aberdeen group plc

Full year results 2024

presentation transcript

04 March 2025

Jason Windsor – Chief Executive Officer

Full year results 2024

Good morning, everyone. Thank you for coming, lovely to see you all. Welcome to our presentation.

Today, I'm joined by Ian Jenkins, Interim CFO, and on the front row are all the members of my senior leadership team. Before I start, just one change that you will no doubt have noticed this morning that we are changing the name to aberdeen group plc with the name written out in full.

For me, this was a pragmatic and simple decision, allowing us simply to demonstrate our pride in the name and the brand, aberdeen, and make the most of it in the marketplace. And we also have the name interactive investor, so we've got two principal brands and that's how we will be out marketing ourselves and going forward this year.

Agenda

So enough on that, I'll now just turn to the presentation. I'll start with the key points, then I'll hand over to Ian to take us through in a little bit more detail on the 2024 results. I'll then give you an update on our strategy and targets, and the path forward for the Group, and of course then we're up to Q&A.

A Wealth & Investments group that is gaining momentum

Let me start just with the highlights and the overview of the strategy at the highest level. Well, how do I see aberdeen? It's a Wealth and Investments group and that's how we are going to describe ourselves. The wealth business, of course, is interactive investor and aberdeen Adviser, both of which operate in the UK with excellent customer experience, built on efficient technology at the heart of their success.

aberdeen Investments operates internationally and in a competitive and rapidly changing industry, we need to act with pace and with clarity to be successful. When I started at aberdeen, I knew we had to reverse the decline in performance. And as CEO, I have been able to get to grips with the business, and I'm happy to say that we have seen a shift in momentum, but there's much further to go.

Last year, profits increased across all three of our businesses with adjusted operating profit up by 2% to £255 million and net capital generation up by 34% to £238 million. So, we are seeing improvement overall, but I want to be clear on this - none of our businesses are close to their full potential. Which is why our number one priority is to transform performance, and this requires many things, including simplifying the business, removing drags on profitability, and focusing on where we have competitive advantage.

Our transformation programme delivered well against the targets we set out a year ago with significant savings, as well as benefits, for our clients and our colleagues, and we're on track to deliver at least £150 million of annualised savings by the end of this year. We're also announcing today we've made progress on our pension plan, which will improve capital generation from mid-2025, and this in turn supports the dividend.

With the changes to my leadership team, and other key appointments across the business, I'm confident we've now got the right people, in the right roles, at a senior level, which is very much in line with the strategic importance that I place on strengthening talent and culture. Of course, my other overriding priority is for us to improve client experience with a focus on our service and our products, which neatly takes me on to my next slide.

Clear priorities and financial ambitions
Today we're setting out a clear path forward for each business to deliver more for our clients and we're establishing a set of clear and relevant performance targets. interactive investor had an excellent performance last year, achieving number one position in the UK direct-to-consumer market measured by net flows and now serves nearly 440,000 customers.

Our priority for interactive investor is to sustain that growth, and we are targeting 8% per year growth in customer numbers. We'll do that by meeting a broader set of customer needs, building on the interactive investor brand further, and always remaining very efficient. Adviser is number two in an attractive growth market, but we recognise that the recent trends in flows have been disappointing.

With the revamped management team now in place, we're redoubling those efforts on client service, enhancing our offering, and sharpening our pricing, all with the aim of returning to net flows as soon as possible, targeting £1 billion of net inflows in 2026.

For Investments, our key focus is on delivering a step change in profitability. This will be achieved by repositioning the business to concentrate where we have real competitive advantage and clear growth prospects, and we are targeting £100 million adjusted operating profit in 2026.

So, with a relentless focus on execution, I'm confident these priorities will lead to a significant improvement in financial performance. And to that end, in putting these business unit targets together, we're announcing new Group targets.

We're targeting adjusted operating profit of at least £300 million in 2026, which is an 18% increase on 2024. And together with much lower expected restructuring costs, and the pension scheme arrangement that we've entered into, we're targeting net capital generation of around £300 million in 2026, which is a 26% increase on 2024. Of course, this will support the dividend, and I'll share a few more details on our strategy in a moment, but first, let me hand over to Ian to go over the results.

Ian Jenkins – Interim Chief Financial Officer

Financial performance & outlook

Thanks, Jason and good morning, everybody. Let me begin with a summary of our key financial highlights.

Delivering improved financial performance in 2024

The Group delivered growth in 2024 with continued strong momentum within interactive investor and a marked improvement in flows within Investments, partly offset by the outflows in the Adviser business.

We improved the Group's efficiency through the good progress we're made in our transformation programme, resulting in a 7% reduction in adjusted operating expenses. And this delivered an increase in the Group adjusted operating profit of 2% with profit growth in all three of our Wealth and Investments businesses.

This result is reflected in both adjusted and net capital generation, and dividend cover improved to 1.2 times on an adjusted basis, and 0.9 times on a net basis. These improved cover metrics do not yet reflect the action taken to unlock the value from our DB pension surplus, which is expected to improve capital generation by around £35 million per year from July 2025.

Improved profitability and capital generation

So, let's now move on to the 2024 Group results. The Group delivered an adjusted operating profit of £255 million, a 2% increase on 2023, benefiting from the significant progress we have been making in achieving our efficiency savings. Adjusted net operating revenues were £1,321 million, 6% lower than 2023, reflecting the impact of net outflows from higher-margin products as well as the revenue related to disposals, including our private equity businesses, and abrdn Capital. Adjusted operating expenses were £1,066 million, 7% lower than 2023, and slightly below our previous cost guidance.

IFRS profit before tax significantly improved from a loss of £6 million in 2023, to a profit of £251 million in 2024. This improvement reflects lower restructuring costs, a lower loss from the change in fair value of significant listed investments, obviously including Phoenix, and lower amortisation and impairment charges.

Adjusted capital generation was up 3% to £307 million whilst net capital generation increased by a third to £238 million as a result of lower restructuring corporate transaction expenses net of tax, which fell to £69 million compared to £121 million in 2023. These results, together with our strong capital position, enable us to maintain our total dividend at 14.6p, with improved coverage ratios on both an adjusted and net capital generation basis.

