Interim results

For the six months ended
31 March 2024

Issued on 23 May 2024

Agenda

Business update

HY24 key messages

Our dual-channel platform continued to deliver strong organic growth with **platform customers surpassing half a million** and **net inflows up 45%** to £2.9 billion

We **continue to invest** to support our long-term growth ambitions – AJ Bell's **brand awareness has improved**, and our **Ready-made pension has launched**

Our focus on **keeping our charges low**, combined with **high service standards** and **easy to use products**, puts us in a very strong position to **gain further market share**

Very strong financial performance, with first half **revenue and PBT up significantly**, supporting a **21% increase in interim dividend to 4.25 pence** per share

Key investment highlights

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

Key investment highlight	HY24 update
Our market Pages 6-7	» Strong growth drivers for both the advised and D2C markets – we continue to take market share in both » Consumer Duty strongly embedded in our business – our compelling customer value proposition means we are well positioned
Our propositions Pages 8-9	» Continued investment in our brand and propositions, in line with our plans set out at the start of the year » Ready-made pension launched, making it even easier for customers to consolidate their existing pensions with AJ Bell
Our customers Pages 10-13	» Continued growth – we surpassed half a million platform customers in HY24, up from just under 200,000 when we listed in 2018 » Charges lowered for our customers – significant pricing reductions and interest rate increases introduced on 1 April
Our people	» Named in the top 20 large companies to work for in the UK by Best Companies, our sixth consecutive year as a three-star company » Fiona Fry and Julie Chakraverty appointed as a new Non-executive Directors – enlarged Board structure now finalised
Our business model	» Our dual-channel platform delivered another period of strong organic growth across both the advised and D2C markets » Single operating model ensures efficiency in serving both markets and provides margin improvement opportunities
Quality of earnings Pages 15-17	» The strength of our diversified revenue model has once again been demonstrated in HY24 » Improved retail investor sentiment and strong equity markets helped to drive custody fees and transactional fees higher
Cash generation Pages 18-19	» Cash generated from operations of £58 million in HY24, with cash balances of £162 million at the period end » Supports continued investment in strategic initiatives alongside a 21% increase in interim dividend to 4.25 pence

Our market

A significant long-term growth opportunity for the platform market

A large addressable market

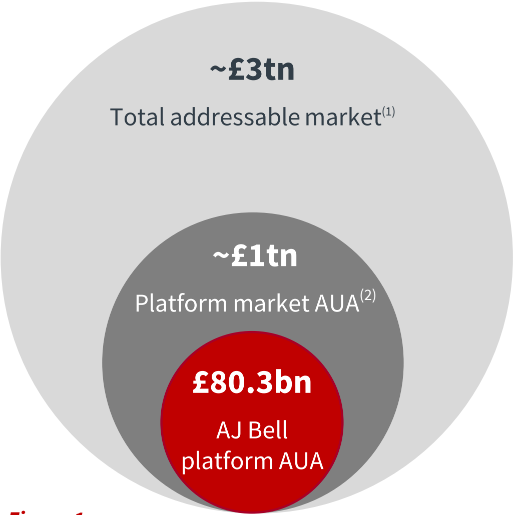


Figure 1

- Total addressable market estimated to be worth at least £3 trillion
- We have an 8% share of the overall platform market
- Significant opportunity for continued market growth:
  - ~£2 trillion of addressable assets held off-platform

Dual-channel model maximises our growth opportunity

Platform net inflows vs peers[3]

