

# abrdn plc

# Full year results 2023

27 February 2024

# Building a modern investment company

Stephen Bird

# Welcome

## Agenda:

- **Welcome and overview** – Stephen Bird
- **Financial results** – Jason Windsor
- **Strategic overview** – Stephen Bird
- **Q&A session** – Stephen Bird & Jason Windsor

# Building a modern investment company

**Scaling up** our leading UK savings and wealth businesses

**Refocusing Investments** to capitalise on areas of strength

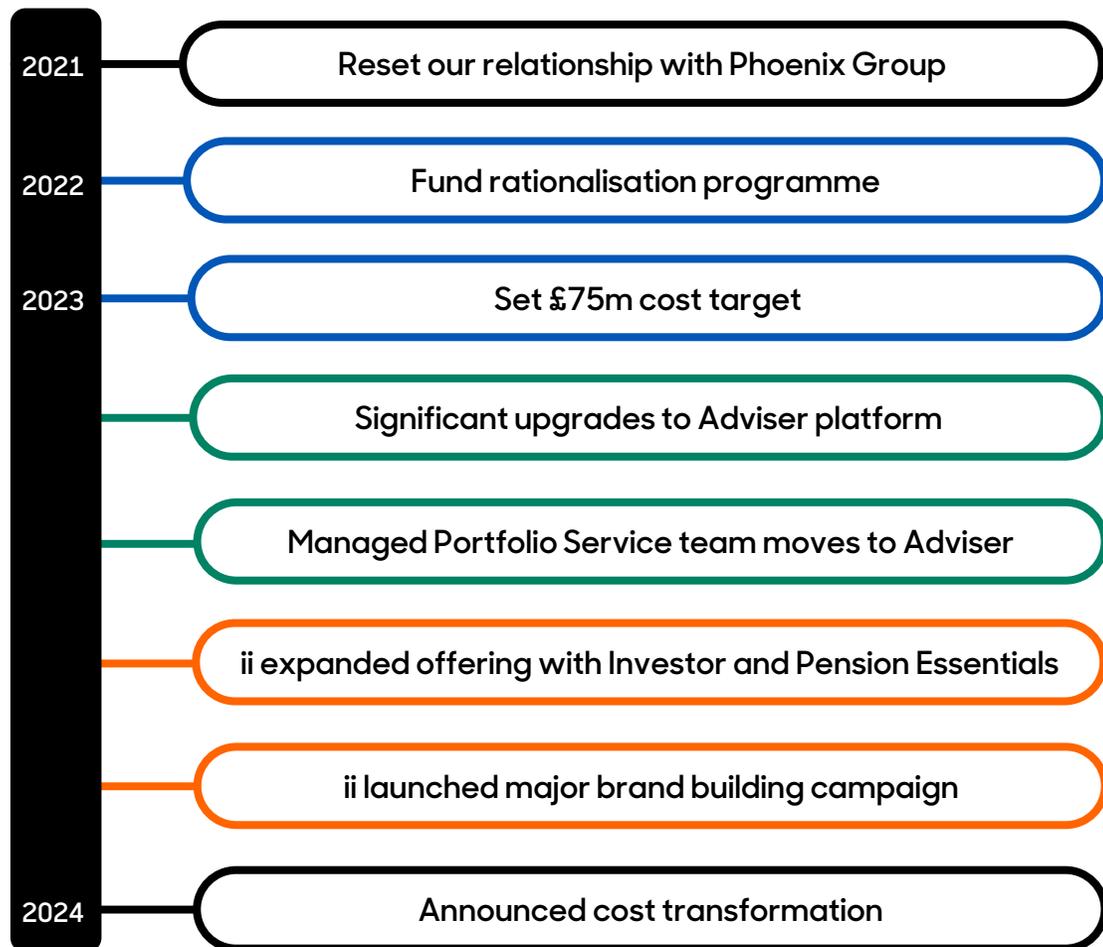
Focusing on **client-led growth**, leveraging data and technology

Taking action to **improve efficiency** and profitability

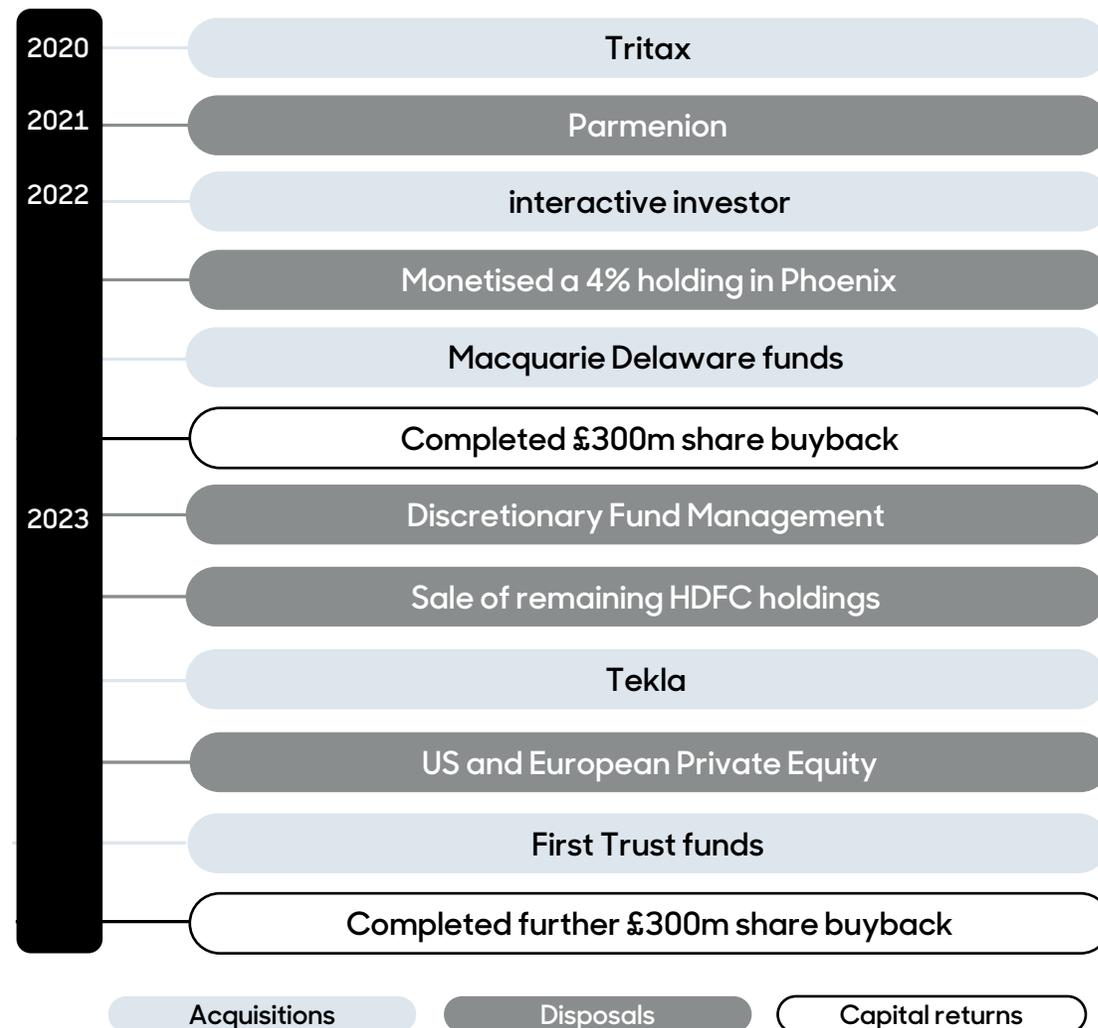
**Creating a sustainable and more profitable growth trajectory**

