



Interim Results

For the six months ended 31 March 2019

Agenda

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Business Update

HY19 Highlights

- Strong financial performance - significant increase in revenue and profit
- Financial performance driven by platform business which continued to attract high levels of new customers and assets
- Successful IPO on Main Market of London Stock Exchange
- Key industry awards for both platform propositions
- Achievement of Best Companies three-star accreditation

Key Investment Highlights

1

Our market

An attractive retail market within the UK savings and investment industry

2

Our proposition

Award-winning platform operating in both advised and direct-to-consumer market segments

3

Our customers

A loyal base of high quality customers

4

Our team

Entrepreneurial, founder-led management team

5

Quality of earnings

High quality, largely recurring revenue from a diversified mix of revenue types

6

Our business model

Profitable and scalable platform with embedded growth and margin expansion opportunities

7

Cash generation

Highly cash generative and capital light model supports progressive dividend policy

HY19 Update

Key Investment Highlight

1 Our market

2 Our proposition

3 Our customers

4 Our team

Commentary

- Investment Platform Market Study – no material impact on AJ Bell
 - AJ Bell-sponsored lang cat report on barriers to transfer business
 - Continued decline in DB transfers
 - Campaigning in a number of areas to improve customer outcomes
- Refreshed customer interfaces across our platform propositions
 - New investment solutions for both Advised and D2C customers
 - Pricing changes to benefit our customers
 - Both platform propositions won key industry awards
- New customers continue to be attracted to our low-cost, award-winning platform propositions
 - High customer retention rate maintained
- Achieved Best Companies 3-star accreditation for the first time
 - Placed 28th in 2019, up from 86th in 2018

Our Market

Investment Platform Market Study

- Concluded that the platform market generally works well
- We welcome the focus on making switches between providers easier
- FCA looking to cap or ban exit fees – we expect this to apply to comparable services to ensure level playing field
- Potential cap or ban on exit fees would not have a material impact on our business
- Would like to have seen more focus on revenue margin as a simple way of comparing platform costs

lang cat report

Signal to Noise: Barriers to transfer business

- Switching between providers is a difficult process - platforms, advisers and the regulator can make improvements to achieve better outcomes for customers
- The report reaffirms FCA's rules/expectations for advisers when considering which platform to use for their clients
- We are well positioned as platform pricing comes into sharper focus

Defined benefit pension transfers

- DB transfers in HY19 were £0.5bn, down from £1.1bn in HY18
- DB inflows expected to continue at subdued levels due to regulatory pressure

Other campaign themes

- Improving access to financial guidance for DIY customers without it being classed as advice
- Ensuring investment pathways are targeted at those that really need them
- Simplification of ISAs into a single product
- Simplification of pension tax reliefs using a single control mechanism for each of the two pension regimes - an annual allowance for defined contribution schemes and a lifetime allowance for defined benefit schemes

Our Proposition

AJ Bell Investcentre

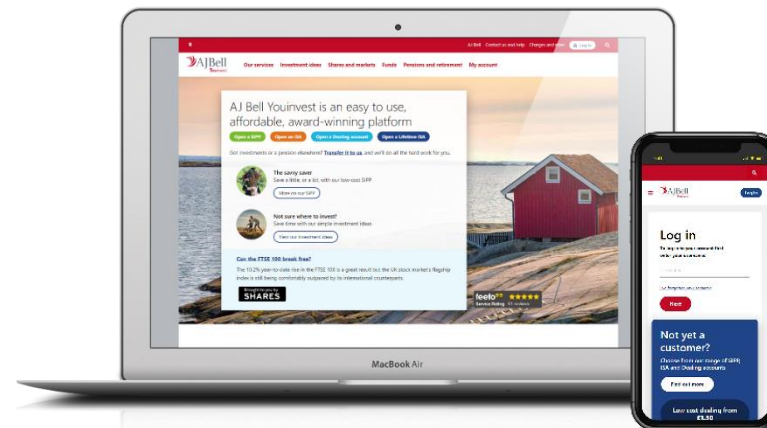
- Execution-only dealing option extended to ISA and general investment accounts
- New website with improved layout and design
- Record attendance at Investival conference and 'On the Road' tour
- Removal of charges for deals executed through Bulks & Models tool and Junior SIPPs
- Named 'Best overall Advised Platform of the Year' at the lang cat awards

