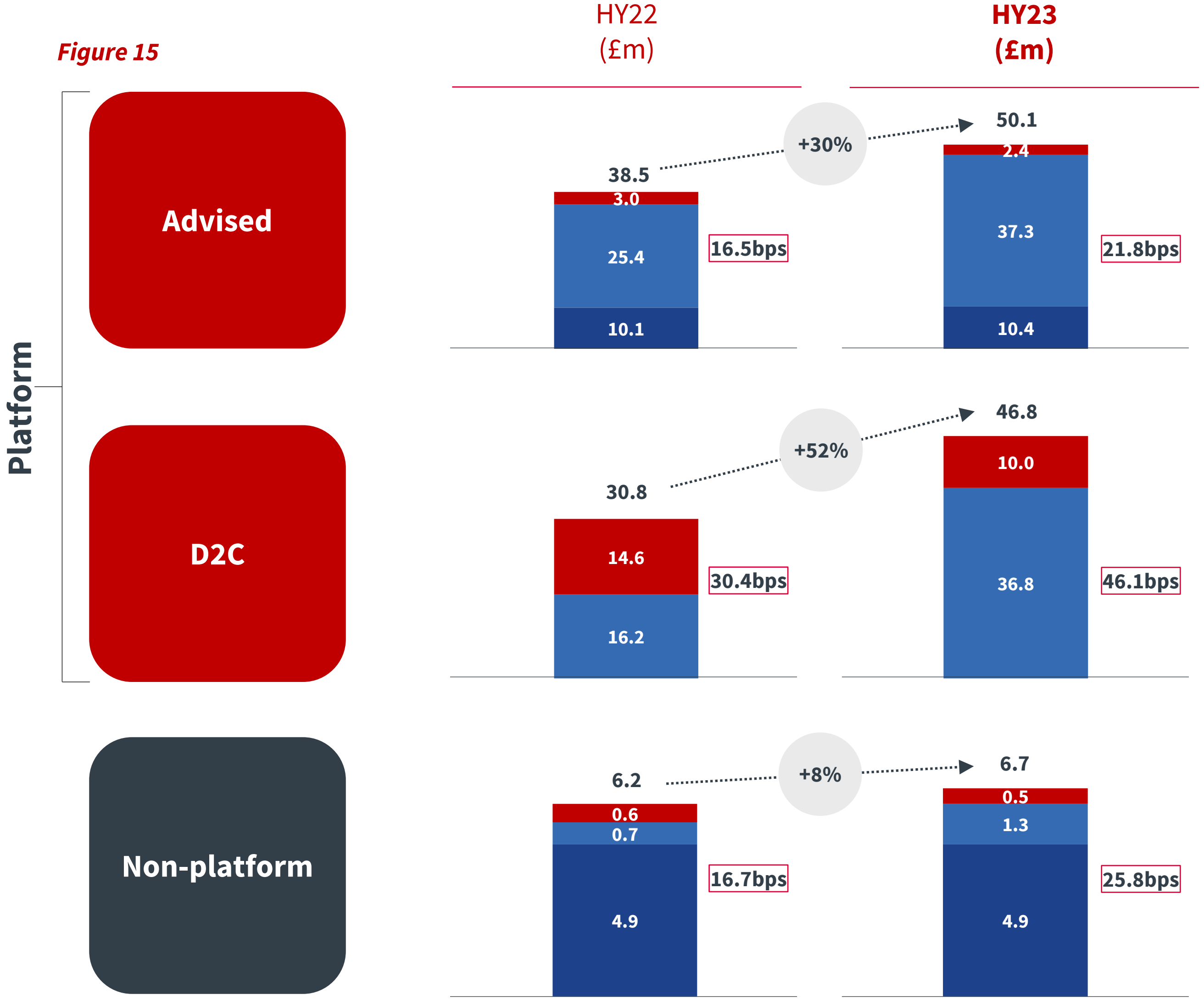
» Strong revenue growth, coupled with expenditure in line with plans, led to a 61% increase in PBT and an improved PBT margin of 40.4%

» Interim dividend up 26% to 3.50 pence

Revenue analysis

Revenue by proposition, nature of revenue streams and revenue margins

Figure 15



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

Advised

» Overall revenue increase driven by a 47% increase in recurring ad valorem revenue due to higher average net interest rate earned on cash balances compared to prior year and elevated cash balances