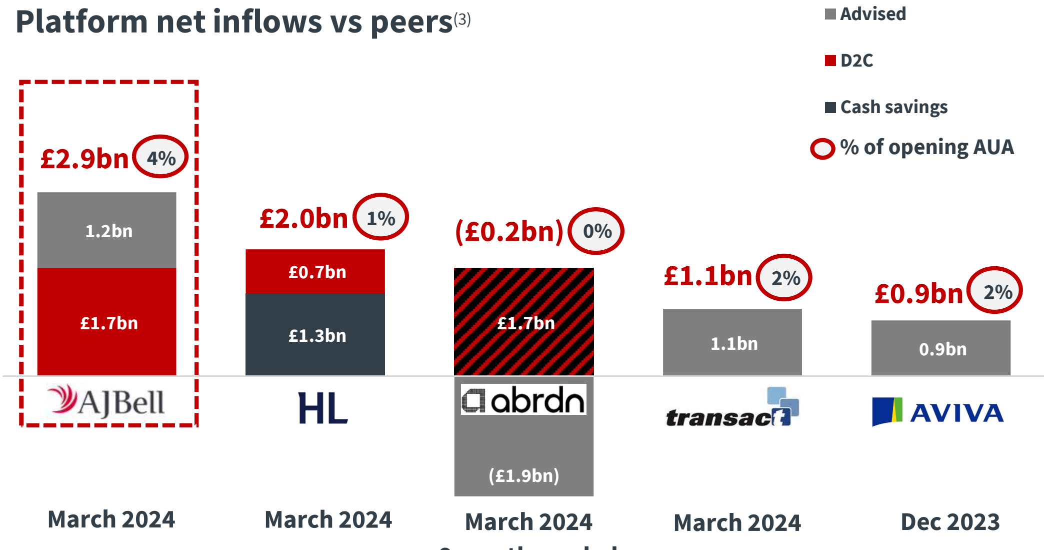


Figure 2

The platform market benefits from long-term structural growth drivers

Society & demographics	Government legislation	Technology
An ageing UK population that is working and living for longer, with the need for individuals to take greater personal responsibility for their long-term savings	Shift towards defined contribution pension schemes boosted by automatic enrolment, with increased flexibility as a result of pension freedoms	Ease of accessing investments has made investing accessible to a far broader range of people

(1) Source: Liberum
(2) Sources: Lang cat - £575bn Advised market AUA at 31 December 2023; Boring Money – £392bn D2C market AUA at 31 December 2023
(3) Source: Company financial reports and market announcements

Our market

Key emerging themes in the UK platform market

Health of the UK capital markets

- Challenges well documented – positive that this is on the political agenda
- Plans announced in March 2024 Budget statement for a new 'UK ISA' aimed at reviving the London stock market
- Aims are laudable, but we do not believe the proposed UK ISA is the right solution:
  - Niche product – attractive to only the minority who fully utilise their £20,000 annual ISA allowance
  - Negligible impact – small additional investment each year spread across shares, bonds and gilts. Immaterial in the context of the UK markets
  - Damaging complexity – creates additional complexity in the ISA market, which risks deterring would-be investors from engaging with ISAs altogether
- We believe the Government should instead:
  - Simplify the existing ISA system into a single 'One ISA' product to attract more retail investors
  - Remove the 0.5% stamp duty levied on most UK shares to improve the attractiveness of UK equities versus many overseas markets, where no equivalent tax is payable

Advice / guidance boundary review consultation

- There is a significant advice gap in the UK, with many people who would benefit from financial advice being unable to access it
- We are working with the Treasury and the FCA on their joint review of the advice / guidance boundary
- Proposed 'Targeted Support' regime has the potential to be a positive step forward in enabling good customer outcomes
- There is significant potential for D2C platforms to provide a far greater level of guidance and support to retail investors who currently fall into the advice gap
- We continue to monitor developments closely and consider how we could deliver better outcomes to customers under this potential new regime

Our platform propositions

An easy-to-use platform underpinned by great service

Advised	D2C
AJBell Investcentre; TOUCH (moving to full beta in H2)	AJBell; AJBell Dodl

Advised

- **Reduced customer charges** and increased interest rates paid on cash balances from 1 April
- **New client onboarding journey** launched, delivering an improved interface mapped to the advice process which streamlines new business procedures
- **Launched the AJ Bell Money Market MPS** with an OCF of just 10bps to support advisers serving customers looking for cash-like returns

D2C

- **Reduced customer charges** and increased interest rates paid on cash balances from 1 April
- **New Ready-made pension launched** to help customers to easily consolidate their existing pensions and invest automatically via a low-cost investment solution managed by AJ Bell
- **Improved AJ Bell brand awareness** following the investment made in this area, supporting strong new business

- **Platform is underpinned by the market-leading service levels provided to customers and advisers. In HY24 we have:**
  - Executed over 2 million trades, settled over 4 million transactions and made tens of thousands of pension payments, evidencing the scalability of our platform
  - Answered over 200,000 phone calls, with 94% of all calls answered within 20 seconds during March, one of our busiest months ever

Trustpilot 4.8

Which? Recommended Provider March 2024 Stocks & Shares ISA

Which? Recommended Provider March 2024 General Investment Accounts

Our platform propositions – AJ Bell Investments

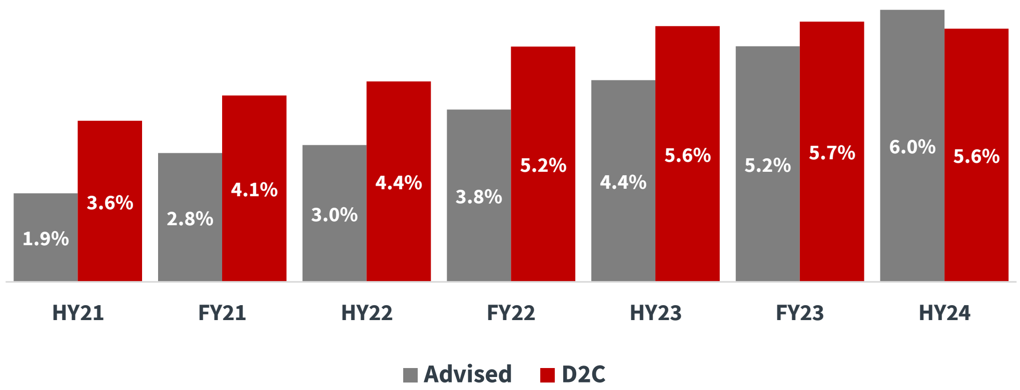
Our investment solutions are an increasingly important part of AJ Bell's offering