# Our corporate strategy in action

## Operational delivery



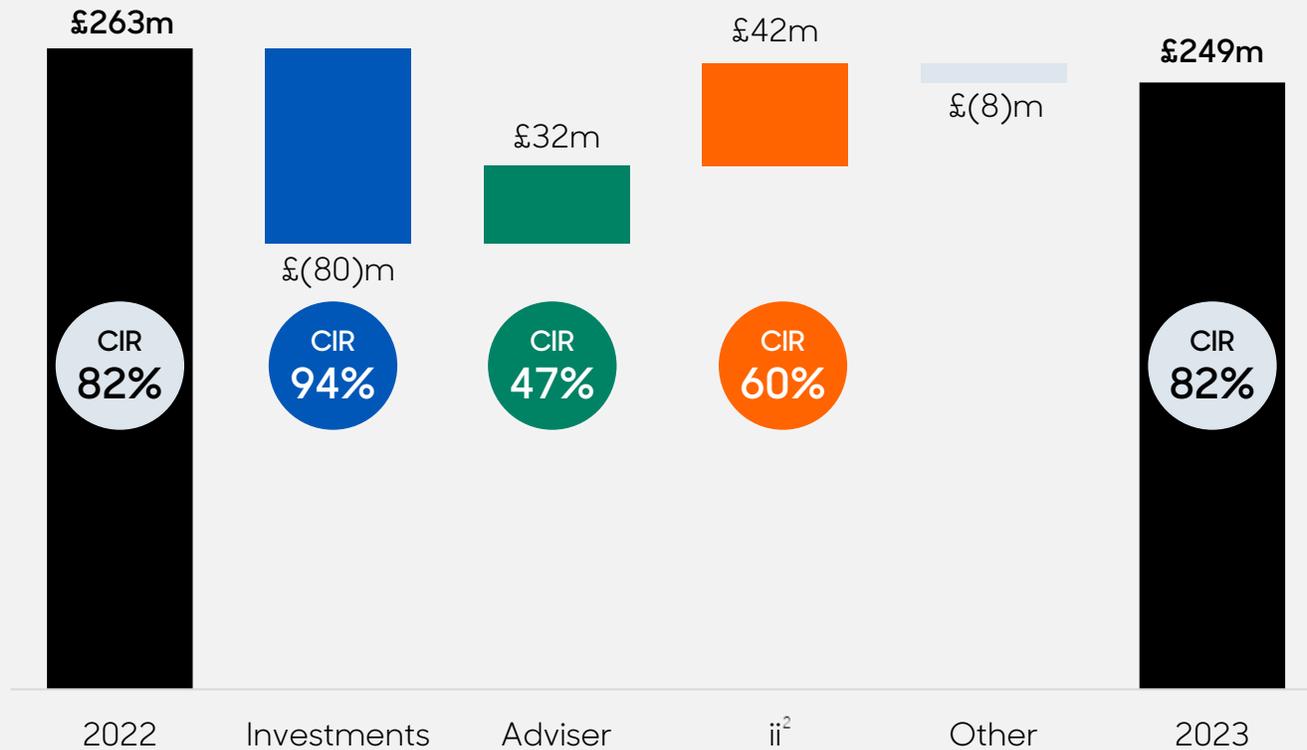
## Capital reallocation



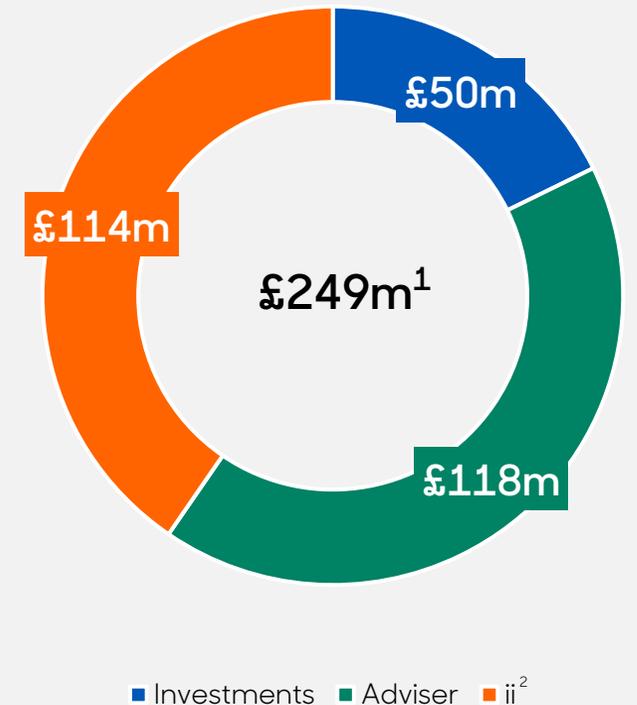
# Our diversified business creates resilience

Growing ii and Adviser contribution offsets weakness in Investments as it restructures

Movement in adjusted operating profit



Adjusted operating profit



# Full year 2023 Financial results

Jason Windsor

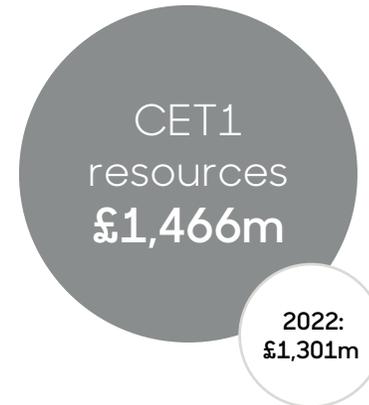
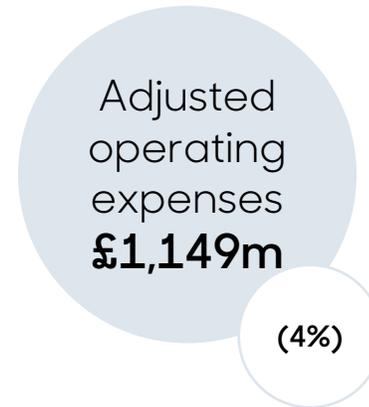
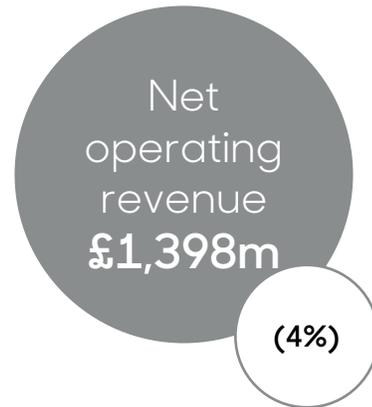
# Action to build and grow profitability

Revenue impacted by volatility and allocation away from emerging markets into cash/liquidity with higher rates

