

# Spotlight on Personal

6 July 2023

[abrdsn.com](http://abrdsn.com)



abrdn strategy  
Stephen Bird

# Agenda

Introduction	Stephen Bird
Personal and ii	Richard Wilson
ii Technology	John Tumilty
ii Financial model	Deborah Byard
Close	Richard Wilson
Q&A	All



**Stephen Bird**  
CEO, abrdn plc



**Richard Wilson**  
CEO, Personal



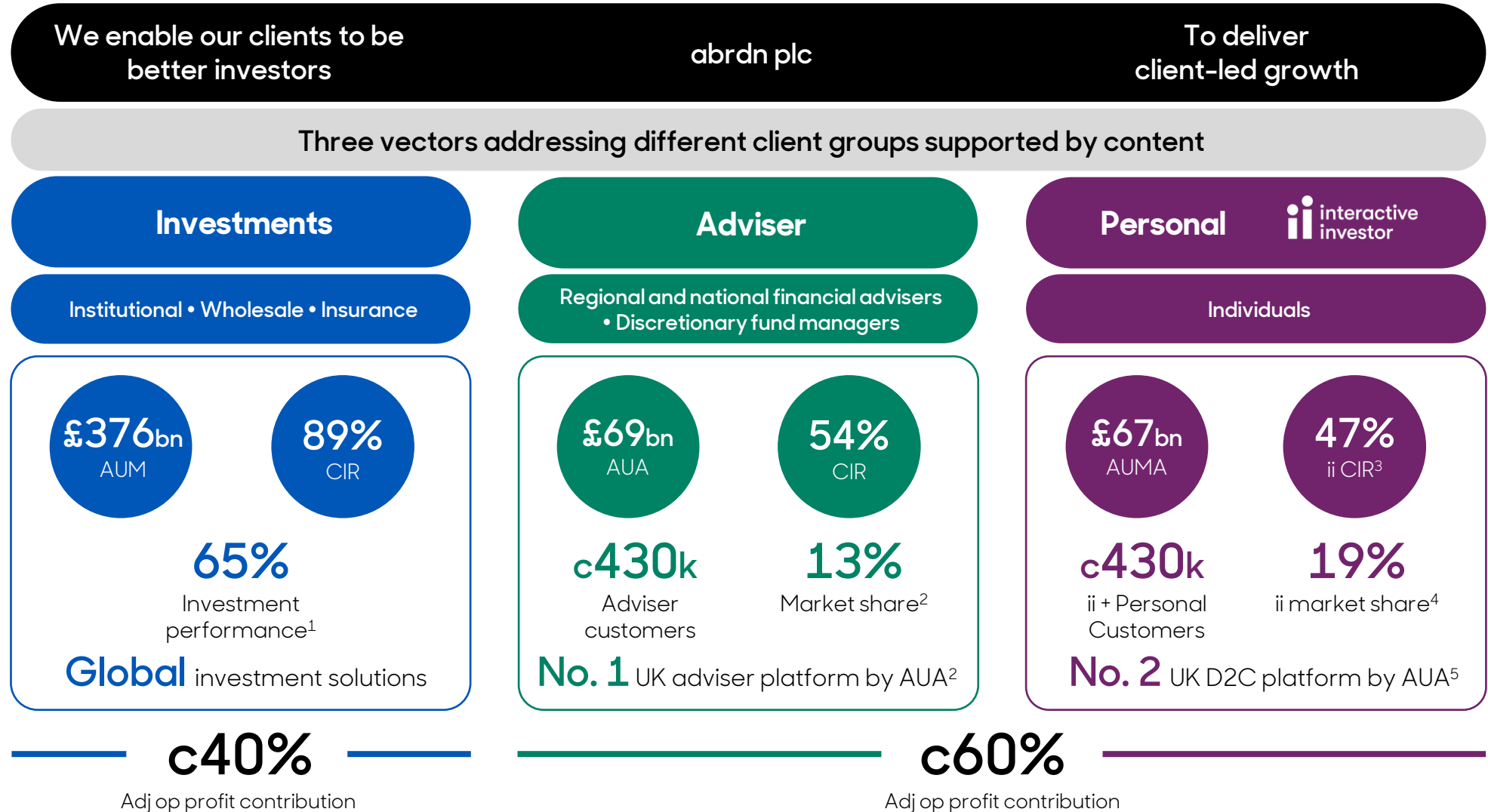
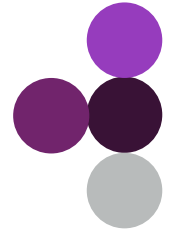
**Deborah Byard**  
CFO, Personal



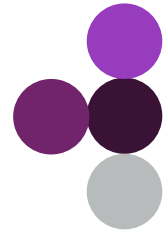
**John Tumilty**  
COO, interactive investor



# Our strategy



# Building a leading position in high-growth UK personal wealth market



Acquisition of ii achieved scale in high-growth D2C investing market, accessing new customer segments



ii is a unique asset as the UK's leading subscription-based direct investing platform



Transforms our Personal vector, significantly growing and diversifying revenue and profitability

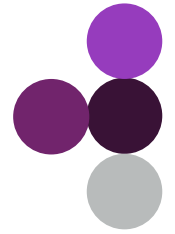


Builds an integrated high-tech, high-touch model that meets clients' financial needs



Optimal deployment of capital to drive sustainable growth, returns, scale and shareholder value

# Compelling market dynamics



Large and growing market with strong underlying growth drivers and high barriers to entry



Large total UK market of £4.6tn<sup>1</sup> of which £287bn<sup>1</sup> is on D2C platforms



Attractive underlying demographics: Ageing population with ongoing inter-generational wealth transfers



Enduring savings and advice gap



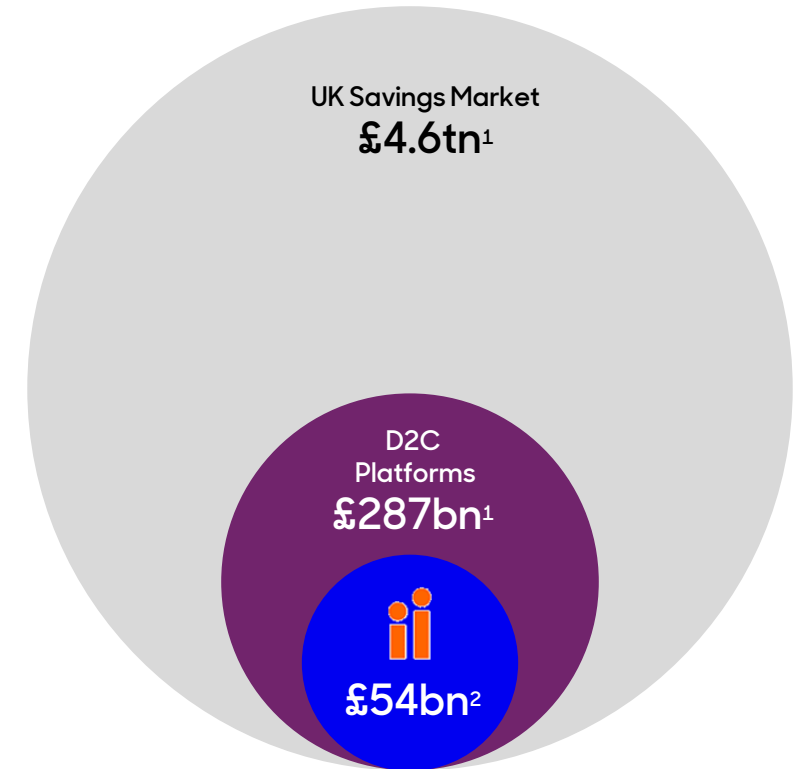
D2C drivers will increase: pension reform, lower cost offerings, improved guidance tools