£0.8 billion of net inflows in HY24 drove AUM **up 23% to £5.8 billion**

Strong momentum in advised channel

Figure 3

AJ Bell Investments AUM penetration
(% of AUA)



Long-term performance driving wider recognition

- Strong long-term performance – all AJ Bell funds outperformed their sector benchmark over 3 and 5 years to 31 March 2024
- Financial adviser community increasingly attracted to our investment solutions, driving strong flows via both AJ Bell Investcentre and third-party adviser platforms
- The AJ Bell Balanced Fund was the winner in the Best Balanced Fund category at the Professional Adviser Awards 2024

Our customers

Advised customer insights

Growth – six months ended 31 March 2024

Customers

+4% in HY24 to **165,000**

AUA

Total AUA **+11%** in HY24 to **£53.4bn**

Net inflows of **£1.2 billion** (HY23: £1.1 billion)

Customer profile

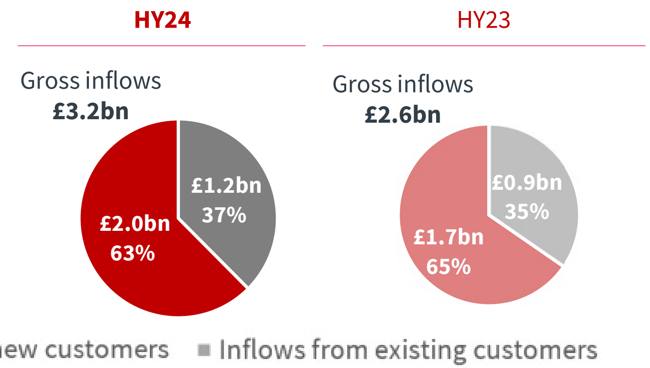
Average age of **56** (HY23: 56)

Average portfolio of **£324k** (HY23: £308k)

Retention rate of **93.3%** (HY23: 94.9%)

Gross inflows from new and existing customers

Figure 4



	HY24	HY23
Average inflows per new customer	**£167k**	£144k
Average inflows per existing customer	**£8k**	£6k

» Increased inflows from new customers supported by an uptick in migration activity as advisers were more willing to transfer cohorts of clients than in HY23

» Strong market performance and increased adviser confidence resulted in higher average inflows from both new and existing customers

Our customers

Advised customer insights

Higher outflows across sector since start of 2023…

Advised platform market outflows[1]

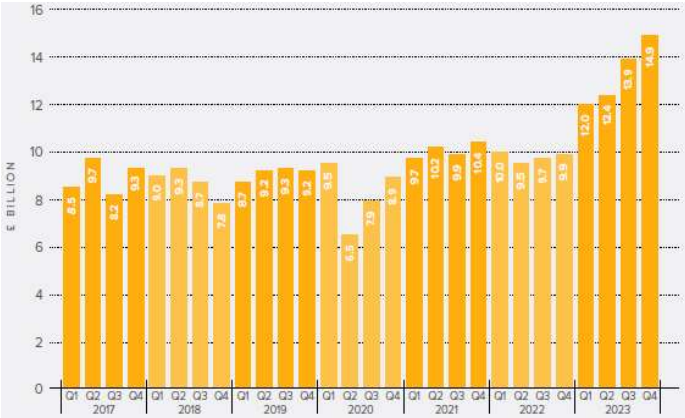


Figure 5

» Driven primarily by the continued cost of living pressures caused by inflation and higher interest rates

…AJ Bell less impacted than most platforms…

Outflows as a percentage of opening AUA[1]

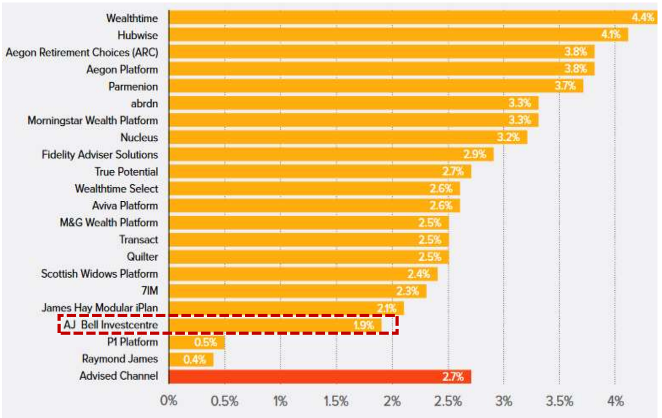


Figure 6

» Strong weighting to pension assets provides an element of protection against elevated withdrawals