Delivered £102m cost reduction in Investments in 2023, ahead of £75m target

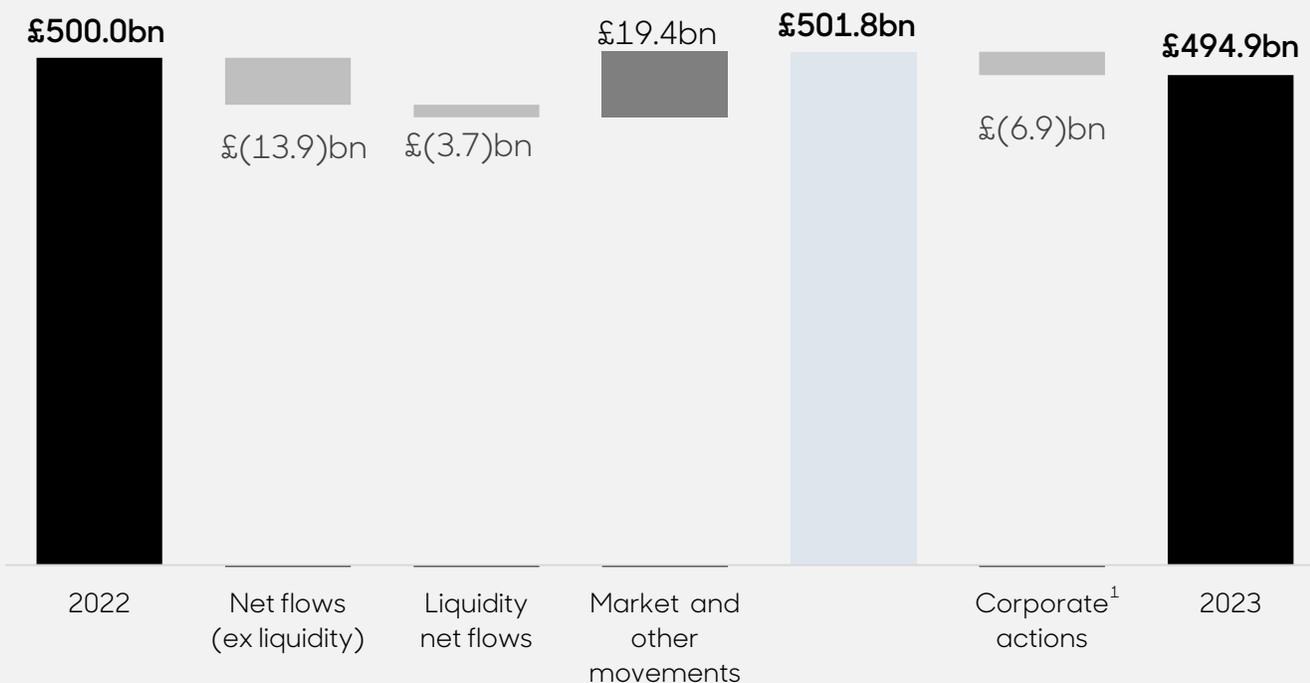
Announced new cost transformation programme to rebuild profitability

Capital strength allowed return of £0.6bn to shareholders in 2023, while investing to restructure the cost base



# Group AUMA and flows

Movement in group AUMA



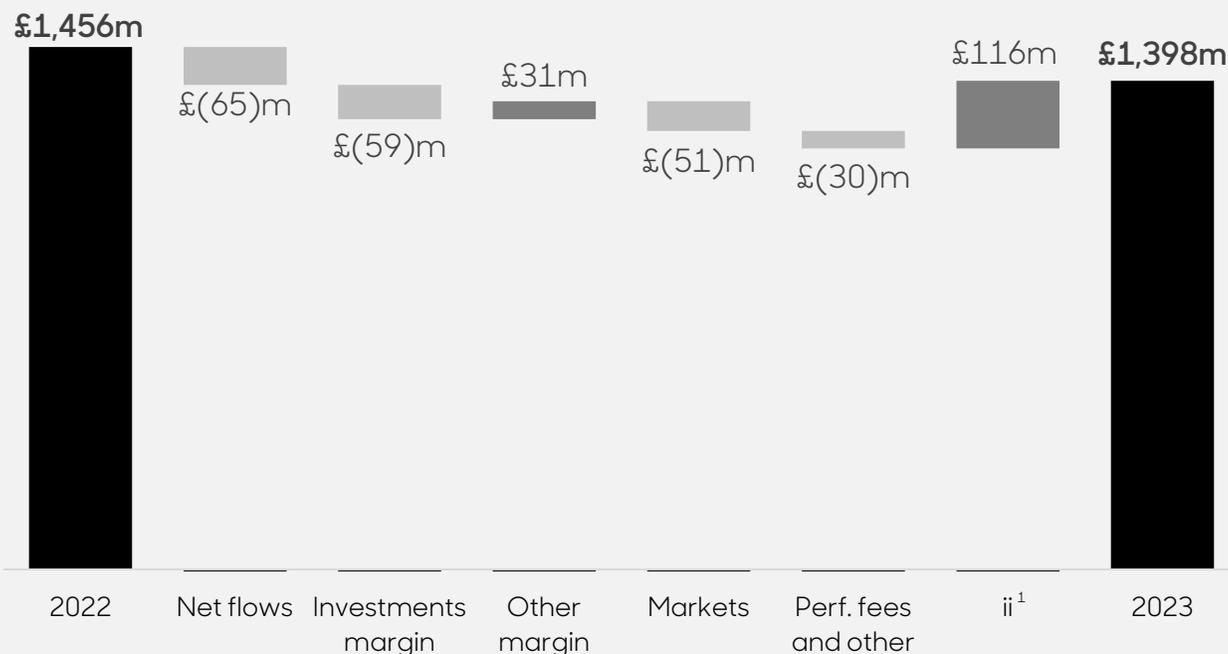
Net outflows driven by lower gross inflows reflective of risk off environment

Redemptions stable (ex liquidity and LBG<sup>2</sup>)

Positive markets driven by Insurance partners, Adviser and ii

# Revenue decline in Investments, offset by a full year of ii

Movement in group net operating revenue



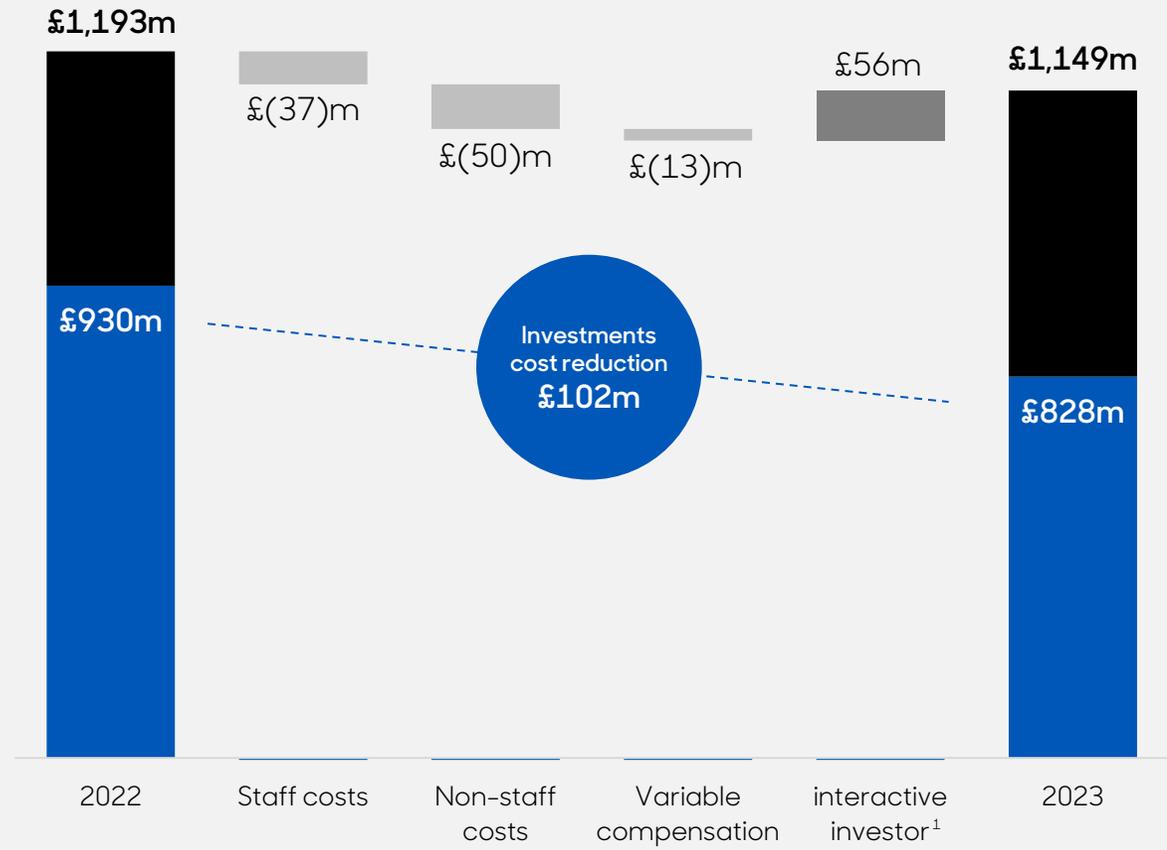
Revenue margin by segment	2023 bps	2022 bps	Change bps
Investments	23.5	25.4	(1.9)
Adviser	30.6	26.1	4.5
Personal Wealth <sup>2</sup>	58.8	59.2	(0.4)
<b>Net operating revenue yield</b>	<b>26.0</b>	<b>27.1</b>	<b>(1.1)</b>