Greater investment freedom into retirement with end of compulsory annuitisation / rise in drawdown / increase in pension annual allowance



A 'winner takes most' market: D2C investment platforms morphing to D2C financial platforms





# abrdn Personal Richard Wilson

# Our ambition



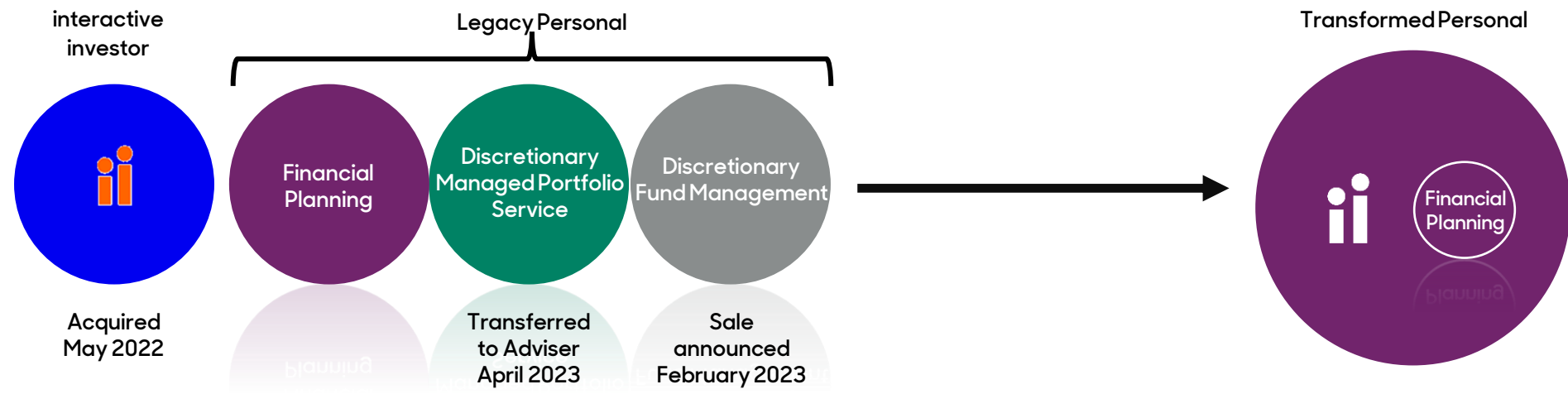
Ambition

To build a leading position in the UK's personal wealth market  
Making investing and financial planning accessible and personal

Approach

To serve customers at all life stages by harnessing our capabilities

## 2023 transformation





# Crowded and competitive UK market.



# Who we are.

The UK's leading subscription-based digitally enabled consumer champion in the direct investing market

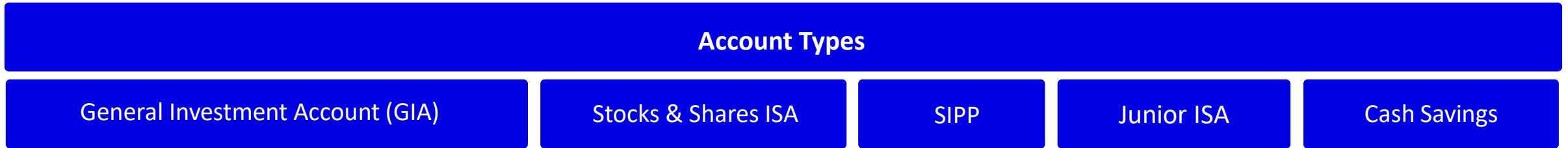
- UK's no.2 D2C platform<sup>1</sup> and no.1 subscription-based platform
- 24% market share of UK Cash Market Trades & Active Traders<sup>2</sup>
- Growth momentum underpinned by three drivers:
  - Compelling pricing
  - Scale of customer base
  - Strength of the platform
- Fully invested open architecture platform
- Efficient and scalable business model
- Highly experienced management team
- Open culture of collaboration, diversity and inclusion