D2C

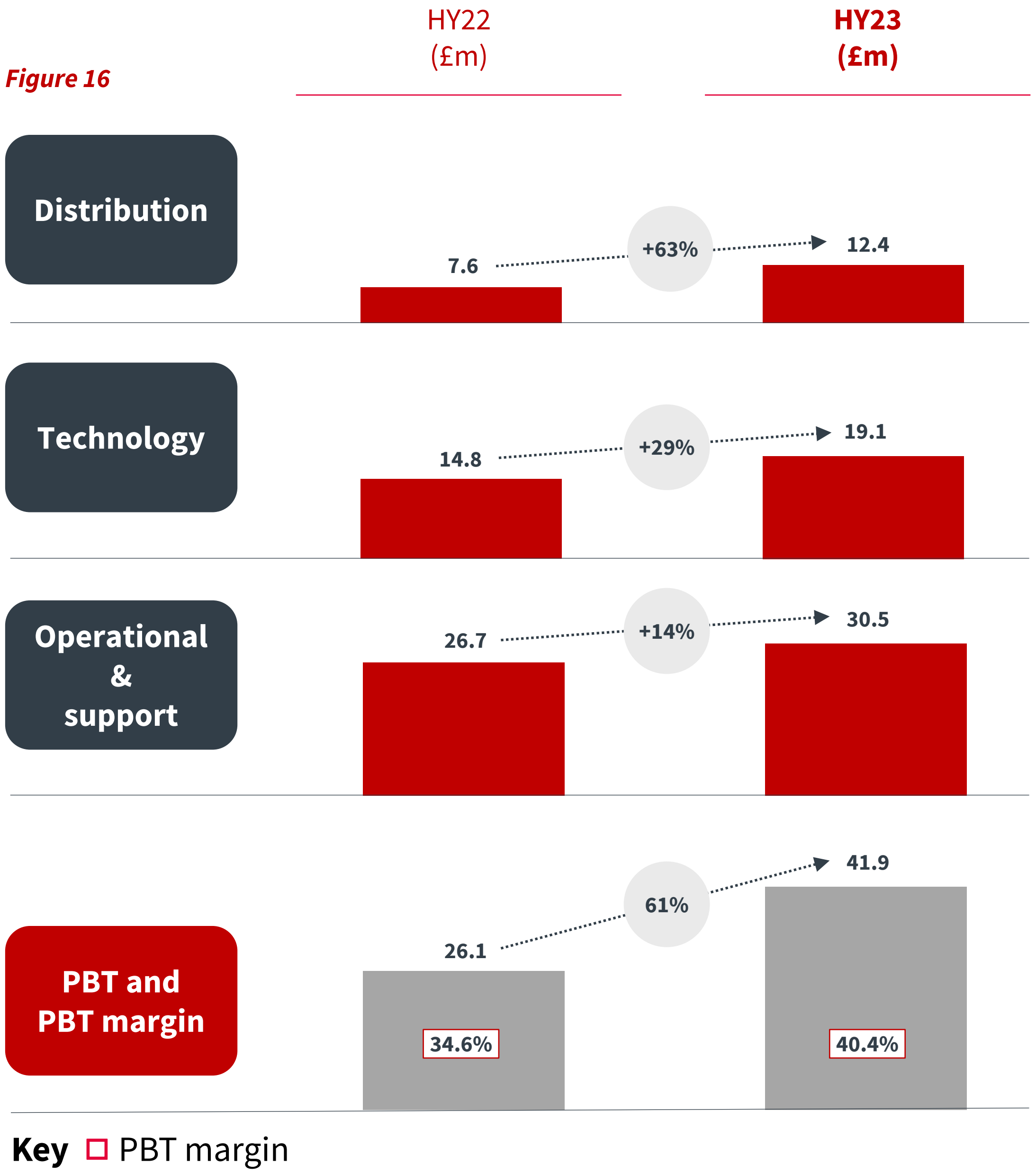
» Overall revenue increase of 52% driven by significant increase in revenue margin to 46.1bps:

- Ad valorem revenue up 127% due to higher average interest rate earned on cash versus HY22, net of higher rates paid to customers, together with elevated cash balances in the period
- Transactional revenue down 32% due to lower dealing/FX activity by D2C customers versus HY22