Profit growth across all three businesses

Turning now to our businesses' results. Each of our three businesses delivered growth in adjusted operating profit in 2024. Within ii, adjusted operating profit, excluding abrdn Capital was up 5% to £116 million with higher revenues partly offset by increased investment as we create that capacity for future growth. Within Adviser, adjusted operating profit grew 7% to £126 million.

This reflects the 12-month revenue benefit from the previously reported revised distribution agreement offset by a modest increase in expenses. And across Investments, we've improved adjusted operating profit by 22% to £61 million with lower revenue more than offset by 11% reduction in operating expenses through the progress we've made on our transformation programme.

interactive investor: Sustainable customer growth and scalable business model

So now, looking at each business in more detail. interactive investor continues to deliver strong customer growth, and we're reinvesting in the business to sustain this growth and create additional capacity. Total customers were up 8% in 2024. With SIPP customers, obviously a key focus area of the business, up 29%.

We've seen strong momentum in flows with net inflows of £5.7 billion, almost doubling compared to 2023, and ranking interactive investor as number one for net inflows in the UK D2C market. Excluding abrdn Capital, revenue grew by 7%, to £278 million, with the business improving the cost:income ratio to 58%. Particularly strong growth was seen in trading transactions with revenues 46% or £22 million higher and benefiting from a 28% increase in trading volumes.

Treasury income increased by 3% to £138 million, reflecting growth in customer cash balances, and the average cash margin was 229 basis points, compared to 236 basis points in 2023. Subscription revenue was up 3% to £60 million gross of marketing incentives. So, excluding abrdn Capital, operating expenses increased by 9%, reflecting investment in marketing, proposition development, creating capacity for future growth with the benefits of this investment already evident in the improved brand awareness.

In summary, interactive investor continues to make great progress in delivering sustainable growth while maintaining the operational rigor that underpins its sufficient business model.

Adviser: Profitability reflects scale, return to net inflows is the priority

Turning now to the Adviser business. Net outflows were £3.9 billion for the year. AUMA of £75.2 billion, was broadly flat as higher market movements offset net outflows. Revenues increased by 6%, primarily reflecting the full 12-month benefit of the revised distribution agreement for the Wrap SIPP. Overall net revenue yield on AUMA was slightly higher at 31.2 basis points.

Treasury margin on cash balances was 263 basis points, up 35 basis points, and consistent with the figure reported at the half year. Adjusted operating profits grew 7% to £126 million. Expenses were 5% higher, reflecting investments made to enhance our client proposition and included the one-off £17 million benefit from the temporary third-party outsourcing discount. While we've seen some early encouraging signs in addressing past service-related issues, we recognise there remains work to be done to return the business to positive flows.

Investments: Focus on efficiency creating a platform for profitable growth

Moving to our Investments business. Institutional & Retail Wealth (I&RW) saw a significant improvement in flows. Gross flows, excluding liquidity, were up 31% to £25.5 billion. And net inflows of £0.3 billion were over £18 billion higher than the £17.9 billion of net outflows in 2023. Recognising net flows in equities continues to present a challenge. There's been good momentum in our quant strategies, liquidities and alternatives with net inflows in both real assets and alternative investment solutions, both key areas of future growth. Insurance Partners, net outflows, increased to £4.3 billion, compared to £1.1 billion in 2023, and primarily related to the ongoing run-off in the heritage business.

Total AUM across Investments was up 1% to £370 billion as positive market movements more than offset the net outflows and corporate actions. Excluding the sale of our European private equity business, and the acquisition of closed-end funds from First Trust, AUM increased overall by 3%.

Adjusted operating profit grew by 22% to £61 million, driven by cost savings, which more than offset the lower revenue. We remain focused on driving efficiency in Investments and expect further improvements to profitability as this transformation work continues. Adjusted net revenue yield was 21.3 basis points compared to 23.5 basis points for 2023, as the asset mix continued to fill the effects of industry headwinds.

Transformation on track to deliver >£150m saving by end of 2025

So, now moving to the transformation programme and the benefits it's developing for the Group. As Jason outlined in January last year, we're targeting annualised savings of at least £150 million by the end of 2025 compared to the expense base we reported in 2023.

The programme remains on track to deliver this target, and we have realised £70 million of in-year savings in 2024. As a result of these efficiency improvements, 2024 adjusted operating expenses were £1,066 million, and that's down 7% year-on-year. In total, £106 million of the annualised run rate savings have now been achieved from the actions already completed in 2024.

This strong progress and visibility of future savings underpins our confidence in achieving the £150 million target. And these actions create capacity for some reinvestment across the Group, whilst also improving our net capital generation and supporting shareholder returns. As well as the cost related benefits, the programme has delivered improved outcomes for both clients and colleagues, and this work is very much continuing.

Growing net capital generation

So now turning to the capital generation. In 2024, adjusted capital generation increased by 3% to £307 million due to higher profits. Net capital generation was 34% higher at £238 million as restructuring and corporate transaction expenses net of tax reduced to £69 million.

Looking ahead, we expect net capital generation to converge with adjusted capital generation and we continue to expect much lower restructuring costs in 2026. On an adjusted capital generation basis, dividend cover was also stronger at 1.2 times, up from 1.1 times in 2023. We remain committed to improving capital generation to support shareholder returns.

Strong capital base and additional assets
Turning now to the Group's capital position. We continue to benefit from a strong capital position with CET1 of £1.5 billion, covering 139% of our regulatory requirement. This is further enhanced by £0.8 billion of gross AT1 and tier two debt, £0.5 billion of which contributes to that regulatory capital.

In addition, we have £1.3 billion of net assets not included in capital. This comprises £0.5 billion stake in Phoenix, and a £0.8 billion IAS 19 pension plan surplus. Our Phoenix stake underpins a very important relationship, and we receive a £56 million dividend in 2024 as a result of holding this. This source of capital generation continues to support our dividend. In summary, our capital base remains strong, enabling us to maintain our dividend and invest in our business.

So finally, now turning to the outlook for our business and financial guidance for 2025.