TrustScore 4.7 | 22,474 reviews



# What we do.

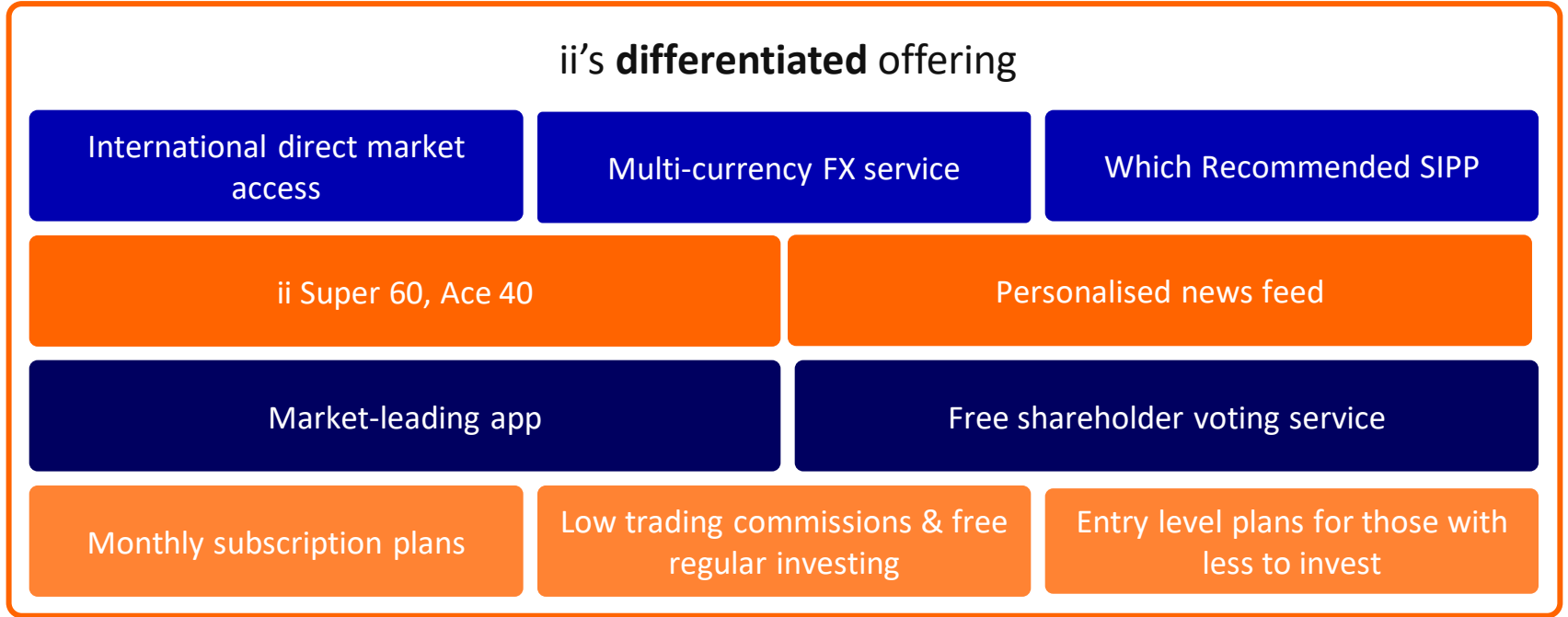


**Best-in-market**  
Instruments and wrappers

**Award-winning**  
Multi-media content and editorial

**Best-in-class**  
Differentiated user experience

**Subscription based pricing**



# Subscription fee and 'bundle' pricing model.

	Investor Essentials	Investor	Super Investor	Pension Builder
	Invest up to £30,000	Our most popular plan	For our lowest trading fees	A simple low cost SIPP
Monthly subscription	<b>£4.99</b>	<b>£9.99</b>	<b>£19.99</b>	<b>£12.99</b>
ISA	✓	✓	✓	
Trading Account	✓	✓	✓	
Junior ISA		✓	✓	
SIPP		+£10 p/m inc. VAT	+£10 p/m inc. VAT	✓
Free monthly trade		✓ x1	✓ x2	

## Benefits for the customer

Easy to understand and offers better value

Lowest price for £30k+ portfolios

New entry level plans are lowest price for £15k+ portfolios

Enables Friends and Family schemes (supports referrals)

## Benefits for ii

Predictable revenue base

Facilitates bundling for cross-sell/up-sell

Supports high quality of earnings and highly resilient financial model

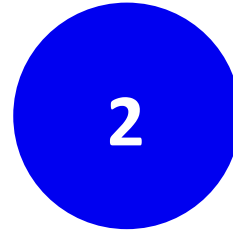
Subscription fee / trading transactions revenue not linked to AUA



# Levers for growth.



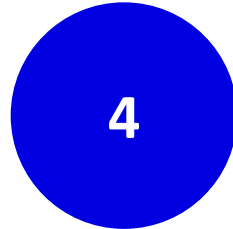
**New customers**



**Product penetration**



**New services**



**abrdn opportunities**



# Strategic vision – Why we will win.

We provide a differentiated investment service...



A market leading DIY investment service



Comprehensive family/network services



World class customer experience



Integrated financial planning

...that will win due to the following strategic enablers

## Pricing

- Simple, transparent **subscription model**
- Reaching **broader range of customers** through **targeted pricing models**
- **'Bundles'** create **natural upgrade path** and margin optimisation

## Customer base

- Large D2C customer base allows **large-scale trialling of propositions**
- **Age and profile of base is suitable for pensions and other generational products**

## Platform

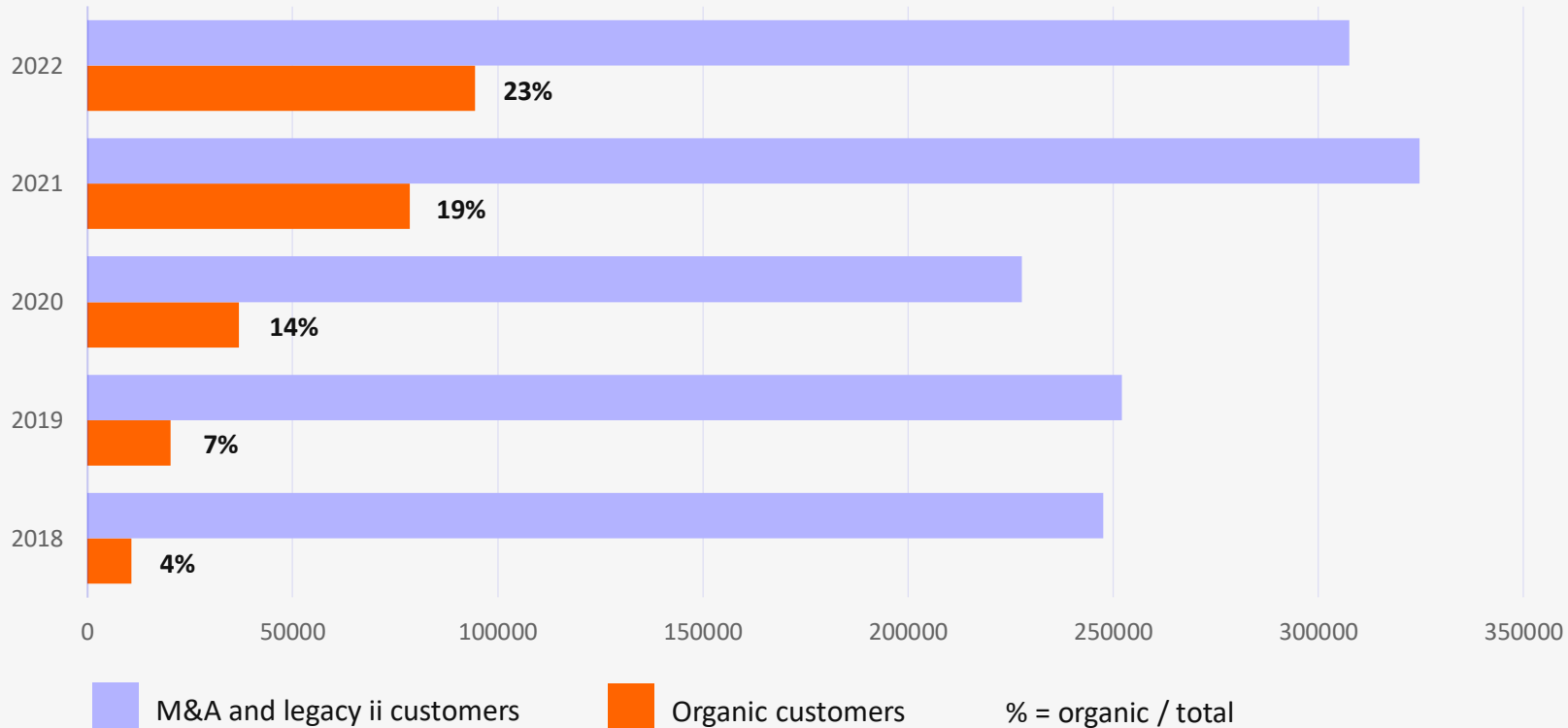
- **Scalable and reliable platform** supports substantial increase in customers and margin expansion
- Platform allows **new services** to be added at low incremental cost
- Data architecture allows for **personalised experience and content**



# Customer growth is organic plus M&A.

- 2018 – 2022 CAGR in total customers = 12%
- Subdued outlook in 2023 due to market conditions
- Targeting mid-single digit CAGR in total customer base over next 5 years