…with only a modest increase in transfers out

AJ Bell outflows analysis

Figure 7

	HY24 £bn	HY23 £bn	Var. £bn	Var. %
Withdrawals & pension benefits	**1.1**	0.7	0.4	57%
Transfers out (including annuity purchases)	**0.9**	0.8	0.1	13%
Total outflows	**2.0**	1.5	0.5	33%

» Withdrawals and pensions benefit payments drove increased outflows in HY24 due to cost-of-living impact and customers using cash differently

» However, only a modest increase in transfers out despite impact of:

- Higher interest rates driving an uptick in annuity purchases
- Continuation of adviser consolidation across the market

(1) Source: Lang cat

Our customers

D2C customer insights

Growth – six months ended 31 March 2024

Customers

+7% in HY24 to **338,000**

AUA

Total AUA **+19%** in HY24 to **£26.9bn**

Net inflows of **£1.7 billion** (HY23: £0.9 billion)

Customer profile

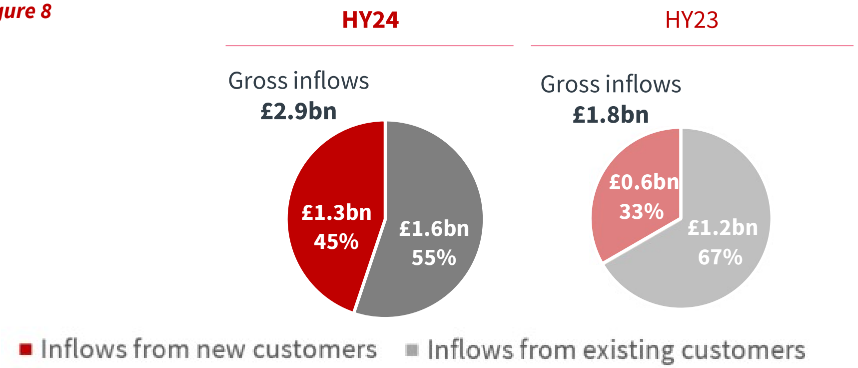
Average age of **44** (HY23: 43)

Average portfolio of **£80k** (HY23: £71k)

Retention rate of **95.1%** (HY23: 95.8%)

Gross inflows from new and existing customers

Figure 8



	HY24	HY23
Average inflows per new customer	**£43k**	£22k
Average inflows per existing customer	**£5k**	£4k

» SIPP new business particularly strong, with the pension changes announced in the March 2023 budget providing a helpful tailwind

» Average inflows from new customers up versus HY23, supported by strong markets and improved investor confidence

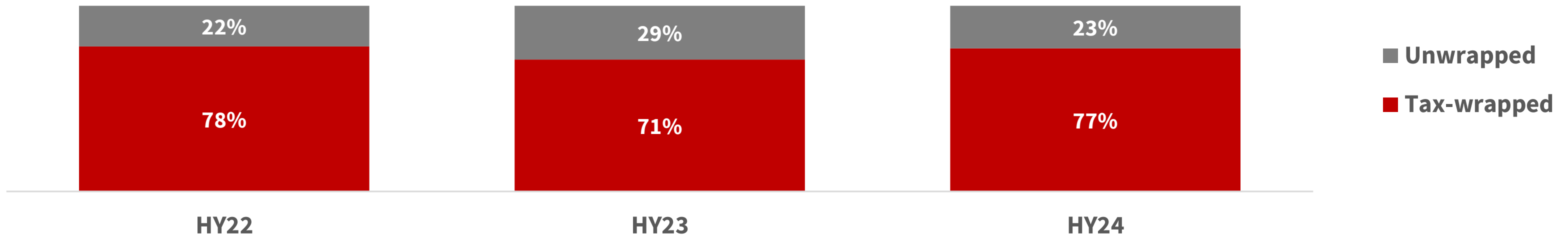
Our customers

D2C customer insights

Tax wrappers continue to dominate new funded accounts – sticky, long-term customers with high lifetime values

