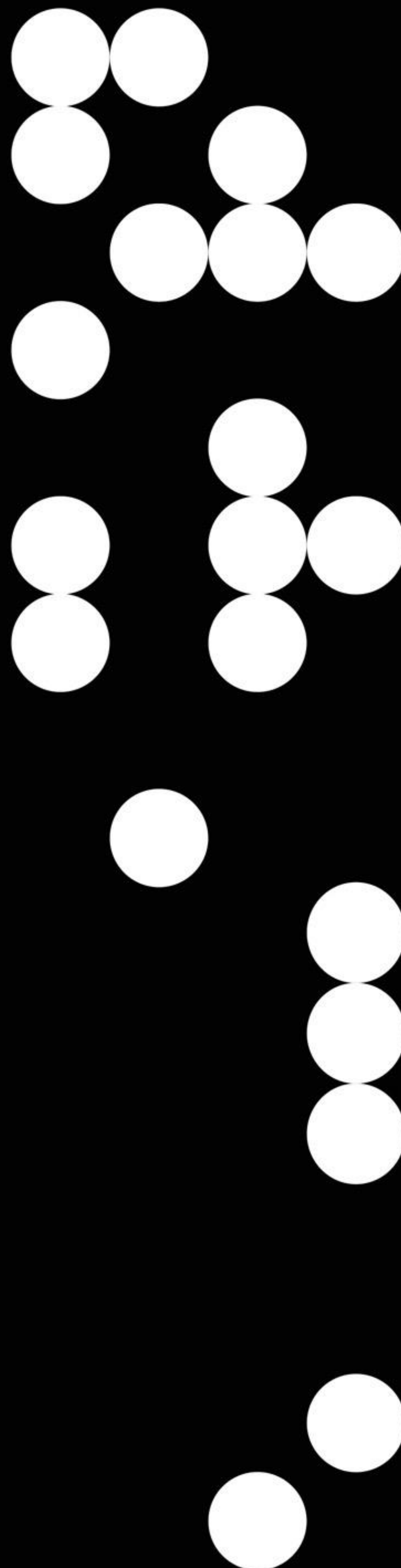

abrdn plc

Full year results 2022
Presentation and Q&A transcript

28 February 2023

abrdn.com

Stephen Bird – Chief Executive Officer

Welcome

Hello and welcome to our 2022 Full year results. It's great to see everyone here in the room and also welcome to those of you who are listening remotely.

I'm delighted to have our management team here with us and we'll be taking you through our strategy and our progress and then Stephanie will walk you through the financials. Then, we'll open up to Q&A.

Building a stronger abrdn

2022 was one of the hardest investing years in living memory. Against this backdrop, we made good progress in delivering our strategy and creating a stronger business model for abrdn, as we exit year two of our three-year strategy.

I've now got a team around me that I didn't have two years ago, a talented and motivated team of leaders who are focused on transforming this business.

He's not here today but I'm also pleased to announce that Peter Branner is joining us as CIO in May at the right point in the strategic journey for our Investments business.

Today you'll hear from me, Stephanie and each of the business CEOs in turn about what we're doing individually and collectively to transform abrdn into a sector leader with a sustainable growth trajectory. We have defined our business model; the shape of the group is settled in its three vectors. Each of these businesses are at different stages of transformation and all three have clear opportunities to develop and grow.

We're building direct distribution to over 850,000 clients in the high growth savings and wealth market. Within which, the adviser platform market is projected to grow at double-digit rates for the next five years. It's an attractive market and one that we are a leader in.

The acquisition of ii into the Personal vector has delivered £114m of high-quality, sticky revenues operating within an efficient and scalable business with higher margins.

The three businesses, Investments, Personal and Adviser are complementary to one another and we will show you more on the synergies and joining the dots between the businesses in the second half of this year. To give you a sense of what we're doing, we're developing abrdn fixed income propositions for the ii customer base and we're designing the right referral processes for those clients into financial planning.

In the Investments vector, there is further to go. This was always the longest cycle of transformation given the structural challenges and the nature of active asset management. We have taken the hard decisions and built the foundations for growth. We're simplifying our product range, getting out of undifferentiated and lower-margin areas. We're reducing cost and complexity so that we are focused on delivering higher-margin products with the right supporting performance.

We are disciplined allocators of capital. We've invested in high-quality businesses that will generate long-term growth, and at the same time we've made sure that we have delivered sustainable dividends and buybacks in order to drive shareholder returns.

In 2022 we invested £1.4bn in ii and the business continues to perform very well under our ownership. It has already exceeded the investment case that we set out when we did the deal and it has much more to deliver.

We realised c£800m through [divestments] and returned c£600m in the form of buybacks and dividends to our shareholders last year. You can expect us to continue this approach as we go through 2023 and beyond.

When we feel that we can deliver that level of value for you, our shareholders, from bolt-on M&A opportunities, investing in the business in the right way, you can expect us to continue to do that in a disciplined and an effective manner.

Creating a stronger business model

To illustrate the change we're making to our model, you can see here in the slide that in one of the worst investing years in memory, the contributions from Personal, largely thanks to the acquisition of ii and Adviser offset the challenging results within Investments.

Diversification is helping our margin mix, as the platforms have a significantly lower cost to serve than traditional asset managers. Overall, this meant Personal and Adviser represented 60% of abrdn's adjusted operating profits at £158m.

Investments – Organising for success

As I said at the start, we're building the foundations for growth, but we still have some way to go. The changes we have made within our Investments business started by getting the right leaders at the top and they are now well into reshaping that business for growth. Before we get into our Investments business more deeply, let me first cover our relationship with Phoenix, our largest single client. Our priority is helping Phoenix achieve their main strategic priorities of growing their open book business and continuing to win bulk purchase annuities.

They are operating in a competitive marketplace for pensions and insurance and this has necessitated a reallocation of assets from active equities into lower-cost passive strategies and a move from public to private credit. Our joint goal is ensuring that we have the right products at a competitive price. These changes combined with the natural run-off of the closed end pensions book result in revenue pressure and the necessity to remove complexity and cost. This programme of work is well underway and will continue throughout the current year.

The themes of simplification, reducing cost and focusing on products that are right for our clients are the core features of our Investments strategy. We have concluded a root and branch review of our Investments business and I am confident that we have areas of strength and scale in higher-margin products that will be and are in demand from our clients. Chris is going to cover this shortly.

It's important to understand how this programme of work and the execution in this current year builds on the work we did in the first two years of our strategy. We've made hard choices to become focused. We had to identify what we're not going to do as well as what we would invest in. We've exited non-core geographies and we've divested of non-core businesses, and you can expect us to continue to do more of that. I'm pleased to inform you today that we have agreed to sell our traditional Discretionary Fund Management business which is a further simplification allowing us to focus on the more scalable and efficient Model Portfolio Services. We've also closed or merged about half of the 120 funds that I told you were subscale and not aligned with our client demands. The remaining funds targeted for rationalisation will complete this year.