Organic & M&A customer evolution



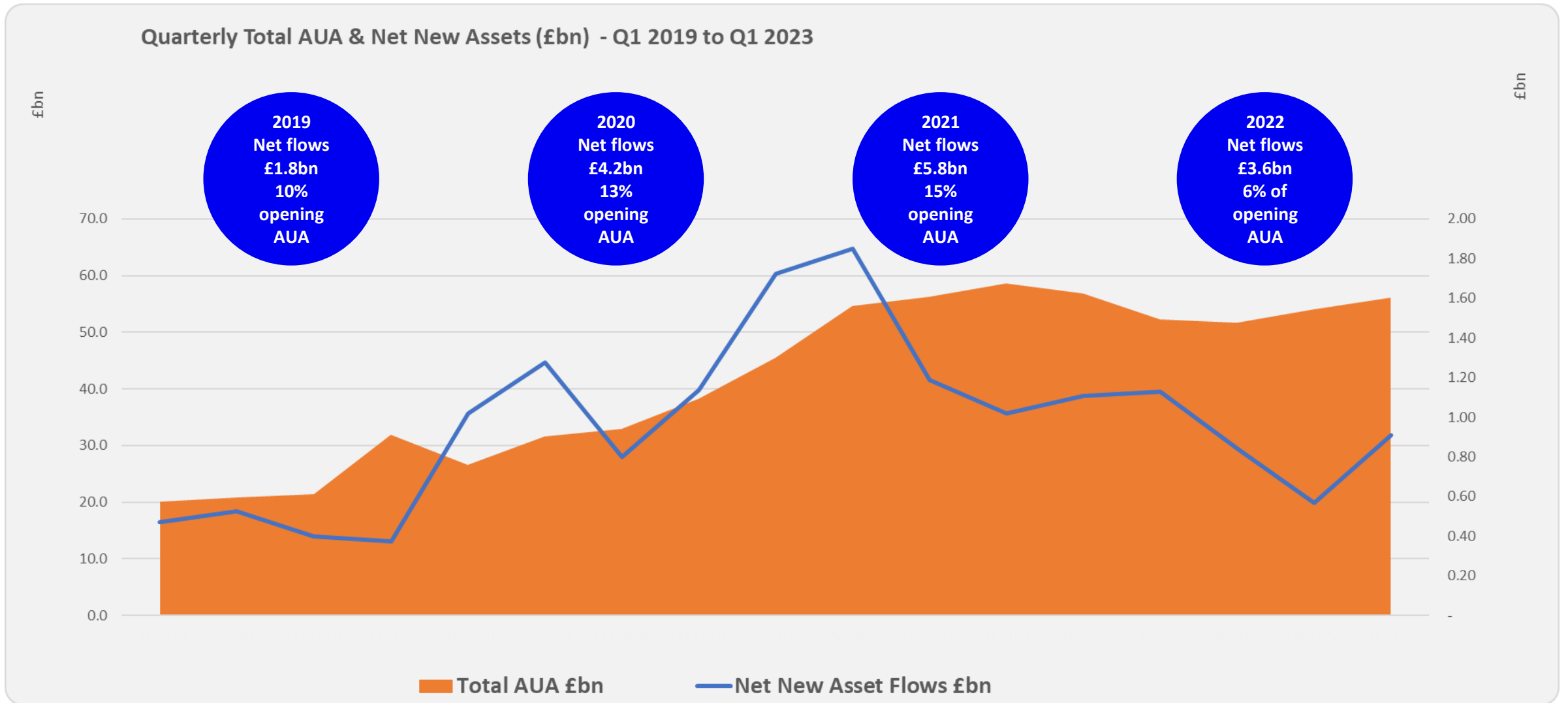
Total customers



Total customers  
12% CAGR  
2018 – 2022



# AUA & net flows.





# KPIs & market shares.

£140k<sup>1</sup>

## Average AUA per customer

Highest in the market. 2.5x average<sup>2</sup>

2x

## Higher trading activity per customer

Compared with leading listed peers

13%

## SIPP penetration

Targeting market rates of c25-30% SIPP penetration

95% Total

98%  
SIPP

## Customer retention

Market aligned for total & much higher for SIPPs



Total AUA = 19%

**0.3ppts YoY increase**



Total UK cash market trades = 24%

**1.4ppts YoY increase**



Mobile trading = 27%

**8.2ppts YoY increase**



Total new accounts = 16%

**1.5ppts YoY increase**



New SIPP accounts = 20%

**6.1ppts YoY increase**



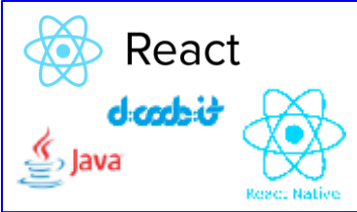
# Our technology and data capabilities.

John Tumilty



# Fully invested and scalable digital operating platform.

Digital Experience



Differentiating where it counts

Processing Platform



FNZ Platform

Middle Office



Key service partners

Infrastructure



"Infrastructure as a service"

Ability to "power-up" as required



State-of-the-art digital platform



Adaptable and easy-to-use APIs



Minimal hardware footprint or internal dependencies



Fully scalable and highly robust



Automation and on-line servicing reduce cost to serve



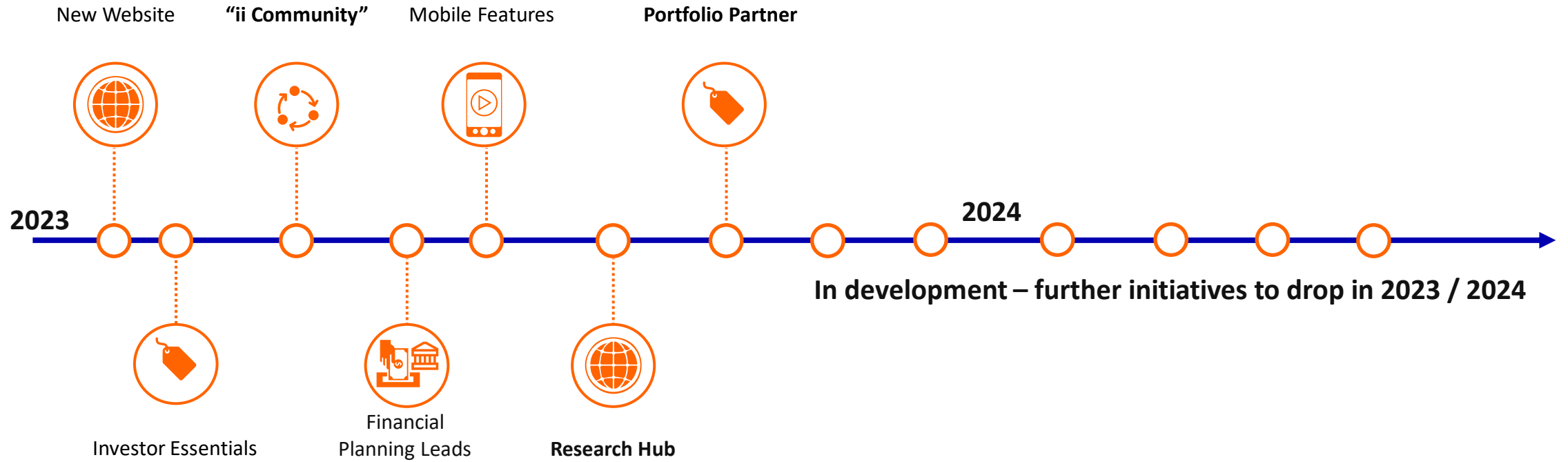
Third party contracts give ii economies of scale