Impacted by net outflows, asset class mix and adverse market movements in higher margin asset classes

Adviser benefited from revised distribution agreement and higher net interest margin

# Adjusted operating expenses

Movement in adjusted operating expenses in 2023



- Reduction driven by:**
- Benefit of 13% lower FTEs (excluding ii)
  - Cost efficiencies across most categories of spend
  - Reduced IT and third party supplier costs

# New transformation programme

To deliver annualised cost reduction of at least £150m by the end of 2025

Removing management layers

Supplier & technology efficiency

Simplifying support functions

Increasing spans of control and enhancing accountability

Streamlining back-office functions

Effective and greater outsourcing of non-core activities

Moving to a more agile technology function

Reducing c.500 roles

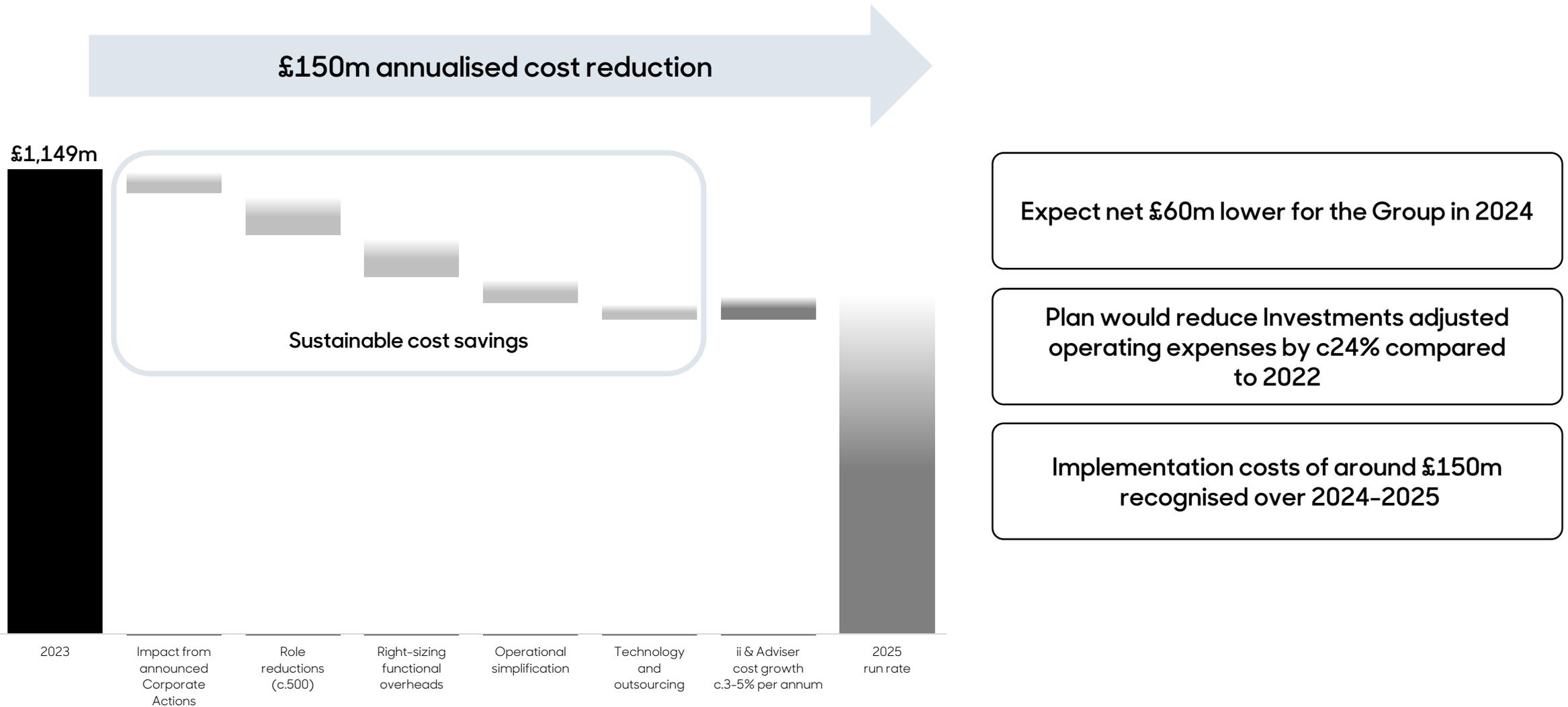
Reducing the cost base in line with peer benchmarks

Improving the value delivered by third party outsourcing

Improving productivity through modernisation

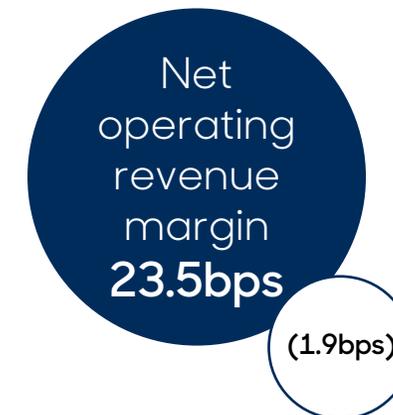
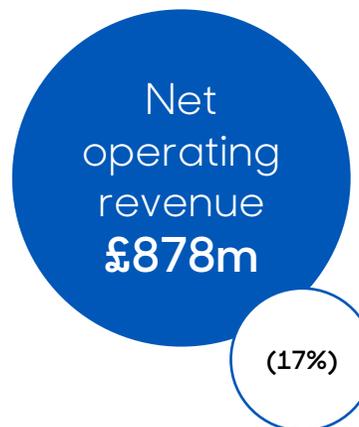
Supported by the Group's strong balance sheet, risk management and control environment

# Achieving sustainable cost efficiencies

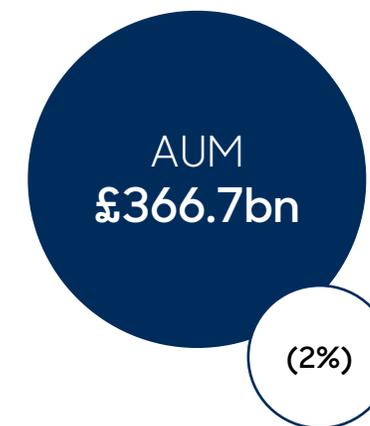
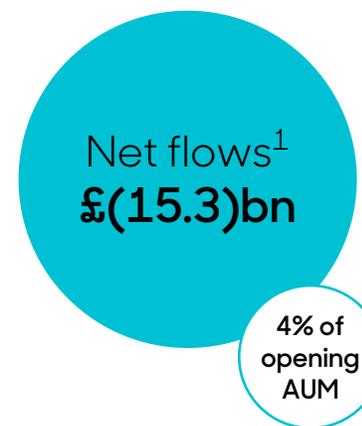
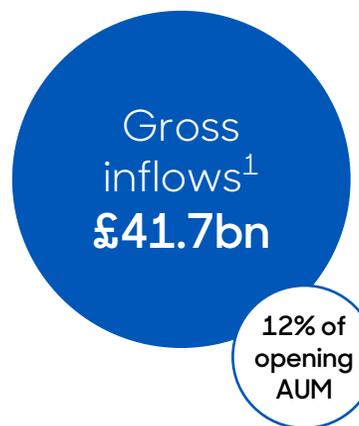