Overall, we're reducing costs – headcount and costs are down and we are accelerating the £75m that we committed to in the summer within the Investments business to be delivered as a saving in 2023.

Now you can see here that our organisation has fundamentally changed. We are often asked what the new abrdn looks like for Investments.

The answer is two distinct pillars - Public markets and Alternatives and the specialist areas within these reflect how our clients want to work with us and how we can be most successful. This chosen business mix is supported by the long-term market trends, the growth and development of Asia, the anticipation of peak rates in fixed income and the faster growth of Alternative asset classes. All of these trends are supportive of this business mix through time.

We've created a business model to deliver growth by focusing in areas where we have scale, a distinctive client offering and supportive performance. We're at the point now where preparation meets opportunity.

Today, we'll be hearing from Chris who is going to talk about the Investments business. Then Noel is going to walk through the progress that we've made in Adviser and Richard will talk about our Personal business, which he now runs, including interactive investor. Then Stephanie is going to walk you through the financials and then we'll do a Q&A. But first, let me hand over to Chris.

Chris Demetriou – CEO, Investments, EMEA & Americas

Investments - Focusing on areas of strength

Thanks, Stephen.

I'd like to start by sharing our view of the growth opportunity for Investments. For clarity, any flow figures I reference will be excluding Lloyds and liquidity assets.

Gross flows were £49.1bn in 2022 and at 12% of opening AUM, this is consistent with 2021 and compares favourably with the industry figures. Net outflows did remain negative, but at 3% of opening AUM, were in line with the industry average, which is an improvement over recent years.

We made progress in the UK, which has been our most challenged distribution market for some time; Broadridge data on mutual funds showed abrdn improving to 10th in the market, having not made the top 100 in 2021.

When we have the right proposition and the right performance, the client relationships we have open the door to return to growth.

As we look ahead, there are three areas in particular where we believe we can create positive value for our clients and the firm.

First, at £120bn of assets, fixed income is our largest business. It's a core competency from our Standard Life heritage and for an asset class that's been out of favour for many years due to the low yield environment. It is now trending strongly to one where industry data and our own opportunity pipeline show great potential. This potential is underpinned by performance with 72% of our fixed income assets outperforming over three years. In credit, where we have particular strength, 92% of our assets are outperforming over three years.

Second, with £87bn of Assets Under Management our largest and successful Alternatives franchise is reaping the benefits of recent repositioning. It is a growth business, with net positive flows over the past three years, which have driven double digit revenue growth over that period, including 2% revenue growth in 2022. In order to further capitalise on the opportunity, we're re-organising our Alternative capabilities to allow greater specialism in distribution and operations to accelerate profitable growth. We will report on Alternatives separately from 2023 onwards to allow greater analysis of this business area.

Third is our considerable experience of investing in Asia and emerging markets, a business that celebrated its 30-year anniversary on the ground in Asia just last year. The structural growth opportunity in Asia is well understood, and we as a firm and our product line-up are well positioned. Our performance in Asian equities is strong, with 78% of our AUM outperforming over three years. This includes top decile performance in our sustainable China A strategy, which is growing again, benefiting from the renewed client interest following China's re-opening.

These examples illustrate the strength of foundations in place in product and performance and we are working hard to capitalise on the growth opportunities that are in front of us. Equally, we are very clear that there remains meaningful work to do to address the parts of our business that face headwinds on performance or are sub-scale - and we are acting accordingly.

Let me expand on two examples. We are consolidating our developed markets equities strategies to focus on three distinct client outcomes; sustainability, income and small cap. This aligns our teams to the equity outcomes where our clients continue to see value from taking an active approach. We're refocusing multi-asset, which is an area of significant historical strength for abrdn. We see outcome-oriented model portfolios as a key offering in a world where more responsibilities for saving and wealth are delegated to private individuals or their advisers.

We're organising ourselves to align to our clients' priorities. I look forward to providing you with further clarity on the implementation of these initiatives at the interim results.

Investments - Pathway to an improved operating model

In building a sustainable Investments business we're focused on three key areas. First, our work to drive efficiency proceeds at pace. We reduced cost and headcount in 2022 as our programme of simplification moved into its implementation, which will continue into 2023.

We continue to adjust our geographic footprint, entering into distribution arrangements where on the ground presence is too costly. In Alternatives, we are pursuing divestment of certain non-core assets and hope to provide updates on progress during this year. The work to rationalise products is well under way. We designated 120 funds for closure or merger and we're now halfway through that programme. The remainder will be complete in 2023. The overall programme drives efficiency whilst impacting only 2% of our AUM.

We will deliver our targeted £75m of cost savings in 2023, by accelerating the implementation of all these changes and Stephanie will have more on this shortly.

Second, while performance is good in areas, we want it to be better and we want more consistency. Having settled on the shape of our business, we are delighted that Peter Branner, currently CIO of one of Europe's leading pension providers, is joining us to lead our talented group of investment professionals. He brings considerable experience in our key areas of focus and will have responsibility for the oversight of investment process and performance.

Thirdly, driving increased revenue yield is of particular importance. Our overall revenue margin of 25 basis points, which is lower than most peers, is heavily influenced by low-margin Insurance assets. This is a material contributor to our cost/income ratio challenge. We are working closely with Phoenix to simplify existing business and expand into new areas of mutual benefit.

And we are confident that our key areas of focus discussed earlier, particularly Asia and Alternatives, will drive a more favourable mix over time, building on the 36 basis points revenue margin currently generated by our Institutional and Wholesale activities.

Furthermore, our significant position in Listed Closed End Funds with £23bn in AUM, generates perpetual, higher margin fees. We're the third largest player globally, up from fourth largest this time last year.

Overall, significant work remains to improve efficiency, address remaining areas of performance weakness and improve our revenue yield, but clear plans are in place to achieve those goals. We truly believe that, through this work, a highly capable and relevant abrdn Investments business is beginning to emerge.

With that I'll hand over to Noel to discuss Adviser.

Noel Butwell – CEO, Adviser

Adviser – Scaling up our leading UK savings and wealth businesses

Thanks very much Chris and morning, everybody.

Against the market backdrop that Stephen outlined earlier, we've delivered another year of growth for the business through disciplined cost management and an increase in cash margin revenue. At the same time, we've retained our number one position as the largest advice platform by AUA, and we also remain to be the only AKG A-rated platform for financial strength in the market.

The key focus in 2022 was in the delivery of the next phase of our Adviser Experience Programme and this lays the foundations for our strategy and the growth ambitions we've got for the business. I am delighted to be able to announce that we have successfully gone live with our most significant technology development as part of our Adviser Experience Programme. The new functionality delivered under Phase 2 of this programme amplifies our market-leading position, marking a step change in our overall proposition. Crucially, this enables us and our advisory partners to be more productive, delivering increased capacity for those businesses.

The capacity creation benefits us, it benefits the client but also the end customer, ultimately contributing towards reducing the advice gap that continues to persist in the UK.

