

Full year results 2020 and strategy update

9 March 2021

Positioning for growth

The Standard Life Aberdeen plc Annual report and accounts 2020 (Annual report 2020) has been published today and is available at www.standardlifeaberdeen.com/annualreport

This summary contains information that has been extracted from the Annual report 2020.

Full year results 2020

- Fee based revenue of **£1,425m** (2019: £1,634m), lower than prior year largely reflecting impact of 2019 outflows
- Adjusted operating expenses reduced by 10% to **£1,206m** (2019: £1,333m) due to cost control initiatives and efficiencies including c£20m of COVID-related savings in discretionary costs
- Adjusted operating profit of **£219m** (2019: £301m) and adjusted profit before tax of **£487m** (2019: £584m) largely reflecting lower revenue
- IFRS profit before tax of **£838m** (2019: £243m) reflecting profit on disposal of interests in associates partially offset by impairments of goodwill and intangibles
- Diluted EPS of **37.9p** and adjusted diluted EPS of **18.1p**, compared with 8.8p and 19.3p, respectively, in 2019
- Improved investment performance with **66%** (2019: 60%) of AUM above benchmark over three years
- Net outflows reduced to **£3.1bn** (2019: £17.4bn) excluding LBG tranche withdrawals, driven by a significant improvement in Institutional and Wholesale net flows
- AUMA of **£534.6bn** (2019: £544.6bn) reflecting £25.9bn LBG tranche withdrawals, partially offset by improvements in markets
- Cost/income ratio of **85%** (2019: 82%), driven by revenue decline
- Strong surplus capital position of **£2.3bn** (2019: £1.7bn) benefiting from Indian stake sales
- The Board remains committed to delivering a dividend that is sustainable over the medium term. Reflecting current operating profitability, industry trends, and economic and market uncertainties, the Board is rebasing the dividend to a level from which it can be grown
- Therefore the Board is recommending a final dividend in respect of 2020 of 7.3p per share, bringing the total dividend for the year to **14.6p** per share. The Board intends to maintain the total dividend at this level until covered at least 1.5 times by adjusted capital generation, at which point the Board will seek to grow the dividend in line with its assessment of underlying medium term growth in profitability

Our new strategic pathway towards growth over the medium term

- Our strategy is to deliver client led growth through three growth vectors: Investments, Adviser, and Personal
- We have a clear growth strategy for each vector that will contribute to revenue and earnings growth
- We have identified clear strategic priorities: Growth in Asia, UK adviser and consumer markets, Solutions and Responsible investing
- We have already taken action to simplify and strengthen the business in line with our new strategy:

- We are simplifying the business through the announced exits from Nordics real estate and Indonesia, and the proposed sale of Parmenion
- Strengthening our capabilities is a key objective, demonstrated by our proposed acquisition of Tritax, a specialist logistics real estate business, to augment our private market capabilities
- We have reached agreement on a simplified and enhanced strategic partnership with our largest client, Phoenix, in February 2021
- Our rebranding activity is underway to bring the business under one unifying brand, with further details to come later in the year

Outlook

- The aim of our new strategy is to return the business to revenue and earnings growth, generating an earnings profile that creates value for shareholders including a sustainable level of dividends
- By focusing on individual growth strategies for each vector we aim to arrest revenue decline in the near term, inflecting to a high single digit three year revenue CAGR over the period to 2023
- Completion of transformation programme drives cost reduction in the near term and positions cost base for future growth
- As we move into revenue growth, expect growth-related increases in certain costs but we will maintain the operating leverage created by the rebalanced cost base
- Targeting to exit 2023 at a cost/income ratio of c70%
- Expect stabilisation of revenue yield in near term, subsequently increasing as we meet client preferences for higher yielding assets
- Disciplined approach to capital allocation with a focus on building returns for shareholders

Stephen Bird, Chief Executive Officer, commented:

“We have seen growing momentum in the second half of 2020 with improved investment performance and flows which represent an inflection point as we pull out of the post-merger era. We remain on track to deliver targeted synergies and have identified more that we can deliver. We have exited some non-core businesses and made an acquisition that has extended our capabilities in private markets. We have simplified and clarified leadership structures across the business and placed a refreshed focus on Asia.

We have a clear vision; we will focus on the future to enable our clients to be better investors. To do this we will pursue efficient, sustainable growth by ensuring that our product capabilities, technology and performance are first class. Our pursuit of client led growth, combined with focus on efficiency and careful deployment of capital, will enable us to generate sustainable value for our shareholders.

We have three growth vectors – Investments, Adviser and Personal. Thanks to our strong capital position, we have strategic flexibility around how we grow these businesses and we have set out clear ambitions.

At this reset point for this business, we have rebased to set firm foundations on which we can build something great. I'm excited about what's to come.”

Key indicators for 2020

	2020	2019
Financial indicators		
Fee based revenue	£1,425m	£1,634m
Cost/income ratio	85%	82%
Adjusted operating profit	£219m	£301m
Adjusted profit before tax	£487m	£584m
Adjusted capital generation	£262m	£333m
IFRS profit before tax	£838m	£243m
Adjusted diluted EPS	18.1p	19.3p
Full year DPS	14.6p	21.6p
Business indicators		
Gross inflows	£74.3bn	£86.2bn
Net flows		
Excluding LBG	(£3.1bn)	(£17.4bn)
Total	(£29.0bn)	(£58.4bn)
AUMA	£534.6bn	£544.6bn
Investment performance (AUM) – 3 years	66%	60%

Media

A conference call for the media will take place on Tuesday 9 March 2021 at **8.00am** (GMT). Participants should dial 0800 640 6441 or +44 20 3936 2999 followed by the passcode: 115496.

Institutional investors and analysts

A presentation for institutional investors and analysts will take place via webcast at **9.45am** (GMT) on Tuesday 9 March 2021. To join the webcast please go to www.standardlifeaberdeen.com/investors. There is also the facility to join the presentation and Q&A session via a conference call. Participants should dial +44 (0) 20 3936 2999 and use passcode: 131769.

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*Calls may be monitored and/or recorded. Call charges will vary.

Note: Unless otherwise stated, all figures in this summary are on a continuing operations basis.