# Investments

Lower revenue and profit stemming from client allocation and higher rates



Delivered £102m cost reduction, exceeding £75m target

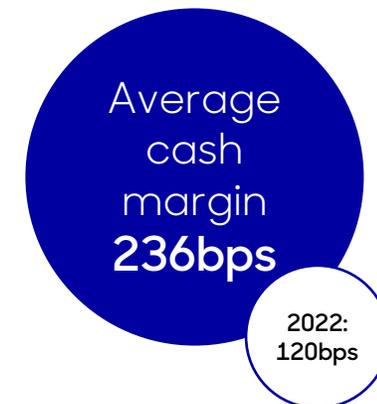
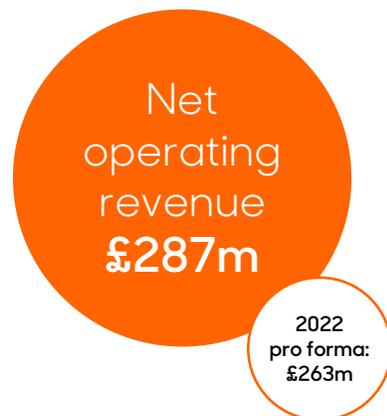


Lower gross inflows reflect the client response to higher rates, EM allocation and the DB buyouts

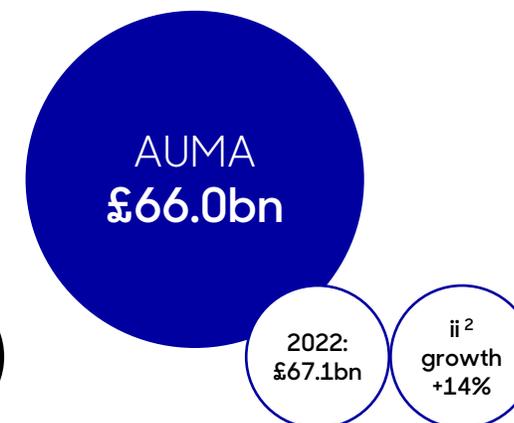
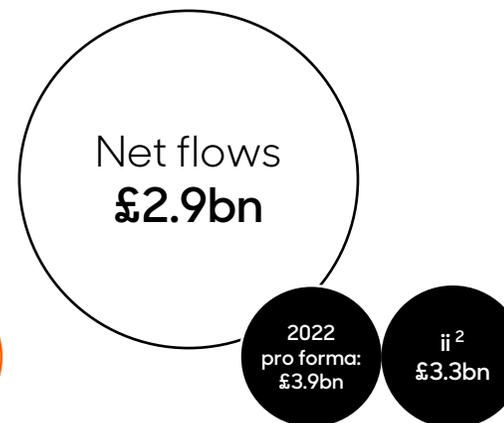
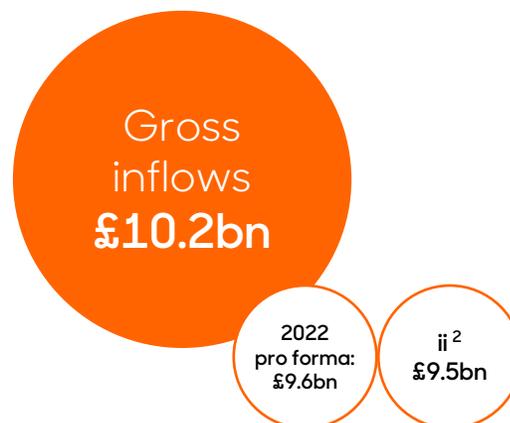
# interactive investor

(Renamed from Personal; includes interactive investor and abr dn Personal wealth)

ii continues to outperform our expectations despite subdued levels of investor activity



Benefit of diverse revenue streams including £134m from treasury income



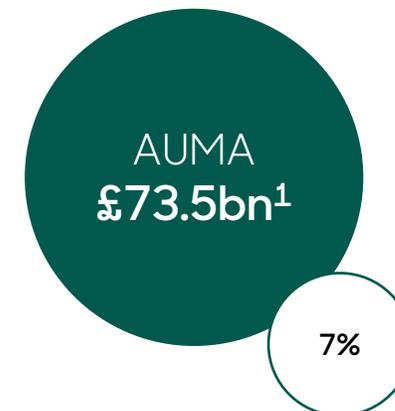
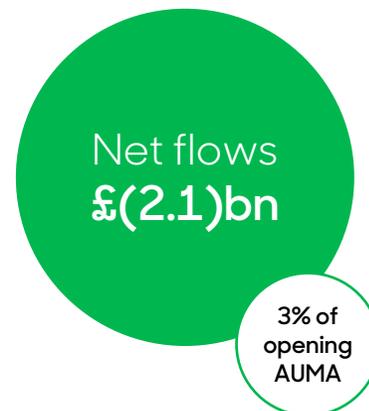
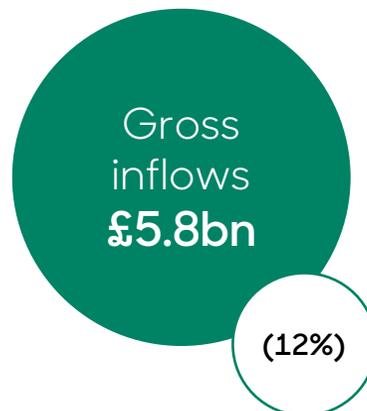
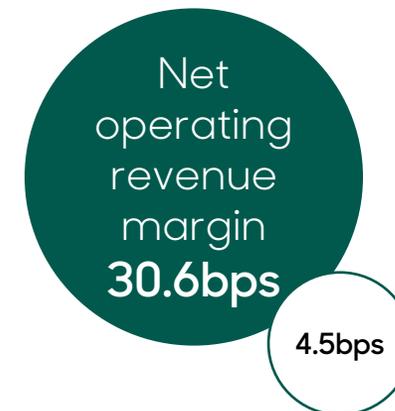
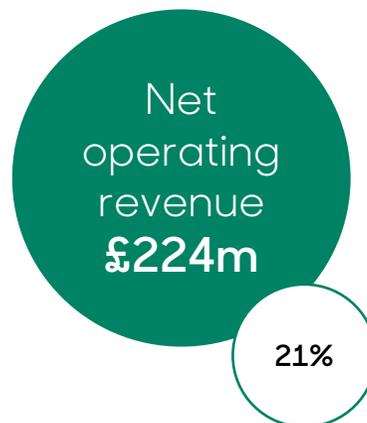
Highest net inflows of UK D2C platforms in 2023<sup>1</sup>

# Adviser

Strong earnings performance with profit up 37% compared to 2022

Revenue growth reflects revised distribution agreement with Phoenix and increase in treasury income to £31m