AJ Bell Investments

- A number of new investment solutions introduced; 'Pactive' MPS for advisers and ready made portfolios for D2C customers
- Two new income funds launched in April
- Cap on annual charges (OCF) on passive funds reduced from 50bps to 35bps

AJ Bell Youinvest

- New website launched, delivering a modern design and mobile responsiveness
- Continuing development of Mywealth to allow customers to view external assets and liabilities alongside AJ Bell accounts
- Foreign exchange charges reduced and tiered interest rates paid to customers increased
- 'Money & Markets' weekly podcast launched
- Retained top spot in Platforum's UK D2C Experience report



Our Customers

Our loyal, high quality customers across both our advised and D2C platforms are attracted to our award winning propositions

Advised



Direct-to-consumer



93,496 customers
56 years old⁽¹⁾
£330k average portfolio
1.17 accounts⁽¹⁾

95%
 Customer
 Retention

AUA
£30.9bn

£195
 average
 annual fee
 per £100k
 invested

107,426 customers
45 years old⁽¹⁾
£90k average portfolio
1.25 accounts⁽¹⁾

96%
 Customer
 Retention

AUA
£9.7bn

£330
 average
 annual fee
 per £100k
 invested

31 Mar 19 **30 Sep 18** **Variance** **+/-**

Customers

Platform	200,922	183,213	17,709	10%
Non-platform	13,931	14,699	(768)	(5%)

AUA (£bn)

Platform	40.6	38.6	2.0	5%
Non-platform	7.1	7.5	(0.4)	(5%)

Platform Retention Rate	95.3%	95.1%	0.2ppts	-
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Commentary

- Strong growth in platform customer numbers
- Platform AUA up 5% in the period compared to a 3.6% fall in the FTSE All-Share, despite impact of DB transfers
- Slight decline in non-platform AUA in line with expectations
- Platform retention remained strong at over 95%

(1) All figures represent average customer values.

Our Customers

Platform AUA and Customers

AUA (£ billion)	HY19			HY18		
	Advised Platform	D2C Platform	Total Platform	Advised Platform	D2C Platform	Total Platform
Opening AUA	29.9	8.7	38.6	24.3	6.6	30.9
Underlying inflows	1.6	0.9	2.5	1.6	0.8	2.4
Outflows	(0.8)	(0.3)	(1.1)	(0.7)	(0.2)	(0.9)
Underlying net inflows	0.8	0.6	1.4	0.9	0.6	1.5
DB inflows	0.5	-	0.5	1.1	-	1.1
Bulk migration inflows	-	0.2	0.2	-	0.3	0.3
Total net inflows	1.3	0.8	2.1	2.0	0.9	2.9
Market & other movements	(0.3)	0.2	(0.1)	-	-	-
Closing AUA	30.9	9.7	40.6	26.3	7.5	33.8
Variance to HY18	+17%	+29%	+20%			
Customers	93,496	107,426	200,922	82,466	83,173	165,639
Variance to HY18	+13%	+29%	+21%			

Commentary

- Robust underlying inflows across the platform despite weak investor sentiment
- Significant decline in DB inflows compared to HY18
- D2C total net inflows includes £0.2bn in relation to AJ Bell shares migrated to the platform ahead of IPO
- Strong growth in customers across both Advised platform and D2C platform

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Financial Update

HY19 Update

Key Investment Highlight

5 Quality of earnings

6 Our business model

7 Cash generation

Commentary

- Strong growth in earnings – revenue up 17%, PBT up 27%
- Mix of recurring and transactional revenue streams yields a balanced overall revenue model – proportion of recurring revenue increased to 84%
- Operational gearing contributed to an increase in PBT margin
- Short operating cycle supports progressive dividend policy
- Interim dividend increased in line with policy communicated at IPO
- Strong balance sheet, with net assets totalling £73.8m