Using Phase 2 of our Adviser Experience Programme as a catalyst, we now move from a transformation phase into a growth phase, with growth delivered through three main pillars.

Firstly, our existing customers – now we have 430,000 customers with an average wrappers per customer of 1.66, however, over 50% of these customers do not have a pension with us. We see that as a huge consolidation opportunity going forward, potentially up to £50bn worth of assets based on current SIPP case sizes, just from the advised clients that sit on our platform today.

With our existing clients – we partner with, as you know, 2,600 firms in the UK – with 46% of our Assets Under Administration coming from firms that use abrdn as their primary platform, meaning that we can expect to receive over 70% of their new business every year. Our focus is on leveraging the Adviser Experience Programme to increase the number of our existing firms that use us as their primary platform, converting from secondary or tertiary platform into their primary platform of choice.

Finally, engaging new clients – we currently partner with over 50% of the UK advice firms. However, we have ambitions to work with some of the other 50%. To unlock this relationship, one of the key drivers is advocacy. 40% of advisers actively recommend their primary platform to peers. Therefore, through delivering an excellent service to our existing clients and encouraging them to be advocates for abrdn we will be able to grow our business.

With that, I'll now pass over to Richard.

Richard Wilson – CEO, Personal

Personal - Scaling up our leading UK savings and wealth businesses

Thank you, Noel, and good morning.

For those of you that don't know me, my name is Richard Wilson and I'm delighted to have joined abrdn as part of the ii acquisition. And, since the summer I also assumed responsibility for the whole of the Personal Wealth vector.

As we know, 2022 saw some of the most challenging conditions in living memory with a market correction and accelerating inflation and interest rates impacting short-term investor confidence that had a knock-on impact on customer acquisition, plus 3% net of tail churn and trading levels, which were 30% down year on year.

Thanks to our subscription model, plus 17% in subscription income which is insensitive to market levels, a supportive rates environment and the continued focus on digitisation and simplification, it helped to contain operating costs at -1% compared to the previous year.

We have expanded operating margin. That's further underpinned by a 17% growth in our SIPP accounts. We see a material opportunity in the pension market where, by virtue of our history, we're underpenetrated compared to our peer group and we expect double digit growth in the medium term thanks to our award-winning SIPP and fixed price model.

We're focused on broadening ii services to a wider audience with the advantage of abrdn Financial Planning and the product expertise from across the group. We see a material opportunity to contribute actively to simplification and integration of pre-existing D2C activities from within abrdn.

ii will continue to develop and deploy new features and services, currently at a rate of once every two weeks, to make the user journey more simple and more engaging to a larger audience. We expect the market environment in 2023 to remain challenging and competition to increase. Notwithstanding, we expect to continue to take market share in an otherwise flat market.

Our value proposition continues to attract net flows with our overall AUA market share up one point to 19% and our share of share trading increased two points to 25% thanks to our global multi-currency execution capability.

We also expect to benefit from a continued supportive regulatory environment with subjects like simplified advice helping to appeal to a broader audience. However, we will remain cost disciplined, and we expect nonetheless to increase our investment in product and marketing this year to the extent that we see an advantage in doing so.

ii customers are the more affluent end of a self-directed market with roughly two times the AUA in the sector and our overriding priority remains to deliver a quality service using the best technology.

Today we have more five-star Trustpilot scores than the rest of the industry put together. However, there remains a lot more to achieve and we look forward to sharing more of that with you at our planned Investor Day in Manchester in April.

On that, I'll hand over to Stephanie.

Stephanie Bruce – Chief Financial Officer

Thank you and good morning to all of you.

Performance impacted in difficult macroeconomic environment

The events of this year, as we've heard, have definitely created a very difficult environment in which to operate and this has been seen in our overall performance.

Markets were the biggest headwind for revenue and in abrdn this was principally evident in the Investments vector. Our diversification of the group through the Adviser and Personal businesses has built more resilience into our revenue sources and introduced more leverage into our trading results. With a substantial contribution from seven months of ownership from ii, the decline in group net operating revenue in 2022 to £1.456bn was limited to 4%.

Our discipline on cost management continues here. We're generating cost savings in less efficient areas and investing in new costs which benefit revenue. In 22, we did this again, creating savings to offset £65m of new costs from ii, Tritax and Finimize. As Chris has highlighted, the work to further improve the operating margin of the Investments vector is ongoing. However, the cost actions taken in Investments only delivered 1% of savings in the second half as the vector responded to inflationary pressures on staff costs. This contributed to group costs being flat year on year at £1.193bn, rather than the 2% reduction we had indicated for the full year.

Adjusted operating profit of £263m is 19% lower than 2021 and comprises a reduction of £139m in profits for Investments, which was partially offset by the increase of £76m in profits from Adviser and Personal.

The IFRS result was a loss before tax of £615m due principally to three main components. Firstly, impairments of £369m largely in Investments of goodwill and other intangibles reflecting lower expectations due to market conditions. Secondly, the £187m lower value of the listed stakes. And thirdly, restructuring and corporate transaction costs of £214m.

Our disciplined approach to capital management has continued with the purchase of ii, which has been immediately earnings accretive, and the return of £0.6bn to shareholders by way of dividends and share buybacks. At year end, there is £2bn of available capital comprising £0.7bn of regulatory capital surplus and £1.3bn in listed stakes.

Adjusted EPS at 10.5p is 23% lower than prior year due to lower profit but benefiting by 3% from lower average share count due to the share buyback completed in 2022.

The Full year dividend remains at 14.6 pence in line with our policy and is 0.9 times covered by adjusted capital generation for the full year in 22. In H2 with the higher level of adjusted capital generation, the dividend was 1.1x covered.

Evolution of AUMA

AUMA is a key driver for revenue in Investments and Adviser due to their fee structures, while not a driver of ii's revenue which, as we've heard from Richard, is underpinned by its subscription model.

At year end, AUMA was £500bn, 8% lower than the prior year. Overall the evolution of AUMA has been impacted by three key factors – the final withdrawals of £24bn of the Lloyds assets, £59bn reduction due to lower market levels, and on the plus side, the acquisition of ii, which added £55bn of AUA, which broadly offset that impact from markets.

In addition, net outflows excluding Lloyds reduced AUMA by £13bn or 3% in 2022.

Average AUMA excluding ii was £478bn, 10% lower than 2021 and does create a headwind for revenue. The decrease was concentrated in the Investments vector, primarily driven by equities and fixed income.

Flows reflect market environment

Looking at flows in more detail, we can see very clearly that client and customer activity does vary by vector. Within Investments the industry trends out of equities, fixed income and multi-asset are clearly demonstrated here in the graph on the left-hand side and this was mirrored by similar impacts in abrdn.

Specifically in Investments, and this is the second chart from the left, net outflows of £13.4bn, excluding Lloyds exits and liquidity, represents 3% of opening AUM, compared with 2% in 2021.