Figure 9

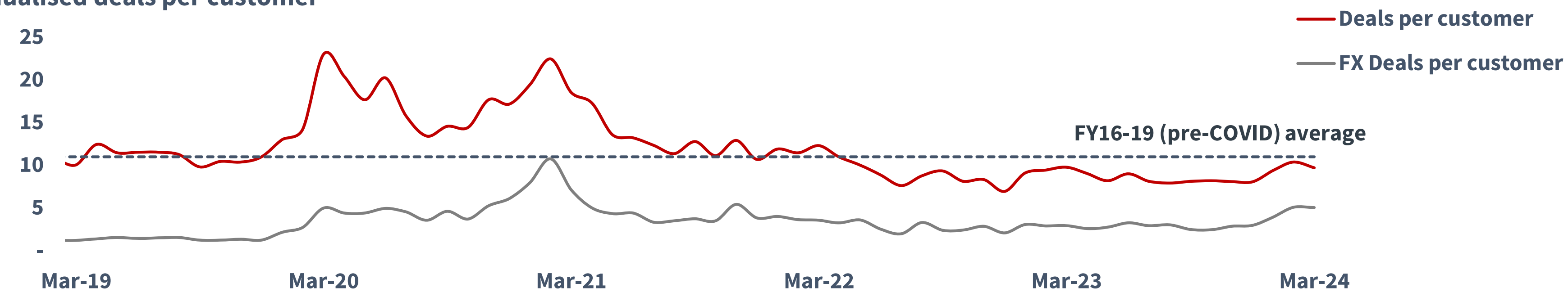
New accounts: tax-wrapped vs. unwrapped



Customer dealing activity increased in HY24 as retail investor sentiment improved, moving back towards long-term average

Figure 10

Annualised deals per customer



Financial update

HY24 financial highlights

Figure 11

	HY24	HY23	+/-
Revenue	**£131.3m**	£103.6m	27%
Revenue margin	**32.3bps**	29.0bps	3.3bps
Profit before tax	**£61.4m**	£41.9m	47%
PBT margin	**46.8%**	40.4%	6.4ppts
Diluted earnings per share	**11.11p**	7.96p	40%
Interim dividend per share	**4.25p**	3.50p	21%

» An improved revenue margin of 32.3bps drove a 27% increase in revenue to £131.3m, primarily due to:
  - Increased custody fee income as a result of higher average platform AUA
  - Higher interest rates generated on platform cash balances
  - Higher levels of custody dealing activity due to improved retail investor sentiment

» Administrative expenses increased by 17% in line with expectation, as we delivered our planned investment in brand, technology and people

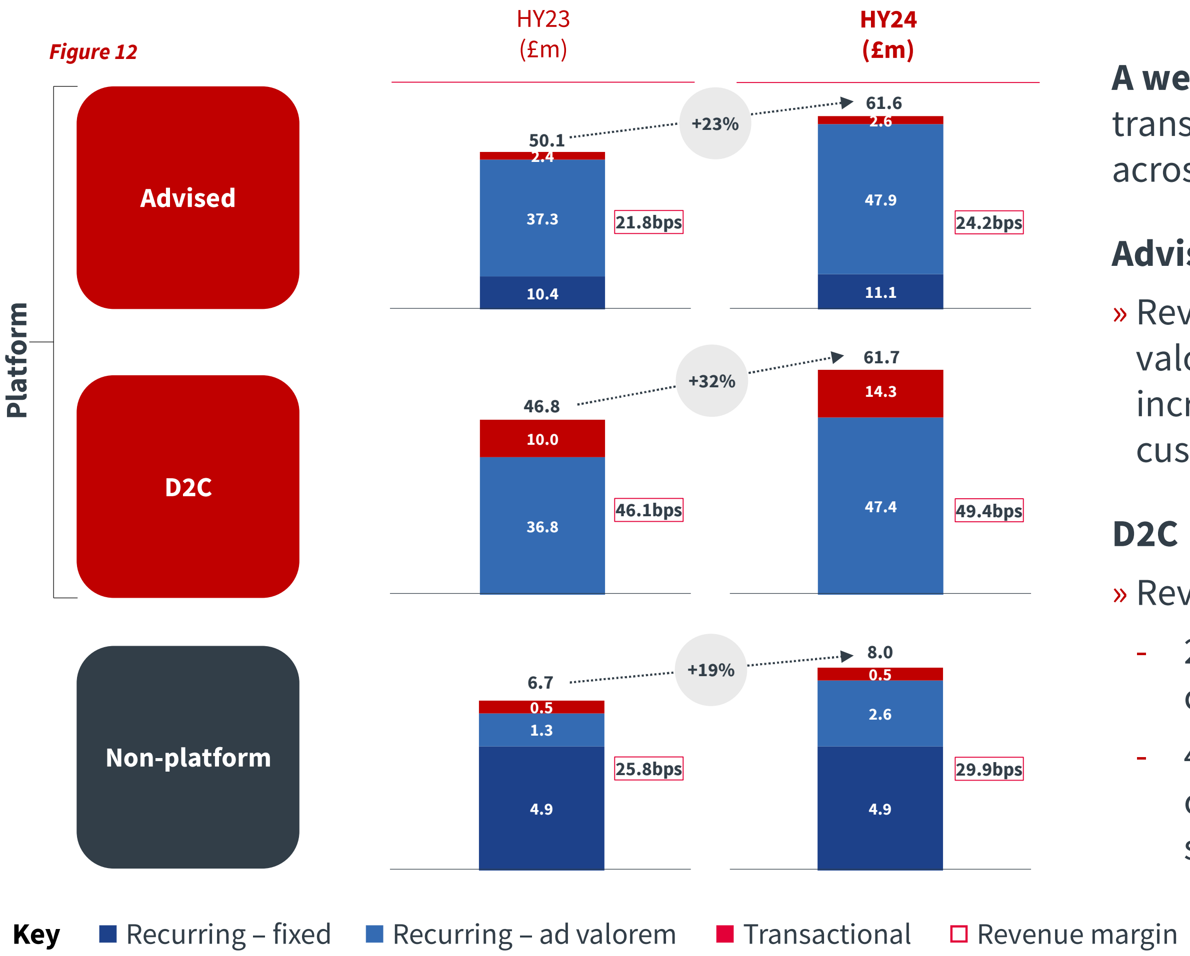
» Strong revenue growth, coupled with expenditure in line with expectation, led to a 47% increase in PBT and an improved PBT margin of 46.8%