HY19 Financial Highlights

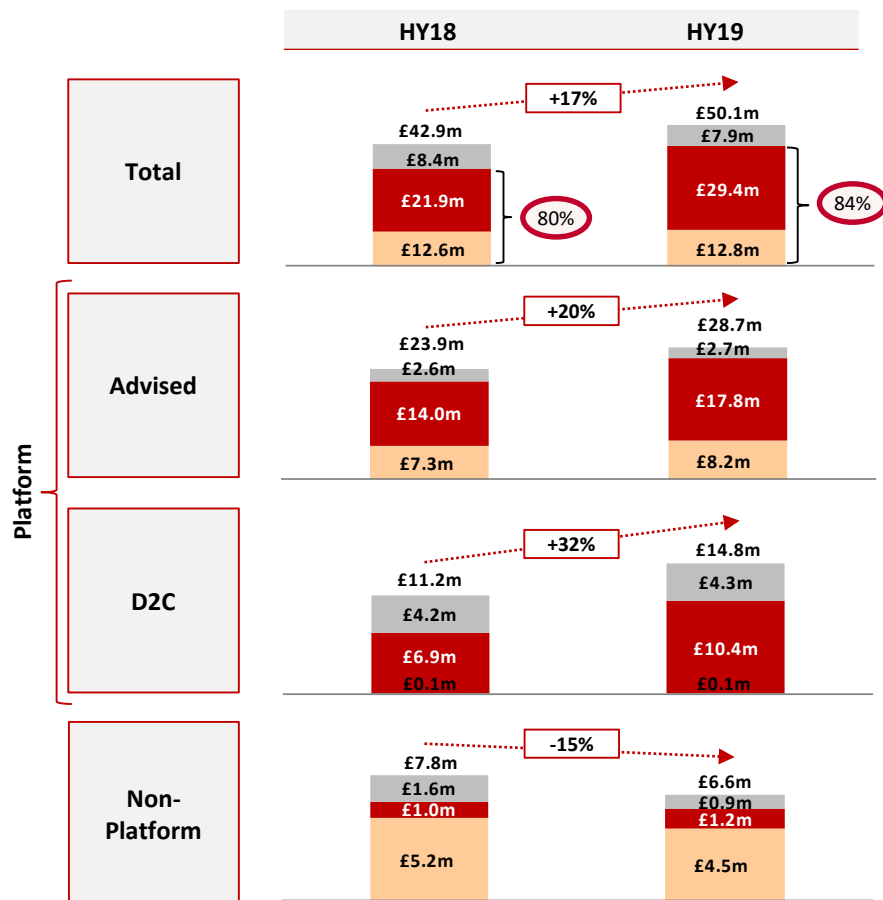
	HY19	HY18	+/-
Revenue (£m)	50.1	42.9	17%
Revenue margin (bps)	22.0	20.7	1.3bps
Profit before tax (£m)	17.7	13.9	27%
PBT margin (%)	35.3	32.4	2.9ppts
Diluted EPS (p)	3.50	2.82	24%
Interim dividend per share (p)	1.50	1.46 ⁽¹⁾	3%

Commentary

- Revenue and profit growth driven by growth in platform business
- Improved PBT margin resulting from revenue margin improvement and positive effect of operational gearing
- Increase in interim dividend versus HY18. Amount payable consistent with policy communicated ahead of IPO

Revenue Analysis

Revenue breakdown by proposition and nature of revenue streams



Key:

■ Recurring - Fixed
 ■ Recurring - ad valorem
 ■ Transactional
 % recurring

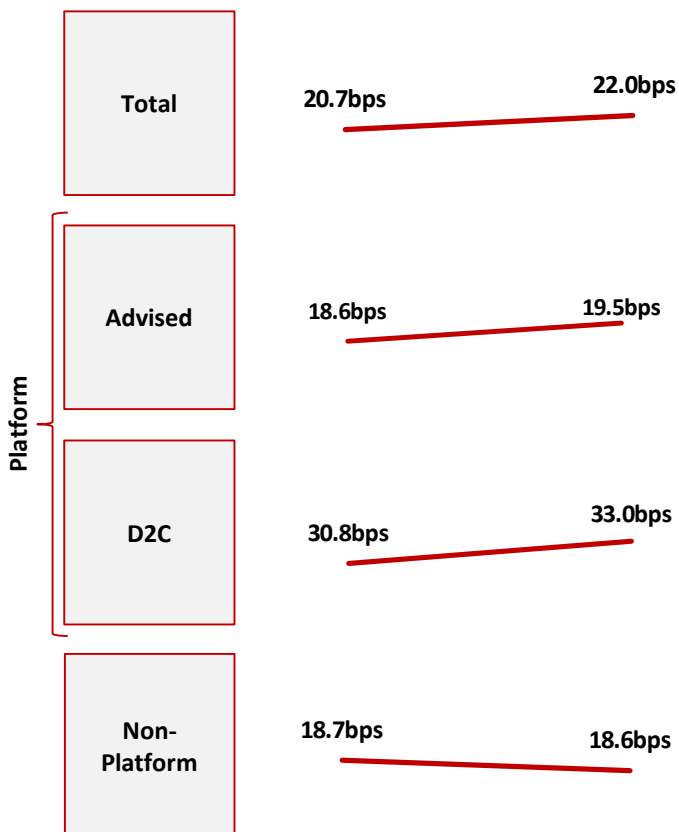
Commentary

- Increase in revenue driven by growth of platform business
- Total transactional revenue fell due to non-platform migration activity in HY18
- Mix of recurring and transactional revenue streams yields a balanced overall revenue model – proportion of recurring revenue increased
- **Platform Business**
 - Ad valorem revenue increase driven by growth in AUA and higher interest rates
 - Transactional revenue broadly flat. Reduced dealing activity
- **Non-platform Business**
 - Reduction in fixed fee and transactional revenue caused by cessation of third-party SIPP administration contracts in FY18

Revenue Margin

Revenue margin⁽¹⁾ by proposition

	HY18	HY19
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Commentary

- Total revenue margin increase was a result of:
 - (i) increasing revenue margins for the platform business
 - (ii) faster growth of the higher margin D2C platform business
- Increased platform revenue margins were caused by interest rate increases in November 2017 and August 2018

Guidance unchanged from that provided at IPO⁽²⁾:

- Advised platform revenue margin is expected to remain broadly flat over the medium term
- Following FY19 increase, D2C platform revenue margin is expected to decline marginally over the medium term
- Revenue margin for the non-platform business expected to increase to 25-30bps as the business mix changes

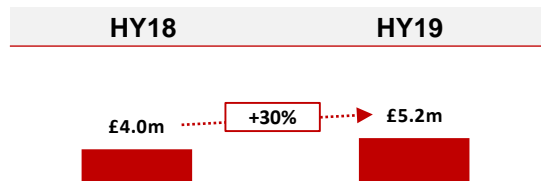
(1) All revenue margins are calculated on mid-quarter average AUA balances.
 (2) Guidance does not reflect any market or interest rate sensitivities – FY19 sensitivity analysis is included in the appendices

Cost Analysis and Profit Before Tax

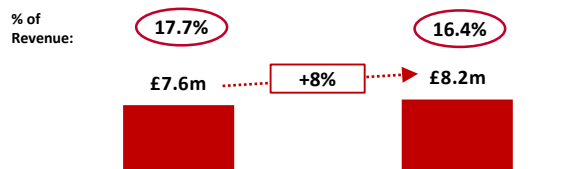
Costs by category

Commentary

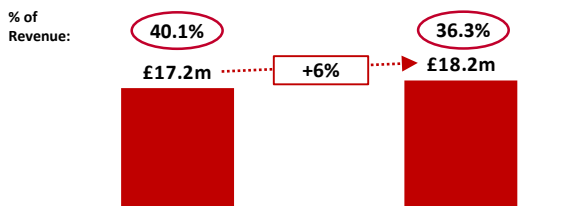
Distribution



Technology



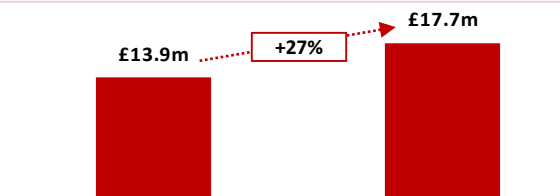
Operational & support



Exceptional costs



Profit before tax



- Continued investment in PR and branding, with an additional £0.5m invested in digital marketing ahead of tax year end

- Continual investment required. Not seen as source of margin improvement over the medium term

- Ongoing investment in technology – both systems and people

- Continual investment required. Not seen as source of margin improvement over the medium term

- Scalability of the platform and operational efficiency improvements

- Relocation of stockbroking operation in FY18 slightly distorts year-on-year comparison

- Expected to make a positive contribution towards margin improvement over the medium term

- IPO-related costs in the period were £0.9m, taking total costs incurred on our stock market listing to £2.7m

- Principal driver of the increase in profitability was the growth of the platform business