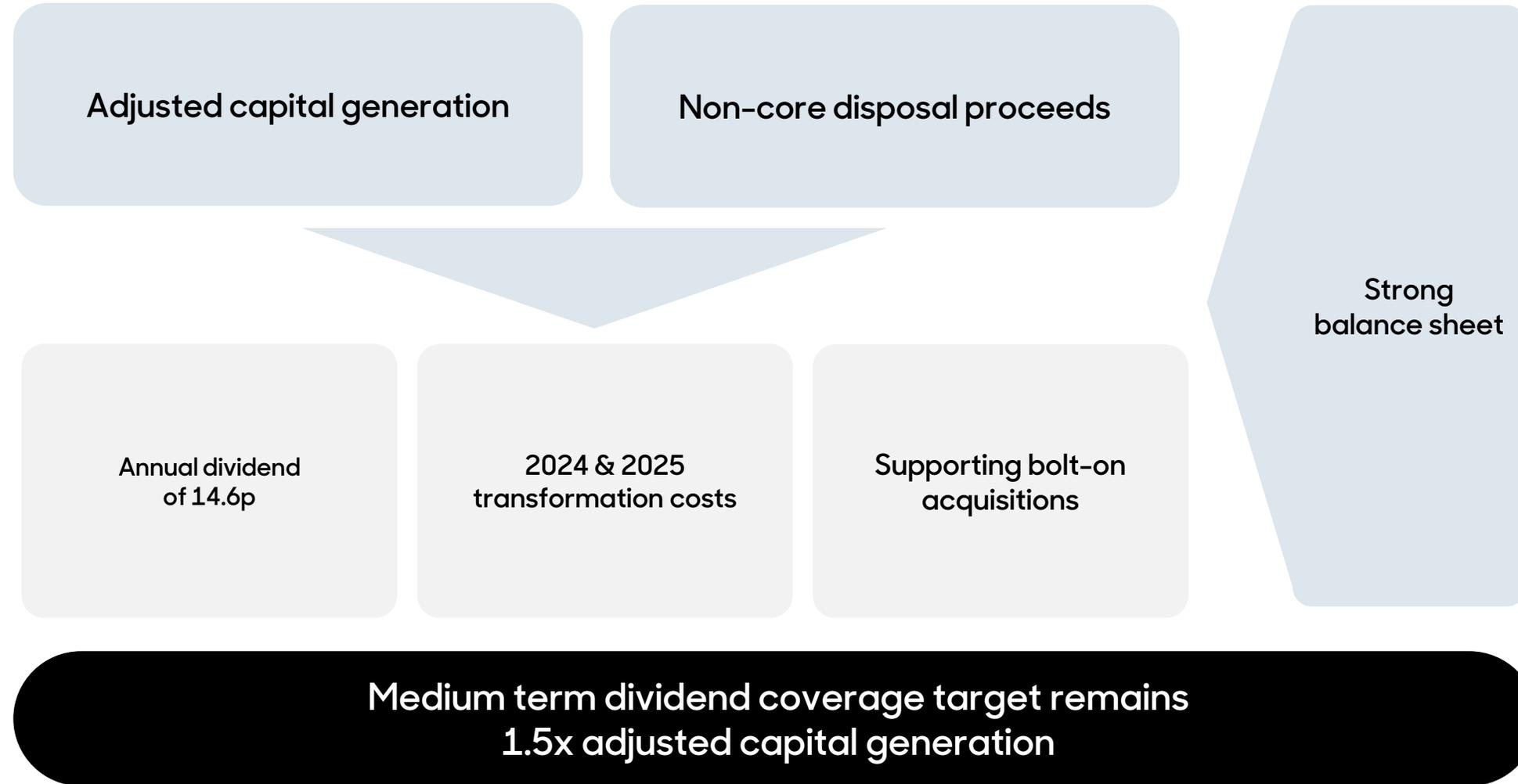
Net outflows reflect the higher interest rate environment and the short-term impact from the technology upgrade



# Financial management discipline and lowering restructuring

	2023	2022	Change
Adjusted operating profit	£249m	£263m	(5)%
Adjusted net financing costs and investment return	£81m	£(10)m	n/a
<b>Adjusted profit before tax</b>	<b>£330m</b>	<b>£253m</b>	<b>30%</b>
<b>Adjusted diluted EPS</b>	<b>13.9p</b>	<b>10.5p</b>	<b>32%</b>
<b>Adjusted capital generation</b>	<b>£299m</b>	<b>£259m</b>	<b>15%</b>
<b>Restructuring and corporate transaction expenses (net of tax)</b>	<b>£(121)m</b>	<b>£(178)m</b>	<b>(32)%</b>
<b>Net capital generation</b>	<b>£178m</b>	<b>£81m</b>	<b>&gt;100%</b>
per share	9.2p	3.9p	>100%

# Approach to capital generation and allocation



# Strong balance sheet

## Assets

Cash and liquid resources £1.8bn

Seed capital and co-investment £0.4bn

Other assets

Phoenix listed investment £0.6bn

IAS19 pension scheme surplus £0.7bn

Assets not in capital

## Capital

CET1 resources £1,466m

**CET1 coverage**  
*(CET1 resources/Total regulatory capital requirement)* 139%

AT1 and Tier 2 debt  
*(£746m of qualifying debt before T2 restriction)* £471m

Strong balance sheet reinforces resilience and supports the dividend

# Financial outlook

Diversity of group  
revenue

**Higher for longer** interest rate environment  
Structural and cyclical headwinds in active asset management

Action to build and  
grow profitability

Long-term structural growth in UK savings  
and wealth benefiting ii and Adviser  
**Restoring Investments** to an acceptable level of profitability

Retaining a strong  
balance sheet

Reinvestment and optionality to invest in **growth areas**  
Further strength from Phoenix stake and staff pension scheme  
**Supports our rebuild of capital generation**

# Strategic overview

Stephen Bird



# Building a modern investment company

We will continue to provide world class solutions and service to clients across the investment management client base, in line with our competitive strengths.

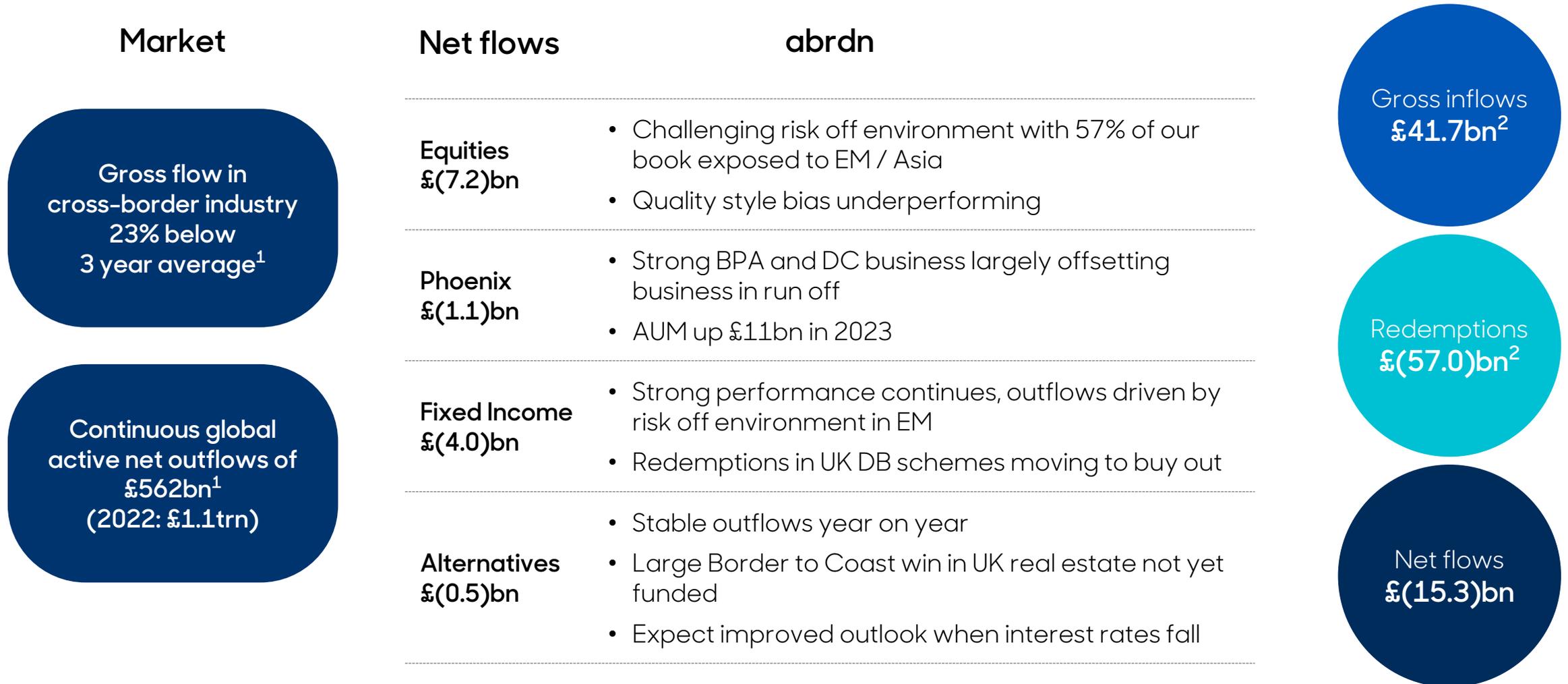


# Building a modern investment company

We seek to provide world class solutions and service to clients across the investment management client base