» Interim dividend up 21% to 4.25 pence

Revenue analysis

Revenue by proposition, nature of revenue streams and revenue margins

Figure 12



A well diversified revenue model – mix of fixed, ad valorem and transactional revenues enables us to deliver sustainable profit across different market conditions

Advised

» Revenue growth driven by a 28% increase in recurring ad valorem revenue resulting from higher custody fees due to increased average AUA and higher net interest income on customer cash balances held on the platform

D2C

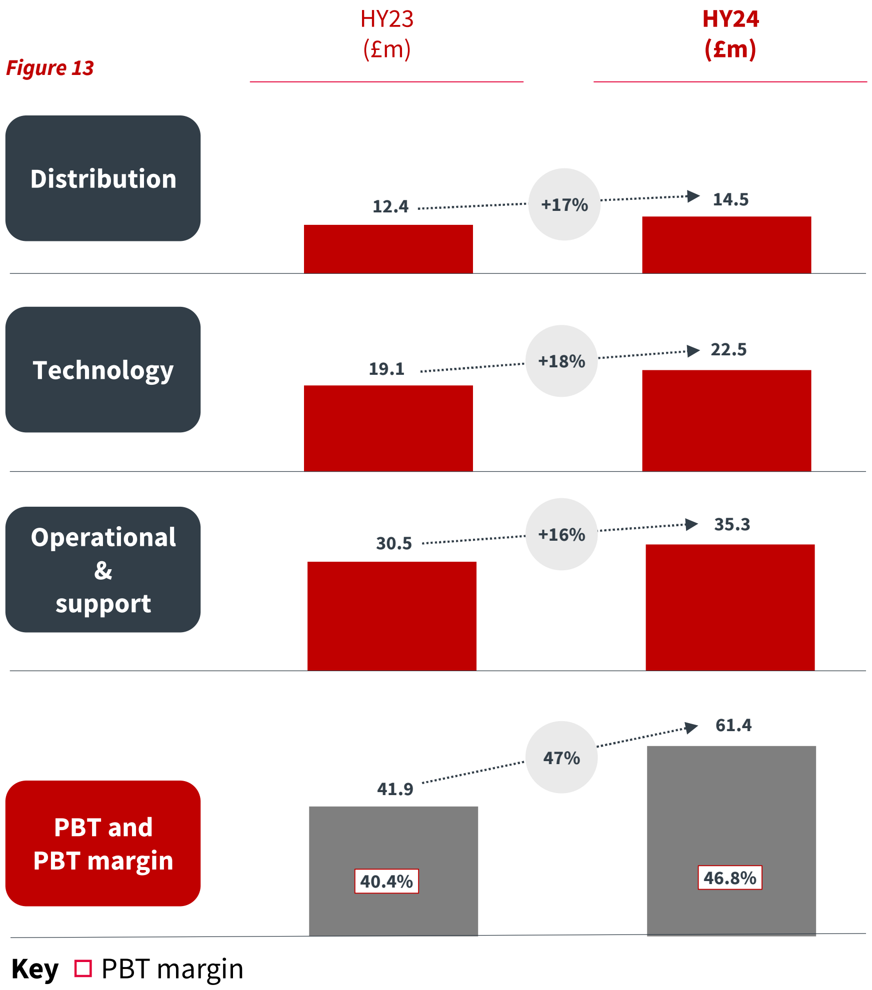
» Revenue growth driven by:

- 29% increase in recurring ad valorem revenue due to higher custody fees and net interest income
- 43% increase in transactional revenue due to higher levels of dealing activity as a result of improved retail investor sentiment, with FX revenue also higher than prior year

Cost and PBT Analysis

AJBell

Figure 13



Total cost growth of 17% in line with expectations as we delivered our planned investment in our brand, technology and people

Distribution costs

» 17% increase driven primarily by the delivery of our multi-channel advertising campaign to enhance brand awareness

Technology costs

» 18% increase driven by increased headcount in our change teams to accelerate the pace of change for our propositions, as well as increased investment in external cloud hosting costs and higher licensing costs driven by business growth