Outlook and 2025 financial guidance
Within interactive investor, we expect continued strong growth in customers, net flows, revenues, and adjusted operating profits. Cash margins are expected to be in the region of 200-220 basis points and benefit from the higher customer cash balances.

For Adviser, the repricing announced last year has now been rolled out to the existing customers earlier this quarter, and we expect this to lower Adviser's revenue margin by around three basis points in 2025. Adviser's cash margin is expected to reduce to around 225 basis points, and profitability is expected to reflect the end of the third-party outsourcing discount, which again benefited expenses by £17 million in 2024.

Across Investments, we do expect some further contraction in revenue margin. In total for 2025, we expect this to be below 21 basis points, around 30 basis points for I&RW and around 8 basis points for Insurance Partners.

Based on what we know today, we are expecting net flows in our core I&RW business to be roughly flat in the first quarter, however, we are anticipating a redemption of around £5 billion from a very low margin insurance mandate, with an average revenue value of about £1 million.

Operating expenses are expected to continue to benefit from our transformation programme and the majority of the remaining cost savings will be reflected within the Investments business. At a Group level, we remain confident in achieving our transformation programme target of delivering at least £150 million of annualised cost savings by the end of 2025. Thank you very much indeed, and I'll now pass you back to Jason.

Jason Windsor – Chief Executive Officer

Strategy update
Thank you, Ian. So, our strategy is actually quite simple, and that's to seize the opportunity in each one of our three core businesses.

I and my leadership team are really excited by this opportunity, and we're committed to driving this Group to new heights and to set up aberdeen for sustainable long-term growth. With this in mind, I'd like first to talk about our ambition for the Group.

Our ambition is to be the UK's leading Wealth & Investments group
Our purpose is to enable our clients to be better investors, and this is what unifies us as a Group, and our ambition is to become the UK's leading Wealth and Investments group.

We'll build on the strong positions that each of our businesses hold in their respective markets and our deep and long-standing relationships with customers.

We will target UK Wealth market through our ii and Adviser businesses while focusing asset management capabilities where we have existing strength. This will be underpinned by a commitment to excellence in client service, investment in technology, and in our talent, with an enviable base from which to build, but we do know there is much more to do.

It's an exciting time for the Group and we think we can deliver much more for stakeholders. Just let me take a moment to touch on the market growth opportunities.

Well-positioned for market growth opportunities

On this slide, we set out the structural factors that we as a Group are well positioned to benefit from. In the UK, over £5.5 trillion of wealth is expected to transfer between generations over the next 25 years. The number of people retiring annually over the next three years is expected to be around 750,000.

This is a huge opportunity for both our Wealth businesses, given their deep expertise and breadth of products, and the opportunity to do more in retirement solutions. As we know, individuals are increasingly having to take more control of their long-term savings and retirement planning, driving the need for easily accessible solutions to access their savings and investments, whether directly or through advice, with the advice gap continuing to grow with at least 20 million people in the UK estimated to be in a gap.

In this context, the government and consumers are looking for affordable, tailored guidance and execution. Both of our businesses in Wealth are well-placed to address this need, and our Investments business is also able to offer relevant products through its managed solution range.

In asset management, we see investing requirements becoming more complex, supporting the need for active asset management, especially in higher-margin alternatives where we already have the scale and a strong product offering.

One area where we are seeing growth is the transition to low carbon energy and given the strength and scale of our real assets business and our capabilities in sustainability, Investments is well-placed to capture this opportunity. I'll now talk to each of our businesses in turn, starting with interactive investor.

interactive investor: Leading D2C platform – set for further growth

ii continues to go from strength to strength. Richard Wilson and his team have done an exceptional job in creating the fastest growing D2C platform in the UK, measured by net flows. I'm genuinely excited about the future growth prospects for ii.

As this slide sets out, the D2C market currently comprises less than 10% of UK savings and wealth and ii have a 20% share of that D2C platform market. The market is forecast to grow assets by over 13% per annum. This is the market where the four biggest players last year accounted for around 90% of net sales. ii has a disruptive, and market-leading subscription pricing model underpinned by a platform which has excellent customer experience, which of course you can test for yourselves.

Our proven service and exceptional customer value offering alongside our programme of product innovation has resulted in ii winning a number of accolades. Last year, ii had more five-star trust pilot reviews than all of our direct competitors combined. We'll continue to invest in the interactive investor brand and last year we achieved a 12-percentage point increase in brand awareness, to 25%.

Interactive investor: Diversified and resilient revenue streams
Turning now to the outlook for ii's performance. As you can see from the chart on the left, ii achieved strong organic growth in its platform business in 2024 with total revenues, excluding cost of sales and marketing, 12% higher than in 2023 and up by 45% compared to 2022. Importantly, ii benefits from having three diversified and resilient revenue streams, all of which increased last year.

Trading revenues improved substantially year-on-year as customers made increasing use of the platform's trading and FX capabilities. Subscription revenues are also higher year-on-year, and treasury income remains an important component with the potential to grow as cash balances increase.

As Ian just noted, treasury margins for ii are expected to be between 200-220 basis points in 2025, and beyond this, we see margins as being less sensitive to future base rate changes than is currently assumed by the market. Taken together with an expected continuation of strong customer growth, particularly in SIPPs where cash balances are slightly higher. I'm confident about the outlook for treasury income and I do not foresee and we are not witnessing regulatory concerns on the ii pricing model. In fact, we're convinced we offer exceptional value to customers, which is indeed at the heart of the business's success. Turning now to how ii is innovating to meet broader customer needs.

interactive investor: Focus on meeting broader customer needs
Our strategy is to focus on sustaining efficient growth by building on a differentiated proposition and investing in the interactive investor brand. Let me talk through each of the three pillars briefly in turn.

First, new offerings for 2025. We're launching three innovative and exciting propositions to serve more of our current customers' needs and appeal to new customer segments, segments that are currently underserved in the UK D2C market. Following our Managed ISA launch last year, we'll be releasing a Managed SIPP product this year, again designed by aberdeen Investments. This will provide more support and guidance to less confident investors.