Gross flows in Investments excluding liquidity were £49bn, 14% lower, as client activity was impacted by the wider market, particularly in equities and fixed income. Redemptions, excluding Lloyds exits and liquidity, is worth £62.5bn, which was 3% lower.

In Insurance activity, which is now largely represented by Phoenix, there were benefits from almost £3bn of flows from bulk purchase annuities and £5bn flows into low-margin quants, offset in quarter four by the withdrawal of £6bn of actively managed equity funds following Phoenix's change in investment approach.

Moving to Adviser and Personal. On the right-hand side of the slide, here we can see the continued delivery of positive net inflows, although at a lower level than the peaks seen in 2021 reflecting overall muted levels of retail customer activity that Noel and Richard have both covered.

Against this backdrop Adviser's net flows were £1.6bn, 59% lower, and in Personal ii's net flows were £3.6bn, 38% lower.

Evolution of revenue

The evolution of revenue over 2022 is shown here and you can see the two key impacts of market pressure offset by the benefits of the acquisition of ii resulting in an overall reduction in revenue of £59m, 4% to £1.456bn.

Moving from the left-hand side of the chart, the largest reduction, 7%, was from markets. Overall, net outflows continued to create a drag of 1.5% on revenue, while the group's yield has reduced by 0.2 basis

points, with Investments a key contributor due to changes in asset class mix, which reduced their yield by 0.5 basis points.

Specifically in Insurance, Phoenix's withdrawal of £6bn of equities triggered a contractual payment of £9m, equivalent to one year of associated revenue. This one-off payment and the positive impact of foreign exchange of £24m were partially offset by the revenue reduction associated with the last LBG exit and lower performance fees.

Revenue increased by 7% with the net impact of our acquisitions and disposals. For revenue overall, we have seen a benefit from higher interest rates of £68m, largely from ii.

Looking forward to 2023, benefits will arise from a full year's contribution from ii. In terms of cash margin, the indicative average in basis points is 160 to 180 for Adviser and 160 to 170 for ii. There are headwinds as well for revenue from the lower average AUMA, particularly in Investments as a result of market movements this year. In addition, for Phoenix we expect to see continued shifts from active to passive strategies which, together with related pricing changes, will result in yield contraction in this activity.

Fund rationalisation continues to progress well and is expected to have a revenue impact of below £10m.

Differing revenue dynamics by vector

The impact on revenue of lower markets is most marked in Investments. In Public markets, revenue declined 18% to £746m, while in the Alternatives asset classes, revenue grew 2% to £324m, benefiting from a full year contribution from Tritax.

In Adviser, the benefit from cash margin on client cash balances of c2% of total AUA was c85 basis points in 2022 and increased revenue by 4% to £185m, driving the increase in yield to 26.1 basis points. With the platform yield stable, the reduction in platform charge revenue reflects the lower average AUA due to markets.

Personal has benefited significantly from ii's scale and to understand the drivers year on year, we have presented ii on this slide on a pro forma 12 months basis. This shows that the revenue has increased by 20%. Subscription fee revenue is 17% higher, reflecting 9% higher average customer numbers in 2022 as customers from previous acquisitions were migrated onto the platform. Treasury income was £71m with an average cash margin of 120 basis points on c£6bn of client cash balances. This has more than offset the 30% reduction in trading revenue, which reflected less customer activity in these markets, particularly in the second half of the year.

Cost management key to funding investment for growth

Turning to costs, we continue to focus on removing areas of cost in inefficient or shrinking areas of the business in order to enable funding of the areas we believe have the best opportunities for growth. This slide summarises that pattern over the last few years.

In 2022, savings of 7% reflect 14% reduction in FTE, lower bonus pools reflecting performance and reductions in technology servicing costs. These savings were offset by staff pay inflation, particularly Investments in the second half and increases in outsourcing costs.

We have also invested in areas of growth with Tritax, Finimize and ii increasing costs overall by 5%. Due to volatility in the second half of 2022, the cost base has also increased by 2% for FX.

Cost efficiency by vector

Including ii again on a 12-month pro forma basis for ease, all the vectors reduced costs in the period. Overall the group cost/income ratio increased to 82%. Operating margins in Adviser and Personal at 54% and 62% are efficient and aligned with our target overall.

In Investments, however, the cost base at 23.6 basis points on AUM continues to be inefficient for the revenue yield earned from the AUM of £376bn and the resulting cost/income ratio of 89% remains too high, reinforcing why the simplification of the operating model is underway that Chris has already highlighted. Investments costs overall were 2% lower as a result of an 8% reduction in FTE by the year end and reduced technology and third-party costs, offset by increased costs of regulatory change, additional pay inflation in the second half and foreign exchange impacts.

In Adviser costs reduced by 5%, benefiting from reduced headcount in the first half as colleagues transferred to FNZ and lower overall servicing costs. Within Personal ii's costs of £47m reflected the seven-month period since acquisition.

Looking out to 2023, the costs in both Adviser and Personal are expected to grow next year due to growth in the businesses, with the group benefiting from the efficient cost models in both vectors. And in Investments we're targeting a net £75m reduction in 2023, which I'll now explain.

Cost actions in Investments to deliver refocused franchise

The programme of work to refocus and simplify the operating model is prioritising the cost base within Public markets, which is very inefficient.

With the detailed work on simplification that Chris has highlighted well underway, the Investments leadership have now been able to improve their objective on cost savings with delivery of c£75m of net cost savings in 2023 itself. This is before any cost reductions that may arise from non-core disposals and has been completed from the 2022 outturn. As these savings will all now be delivered in 2023, this is an increase of £20m in net savings over the original objective.

Continued financial discipline over our strong balance sheet

Our disciplined management of the capital position has supported the investment to scale our UK savings and wealth business, is supporting the transition of Investments to a more profitable position and has enabled returns in 2022 to shareholders through dividends and buybacks.

Adjusted capital generation for the full year largely meets the dividend cost, which has reduced to £295m and will further reduce in 2023 once the full impact of the buybacks is seen. Dividend cover at 0.9 times impacts capital by circa £35m for 2022.

We realised value from the sales of blocks of HDFC Life and HDFC AMC as well as 4% of Phoenix, which together generated £0.8bn of capital. The largest deployment of capital was into ii, which has been immediately revenue and earnings accretive. Based on the last seven months of 2022, the £1.49bn purchase price represents a multiple of 16 times annualised post-tax adjusted profits.

We completed a further buy back of £300m at an average cost of £1.68 per share reducing the number of shares by 179 million. Restructuring expenses of £169m comprise severance, platform transformation and specific cost to effect savings in Investments. Corporate transaction costs of £45m are higher than 2021, largely in relation to ii.

Turning to the chart on the right-hand side, in terms of the capital stack, we have optimised the regulatory levels and debt holdings. We redeemed £92m of Tier 2 debt in December 2022, which had a rate of 5.5%. This had no impact on capital.

Our issue of £210m of AT1 debt paying fixed interest of 5.25%, which we set up in December 2021, is proving very efficient in these markets and our remaining Tier 2 debt of £569m is swapped into sterling and fixed at 3.2%.