Focus on security



# Clear pipeline for new services.

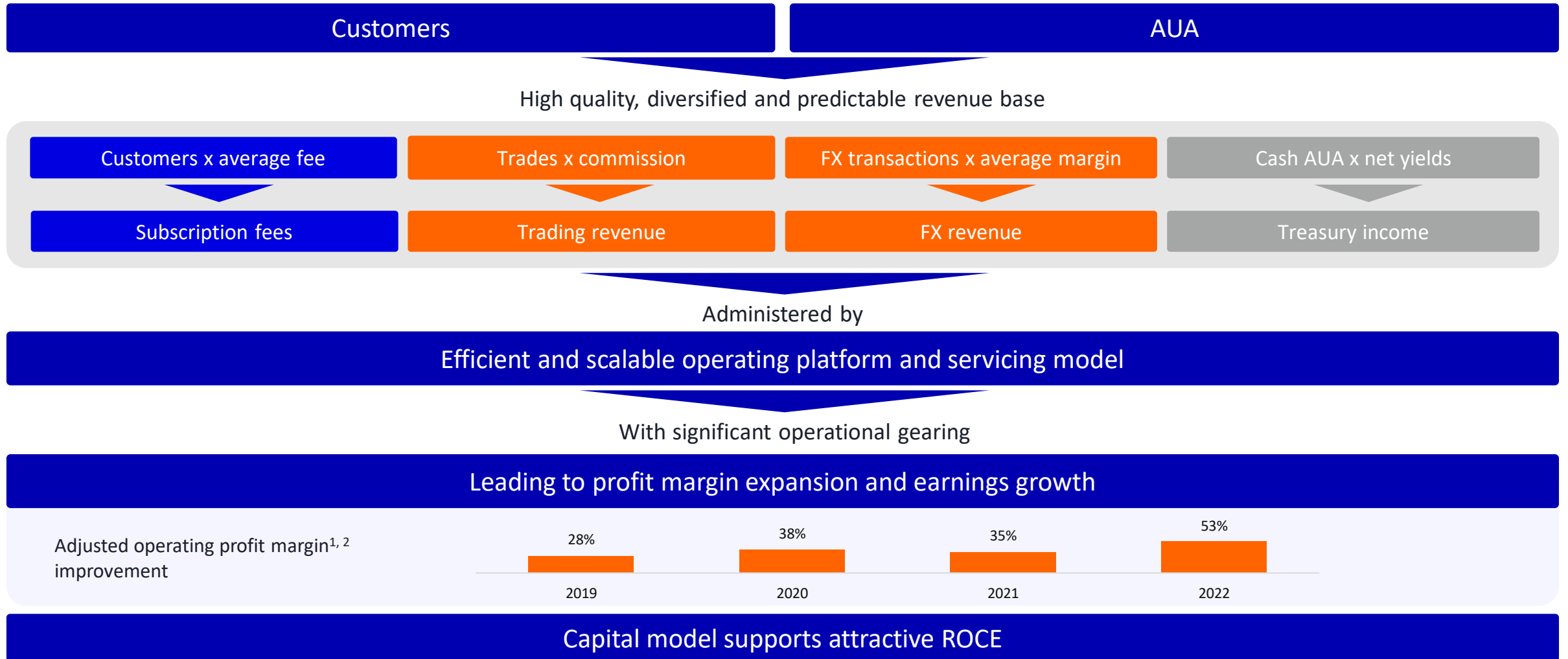


# Our scalable, efficient financial model.

Deborah Byard

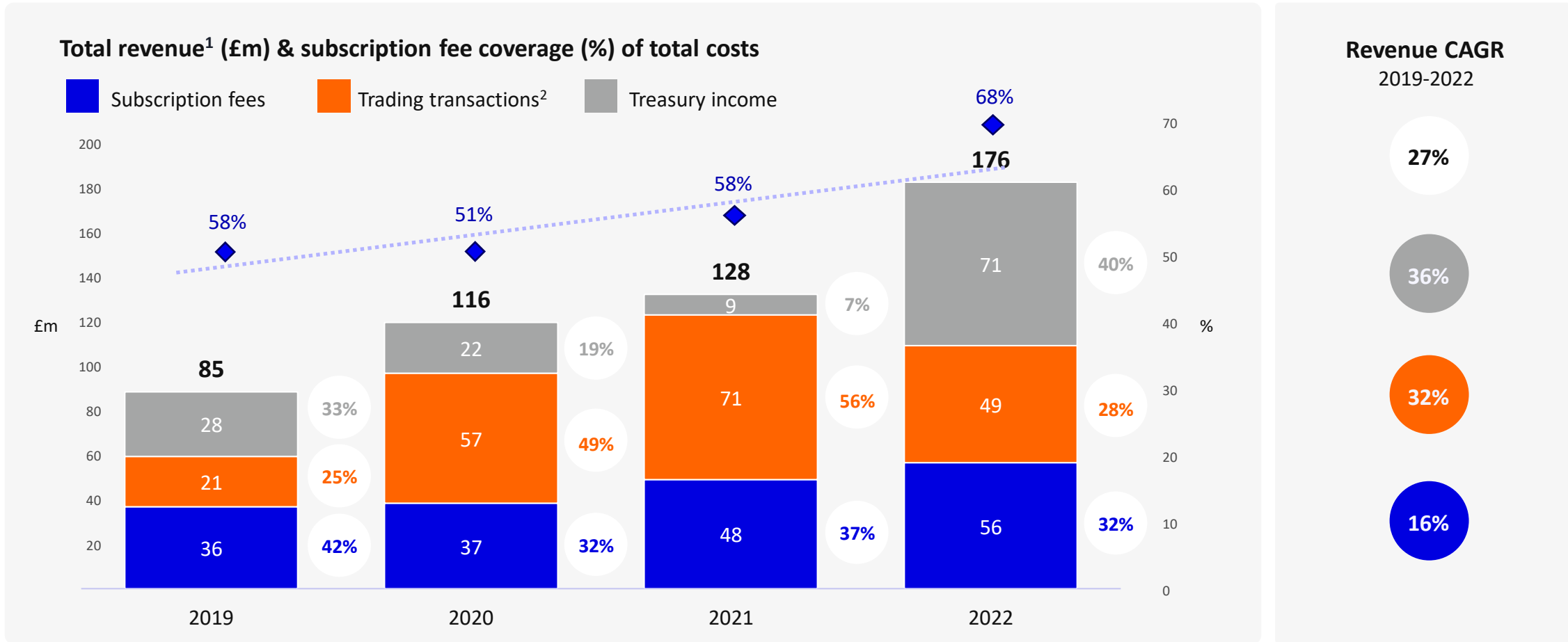


# Simple, resilient and scalable financial model.



# Diversified revenue model.

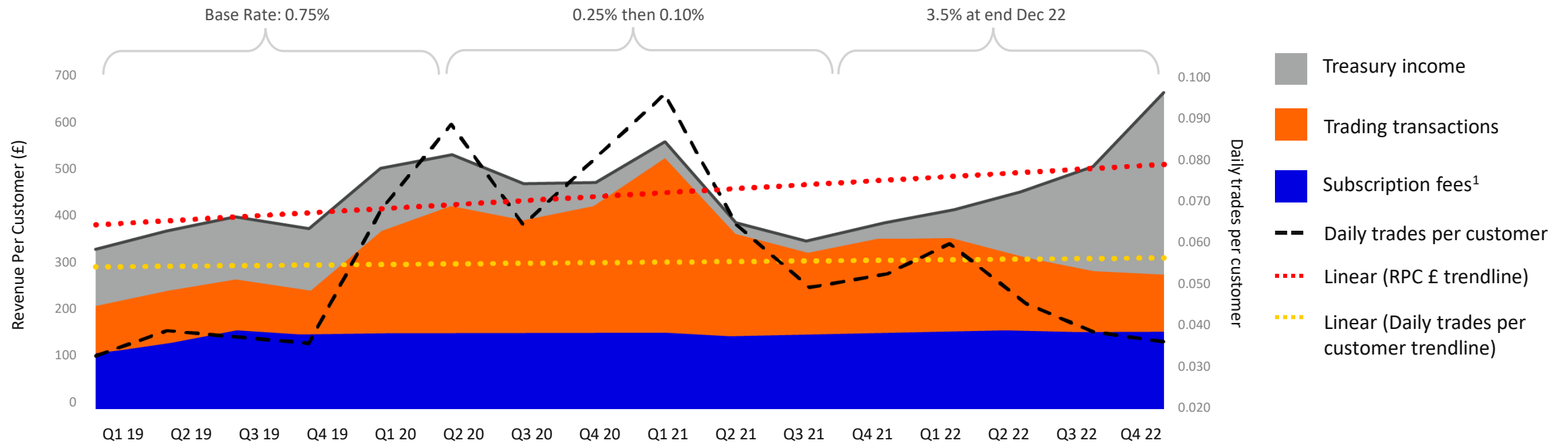
High quality, diversified and predictable revenue base. Increasing coverage of costs by subscription fees.



# Resilient revenue model.

Ebb & flow of trading and treasury revenues often offset in part. Average revenue per customer steadily growing with quality of book.

Revenue per customer (RPC) & daily trades per customer



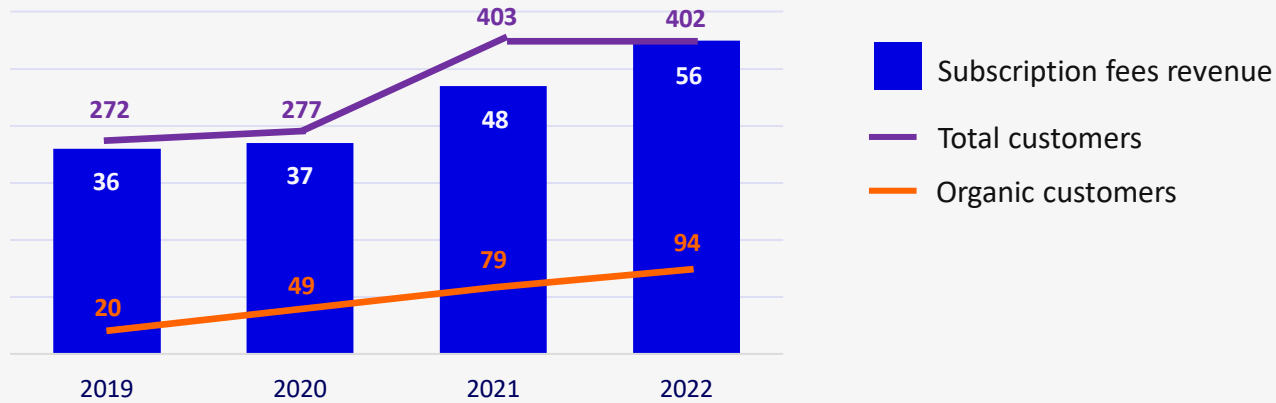
<sup>1</sup>Subscription fee revenue includes other income and has been presented net of marketing incentives.





# Subscription fees revenue – drivers and dynamics.

Subscriptions fees revenue<sup>1</sup> (£m) vs customers (k)



2019	2022	
£134	£136	Average fee per customer p.a.
25k	52k	SIPP accounts
9%	13%	SIPP penetration of customers
20k	94k	Organic customers

## Look forward ..

- Growth with SIPP penetration & bundle up-sell
- Continued SIPP account growth
- Continued growth to market levels