We'll be launching ii360, an advanced trading platform to support more sophisticated and active investors. And we'll launch ii advice, a digital advice service which brings our disruptive and tech-led ethos to the world of financial guidance where there is a clear need for something different and better.

Our second pillar is continuing to drive customer engagement through value-added products and continued investment in the interactive investor brand, and of course that leads to positive customer recommendations. And the third pillar is to ensure ii sustains efficient growth.

In fact, it's already very efficient with a cost-to-asset ratio of 22 basis points in 2024, but we're going to go further. With a combination of strong growth, operational discipline, and the scalability of the business. We're aiming to reduce this ratio to less than 20 basis points by 2026.

In summary, by leveraging our excellent technology base and disruptive pricing model to deepen and widen customer engagement, we are well-placed to enjoy the compound effects of gaining a growing share of a growing market. Turning now to Adviser.

Adviser: Business realising value from its significant investment

Before I talk about the action being taken by Noel and his team, I want to discuss the opportunity and ambitions for this business. We are absolutely focused on realising the value from the significant investment we've made in Adviser.

We are number two in the UK market, serving over 50% of IFAs, with just over 400,000 end customers. We have an 11% share of the advice segment, a segment which is set to also grow at 13% a year.

So as demand for advice continues to grow and IFAs look for ways to serve their clients better and more efficiently, the opportunity for us is clear. Following the significant investment in the upgrade, the Wrap platform is now working well, with the tools and infrastructure to support our IFAs to serve their customers. We have brought in more competitive pricing to support our commercial objectives, and we've strengthened the leadership team with three new appointments. Overall, we're well-placed to respond to clients' evolving needs and our primary objective now remains to return to growth. So, I'll now turn to the actions being taken by the team for our clients.

Adviser: Focus on client service excellence and leading proposition

Over the past year, the business has improved service delivery with reduced times across a number of core processes. Examples include the average speed to answer calls which has been reduced by about 80%, and the time to process SIPP cash transfers out, reduced by a working week. We're building on this with additional resources to support onboarding processes and assist with peaks in demand, as well as taking further steps to automate and improve other key processes.

We will further enhance our product offering. Last year we launched our money market MPS option in February and cash saving solution in July. We're now building on this with the forthcoming launch of our aberdeen SIPP.

We're also focusing on creating capacity for IFA clients to grow their business with us. Adviser holds an enviable position in an attractive market. Over time, we're focused on re-establishing a leadership position in this market, but our first priority is to return to growth as soon as possible.

We're targeting a net promoter score of greater than +40 and inflows of plus £1 billion in 2026.

Investments: Repositioning to take advantage of clear market opportunities

Turning now to Investments. We have a scale investment business with £370 billion of AUM, with strong recognition internationally and many talented investment professionals. However, for various reasons, some structural, some that were avoidable, we are not yet growing with sufficient profitability.

Highlighted by a significantly improved net flow position and our improved one-year investment performance to 77% beating benchmark, 2024 was much better than 2023 or 2022. We therefore look forward with optimism and conviction about the aberdeen Investments business of the future. We believe there are significant opportunities for specialist active asset managers in a transitioning industry. To do so, we will build on our heritage and across key growth asset classes where we hold competitive strengths. These are specialist equities, public and private credit and real assets.

I would like to highlight two areas we will focus on, first, private markets and alternatives, and second, Wholesale, where predicted growth rates are 10 and 7% per year respectively. Alongside their growth potential, I would note that both markets have margins that are typically one-and-a-half-to-two times higher than for traditional institutional business. With a careful repositioning of the business, we can therefore not only drive increased flows but also capture improved revenue.

With our new leadership in Xavier Mayer and our new operating model, we're able to apply greater focus and pace to building a specialist asset manager that can optimise in existing areas of value.

Investments: Focus on growth and performance in areas of strength

So how will we win? In the near term, our focus is to deliver a step change in profitability, targeting over £100 million of profit in 2026 by delivering further on efficiency and repositioning the business to those areas of strength and growth opportunity.

In private and alternatives, we have £70 billion in AUM across real estate infrastructure, private, and hedge fund solutions. Notably in real assets, we will look to build on our excellent capability and scale of £42 billion. In Wholesale, we have good scale with £64 billion of AUM. We're a top 10 player in the UK with 50 funds globally rated four and five-star by Morningstar. By expanding access to our institutional-grade credit and specialist equities products, we're looking to achieve growth globally in Wholesale.

We're also positioning our offering for areas of potential future demand, this includes private market solutions and active ETFs, where last week we converted two funds in the US with approximately £130 million of AUM into active ETFs.

We are also seeing opportunity in scaling our existing strengths, focusing on insurance solutions and on closed-end funds, where we're the fifth-largest manager in the US and the UK. Of course, we recognise the importance of sustained investment performance in attracting and retaining clients, so we'll continue to build on the progress already made by our CIO, Peter Branner, and his team. This will include further investment in people, processes, and technology.

Our target is for three-year investment performance to be better than 70% by 2026. We'll also continue to enhance the business's operating model to improve agility, and enable us to add scale efficiently, which I'll come back to in a moment.

Our approach to delivery under new Group leadership

I'll now turn to the senior leadership team. Since I was appointed CEO, I've taken action to evolve our approach to delivery across the Group and put in place a new streamlined Group Operating Committee in November. Alongside me, this committee combines the three CEOs of our businesses, our CFO, our Chief People Officer, Tracy Hahn, and our Group General Counsel, Rashad Abadan, all of whom are here today. Ian has done a phenomenal job as interim CFO on his second stint and we announced on Friday Siobhan Boylan will be joining us this summer as our permanent CFO.

This smaller group has been instrumental in bringing greater discipline to how we operate. We meet weekly with a clear remit to transform the Group's performance, increase the pace of decision making, drive accountability, and accelerate progress against our priorities. We'll ensure that capital is deployed where the rationale is strongest and provides most value to shareholders.

Talent and culture priorities

We are also focused on strengthening our talent and culture. First, let me just take a moment to thank all of our colleagues. They've been instrumental in the shift in momentum we've seen across our businesses. Strengthening talent and culture is one of my three priorities, and there are four aspects I'll just briefly touch on.