	Market opportunity	Competitive advantage	Measuring our progress in 2023
Investments	<ul style="list-style-type: none"> <li>Disruption to active asset management will continue</li> <li>Megatrends will dictate market dynamics and client demand</li> </ul>	<ul style="list-style-type: none"> <li>Refocused business aligned to strengths in high-growth, higher-margin segments</li> <li>Scale and heritage in Fixed Income, APAC and EM equities, Alternatives, closed-end funds and insurance</li> </ul>	<ul style="list-style-type: none"> <li>AUM (Public Markets £290bn<sup>1</sup>, Alternatives £76bn<sup>1</sup>)</li> <li>Investment performance (42% of AUM above benchmark over 3 years<sup>1</sup>)</li> <li>Cost reduction (£102m)</li> </ul>
interactive investor	<ul style="list-style-type: none"> <li>Structural trends in UK driving continued long-term growth</li> <li>£326bn<sup>2</sup> D2C platform market</li> </ul>	<ul style="list-style-type: none"> <li>Subscription model has structural price advantage</li> <li>Fully invested technology and data stack</li> </ul>	<ul style="list-style-type: none"> <li>Customer growth ex. run off (4%<sup>3</sup>)</li> <li>Net flows ex run off as % of opening AUA (7%<sup>4</sup>)</li> <li>SIPP customer growth (21%<sup>3</sup>)</li> </ul>
Adviser	<ul style="list-style-type: none"> <li>Structural trends in UK driving long-term growth</li> <li>£590bn<sup>5</sup> Adviser Platform market</li> </ul>	<ul style="list-style-type: none"> <li>Significant and strong long-lasting relationships with IFAs</li> <li>Delivered largest and most advanced technology upgrade</li> </ul>	<ul style="list-style-type: none"> <li>Wrappers per customer (1.62)</li> <li>AUA from primary partnerships (46%)</li> <li>Relationships with IFA firms in the UK (50%)</li> </ul>

# Investments – Structural shifts and cyclicalities in EM/Asia



# Investments – Ready to capitalise on areas of strength

## Public Markets

Our capabilities	AUM (£bn) <sup>1</sup>	3 year Inv Perf (%) <sup>1</sup>	Strengths & opportunities
Global Fixed Income (incl. liquidity)	122	81	<p><b>Strong investment performance</b> over 1, 3 and 5 years  <b>Specialist</b> in global credit and emerging markets, sustainability and insurance, capitalising on <b>our heritage</b></p>
Specialist Equities (Asia/EM, SMID Cap, Income, Sustainability)	68	17	<p>Style rotation in Q4 benefited DM Small Cap and Sustainable            Extension of our <b>thematic capabilities</b>, acquisition of Tekla  <b>Well-positioned</b>, when risk appetite returns in Asia and emerging markets</p>
Multi-Asset	32	15	<p>Right-sized Multi-Asset teams            Strong lead offering with Diversified Assets and MyFolio range <b>outperforming 67% vs peers<sup>2</sup></b>  <b>100% outperformance</b> in Quants over 1 and 3 years</p>
Quants	68	100	
290			

# Investments – Ready to capitalise on areas of strength

			Alternatives
Our capabilities	AUM (£bn) <sup>1</sup>	3 year Inv Perf (%) <sup>1</sup>	Strengths & opportunities
Real Estate	43	56	UK Real Estate Border to Coast mandate win Compelling opportunities for <b>scale players</b>
Infrastructure & Logistics		N/A	Conviction in <b>logistics sector</b> with <b>Tritax</b> managing two of the <b>largest listed logistics</b> funds in the market New asset raises in <b>growth thematics</b> across infrastructure
Private Credit	9	N/A	Diversified access to <b>high quality private credit investments</b> <b>Strong pipeline</b> in fund financing
Alternative Investment Solutions	17	100	Differentiated offering including <b>passive exposure to HFRI 500</b> and sub-strategy indices
	<b>76<sup>2</sup></b>		

# Investments – Streamlining the business



## Non-core exits

US and European  
headquartered private equity  
businesses  
Australian operations



## Fund rationalisation

Total funds reduced  
from c.700 to c.580<sup>1</sup>



## Asset class restructuring

Right-sized Developed Markets  
Equities and Multi-Asset teams



## Leadership in place

Sole Investments CEO  
New CIO joined in May



## Deliver net £75m cost savings in 2023

£102m cost reduction, with more benefit to come  
from new cost transformation programme

## Opportunities for growth

Strong capabilities and heritage in fixed income

Pensions and insurance markets with sustainability themes

Tailwind and strong pipeline in Real Assets & Private Credit

Bolt-on acquisitions within key thematic markets

Launch a range of thematic ETFs, including on ii platform

# interactive investor – Scaling up our leading UK savings and wealth businesses

## KPIs and drivers<sup>1</sup>

407k  
3.6%

Total customer numbers  
% growth ex. run off

62.4k  
21%

SIPP customers  
% growth

19.3%  
0.4 ppts better

AUA market share  
ppts growth<sup>2</sup>

£3.9bn  
7.3%

Net inflows ex. PTA closure<sup>3</sup>  
% of opening AUA

£152k  
13%

AUA per customer

## Opportunities for growth

Market penetration through focus on organic growth in customers

Targeting 20% net growth in SIPP customers

Implementing new solutions such as Managed ISA, Managed SIPP, digitally-led financial planning, ii community and ii360

Collaboration with wider business to improve products and services across the group

# Adviser – Enabling advisers to deliver for their clients

## Sources of growth and flows

### 1. Existing customers

1.62

(2)%

Wrappers per customer

### 2. Existing adviser firms

46%

Flat

Primary partnerships  
as % of AUA

### 3. New adviser firms

Client advocacy through relationships  
with over 50% of IFA firms in the UK

## Opportunities for growth

Showcase the strength of our post-upgrade proposition to maximise our distribution reach

adviserOS to launch in 2024

Increasing wrappers per customer through launch of our SIPP

Leverage our reach in the UK IFA market to drive growth in our MPS business

Leverage Finimize capability and content

# Building a modern investment company

**Scaling up** our leading UK savings and wealth businesses

**Refocused Investments** to capitalise on areas of strength

Focusing on **client-led growth**, leveraging data and technology

Taking action to **improve efficiency** and profitability

**Creating a sustainable and more profitable growth trajectory**

# Q&A



# Forward-looking statements

This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategies, targets (including ESG targets), objectives, plans, goals and expectations of the Company and its affiliates. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts.