Operational & support costs

» 16% increase driven by increased headcount to support growth, enhancements to staff pay and benefits, and higher performance-related variable remuneration

» Of this, 2% was attributable to higher transactional costs following an uptick in dealing volumes (more than offset by increased revenue)

Capital and dividend

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

Regulatory capital position

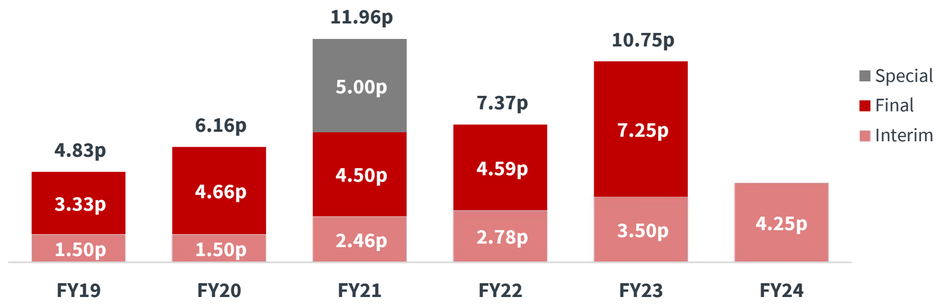
£ million	HY24	FY23
Total shareholder funds	180.6	166.0
Less: unregulated business capital	(4.1)	(3.7)
Regulatory group shareholder funds	**176.5**	**162.3**
Less: foreseeable dividends	-	(29.8)
Less: unverified profits	(44.9)	-
Less: non-qualifying assets	(12.5)	(12.9)
Total qualifying capital resources	**119.1**	**119.6**
Less: capital requirement	(59.6)	(53.9)
Surplus capital	**59.5**	**65.7**
% of capital resource requirement held	200%	222%

Dividend payments

Pence per share	HY24	FY23	+/-
Interim	**4.25**	3.50	21%
Final		7.25	
Total ordinary dividend		**10.75**	

Figure 14

Dividend history



» Interim dividend of 4.25 pence, representing 40% of FY23 total ordinary dividend

» Following a review of the existing dividend policy, a new capital allocation framework has been approved (see page 19)

Capital and dividend

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

New capital allocation framework

Financial strength
Maintain an appropriate level of regulatory capital and liquidity

Organic investment
Targeted investments to drive long-term business growth, whilst maintaining good cost discipline

Supporting local communities
Commitment to donate 0.5% of profit before tax to the AJ Bell Futures Foundation annually

Ordinary dividend
A regular, progressive ordinary dividend

Inorganic investment opportunities
Consideration of potential bolt-on acquisitions to support our strategy

Additional capital returns
Return of surplus capital not required for other priorities considered annually

Commentary

- This new capital allocation framework formalises the way we already think about how capital is deployed in the business
- Reinforces our commitment to targeting a progressive annual ordinary dividend, after 19 consecutive years of ordinary dividend growth
- Greater flexibility to ensure our capital resources are utilised effectively to deliver long-term value to shareholders
- The appropriateness of surplus capital returns , and mechanism for such returns (special dividend or share buyback), will be considered annually

Outlook

Financial outlook - guidance

	FY24 previous guidance			Updates to FY24 guidance		
	Advised Platform	**D2C Platform**	**Non-platform**	**Advised Platform**	**D2C Platform**	**Non-platform**
Revenue	Revenue margin expected to be **~22bps**	Revenue margin expected to be **~47.5bps**	Revenue expected to be **~£14m**	Revenue margin expected to be **~23bps** (HY24: 24.2bps)	Revenue margin expected to be **~46bps** (HY24: 49.4bps)	Revenue expected to be **~£16m** (HY24: £8.0m)
				Full-year revenue margins will be lower than HY24 due to recent pricing changes		
Costs / PBT margin	Staff costs remain the largest expense (£64.8m in FY23). The uplift in pay and benefits for FY24 was ~7%, and we continue to invest across the business to support long-term growth **Distribution (FY23: £25.9m)** ~10% growth vs. FY23 to drive growth, with investment across brand, PR, marketing & business development **Technology (FY23: £40.3m)** 20-25% growth vs. FY23 (of which ~5% is caused by a one-off credit in the FY23 comparative related to share-based payments), driven by developer recruitment to deliver planned improvements to our platform and propositions **Operational & support (FY23: £65.8m)** ~10% growth vs. FY23, driven primarily by higher staff costs following the FY24 pay and benefits review noted above **PBT margin (FY23: 40.2%)** Expected to be ~38%, reflecting a lower revenue growth rate compared to FY23 and continued cost investment			Total costs are expected to be marginally ahead of the guidance provided in December, but more than offset by the anticipated increase in revenue versus previous expectations: **Distribution (FY23: £25.9m)** ~13% growth vs. FY23, due to a decision to invest more in marketing than originally planned in the run up to the tax year end **Technology (FY23: £40.3m)** ~20% growth vs. FY23, the bottom end of previous guidance **Operational & support (FY23: £65.8m)** ~15% growth vs. FY23, with the higher growth rate vs. previous guidance caused by additional transaction-related costs due to higher customer dealing activity (more than offset by additional revenue) and higher performance-related variable remuneration **PBT margin (FY23: 40.2%)** Expected to be up slightly vs. FY23, albeit lower than the 46.8% reported for HY24 due to the impact of pricing reductions on second half revenue margins		
Other items	Higher interest on corporate cash expected to result in net finance income of ~£2.5m (FY23: £1.4m)			Net finance income expected to be ~£5m		