First, the importance I placed on leadership. We're redefining what leadership means at aberdeen by resetting our expectation around the role leaders play in creating clarity, fostering teamwork, and driving performance. In addition to the leadership changes I just outlined, we've appointed Alan Courbebaisse, previously CCO in interactive investor, as Chief Operating Officer of our Investments business.

Second, operating model. Alongside the Group Operating Committee, we've revamped the Executive Leadership Team to have a more commercial and client focus, adding our Investments CIO and all of the most senior client and product colleagues from across the three businesses. The ELT ensures effective cascade of our growth and efficiency objectives and removes any obstacles to better decision-making.

Third, we're reaffirming our commitment to invest in our people. We have incredible talent at aberdeen, we're committed to doing more to support career development and providing opportunities for learning and growth. I want this to be a business our people are proud of.

And finally, we're evolving the culture. We want to make aberdeen a place not only where talent is our competitive advantage, but to create a culture that drives innovation, understands the power of automation, and is constantly looking to be more efficient for our clients. A culture where 'seeking better' is the constant refrain, which neatly moves me on to our new COO and transformation.

New Group COO to drive long-term benefits from Transformation
In November, Richard Wilson was appointed as Group COO in addition to continuing in his role as interactive investor's CEO. Building on more than three decades of experience delivering change, in this new role, Richard has overall responsibility for our technology capability, implementing automation, and driving efficiency, and Richard will take on leadership of our transformation programme.

To call out three examples of where we will focus, first, enhancing our operating model in Investments, including reviewing our key processes. Second, driving efficiency across technology and operations with a particular focus on rationalising third-party supplier relationships. And third, reviewing our functional support model, including improvements to our control environment.

So overall, Richard is tasked with driving the organisation harder and improving operational efficiency, leveraging what has already been achieved in interactive investor. By doing all of this, we'll be more focused on growth, deliver better outcomes for clients, create a more agile cost base, and invest more in developing our colleagues. I'm confident Richard will help me unleash the potential of this Group. So now I'll change gear, and just a word on capital management.

Clear principles for capital allocation
We set clear principles by which we allocate capital across the Group. As you'd expect, the overarching aim is to direct resources to where they can generate the best return for shareholders. But first and foremost, we'll sustainably grow earnings across our businesses. This is the source of capital for future investment and for dividends.

Second, we'll preserve our strong balance sheet by increasing net capital generation and retaining additional sources of capital, not least our £500 million stake in Phoenix, which underpins our strategic relationship with them. We do expect to reduce our gross debt over time, although we have no immediate plans to do so.

Our commitment to shareholders is that the Group will have a resilient dividend. Over the medium-term I'm not expecting to grow the dividend per share, but I am expecting the coverage to improve markedly to improve that resilience. The actions we're taking to unlock value from our defined benefit pension plan will support the same. I'll come back to that in a moment.

While there are no immediate plans for significant inorganic activity, I would note that any such activity would be subject to a demanding return hurdle.

Pension surplus: unlocking value today and retaining optionality

Onto the pension plan agreement. the Group's DB pension plan has been successfully managed over many years and that's resulted in a significant surplus. We're pleased to announce today that we've reached agreement with the Trustee to use the surplus to fund the cost of providing defined contribution benefits to our UK-based employees.

We expect this arrangement to deliver a significant boost to net capital generation of about £35 million per year, starting from July 2025. Whilst this is a structural solution, with a significant annual benefit to capital generation, it does not preclude optionality in the future for example, an insurance buy-out. I'd like to thank all of my team involved and the Trustee for reaching this agreement.

Our strategic focus areas and delivery ambition

To close, we have significant headroom in each of our three core businesses and we've identified the key focus areas to enable them to realise their growth and profitability potential.

interactive investor will enhance its offering further investing in its differentiated platform and brand to sustain efficient growth. We're targeting 8% per year customer growth and a cost-to-asset ratio of less than 20 basis points by 2026.

Adviser will focus on delivering leading client service and improving our product offering to support a return to net inflows. We expect a Net Promoter Score of greater than +40 and net inflows of at least £1 billion pounds in 2026.

Investments will seek a step change in profitability by further repositioning to areas of strength and opportunity. We're targeting adjusted operating profit to increase to more than £100 million in 2026 through further improvements in efficiency. In addition, we're aiming for the three-year investment performance versus benchmark to rise above 70%.

And today we're setting group targets for 2026, namely, to increase adjusted operating profits to more than £300 million and net capital generation to around £300 million. Achieving these targets will support the sustainability of the current dividend. This ambitious set of targets reflects our confidence in the Group and its future prospects.

I see this as a position from which we can build. It's by no means the limit of what we think the Group can achieve in the longer term. We can create a much stronger business that our colleagues can be proud to work for, and that delivers better outcomes for our clients and that offers much more attractive returns to shareholders. And with that, we'll open up to your questions.

Q&A

Nicholas Herman, Citi: Thank you for today's update. It's a lot to digest but really appreciate the detail. I'll just start at the top in terms of Group overall targets, so three questions from me.

Firstly, can you please talk about the embedded assumptions and market assumptions in your plan?

Secondly, can you give us a sense of whether and how much your new targets are ahead of the implied targets that you announced to the market in January 2024? Results are ahead of consensus, so I'm looking to understand how much of this is you upsizing your targets versus consensus maybe getting a bit too cautious.

And then finally, if I think about the bridge from market expectations to your 2026 targets and look at the divisional targets, it looks like the biggest delta to expectations maybe in treasury income in interactive investor, is that fair? And as part of that, cash balances are now 8% of AUA, that's the highest it's been since June 2023. Presumably that will continue to tick up given the growth in SIPP and maybe also falling interest rates? Where do you see cash balances as a percentage of AUA settling over time from 8% today?

Jason Windsor: There's quite a lot there, so if I don't answer all of that, then forgive me. In terms of assumptions, basically to hit these numbers, we are not assuming the market's going on a rip. The way we plan is to have very conservative fixed income and equity growth assumptions that's on which this is built. If there were a material crash or reduction in fixed income values, that would be a problem in hitting this target, but it's not predicated on major growth. Obviously if people are taking more risk and investing more, markets tend to go up and it tends to be a compound effect there.