Our subordinated debt stack is structured to fully utilise the 25% Tier 2 allowance and to meet c19% of the Tier 1 requirement through additional Tier 1 capital. This delivers efficiency in meeting the group's capital requirement and means that our capital surplus comprises the highest quality deployable CET1 resources.

Our debt stack is now optimised for our funding needs, with interest rates locked in prior to the 2022 rate increases.

Clear approach to capital generation and allocation

Our strong capital position provides us with resilience during periods of economic uncertainty and volatility.

We continue to have a disciplined approach to generation and allocation of our capital. We will continue to look at inorganic bolt-on investments and expect to allocate capital to support these opportunities.

We will redeploy the proceeds from non-core disposals into the business to support simplification and organic growth opportunities, including covering future restructuring costs, which are expected to be in the order of c£0.2bn in 2023, primarily related to the reshaping in the Investments vector.

As part of our approach to allocating capital, we apply a buffer of £0.5bn to provide a level of management flexibility, capital strength and resilience during periods of volatility. The dividend policy remains unchanged at 14.6p per share per annum until at least 1.5 times covered by adjusted capital generation.

Our capital strength also benefits from the value of our listed stakes, which at year end had a total value of £1.3bn and represent additional capital to the regulatory capital surplus.

Our intention is to continue to make returns to shareholders at similar levels to 2022, comprising both dividends and further share buybacks, recognising that share buybacks in turn reduce the absolute cost of the dividend. Therefore, we are committed to return a significant proportion of capital generated from further stake sales.

I'll now pass back to Stephen.

Stephen Bird, Chief Executive Officer

Thank you very much, Stephanie.

We're now going to enter the Q&A session. I want to welcome René Buehlmann, our CEO of Asia Pacific, he is joining us live from Singapore to participate in the session. If you'd like to ask a question in the room or online, we have a mic in the room. Let's start with a question in the room.

Q&A session

Nicholas Herman, Citi: Two from me, please. Basically all on disposals. Could you please talk about the profit contribution from the now sold DFM business. I think £40m in revenues last year. You've also been linked with the sale of the private equity business. I'm not expecting you to comment on that, unless you wish to do so. But could you please again, talk about the profit contribution of that business.

The second question is on your Phoenix stake. I note that you've included all listed stakes in available capital. You have noted your commitment to the partnership with Phoenix, but are you trying to tell us that you do not need to keep the stake in order to have that long-term strategic agreement? Thank you.

Stephen Bird: Taking those in order. Just so everyone understands, we divested or we've announced today the divestment of the traditional Discretionary Fund Management business. Consistent with all other divestment, that divestment is designed so that we can focus on what's important to our remaining businesses, which is the development of Model Portfolio Services, which is the more scalable, efficient, machine-driven capability.

The business we sold for £140m of proceeds. So there are about c£11m of earnings associated with it. But what was also notable in detail is that we have released £120m of capital through that divestment. So I would say we feel very good about it. It was the right business to sell at the right time and is going to have the right impact.

In terms of the PE business. I'll take your permission not to comment on that, but I would add one thing because when we talk about Alternatives, we talk about the growth of real assets, we talk about the growth of logistics, we talk about the growth of specialist commodities. We've got a big private markets business, private credit. The businesses that you are referring to, are funds of funds, secondaries, a different type of business. We have got to be a distinctive investor. We invest in areas where we've got distinction and margin. And so that's the way to think about the unspoken thing.

Now, Phoenix. Clearly, the investment mandate is separate from the stake. We manage assets and we're an investor in the company. So that's why we've been really, really clear about the focus and investment. The investment mandate is helping Phoenix achieve the strategy, which is growing their open book.

And you've heard Andy talk about that at length. We sold the Standard Life brand. That's one of the most important ways in which we've helped to develop that open book. They're now winning business in the open book. We've also developed efficient DC default passive options so that you've got the right option for your pension workplace, and that's helping them.

And likewise, we're helping them access private credit. We're doing the right things for Phoenix and the investment mandate because they've got to have the right products at the right price. But that's a separate matter from the stakes. And that's why when we talk about the stakes, we show you that we've got £1.3bn in stakes and we've built a business that has got both capital generation and a divestment plan overall.

Haley Tam, Credit Suisse: First of all, just on the acceleration of the cost savings, Stephanie, the £75m. Does that help us give any more confidence to the achievement of the less than 70% cost/income ratio target of the group level? I know at the half year you extended the timeline for that and I just wondered if you can comment on that now.

And then secondly, if I may, on ii to Richard, it's not a business I know as well. So could you talk to me perhaps about the 9% average growth in customer numbers and the 17% growth in subscription revenues, whether that is something you'd expect to track more closely together in the future or just help us understand the dynamics there. Thank you.

Stephanie Bruce: So in terms of the acceleration of the cost savings and just to be absolutely clear, Hayley, our ambition remains to achieve our 70% overall for the group. Clearly we've made good progress by actually having both Adviser and Personal be much, much more efficient and a bigger part of our overall group. I think the point about the cost savings is that we're being able to say that we can accelerate them, we're very firmly, clearly saying that in 2023, whereas when we talked at the half year, the team were obviously still working through the real precise timing of that. What's helpful is that they can now commit to that by the end of 2023 for that delivery, and that will clearly help and aid the cost/income ratio in Investments.

I'm not going to try and second guess what's going to happen entirely with markets in 2023, but that is entirely the ambition to continue to move through. But all of these cost saving changes will help us achieve that ambition.

Hayley Tam: Is that still the 2024 ambition?

Stephanie Bruce: We're not changing our view in terms of it will be a longer ambition to get to overall 70% for sure, Hayley. We're not changing that, but we are very firmly giving confidence that we can deliver those changes in Investments in 2023.

Richard Wilson: On the question of the relationship between subscription and customers, over time, you'd expect those to correlate. The subscription business is a multi-bundle business and we have different service offers for different types of consumers. But you would expect those two to align over time subject to premiumisation or upselling to higher bundles.

Hayley Tam: Was there a lot of upselling this year?

Richard Wilson: Pretty muted to be straightforward, but that remains a difficult opportunity going forward. We released a new service in February, which was Investor Essentials, which appeals to a lower asset level. And we're now increasing the different features in different bundles so we can optimise the pricing against different subscription services.

Enrico Bolzoni, JP Morgan: Going back to Investor Essentials, I think it launched in February, I just wanted to know if you can give any colour in terms of whether you saw an uptick in customer acquisition or any dynamic that would be interesting.

Second question is the new disposal that you announced today, can you just give a bit of extra colour in terms of what do you expect is going to be the impact on cost and the phasing? Should we expect that to be in the first half of the year? From that point of view, and then I noticed that in the annual report you commented on an auto investing proposition that will be rolled out in 2023. Can you please clarify on whether there's going to be a robo advised type of proposition or something else? Thank you.