- Continued growth

## Tailwinds

- Acquisitions have built scale – now pivot to organic with investment in brand / advertising
- Strong organic customer growth
- ‘Essentials’ price point introduced to attract ‘new to market’ customers starting out with lower value portfolios
- Increasing proportion of customers holding SIPPs – pushing up average annual fees
- Strong SIPP growth continues - both organic and cross-sell to migrated customer books
- SIPP retention 98% p.a.

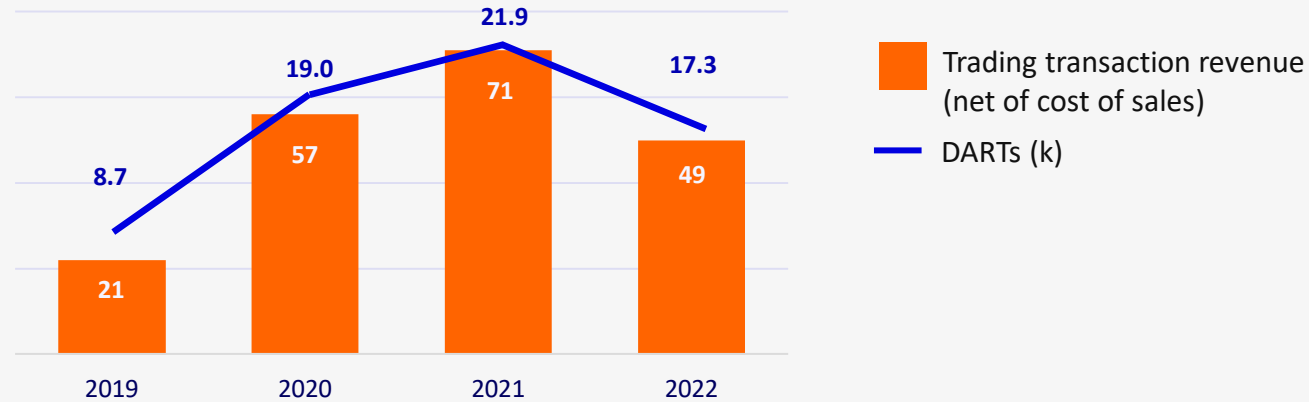
## Headwinds

- Subdued activity in market in late 2022 & 2023



# Trading transactions revenue – drivers and dynamics.

Trading transactions revenue<sup>1</sup> (£m) vs daily average revenue trades (DARTs k)



■ Trading transaction revenue (net of cost of sales)  
— DARTs (k)

2019	2022	
£11.70	£12.80	Ave revenue per retail trade (before cost of sales)
17%	24%	Market share – UK cash trades % <sup>2</sup>
16%	26%	Market share – Active traders % <sup>2</sup>

## Look forward ..

FX increases with trading volumes & pushes up average revenue per trade (£)

Market share growth driven by customer numbers & pipeline of new trading services / proposition enhancements