In terms of the plans versus consensus, I was quite new when we set out the transformation target last year. It was something that we thought hard about. Ian helped design it, and we implemented it. The plan centres around a re-engineering of the business, so we're comfortable that was the right plan for then. We've made really good progress in 2024, and we'll continue to seek further efficiency, but Richard will pick up the mantle of this and we'll take it on.

We'll finish the programme, that's a 2025 objective, and then we'll continue to look for efficiency within the business. Because of the revenue shift in Investments will continue, so we are expecting margins to fall further, so we will need to continue to be more efficient to be successful and to hit our targets.

On the expectations versus market, the easy one for me is that the market's largely got Adviser about right, which is a step down in profits in FY25, because of pricing and the way that the costs are going through.

On Investments there's more to do for us to convert people over, but broadly, it's not a million miles off. I think revenues will continue to be under pressure. It's not to say flows are under pressure, but we are seeing growth in lower-margin areas, and we have to face into that, but we can do more on cost.

And then interactive investor, I think you're right, there's a series of elements where I think we're doing better than people are expecting both in terms of growth but also in terms of treasury income, and we've given some clear guidance on that.

Richard, on the cash balances, they're probably ticking up slightly. Anything you would add?

Richard Wilson, CEO of interactive investor: I don't have a great deal to add to what Jason has said. You are right that cash balances as percentage of AUA in 2023 were at a historic low. And as the rate environment evolves, we're expecting that to uptick marginally. As Jason pointed out earlier, the relative or comparative percentage of cash on AUA in SIPP is moderately higher than it is in the other wrappers, so with our ongoing growth in SIPP penetration, we'd expect that to expand moderately.

Hubert Lam, Bank of America: Three questions from me. Firstly, on slide 13, you do show that the cost base continues to go down this year as well as next year. Where are the cost savings coming from, as they're already doing a lot of cost saves already?

Second question, I want to dig a little bit deeper in terms of the Investments profit guidance of £100 million plus in 2026. How much of that is driven by revenues and how much is driven by costs in terms of the profit improvement? And again, in terms of assumptions, do you still expect revenue fee margin to come down further? Because obviously that's a headwind in terms of improving your revenues.

Lastly, in terms of year-to-date flows, thank you for the guidance around being flat so far this quarter. Are you seeing any improvement in terms of demand for equities given that there's been a shift from the US more to China and emerging markets? Are you benefiting from any of that change?

Jason Windsor: Ian, do you want to cover the source of the cost saves?

Ian Jenkins: Yes. On transformation, we've obviously got £106 million to date. That's predominantly come from contract negotiation, third parties, tech, some AI innovation, right sizing teams a little bit, which we did right up front, as well as a lot of work on process simplification, and we'd expect much of that to continue as Richard pushes forward. We've got a good book of work to complete our £150 million and that's how it's really set up.

Jason Windsor: On the second question on the outlook for revenue and cost, it's mainly cost that will come through and we've set that out. As I just said in answer to the previous question, we do see basis points ticking down there, probably not as fast, as we've seen as the book shift between some of the more traditional products and some of the areas where we are growing. I don't anticipate revenue growth in Investments, but that's not to say we're not anticipating growth and the outlook for the business to be more positive and to make up the difference. We are going to become more efficient.

On the year-to-date flows we did want to highlight the one redemption that we've had was a revenue value of around £1 million. It will look bad in Q1 numbers from a flow perspective, but it's not a big revenue issue. I just want to be clear on that. And then Xavier, do you want to talk about the outlook for the specialist equity business?

Xavier Meyer, CEO of Investments: From an industry point of view, appetite for equity has slightly recovered over 2024 and the trend is continuing. It's not necessarily a massive trend, and it's also a trend in 2024 that has been very much directed towards the US and the Mag 7 in particular. But what we are seeing are opportunities and pockets of opportunities in more specialised areas outside of the Mac 7. For example, in small cap.

It's quite early in the year to know and have a precise view on whether it's going to be a very supportive year for equity or not, but we are operating in an environment that is better than what we have been facing over the last two years. That said, in emerging markets, and in particular in Asian equity, it’s still a bit of a challenging picture. Our eyes in terms of opportunities are focusing on China and the stimulus that is expected to come from China.

Enrico Bolzoni, JP Morgan: First question is on ii, you’ve reported impressive stats, and also market share growth. You have a number of new features that are coming out this year. Can you remind us on whether some of these will be available by the end of the ISA season?

And then on the Managed SIPP, can you remind me if this will include decumulation, so it'd be able to actually provide a managed solution when it comes to the decumulation phase? And then again, related to that, we are expecting from the FCA, the outcome of the Advice Guidance Boundary Review. What implication do you expect for the business? Do the targets include any tailwind from that at all?

Richard Wilson: Thank you. In terms of the first question, which is the feature set, the answer is no, there won't be major new releases prior to the tax year-end. We are entering into the beta release of ii360 in the coming days, but we're going to spend whatever time we need to harden that environment over the coming months before we go into general release. The Managed SIPP live-date is in Q2, and the initial version of the Managed SIPP is accumulation.

On the last question about the Advice Guidance Boundary Review, clearly as we all know, that's going through an extended level of review with the regulators, so we don't have a hard fix on the boundary position between targeted support and personal recommendation. Our engineering is insensitive to that. Having said that, we don't have any great expectation in terms of a hockey stick on the financials from the digital advice offering. That's a multi-year commitment, so we'll adapt our journeys when that guidance position becomes clear and that for us would just be part of our flex. We've got no interest in taking conduct risk, so we'll be very prudent in terms of how we deploy.

Mike Werner, UBS: Two questions from me. First on the capital generation coming from the pension plan, can you just give us a little bit more colour? Is this something that we should think of as an annuity? Is it going to be stable over time? How is that going to potentially change in terms of the transfer from the surplus into your capital base?