Forward-looking statements are prospective in nature and are not based on historical or current facts, but rather on current expectations, assumptions and projections of management of the abrdn Group about future events, and are therefore subject to known and unknown risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

For example but without limitation, statements containing words such as 'may', 'will', 'should', 'could', 'continues', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'hopes', 'plans', 'pursues', 'ensure', 'seeks', 'targets' and 'anticipates', and words of similar meaning (including the negative of these terms), may be forward-looking. These statements are based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate.

By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and/or depend on circumstances which may be or are beyond the Group's control, including, among other things: UK domestic and global political, economic and business conditions (such as the UK's exit from the EU, the ongoing conflict between Russia and Ukraine and the ongoing conflicts in the Middle East); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions, disposals or combinations undertaken by the Company or its affiliates and/or within relevant industries; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the value of and earnings from the Group's strategic investments and ongoing commercial relationships; default by counterparties; information technology or data security breaches (including the Group being subject to cyberattacks);

operational information technology risks, including the Group's operations being highly dependent on its information technology systems (both internal and outsourced); natural or man-made catastrophic events; the impact of pandemics; climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its relevant ESG targets); exposure to third-party risks including as a result of outsourcing; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities and the impact of changes in capital, solvency or accounting standards, ESG disclosure and reporting requirements, and tax and other legislation and regulations (including changes to the regulatory capital requirements) that the Group is subject to in the jurisdictions in which the Company and its affiliates operate. As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward-looking statements.

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# Appendix



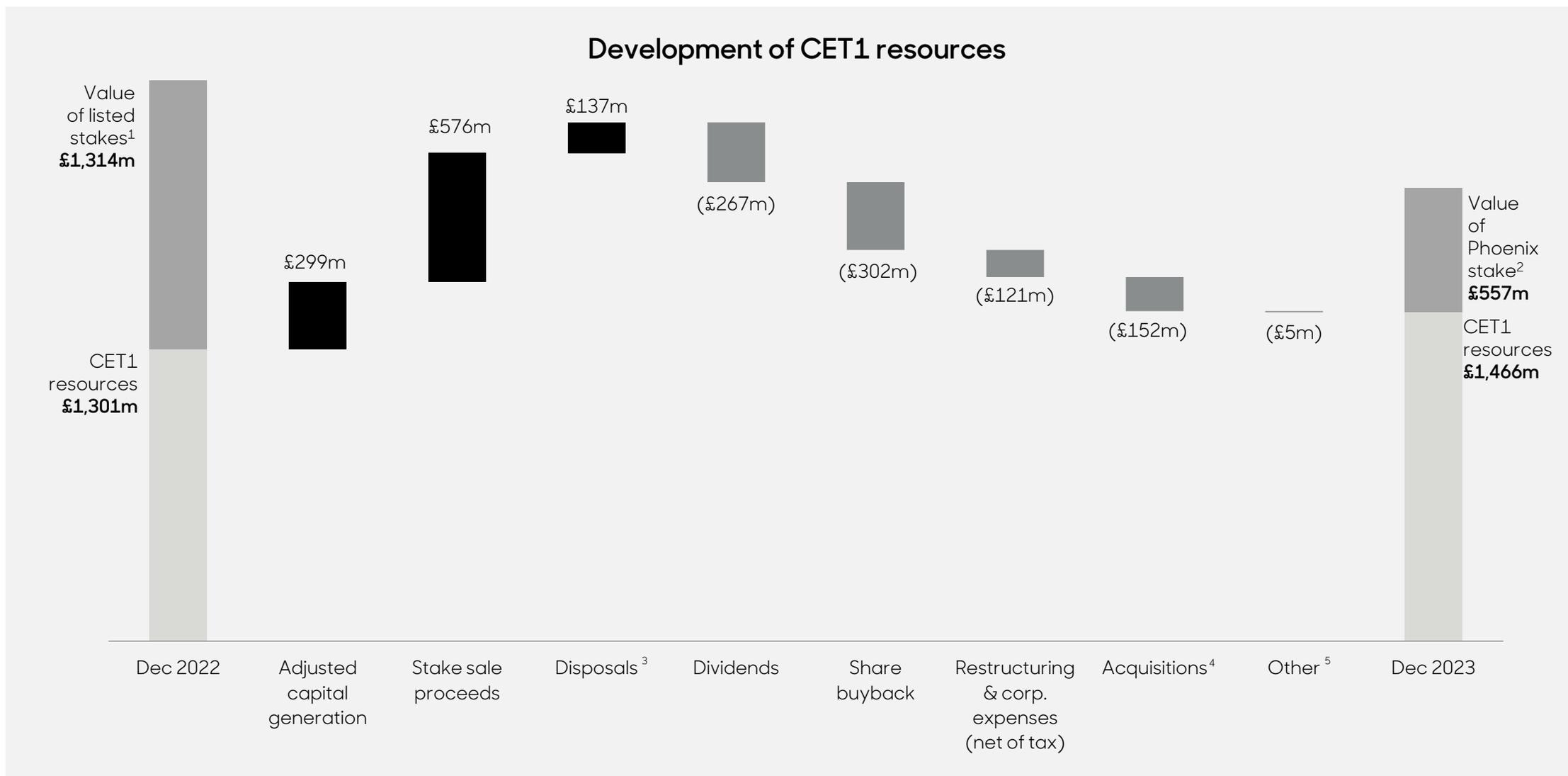
# Analysis of profit

	<b>2023</b>	2022 <sup>1</sup>
	<b>£m</b>	£m
Net operating revenue	<b>1,398</b>	1,456
Adjusted operating expenses	<b>(1,149)</b>	(1,193)
<b>Adjusted operating profit</b>	<b>249</b>	263
Adjusted net financing costs and investment return	<b>81</b>	(10)
<b>Adjusted profit before tax</b>	<b>330</b>	253
Adjusting items including results of associates and joint ventures	<b>(336)</b>	(865)
<b>IFRS loss before tax</b>	<b>(6)</b>	(612)
<b>Tax credit</b>	<b>18</b>	66
<b>IFRS profit/(loss) for the year</b>	<b>12</b>	(546)

# Analysis of adjusting items

	2023 £m	2022 <sup>1</sup> £m	Change
<b>Adjusted operating profit</b>	<b>249</b>	263	(5)%
Adjusted net financing costs and investment return	<b>81</b>	(10)	>100%
<b>Adjusted profit before tax</b>	<b>330</b>	253	30%
Restructuring and corporate transaction expenses	<b>(152)</b>	(214)	(29)%
Amortisation and impairment of intangibles	<b>(189)</b>	(494)	(62)%
Change in fair value of significant listed investments	<b>(178)</b>	(187)	(5)%
Profit on disposal of subsidiaries and other operations	<b>79</b>	-	>100%
Dividends from significant listed investments	<b>64</b>	68	(6)%
Other <sup>2</sup>	<b>40</b>	(38)	>100%
Total adjusting items including results of associates and joint ventures	<b>(336)</b>	(865)	(61)%
<b>IFRS loss before tax</b>	<b>(6)</b>	(612)	(99)%
Tax credit	<b>18</b>	66	(73)%
<b>IFRS profit/ (loss) for the year</b>	<b>12</b>	(546)	>100%

# Capital



# Investor Relations programme

## abrdn plc financial calendar

24 April 2024

Annual General Meeting  
Q1 trading update

6 August 2024

Half year results 2024

October 2024  
(date tbc)

Q3 trading update

## Upcoming investor conferences

12-14 March 2024

Morgan Stanley European Financials (London)

8-10 April 2024

HSBC Global Investment Summit (Hong Kong)

14 May 2024

Citi European Diversified Financials Conference  
(London)

4-6 June 2024

Goldman Sachs Financials Conference (Madrid)

24-26 September  
2024

Bank of America Annual Financials CEO  
Conference (London)

Conference attendance is subject to change

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