Richard Wilson: So Investor Essentials, what that does is, for those who are familiar with the space, we were very competitive and compelling in the marketplace previously above £30,000 of assets. Investor Essentials, then brings that competitive point down to the £10 - £15,000 level.

It only launched a few weeks ago and we're seeing consistent traction. But in terms of overall customer acquisition levels, the market still remains quite muted. So it's a structural play rather than a short term hurrah. It's landed well, the service is delivering and now it's a question of ongoing marketing and promotion.

On the other point, we'll look forward to showing you what the product looks like during the Investor Day, for those of you who can make it to Manchester. But it will stay on the left-hand side of the advice model. So it will stay in the guidance space for the time being. We're working actively with Financial Planning on drawing those strings together, but it's carefully worded auto investing because it's not an advice proposition.

Stephanie Bruce: Coming back to you on the timing of the sale from today, clearly it's subject to the normal processes of completion and regulatory. We obviously have to work through that process. But as Stephen has highlighted in terms of the overall earnings profile, around about £11m a year, it would be reasonable to hope that about half of that would move through from this year depending on when we do completion.

Hubert Lam, Bank of America: Firstly on the dividend cover, 0.9 times. And if you look at the second half of the year, you said it goes up to 1.1 times, it's still relatively low. I'm just wondering, I know you're trying to reduce the cost of the dividend by doing buybacks from the sale of proceeds, but if markets remain challenging, how do you think about the dividend cover? Is that sustainable or we have to reconsider the dividend?

The second question is on the real estate assets. I know you have £42bn of real estate assets. Can you talk about the performance of the real estate funds and performance of Tritax? How do you think about, just given the pressures in the real estate sector, how should we think about the AUM going forward?

Lastly on ii. I know the average retail trading fell significantly in the second half versus the first half. How should we think about, what's your outlook for 2023 in terms of trading just given inflationary pressures, cost of living prices, etc, etc? Thank you.

Stephen Bird: Thank you, Hubert. So I'll start off on capital and then have Chris talk about our real assets franchise and Tritax. And then we'll switch to Richard to talk about views and the outlook.

I think importantly the direction of travel dividend was 0.7 times cover in the first half. Of course we didn't have ii and then we did have ii and we were 1.1 times covered in the second half. But you've got to think about capital in its totality and in 2022, we gave £600m back, which was roughly half dividends and half buybacks.

And now our current capital position and an improving trend on dividend cover and we have £700m surplus capital in the stack and £1.3bn in stakes in addition to that. Even last year in the worst year in investing memory, the augmentation of the dividend was only £35m from the capital position. I certainly wouldn't be concerned about the dividend. The first direction would be on buybacks. You would first go in the sequence of buybacks, then dividends. So dividends are very important. They're very important to our shareholders. We have a million retail shareholders, many of whom rely upon the dividends that come from a legacy of mutualisation. So we're committed to making sure that we show up on the dividend.

Chris Demetriou: Overall, real estate performance has held up fairly well given the significant decline in valuations that we experienced at the end of last year. To put a headline figure on it, over 60% of our real estate assets continue to be outperforming over three years. But it really was quite an extraordinary movement in valuations that we saw at the end of last year, particularly in the UK marketplace where we probably had the most significant write down in UK real estate assets possibly ever. What we see there is significant opportunity to be able to get into the market.

There are two areas of the marketplace that we favour in particular. One is the logistics area, the other is residential and living space. We think the fundamentals of those two sectors remain incredibly strong and therefore the valuation movements are fairly temporary in nature and we will see recovery come through later in 2023 in those two spaces in particular. Tritax as you asked, being sort of predominantly current assets in the logistics space, has clearly seen the valuation implications take hold that you've seen across the sector, particularly coming off the back of COVID and the sort of the premium valuation on the e-commerce related value chains that we saw coming on the back of that.

But the Tritax business has, I think, the largest undeveloped land bank for logistics assets inside of its funds. And so, again, we are really constructive on the opportunity to take advantage of the market situation that we experience at the moment. And the final point I'll make about the real estate business is clearly, as we went through last year and we saw the UK pensions market be quite challenged as a result of the gilts marketplace, clearly the next biggest overweight in that space is UK real estate and you saw a number of open ended real estate funds come under pressure. We were able to once again stay open through that period, continuing to offer our clients liquidity.

Overall, I'm really proud of the way the real estate team have managed the business over the course of this year. And René and I are very excited about the opportunity to take advantage of the valuation decline for our clients over the course of the next 12-24 months.

Stephen Bird: And just turning to Richard - a few things that I think are important when you think about ii. So there's the ii business, the model that particularly we were attracted to, was the fact that it was the customers' favoured way of paying for investment access, and then the business model having a composition of revenues where there was inherent balances. You have subscription revenues, trading revenues, FX revenues, and you also have net interest margins. So you want to have a business that through cycle can display high-quality revenue characteristics.

But Richard, when you think of it next year, there's the external market and perhaps Richard can comment on that, which is tough. And there's also the internal market opportunity because when Richard runs more than ii, he runs the entire Personal vector.

Richard Wilson: A few points on the question. Number one, obviously, it's not in our gift to speculate on market volatility. Clearly, it's been subdued in 2023. And the reality is that in a higher rates environment that suppresses trading appetite, that, of course, plays to our financial model.

We have a very substantial and growing share of subscription, and we don't live off trading commissions. A data point which is quite telling is that in September we reduced our standard commission rate by 25% and that had a 1% impact on revenue.

And secondly, we have, as I mentioned earlier, a much higher level of AUA per customer than the sector. And whilst no one is immune to cost of living, and that raises all sorts of challenges for the acquisition model, in terms of trading behaviour, we're perhaps less impacted than some others and that's certainly been seen in our relative market share over the last period where, as I mentioned, we've taken 2% more market share.

Lastly, and not least we are very lucky to have a wonderful technology organisation that enables one of the best global execution models which is reliable and fast. So we tend to attract the more active investors to our platform because of that capability.

All in all, we remain guardedly positive in the space, but we can't dictate to the market. And clearly our expectations in 2023 are not adventurous, but we expect to be solid the first two months of the year.

As of this morning, trading activity and revenues are on plan. But I wouldn't want to predict tomorrow.

Luke Mason, BNP Paribas Exane: Firstly, on bolt-ons, as you talked about bolt-ons. I'm just wondering what focus areas, is it mainly in the Investments vector or in Adviser and Personal as well. Just secondly, on the Alternatives business, which you talked about as well, just wondering what opportunities there could be to accelerate growth in that business like in infrastructure or private credit, new fund launches, etc.

And then just thirdly on interactive investor, you just mentioned market share. Just wondering if you can talk about the competitive dynamics. You have seen a step up in interest income, but then it seems like others are increasing marketing spend, etc. I'm just wondering how you think this will play out in terms of competitive dynamics. Thank you.

Richard Wilson: In terms of the competitive environment, what we see of the D2C space is attracted focus and capital as a number of institutions try to focus on the wealth space. We see generally increasing competition, specifically the only people I watch are Vanguard, frankly, so I will be head to head with them this year, next year and the year after.