## Tailwinds

- Acquisitions have built scale – now pivot to organic with investment in brand
- Strong growth in organic customers who on average trade 50% more than the acquired customer base
- 2022: On average FX transactions are 20-25% of daily trading volumes – up from circa 15% in 2019. New in app currency functionality introduced
- ‘ii Community’ pilot launched – to be rolled out later in year
- ii’s market share<sup>2</sup> in UK cash market trades & active traders has increased to 24% and 26% in Q4 2022

## Headwinds

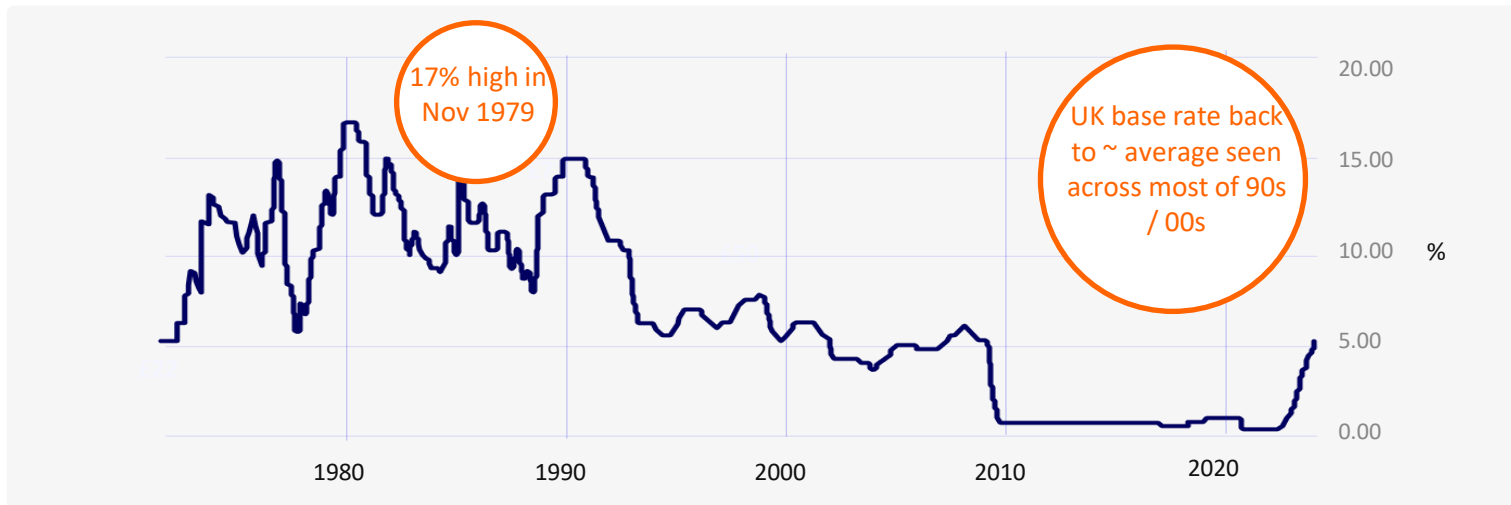
- Subdued activity in market in late 2022 & 2023
- ‘Fight to the bottom’ on commission charges?



# Treasury income – drivers and dynamics.

	2019	2020	2021	2022
Treasury income (£m) <sup>1</sup>	28	22	9	71
Client cash (£bn) (y/e)	3.3	3.8	5.2	6.0
Total AUA (£bn) (y/e)	32.0	38.3	58.6	54.0
Cash % of AUA	10	10	9	11
Average BoE base rate (%)	0.8	0.2	0.1	1.5
Average cash margin (bps)	110	60	20	120

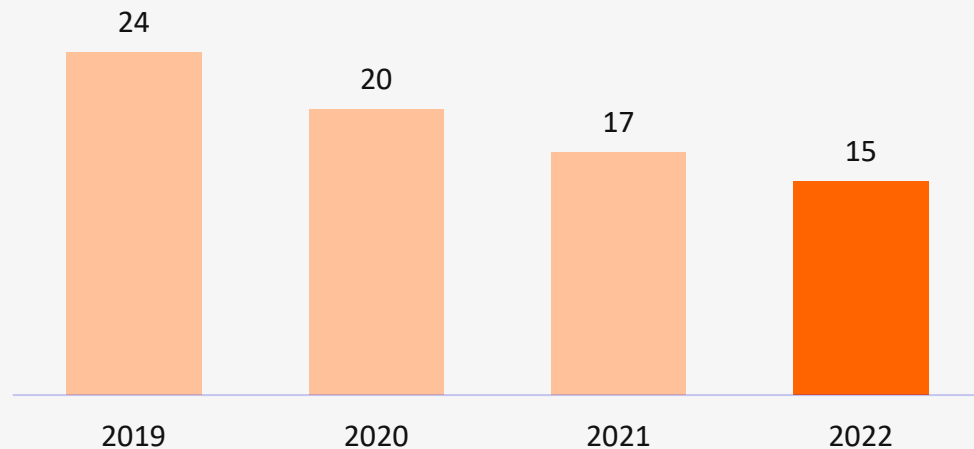
- Recent cash levels have been 9-11% of total AUA. Prudent to expect 9-10% going forward
- Base rates have continued to increase across H1 2023
- Client cash placed on deposit across many counterparties – time lag between base rate changes & yield movements
- Following base rate increase to 5%, rates paid to customers has been increased as from 1 July with a new higher tier introduced across all products paying 350bps above £100,000
- Indicative average cash margin for 2023 now expected to be 180–200bps



# Highly efficient operating platform driving margin expansion.

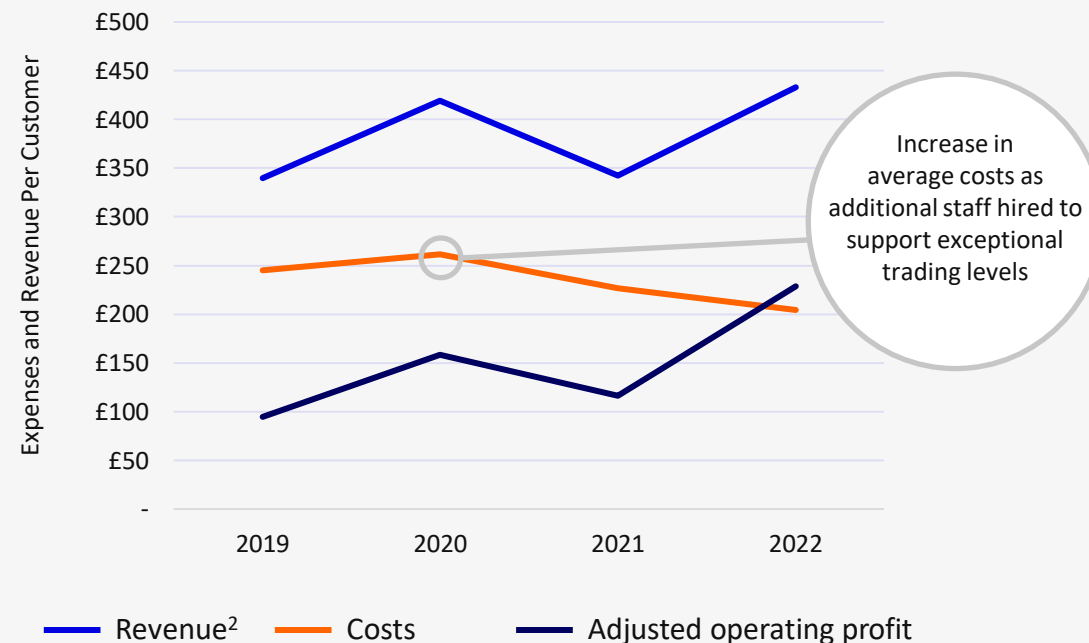
Significant operating leverage given largely fixed cost base and new customers onboarded at very low and decreasing marginal cost