Outlook beyond FY24

» **Revenue margins – compression over time:**
- Full-year impact of recent pricing changes in FY25
- Pricing optionality – we intend to continue using our scale benefits to benefit customers

» **Costs – a significant moderation in growth rates:**
- Annual cost growth expected to moderate, with lower growth rates across all three cost categories

» **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

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Impact of interest rate cuts

Base rate of:	Estimated revenue margin impact FY24	FY25
3.0% or above	No material adverse impact	No material adverse impact
2.0%	No material adverse impact	No material adverse impact
1.0%	No material adverse impact	Advised: immaterial D2C: -4bps

» **Key assumptions:**

- Bank of England base rate fall occurs in June 2024
- 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 or regulation

Commentary

» **Impact of any future rate cuts will be gradual**

- Treasury management capability gives us time to react to interest rate changes and provides degree of protection from future rate cuts

» **Our diversified revenue model ensures other revenue streams stand to benefit if interest rates fall**

- 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 custody revenue

Outlook

AJBell

» **Significant long-term growth opportunity in the UK platform market**

- Societal need for individuals to take control of their long-term finances
- £3 trillion addressable market, of which only one-third is currently held on platform

» **Improving macroeconomic environment**

- Early signs of recovery during the first half, with UK inflation levels falling and global asset values increasing
- Interest rates are anticipated to fall, which is likely to increase the appetite for investing

» **We are in a strong position to continue winning market share**

- Dual-channel approach enables us to attract new customers and AUA in both the advised and D2C markets
- Diversified revenue model delivers sustainable revenue growth in different macroeconomic environments
- We are focused on continually lowering the costs of investing for customers, evidenced by recent pricing changes
- Our strong profitability enables us to continue investing in our brand, propositions and people to support our long-term growth ambitions

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

Our platform propositions

Figure 15

	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	AJBell 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

Appendix III
Platform Customers, AUA and AUM

Customers	HY24 Advised platform	HY24 D2C Platform	HY24 Total Platform	HY23 Advised platform	HY23 D2C Platform	HY23 Total Platform
Opening customers	159,000	317,000	476,000	145,000	281,000	426,000
Net new customers	6,000	21,000	27,000	8,000	21,000	29,000
Closing customers	**165,000**	**338,000**	**503,000**	**153,000**	**302,000**	**455,000**
Variance to opening	*+4%*	*+7%*	*+6%*	*+6%*	*+7%*	*+7%*
Variance to prior year	*+8%*	*+12%*	*+11%*			
AUA and AUM (£ billion)						
Opening AUA	**48.2**	**22.7**	**70.9**	**44.8**	**19.3**	**64.1**
Inflows	3.2	2.9	6.1	2.6	1.8	4.4
Outflows	(2.0)	(1.2)	(3.2)	(1.5)	(0.9)	(2.4)
Net inflows	**1.2**	**1.7**	**2.9**	**1.1**	**0.9**	**2.0**
Market & other movements	4.0	2.5	6.5	1.4	1.1	2.5
Closing AUA	**53.4**	**26.9**	**80.3**	**47.3**	**21.3**	**68.6**
Variance to opening	*+11%*	*+19%*	*+13%*	*+6%*	*+10%*	*+7%*
Variance to prior year	*+13%*	*+26%*	*+17%*			
Opening AUM	2.5	1.3	3.8	1.7	1.0	2.7
Closing AUM	**3.2**	**1.5**	**4.7**	**2.1**	**1.2**	**3.3**
Variance to opening	*+28%*	*+15%*	*+24%*	*+24%*	*+20%*	*+22%*
Variance to prior year	*+52%*	*+25%*	*+42%*			

Glossary

Glossary

AJBell

AUA	Assets Under Administration
AUM	Assets Under Management
BPS	Basis Points
D2C	Direct to Consumer
FCA	Financial Conduct Authority
FX	Foreign Exchange
FY23/FY24/FY25	Year Ended/Ending 30 September 2023/2024/2025
HY23/HY24	Six Months Ended 31 March 2023/2024
ISA	Individual Savings Account
OCF	Ongoing Charges Figure
MPS	Managed Portfolio Service
PBT	Profit Before Tax
UK	United Kingdom

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