What was the other part of the question?

Luke Mason, BNP Paribas Exane: I guess we've seen interest income step up. Do you think it'll put any pressure on other parts of revenue as you've taken down trading fees, etc. I'm just wondering how you think that will play out?

Richard Wilson: Well, back to the point about our financial model is very resilient. And we have a revenue mix, which is quite powerful.

Clearly, over the last 10 years, interest rates have been around zero and now they're reverting to a more normal level, which means that's an integral part of the revenue mix.

Our net interest income is a function of both yield curve, base rates and competition, and that remains an open market space. We're competitive in that space, but again, we're not competing for cash for small savings with banks, but it will remain a strong part of our revenue stream going forward.

Stephen Bird: On bolt-on acquisitions. We use the term advisedly because the shape of the group is settled, and so we wouldn't be doing any acquisitions in the scale of ii. The shape of the group is settled and I think now, people really understand it. We've taken capital invested in areas of higher growth, higher margin, more efficient businesses. And what it does is it creates more ways to win. You have three investing businesses that are very focused in each of their own segments, but they're all investing businesses, they're all related.

Then the second half of this year, we're going to show the relationship between the businesses.

There are some significant actions that we're taking to build the linkages between them. In terms of M&A activity bolt-on and we use the term bolt-on acquisitions. You can think about some of the things we've already done. We said that 21st century trends, e-commerce, logistics, Tritax was an example of that. We've talked about the closed end fund business. We have a £23bn closed end funds business, third largest in the world.

When I first sat with the team and we were fourth in the world, I said, give me a plan to move up through the rankings because it's a great business, it's a permanent capital business. And I think we've got a fantastic

team running it, a really sophisticated team. They understand how to invest, govern and manage these entities. So we do have a pipeline there. So the anticipated bolt-ons, the areas that I'm working on where we're actually talking with potential counterparties, are in areas of specialist investing because that's where the margin is going to be.

That's where it's less correlated with beta and market levels. And you'll see we're an £87bn, £90bn Alts shop and that's not really been well recognised.

I'd like to ask Chris to talk a little bit about Alternatives.

Chris Demetriou: René may have a comment on the distribution opportunity for Alternatives in Asia in just a minute. But we're looking at a number of areas, I've already mentioned the opportunity in real estate, given where valuations are for us to work with our clients on a fairly opportunistic basis over the course of the year to find good entry points. I said the fundamentals in terms of occupancy rates in living and logistics remain very, very strong.

We signed the partnership with John Lewis to develop some of their properties in the living space as well as an example. We're in the market raising a core infrastructure fund, targeting around a billion euros at the moment.

That fundraising is going very well and is on track. In the private credit space, this is a business that's accumulated some good assets over the course of the last five or six years, partly due to our partnership with Phoenix. And as they write new business in the bulk purchase annuity space, we expect to be deploying capital on their behalf into the private credit space. But within that, just to single out one interesting capability, we have a very strong fund financing capability, floating rate debt, there's an awful lot of demand now for both commitment-backed and NAV-backed fund financing opportunities.

Our team has done a brilliant job of deploying capital and given the often floating-rate nature of the underlying asset classes, we see a lot of demand in those areas. So really across the board and in our Alternatives capabilities, we're really excited by the opportunity to grow. What's important to us is getting the organisation right, getting the right distribution focus, the right operational focus like I mentioned. So that as we grow into that business in a profitable way and we drive both the operating margin and the revenue margin and the business forward as a result.

René, I don't know if you want to touch on Asia here at all?

René Buehlmann: I think with our Asian franchise essentially we have two goals. One is obviously to provide top class Asian capabilities to global investors. The second element is certainly also bringing global content to Asian investors across the region. I think to the point that Chris mentioned earlier, if you look at some of the real estate topics such as the living scenes and the like, it's definitely something given the price developments that you have seen that is very attractive. So you can see us definitely in that space being way more active in the distribution of these capabilities also across Asia.

Bruce Hamilton, Morgan Stanley: Your management of the cost and bringing forward the £75m savings. Are you in effect committing to cost down in absolute terms 2023 versus 2022? Because I guess we've got to build in a full year of interactive investor, some inflationary pressures. But just trying to assess that.

Secondly on the cost saves of £75m. Just to confirm, do these include some expected savings from the non-core disposals that are expected to happen at some point in 2023? So there will be some revenue attrition that we need to think about.

And then finally, on the Investments business, I mean, it's clear what you're trying to do in terms of repositioning and you've made a number of changes. But I guess the reality is still that the, you know, the performance across equities, multi-asset and quants looks very, very weak. So how should we think about, you know, managing a real squeeze on the cost base further from here versus improving that performance? What sort of steps are you taking to avoid that, just continuing to see significant asset attrition. Thank you.

Stephanie Bruce: In terms of the costs, just to be absolutely clear, the £75m net is very clearly and firmly being led by the Investments team. So what I was trying to make sure is understanding of that's where the Investments leadership are taking their cost profile to for 2023 in working out from an outturn of 2022 a net overall, £75m of savings on that 2022 cost base that we currently have. Now, clearly, if markets change and there's a huge bounce in markets, then clearly we may well do other things in terms of additional cost base. But as we sit here today on the 2022 outturn, that is what the team are very clearly focused in on.

I'll comment a little bit and I'm sure Chris will come in as well in terms of where does that put a squeeze on performance. If you look to the slide where we articulated the four real key parts of the work that is underway in Investments, it's very clearly focused in on the fund simplification, the absolute simplification of the operating model, reducing further headcount in the areas where the team have worked through very religiously as to where that can be. And therefore it's been done very much with an understanding of how to manage both the growth of the business and the performance of the business.

And Chris, you can maybe comment on that in just a second. It's not a question of it's putting squeeze to not allow the business to grow at all. Quite the reverse. The team have been working very hard to be clear on the actions that have to be taken both in Public because as I said, that is the most inefficient part of the of the business, and within Alternatives there's still some elements that can still be made more efficient. And to your other part of the question, you said, does it include the disposals?

Just to be absolutely clear, again, since the half year, we've now been able to very clear that the £75m net does not include disposals. If there's any additional disposals over the top, which you're quite right, Bruce, would also bring revenue change as well.

We haven't factored that in at all because that would come at a later time if and when those disposals went ahead. Chris, would you just comment on actually the impact it puts on to the Investments team in terms of performance.

Chris Demetriou: Yeah, again René may want to come in over the top but for us the way we're going to drive improved performance in the areas where we need to is a few things.

Firstly, it's focus. René and I have done a very detailed review of our investment processes and performance across the business, and so we're really clear about why in the areas where we need to improve. When it's a capability that we just genuinely don't believe that we will be able to offer meaningful leading performance over the long term, we are rationalising and exiting those capabilities. Where there are areas where we understand that we can make some adjustments to the discipline inside of the investment process, we are making those changes. And the introduction of a CIO will help to reinforce those changes over the course of the year. And I think whilst there are areas that remain challenged, there are considerable elements of the book that are performing really well, as I highlighted earlier on, and those areas are aligned to where client

demand is. And we really do believe that we can put our best foot forward in terms of capitalising on those opportunities.