Costs / Average AUA (bps)



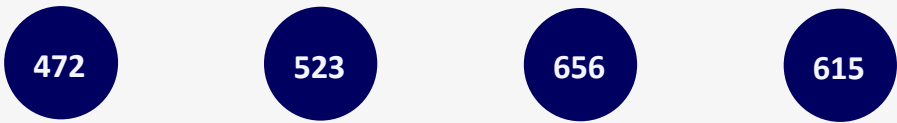
- Peers report Costs / Average AUA of 18-25bps
- Competitors are making up for a lag in IT infrastructure investment – constant IT investment is BAU for ii

ii's average contribution per customer is expected to increase despite reduced trading volatility / volumes

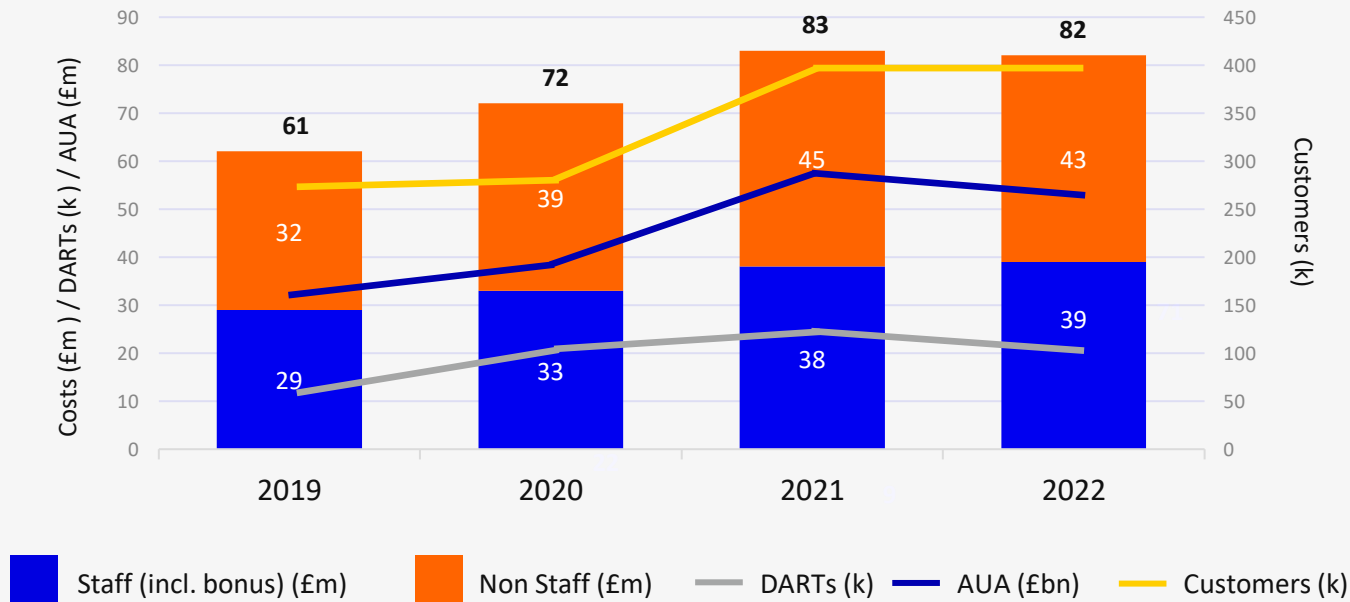


# Structure and evolution of cost base.

Total FTE (y/e)



Costs<sup>1</sup>



High operating leverage from largely fixed cost base.



Scalable platform with continuous investment in new technology – Salesforce, new website – no tech debt



Strong cost discipline – efficient cost control following acquisitions – very low incremental costs retained



Growth in staff numbers and costs in line with the ii customer book

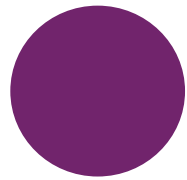
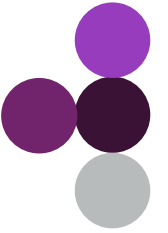
Additional staff taken on to support short term M&A activity and exceptional trading volumes through the covid 19 period



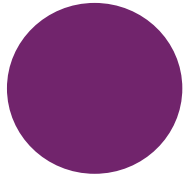
Low risk operating environment – we do not hold our own investments



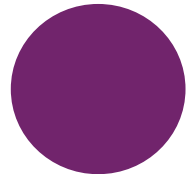
# Transformed Personal vector positioned for growth



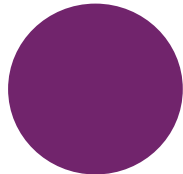
Transformation of Personal vector



Financial Planning restructure



ii's scalable and efficient financial model



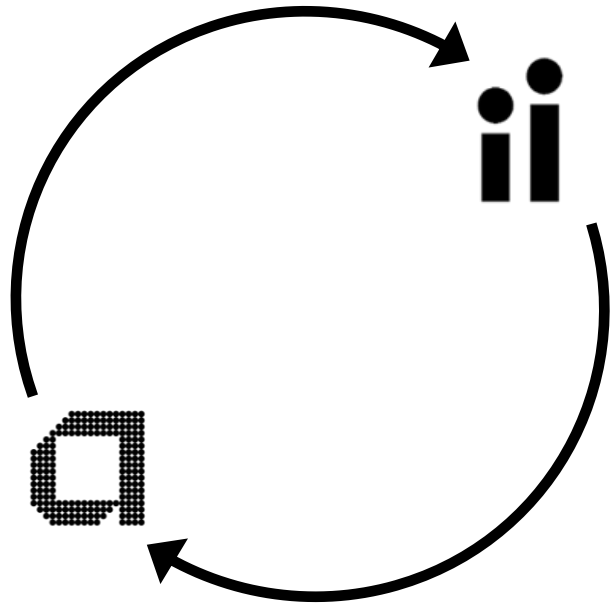
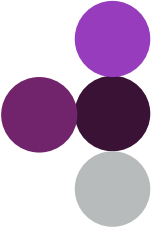
Combined to deliver growth with CIR <60%





abrdn Personal  
Richard Wilson

# Accelerating growth by being part of abr dn



Offering abr dn products and services to a wider client base

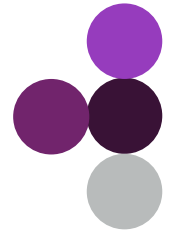
Leveraging data for product engineering and innovation

Integrating personal wealth capability including Financial Planning

Leveraging full abr dn group scale and capabilities



# Forward-looking statements



This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategies, 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 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 and the ongoing conflict between Russia and Ukraine); 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 such as the

COVID-19 (coronavirus) outbreak; climate change and a transition to a low carbon economy (including the risk that the Group may not achieve its 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, 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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