And then second, there was a news report about a potential tie-up with a Chinese bank. I was just wondering if you could provide any commentary there, and then ultimately just thinking about if there are any incremental opportunities you have and how they might impact your 2026 targets?

Jason Windsor: Easiest one is the cap gen target. It is an annual benefit. It's about £35 million or so. The surplus, and it depends how you measure it of course, but IS19 is about £800 million. Economic surplus a bit lower, but the surplus will on average refresh itself as we expect the performance on the assets to be higher than the payments out of that surplus, so it's not going to deplete the surplus materially. And certainly, it's only whatever it is under 5% of the accounting surplus per year, and the cap on it is effectively how much contribution we're making to DC, so that's rather than anything to do with the surplus, it's just the actual cash cost of providing pensions to our employees. As I say, it's a structural solution and we see that as an annual benefit.

Nothing on those news reports. They were news reports, there weren't comments from us, so I can't really say anything further on that. On incremental opportunities, of course, we are always eager, red-blooded and all that to find things for us to do that is more exciting, but M&A is not a massive part of the way I think about our strategy. We might take opportunities if they arose, but we're not sitting on a pipeline of ideas. We want to get the cost base right, get the marketing right, get the product and service areas right, and really focus on the core businesses. Hopefully that came through in the presentation but let me just repeat that. That's what we're doing.

Charles Bendit, Redburn Atlantic: A couple for Richard, if I can, on ii360, I was just wondering if you could flesh out what the offering will look like. Are we expecting CFDs, futures options, margin lending, or is it going to be a bit more streamlined than that? And are you going to be competing with IBKR, Robinhood? Is that the idea? And just wondering whether this will entail a two-tiered pricing structure where commissions and FX are cheaper on the active trader platform?

And then finally, just it would be interesting to know how you've managed to build out a new offering without materially upgrading the cost guidance?

Richard Wilson: First, like most of the developments that we undertake, they are very carefully thought through and we do nothing which will conflict with our underlying discipline and focus to make sure that our operating capability and our ambition stay connected. We've been working on a number of initiatives, which hopefully for those of you who make the journey to Manchester in June, we can show you the underpinnings of. We've been working on those for a number of years. An example of that is ii Community, our social investment platform that went live initially in October of 2024. We've been working on that for four years. On ii360, we've been working on that for a number of years also.

ii as a brand is a long-only investment platform. It targets long-term investment and is not geared or priced to attract active traders. That clearly is a very close adjacent market. And we have a number of sophisticated customers who would prefer to have those services, which today we can't offer. The platform will provide access to all the wealth markets. It will be long/short, you will have stock loans, and you'll have CFDs and derivatives. I don't have an ambition to offer the kind of leverage and churn-and-burn model that some of our colleagues elsewhere in the market offer, and we'll stage that deployment over the next quarters as we harden the environment.

On the pricing, we will disclose that when we're ready, but you can assume that it will be on the disruptive side, as opposed to on the monetising side. Hope that answers the question.

On build costs, I and my wonderful colleagues come from a market infrastructure background. So, we are very careful and thoughtful about how we layer adjacent services, so they interoperate. The vast majority of the costs that we have incurred are already in the book, so there's no material balance sheet carry on that investment and we work with very close partners to make sure that we can deliver that in a non-dilutive way, so don't expect any cost surprises on that.

Andrew Crean, Autonomous: Three questions. Of the remaining £80 million of cost savings, how many will fall in 2025 versus 2026? Secondly, looking at your capital generation, net capital generation target of £300 million, if I took the 2024 number of £238m, took out the restructuring costs and then added in the benefit of the pension scheme, you'd be at £340m-ish. The target of £300m looks as though it's a bit lower than that. Why is that?

And then can you tell us what the flows ambition is within the Investments target for 2026? It's all very well doing loads of liquidity flows, but they're irrelevant to the revenues, so if you could give us a sense as to the high-value flows within that target.

Jason Windsor: On the cost saves, we did £70m in the P&L this year out of £106m. So, a minimum of £36m will come through. We've got to separate here the cost saves that will hit the bottom line, and those offset by growth in ii, primarily. So somewhere in the sort of £50 to £70-ish million at a net basis, I would say.

It depends on what we do in terms of reinvestment and what we do in terms of the overall, but we should be able to get a really good progress on that through the year.

Ian Jenkins: Of the new saves over and above the £106m, about two-thirds of that will be recognised within the P&L. We may well use some of that to re-invest, but the other third will bleed into 2026.

Jason Windsor: That programme is going well. On the capital generation side, we've given you a profit aim for 2026. We've got the pension and we've got the Phoenix dividend and then we've got restructuring costs. We are not saying they're going to get a zero, there'll be some, but they'll be materially lower, so I think that gets you to about £300m.

The one line item that will probably come down a little bit is the return on group cash. It's a contributor to PBT and capital generation. Nominal rates we think will be lower and we also think we'll have slightly less cash. So, I see that figure coming down just a little bit. That's another contribution.

I'm not going to be foolish enough to give you flow targets for 2026. We've got plans and we're trying to set up an opportunity to grow in certain areas. Xavier has cascaded very clear plans to his team, but markets change and things change, but we are very committed to returning to positive flows in that business.

Andrew Crean: But if you're giving us a profit target, you must have a flow target?

Jason Windsor: As, I just said we've got flow plans, but I'm not giving out 'X' targets on it externally.

David McCann, Deutsche Numis: Three from me as well, please. On the advice business, you've given us the £1 billion flow target in 2026. In the context of its £75 billion or so of assets, and its position in the industry, £1 billion doesn't really re-establish that business as a market leader, it should be more like £3-4 billion. So maybe you can talk about your ambition beyond 2026 in terms of flow for that business?

Secondly, on the pension surplus, what prevented you from doing a more complete pension buyout here rather than using it for DC pension contributions? Noting that you said you hadn't ruled it out forever, but what has stopped you doing it right now?

And then final question, I just wanted to confirm that you do remain, as you said before, committed to the three core divisions for the long-term, not just the short term? Just seeking that confirmation.

Jason Windsor: Well, I still am absolutely comfortable with the configuration of the Group – we’re in Wealth and Investments and we're very committed to improving all three and maintaining the growth in all three of our core businesses, but also making sure that we stay laser focused on developing those, not getting distracted.