PBT Margin Improvement

	PBT Margin	Commentary
HY18	32.4%	
Growth & Operational Gearing	3.9%	<ul style="list-style-type: none"> Caused by scalability of the platform and operational efficiency improvements Relocation of stockbroking operation in FY18 and modest increase in technology costs in HY19 slightly exaggerates margin improvement Expected to repeat over the medium term, though at a reduced rate
Revenue Margin	2.9%	<ul style="list-style-type: none"> Main cause of revenue margin improvement was the increase in interest rates in November 2017 and August 2018 Variance is variable in nature, should not necessarily be expected to repeat
Distribution Costs	(2.4%)	<ul style="list-style-type: none"> Management decision to increase direct marketing expenditure in the period Variance is variable in nature, should not necessarily be expected to repeat
Exceptional Costs	(1.5%)	<ul style="list-style-type: none"> IPO-related costs impacted PBT margin in the period One-off in nature, though FY19 impact on PBT margin will be favourable as majority of costs incurred in second half of FY18
HY19	35.3%	

Capital and Dividend

Progressive dividend policy

The Board has adopted a dividend policy based on a 65% payout ratio

Interim dividend payments will equate to approximately 40% of the total ordinary dividend payment for the previous financial year

Any surplus capital accrued (over and above regulatory requirements or other specific needs) will be returned to shareholders at an appropriate time

Dividends

Pence per share	FY19	FY18 ⁽¹⁾	+/-
Interim	1.50	1.46	3%
Final		2.24	
Total ordinary		3.70	
Ordinary dividend payout ratio		64%	
Special		2.03	
Total dividend		5.73	
Total dividend payout ratio		100%	

Commentary

- Progressive dividend policy has been in place for a number of years
- 100% total payout ratio for FY18 was due to a pre-IPO special dividend payment
- Interim dividend increased by 3% to 1.50 pence, equating to 40.5% of FY18 total ordinary dividend

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Outlook

Outlook

A strong position in a growing market

- There is a significant market opportunity due to the structural growth drivers in the platform market and our significant pricing advantage versus peers
- Investor sentiment likely to remain low until Brexit outcome is certain but our balanced revenue model helps us mitigate against negative market effects
- A number of initiatives planned to enhance our propositions, all with the aim of making investing easier
- Regulatory action on focus areas of transfers between providers and value for money would be positive news for the business

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Q&A

5

Glossary

Glossary

AUA	Assets Under Administration
BPS	Basis Points
D2C	Direct to Consumer
DB transfers	Pension Transfers from Defined Benefit Schemes
FCA	Financial Conduct Authority
HY18/HY19	Six Months Ended 31 March 2018/2019
IPO	Initial Public Offer
MPS	Managed Portfolio Service
OCF	Ongoing Charges Figure
PBT	Profit Before Tax

Our Products

Platform

Advised



- Propositions - Adviser-led investment platform with in-house investment solutions, investment content and fully integrated investment custody administration solution
- Distribution - B2B2C

Direct-to-consumer



- Proposition - Direct-to-consumer investment platform, with in-house investment solutions and investment content
- Distribution - D2C

Non-Platform



- Adviser-led and Direct-to-consumer pension administration services



- Publisher of Shares magazine and other proprietary investment content



- Institutional dealing, settlement and custody services



- White label SIPP administration services

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Appendices

FY19 Sensitivities

Commentary

- Stable macro-economic environment assumed with no significant market movements or changes in current Bank of England base rate
- Below sensitivities modelled assuming the relevant macro factor changes on 1 October 2018 and remains at adjusted level for full financial year

Base rate impact

-25bps	Revenue/PBT reduction of c.£3.9m	• Management intention is to pass majority of the benefit of a future base rate increase to customers
+25bps	Revenue/PBT increase of c.£2.2m	

Market impact

-10%	Revenue/PBT reduction of c.£2.7m	<ul style="list-style-type: none"> • Expected % reduction in revenue lower than % market fall • Recurring fixed revenues provide a degree of downside protection
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AJ Bell Reporting Framework