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

Cost and PBT Analysis

Figure 16



Cost growth in line with expectations, up 26% as we delivered our planned increased investment in our people, technology and brand

» Total staff costs increased by £5.0 million across the business, driven by:

- increased headcount to support our growth
- comprehensive new pay and benefits package

Distribution costs

» The main driver of the increase was the step up in investment into our brand, with an increase in HY23 of over £3 million compared to HY22

Technology costs

» Driven by the continued development of our platform propositions, inflationary cost increases including staff costs, and higher licensing and hosting costs as we continue to grow

Operational & support costs

» Increase driven primarily by staff cost increases outlined above

Capital and dividend

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

Regulatory capital position

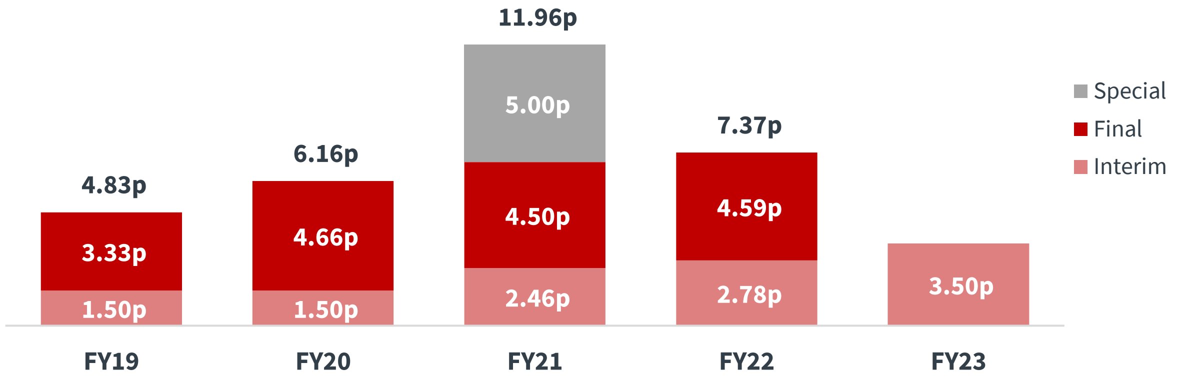
£ million	HY23	FY22
Total shareholder funds	147.2	133.4
Less: unregulated business capital	(3.3)	(3.7)
Regulatory group shareholder funds	**143.9**	**129.7**
Less: foreseeable dividends	-	(18.8)
Less: unverified profits	(33.7)	-
Less: non-qualifying assets	(14.3)	(14.3)
Total qualifying capital resources	**95.9**	**96.6**
Less: capital requirement	(53.9)	(49.3)
Surplus capital	**42.0**	**47.3**
% of capital resource requirement held	178%	196%

Dividend payments

Pence per share	HY23	FY22	+/-
Interim	**3.50**	2.78	26%
Final		4.59	
Total dividend		**7.37**	

Figure 17

Dividend history since IPO



- » Interim dividend of 3.50 pence, an increase of 26% versus prior year
- » No change in overall policy (65% pay-out of full-year profit after tax)

Outlook

Financial outlook - guidance

AJBell

	FY23 previous guidance			Updates to FY23 guidance		
	Advised Platform	**D2C Platform**	**Non-platform**	**Advised Platform**	**D2C Platform**	**Non-platform**
Revenue	Revenue margin expected to be ~21bps	Revenue margin expected to be ~45bps	Revenue expected to ~£12.5m	Platform revenue margins expected to be similar to HY23 (HY23: Advised ~21.8bps / D2C ~46.1bps)		Revenue expected to be ~£13.0m
Costs / PBT margin	Planned reinvestment of 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			No change to cost guidance **PBT margin:** expected to be slightly ahead of previous FY23 guidance, though down on HY23 due to a higher weighting of costs to the second half of the year		
Other items	Cost guidance above includes ~£2m non-cash share-based payment expense related to our new annual free share award			Higher interest on corporate cash expected to result in net finance income of ~£0.5m (FY22: £0.6m expense)		