I'll go in reverse order. On the pension surplus, we think what we've done creates significant and sustainable value. As you say, we haven't got full legal and tax clarity to do a buyout, and I mentioned that six months ago. Right now, that wasn't an available option to us. It might become one in the future, but that has proven much trickier than I certainly anticipated. So be it, that's where we are. But it could take a number of years for us to get that clarity. It's a complex archaic structure that we're unable to get the confirmations that we would need to go ahead with it. We would then have the choice in what we would do, but we're very comfortable with what we've reached today.

Good point on Adviser. We are coming off minus £3.9 billion in 2024, so to get to plus one billion is a £5 billion swing, give or take. So, I talk about shifting momentum, it would be great if we could do more than that, but I just think it will take time. I want to make sure that we've got sensible plans to get back into that leadership position, but it's not an overnight fix. You need to win the confidence over. People don't chop and change platforms. It's not the sort of thing people will change often. So, it takes time to build relationships. It takes time to build confidence. It takes time to get people back into the right place to commit to this platform that we come at this.

We're still number two position in the market. We've got great relationships, and Noel has built those over many years. We’re just getting people back into the vein of working with us and growing with us, I just think it will take a little bit of time. I see 2025 is very much year of transition and we'll expect to grow in 2026. Any more questions?

Bruce Hamilton, Morgan Stanley: In terms of the benefits of the three divisions sitting side-by-side, can you maybe talk a little bit more around any further revenue synergy opportunities perhaps around retirement solutions, any products, or just how to think about that? Obviously, the tech backbone and the ability to drive efficiencies across costs, I can see, but just in terms of the revenue opportunity.

Secondly, on the equity-side performance and strategy, obviously there's been a decent pick up in the one-year performance across the Investments division, but within high-margin equities, could we get a number there? Because I think that's been the bit that's been lagging.

And on your active ETF strategy, is the way to think about that it's really going to be US products and converting mutual funds into ETFs, or do you have broader ambitions, such as launching new active ETF products?

And then finally, on costs, I think in the annual report you might say cost will be below £1,025 million in 2025. Just wanted to check that that's the way to think about the 2025 cost base trajectory.

Jason Windsor: On the costs, that figure is about right. I don't want to get too fixated on a precise in a P&L figure. The number I gave to Andrew was sort of the gross number, but we've got some investment opportunity on the cost-side as well.

On the Group configuration, I'm very comfortable with the way that we are. We collaborate and we'll all in the investment business. We have one regulator, we have simplified processes, so that works.

In terms of products, I think there is more that we can do, and you pointed to decumulation products. We talked for many years about what other than annuities could we offer to people in decumulation. Absolutely, we've got the componentry to do better in that market, and there is clearly an opportunity there.

Right now, we've got managed products that Noel's team offer, and we've got the Managed ISA and the Managed SIPP products through Richard, plus other things that we can do.

Obviously, ii has an independent position in the market and we're not going to undermine that. That's an important part of the way that we face in, but we've been very helpful. For example, in investment trusts, ii customers own 14% of the investment trust market. aberdeen has got a big investment trust business.

We can bring the two together in terms of content, meet the manager, voting preferences and start to create a community of interest in investment products, certainly within the UK wealth sphere. So, there's definitely more that we can do without majorly changing what we do.

Xavier, do you want to take equity performance and our plans in active ETFs, if that's all right?

Xavier Meyer: Yeah, sure. So overall performance has increased materially from 55% over one year to 77% on the one-year performance. If you look at the equity component of that, we have also seen a material improvement from 15% outperforming benchmark a year ago to 32% outperforming benchmark right now.

It's not yet at the level we want it to be, but 2024 has been a very difficult year for any equity asset manager and on the active side to outperform the benchmark. So that probably put us in line with peers in terms of overall equity performance for 2024.

In terms of margin of that business, the margin that we see on our gross flow on the equity business is at par, if not slightly higher, than the average margin of our book of business on equity.

And regarding plans for active ETF, it's an instrument that we have keen interest on. We are making active conversion in the US on some of our funds into active ETF as referenced by Jason earlier on. And we also have an active ETF in Europe, and we are complementing that vehicle with two other listings to come soon in April.

Gregory Simpson, BNPP Exane: Firstly, the release mentions a strategic review of Finimize. I think this was a loss-making business. Can you confirm the operating loss from this business last year?

And then secondly, I don't think you talked about your financial planning business, which I think was also loss-making. Can you confirm if you were doing a review here and what kind of loss that had last year?

Then finally, just on ii, subscriptions grew by 3% excluding marketing incentives but declined by 4%, including them. Can I just check what these marketing incentives are? Are they mostly targeted at new ii joiners where you maybe pay up year one but then they have high customer lifetime value?

Jason Windsor: On Finimize, we do need to review what we're doing with it. It made a small single-digit-loss last year, and as I've said before, I want to be focused on the three core businesses.

I like what Finimize does, it's got a great business model. We haven't yet been able to commercialise it into something that makes profit, so we need to take action to do that. So that's what the strategic review means.

On financial planning, it's part of a big company, so how you see profitability depends how much overhead cost you attribute to them, but they make a positive contribution before any overheads. Probably a small negative with a little bit of overhead. Richard's done a great job at streamlining that business under his leadership. We'll continue to make progress with it.

And on ii, they're marketing incentives – vouchers, discounts, offers that you actually make to entice people. I hope most of you have signed up to ii because it'll be offering you all sorts of SIPP incentives to join and there are other types of propositions in the marketplace to get you to join. So, it's just simply the quantification of those marketing incentives to bring people in. Then you expect, obviously there's a sort of new business strain in insurance speak. You'd expect then the actual percentage growth in customers to flow through into subscription revenues over time. And clearly 8% growth in customers in the year doesn't mean 8% growth in subscriptions because you don't win them all on the first of January.

End of Q&A

Jason Windsor: Thank you all very much for attending. I really do appreciate your interest and questions. We look forward to following up with you in the coming days and weeks. Thank you.