Non-financial data		KPI	Proposition			Group
			Advised	D2C	Non-Platform	
Customers	<ul style="list-style-type: none"> AJ Bell's key propositions serve different market segments with different growth drivers Customer growth is the key contributor to AUA inflows 	✓	✓	✓	✓	✓
AUA	<ul style="list-style-type: none"> AUA is the principal driver of revenue AUA per customer differs significantly by proposition 	✓	✓	✓	✓	✓
Wrapper choice	<ul style="list-style-type: none"> Different tax wrappers provided by different propositions Split of customers and AUA by wrapper illustrates pension heritage 	✗	~	~	✗	~
Customer behaviour	<ul style="list-style-type: none"> Complex data set including contributions, withdrawals, asset allocation and investment activity Trends vary by channel Detail not included in Board packs 	✗	✗	✗	✗	✗
Financial data						
Revenue	<ul style="list-style-type: none"> AJ Bell's key propositions serve different market segments and have different pricing structures 	✓	✓	✓	✓	✓
Revenue margin	<ul style="list-style-type: none"> Revenue generated per £ of AUA enables a direct comparison with the peer group Key propositions serve different market segments with different competitors 	✓	✓	✓	✓	✓
Nature of revenue	<ul style="list-style-type: none"> The business model generates three distinct types of revenue The key propositions have a different mix of these revenue types 	✗	✓	✓	✓	✓
Costs	<ul style="list-style-type: none"> Costs are categorised by strategic purpose Some distribution costs are specific to certain propositions All propositions are supported by a single operating model, shared costs are not allocated between propositions 	✗	~	~	✗	✓
PBT	<ul style="list-style-type: none"> This is a key financial performance measure at the Group level Single segment business, albeit with different distribution channels, so profit is not reported by proposition 	✓	✗	✗	✗	✓

✓	Disclosed on an ongoing basis
~	Disclosed periodically
✗	Not disclosed

The Board

Les Platts
Chairman



- Joined AJ Bell in September 2008
- Previously Audit Partner and practice Senior Partner for the north-east at Deloitte and was also Vice Chairman of a major Building Society
- Over 33 years experience in UK and international companies ranging from FTSE 100 to smaller listed PLCs

Andy Bell
CEO



- Graduated from Nottingham University in 1987 with a first class degree in Mathematics
- Qualified as a Fellow of the Institute of Actuaries in 1993
- Co-founded AJ Bell in 1995
- Built AJ Bell into one of the largest investment platforms in the UK

Michael Summersgill
CFO



- Began career as an accountant in public practice
- Joined AJ Bell in July 2007 and appointed as Chief Financial Officer in June 2011
- Responsible for all operational functions and for providing financial oversight across the Group

Laura Carstensen
SID



- Joined AJ Bell in March 2018
- Previously a partner at Slaughter & May for 20 years, Deputy Chairman of the Competition Commission and a Commissioner of the Equality and Human Rights Commission
- Trustee of National Museums Liverpool

Simon Turner
NED



- Joined AJ Bell in July 2014
- Previously MD of Dixons PC World and Phillips Consumer Electronics
- On the boards of several large internet businesses
- Held NED roles at Allied Irish Bank and Yorkshire Building Society

Eamonn Flanagan
NED



- Joined AJ Bell in March 2018
- Fellow of the Institute of Actuaries
- Co-founder and director of Shore Capital, 2003 – 2018
- Prior to this he was a Director and then Head of European Insurance at a leading Investment bank
- NED role at JLT

AJ Bell Timeline



AJ Bell **launches Sippdeal** - the UK's first online SIPP for execution-only investors

2000

Seneca Investment Management becomes AJ Bells first **Institutional investor**

2005

An **ISA and Dealing Account** are added to the Sippcentre and Sippdeal propositions as they become full platform offerings

AJ Bell Securities launches Custody Solution for wealth managers

2011



Sippdeal and Sippcentre rebranded as **AJ Bell Youinvest** and **AJ Bell Investcentre**

Naming rights secured for the 'AJ Bell Players & Media Centre' at **LCCC and the AJ Bell Stadium**

2013

AJ Bell launches its range of **AJ Bell Passive funds**

All Manchester staff relocate to 100,000 square feet of office space at **Exchange Quay**

2017

1995

Andy Bell and Nicholas Littlefair **set up AJ Bell**



2002

AJ Bell **launches Sippcentre** - a low-cost SIPP for financial advisers



2007

AJ Bell acquires **Lawshare Limited** and rebrands it as AJ Bell Securities



2012

AJ Bell acquires **MSM Media Limited** and its trading subsidiary MoneyAM Limited and rebrands it as AJ Bell Media



2016

AJ Bell acquires **Mansard Capital LLP and Indexx Markets Limited** and rebrands it as AJ Bell Investments



2018

Named as one of the **Sunday Times 100 Best Companies to Work For in the UK**

Stockbroking operation migrated from Tunbridge Wells to **Exchange Quay**

Listed on the main market of the **London Stock Exchange**

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