Outlook beyond FY23

» **Slight revenue margin compression anticipated, caused by:**

- AUA mix: HY23 benefited from higher average cash balances, which are now moderating – a slight drag on revenue margins
- Pricing optionality – we intend to share scale benefits with customers through pricing (i.e. interest rates on cash and/or customer-facing charges)

» **Platform to continue scaling effectively:**

- Operational gearing inherent in our business model presents future PBT margin expansion opportunities
- However, we will continue to share the benefits of operational gearing across all stakeholders to support our long-term growth aspirations

Financial outlook – net interest income sensitivity

AJBell

Limited impact of potential rate cuts in FY23 and FY24

	Estimated revenue margin impact	
Base rate of:	**FY23**	**FY24**
2.0% or above	No material impact	No material impact
1.0%	No material impact	No material impact
0.0%	No material impact	Advised: -2bps D2C: -9bps

» **Key assumptions:**

- Bank of England base rate fall occurs on 1 June 2023
- No material changes in customer behaviour (dealing activity or asset allocation) or market levels
- Increases in interest rates paid to customers in the last two financial years are reversed as rate cuts take effect
- No material change in competitive dynamics

Commentary

» **A base rate below 2% would have a longer term impact on net interest income, however our revenue model is well diversified with other revenue streams standing to benefit**

- A significant fall in base rate would increase the attractiveness of investing – a potential positive for platform net inflows
- Volatility in the market drives dealing activity – a positive for our transactional revenues as evidenced during COVID period
- Potential benefit for AUA values – a positive for our recurring custody charges

» **Revenue margins in FY23 and FY24 already largely protected**

- Treasury management capability gives us time to react to interest rate changes and provides an element of protection from potential rate cuts in the medium term
- No material impact on revenue margins caused by reduced interest rates are expected if base rate remains at 2% or above

Outlook

» **Short-term headwinds remain but a significant long-term opportunity**

- The macroeconomic environment remains challenging for retail investors, however the platform market continues to benefit from long-term structural growth drivers

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

- Dual-channel platform maximises our growth opportunity across the platform market and we are focused on continuing to increase our market share organically
- 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

Appendices

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

Customers	HY23 **Advised platform**	HY23 **D2C Platform**	HY23 **Total Platform**	HY22 Advised platform	HY22 D2C Platform	HY22 Total Platform
Opening customers	145,371	280,281	425,652	126,920	241,045	367,965
Net new customers	8,029	21,327	29,356	10,281	25,137	35,418
Closing customers	**153,400**	**301,608**	**455,008**	**137,201**	**266,182**	**403,383**
Variance to opening	*+6%*	*+8%*	*+7%*	*+8%*	*+10%*	*+10%*
Variance to prior year	*+12%*	*+13%*	*+13%*			
AUA and AUM (£ billion)						
Opening AUA	**44.8**	**19.3**	**64.1**	**45.8**	**19.5**	**65.3**
Inflows	2.6	1.8	4.4	3.2	2.2	5.4
Outflows	(1.5)	(0.9)	(2.4)	(1.7)	(0.7)	(2.4)
Net inflows	**1.1**	**0.9**	**2.0**	**1.5**	**1.5**	**3.0**
Market & other movements	1.4	1.1	2.5	(0.8)	(0.6)	(1.4)
Closing AUA	**47.3**	**21.3**	**68.6**	**46.5**	**20.4**	**66.9**
Variance to opening	*+6%*	*+10%*	*+7%*	*+2%*	*+5%*	*+2%*
Variance to prior year	*+2%*	*+4%*	*+3%*			
Opening AUM	1.7	1.0	2.7	1.3	0.8	2.1
Closing AUM	**2.1**	**1.2**	**3.3**	**1.4**	**0.9**	**2.3**
Variance to opening	*+24%*	*+20%*	*+22%*	*+8%*	*+13%*	*+10%*
Variance to prior year	*+50%*	*+33%*	*+43%*			

Glossary

Glossary

AUA	Assets Under Administration
AUM	Assets Under Management
BPS	Basis Points
CAGR	Compound Annual Growth Rate
D2C	Direct to Consumer
FCA	Financial Conduct Authority
FX	Foreign Exchange
FY22/FY23/FY24	Year Ended/Ending 30 September 2022/2023/2024
HY22/HY23	Six Months Ended 31 March 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
UK	United Kingdom

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