So performance in an organisation that runs as many as a broader set of assets as we do, it's going to be mixed. But where we do need to improve, we are really clear on the specific changes that need to be made that range from exiting the capability to tightening up on the investment process.

And that work is well under way. René, I don't know if you want to comment on that further?

René Buehlmann: No, no, I think you've worded it perfectly. We have very clear core strengths and I think maybe just highlighting fixed income was an asset class we could, and there was no demand for many years, an asset class we [back] now. And we see quite strong pipelines in that space with very competitive performance also.

Andrew Crean, Autonomous Research: I'm not sure whether it's in the pack, but do you have the revenue margins by the different parts of the Investments business? And could you give us some guidance around that on your revenue margins for the institutional business and the insurance business? I think you've given us some direction.

Secondly, I'm going to come back on this question on private markets because, you know, I think it's revenues are at £50m and bears of the stock are just going to say, if you sell it £50m off the bottom line on £190m profit, it's a substantial drop. Is there anything you can say which would lead people to think that the profit impact if you sold that business would be less?

And then thirdly, I think you want to keep a £0.5bn regulatory buffer. Could you talk about the regulatory process in India and if as and when you get clearance on that, whether there is further scope to do more, more buyback or are you just going to maintain a buffer above your £0.5bn buffer?

Stephen Bird: Let me turn to Chris to talk about revenue margin by product. It is in the pack, Stephanie, isn't it?

Stephanie Bruce: Yes, there's quite detailed splits in the main ARA which I can point you to direction of that. But in terms of bringing it to life.

Chris Demetriou: So we are around 36 basis points in our institutional and wholesale channel and around just over 10 basis points on the insurance channel at the moment.

What we'll do from the interims onwards, we'll start breaking that out between Alternatives and Public markets and be able to bring that to life. Just demonstrate why we think we can drive improvements in the aggregate or the blended fee margin in the business over time.

But fundamentally, we think that as we just need, where our aim will be to drive the overarching net average basis points closer to where the institutional and wholesale average is for the group as a whole. And that will be important in helping to address our cost/income ratio challenge at the moment.

Stephen Bird: In terms of the private equity transaction that has been reported, that was we talked about earlier, I can't add anything specific to it – other than, I would point to, we are incredibly disciplined in understanding revenue and cost dynamics of anything we sell.

The purpose of divestments is to make sure that what remains is a better business. We don't need the capital. As you can see, with £2bn available capital, we're not divesting of businesses because we need

capital. We're doing it to ensure that every fibre of the business is focused where client demand is. So we're not in any way distressed sellers. And that's why if you look at the transactions we've done, including the one we just announced this morning, it was configured the right way and released a lot of capital and was sold at a good multiple of the trailing earnings.

Stephanie Bruce: On the regulatory buffer, Andrew. As you know, so the £0.5bn buffer that we talk about is very much a management buffer. It's guidance that we use ourselves internally very much there to provide volatility, flexibility as I've outlined before. And if your question was, is that inextricably linked anything to do with India, it's not done in that way. It's simply as we look at it, in terms of the businesses itself, as it's becoming the shape that it's been getting into, and then also as we improve the profile in Investments, it's something which of course we as the management team could choose to change and to flex.

And I think as I said before, it's not a hard and fast guidance, it's not a regulatory rule, it's a buffer that we use ourselves. If you were in very benign markets, you might choose to lower it at some point in time. If it got more extreme, you might choose to [raise] it. So it just gives us that volatility position. If your question in terms of around the Indian regime, clearly we've got very detailed work ongoing because we've been very clear in terms of the trajectory of travel on both the HDFC Life stakes and the AMC stakes in terms of selling out of them. And we just absolutely just step through those different processes.

They have quite complicated steps that go into them in different parts, but we're working through them and progressing well and there's nothing new to add to our guidance in terms of that's still our trajectory. And we would expect to step through that during 2023 and into 2024.

Stephen Bird: The only thing I would add, and I think it's important, Andrew, on divestments. Last year we were able to realise £800m in divestments and we did that at an average discount to publicly traded prices of 2%. So a marked improvement. We've got in the room here, David Mouillé and Rushad Abadan, who work on these processes for us, and do an excellent job. The processes around the tightness and understanding of our linkage into India and when and we can is actually tighter than ever. So that augurs well for our being able to execute against our stated intent. As it relates to divestments, of course, the public companies. So timing, I can't comment on.

Steven Haywood, HSBC: I've got one clarification and two questions. I hope we can fit them in. The £30m of expenses associated to abrdn Capital. Can you just clarify that that is not in any of the cost savings plans? And then the two questions I have. From ii there was loss of customers of about 6,000 in the second half of 2022. How much of these do you consider sort of core customers versus what might be within EQi and The Share Centre and to try and get a bit more detail of sort of customer growth trajectory?

And then last question for me. The Adviser business had quite a tough second half in net flows. What trends are you seeing there currently and are these sort of continuing into 2023 or do you see that getting better? Thank you.

Stephen Bird: First of all, we'll talk about the DFM divestment with Stephanie and then we'll go to Richard on questions around ii. And then we're going to have a big finish with Noel on Adviser.

Stephanie Bruce: Steve, in short order, no, anything to do with DFM is not part of the net £75m savings. I can just absolutely clear that up for everyone. That was easy.

Richard Wilson: Shall we go for churn rates. So excluding shares centrally, EQi, we track to around 5% churn and 95% retention. The EQi book and TSC, as they were acquired and the EQi, I think was June 21. It takes a

couple of years to run through and that was churning at around 12%, which is what drives up the, the gross number. For all those who understand churn rates that'll make sense. If you don't, then see me afterwards.

Noel Butwell: Our performance track market performance. Well publicised that I mean, historically Q3 is always a quieter quarter. And actually was the lowest level of flows in a decade in the platform market. So, you know, the backdrop was obviously, you know, and our performance in that backdrop was pretty much as expected.

As I said in terms of looking forward, we've been undertaking a significant technology upgrade. I was delighted that we completed that last week. We move and pivot now to that growth focus. Our focus is obviously as a minimum to maintain our share and then grow it over time.

The market is still fairly muted on the basis that consumer sentiment, you know, as Richard made reference to, is and Adviser is still advising existing clients and reassuring them. But as I said, our strategy is about creating capacity. So if Adviser can advise more clients, which they want to do and where the platform and the business allows them to do that, then we should start to see that growth come through. That's absolutely what our plan is focused on.

Stephen Bird: It remains for me to say I want to thank you very much for coming in today. I know today was a big earnings day, and I know lots going on in the street.

Thank you for your interest in the company and in our transformation back to a growth company. Thank you on the line and we'll see you at the interims.

-ENDS-