Return of capital, 2 November 2018 – video transcript

[Screen 1]

At our General Meeting in June, our shareholders voted to approve the sale of our UK and European insurance business to the Phoenix Group – for a cash consideration of £2.28 billion, and a shareholding in the Phoenix Group of approximately 19.98%.

[Screen 2]

The sale completed on 31 August 2018. With this, we're able to focus on becoming one of the world's leading investment companies, on continuing to return value to shareholders, and on a strategically important partnership with Phoenix – through long-term business agreements, and the significant shareholding we now have in the enlarged Group.

[Screen 3]

As part of June's General Meeting, shareholders also voted to approve a capital return of up to £1.75 billion. Now that the sale is complete, we're continuing the process of returning capital to shareholders, and there are two parts to how we are doing this.

One part involves a return of £1 billion through a B share scheme. We made this payment to shareholders on 2 November, following a share consolidation exercise.

The other part involves returning up to £750 million through a share buyback programme, and this too is already underway.

[Screen 4]

For the B Share scheme, shareholders have received one B Share for every Existing Ordinary Share they owned on the record date of 19 October.

We confirmed to the market, on 12 October, that the B Share price would be 33.99 pence per share when shareholders received the proceeds.

[Screen 5]

Alongside the B Share scheme, we also completed a share consolidation. We carried this out on 22 October, shortly after agreeing the amount that each shareholder would receive.

The share consolidation reduced the total number of shares in issue, and because of that we replaced your existing ordinary shares with new ordinary shares. We did this to help ensure that, when we returned capital to shareholders, the market price of each new ordinary share was broadly the same as the price of each existing ordinary share, immediately before the B Share scheme was completed, subject to any market fluctuations.

And in this case, for every 8 existing ordinary shares that you held before the consolidation, you now have 7 new ordinary shares – so a ratio of 7 for 8.

[Screen 6]

To show you what everything looks like in practice, here's an example. The figures we're using in this example are actual figures for our company on the day we set the ratio for consolidation, which was 11 October.

At this point, you'll see the value of the company was just over £8 billion. A return of £1 billion to shareholders, through the B Share scheme, would have meant the company was then valued at just over £7 billion – and as a result, the share price of the company would have dropped proportionately, to £2.45 each.

The same number of shares would still have been in issue – so a shareholder with 100 shares would still have had that number before and after the return of capital.

The value of the shares would have dropped, but the overall value still held by the shareholder would be the same – the difference is that it would, at that point,
be made up of £245 in shares and £34 from the capital return.

[Screen 7]

Now let's look at the share consolidation. Because the company value would have dropped, to just over £7 billion, doing the consolidation on a '7 for 8' basis would help to maintain the share price.

So in the example, with a shareholder receiving 7 new ordinary shares for every 8 existing ordinary shares they held before the consolidation, they would've had fewer shares, but the same overall value.

[Screen 8]

It's worth being aware, too, of what your tax position is following the share consolidation. If you're unsure, take a look at the shareholder information section of this website.

For shareholders who are UK or Irish tax-resident, it's worth noting that the cash we return will be treated as a capital receipt for tax purposes.

If you're outside of the UK or Ireland, it's slightly different, and you may want to speak to an independent adviser.

[Screen 9]

The second part of the return of capital is the share buyback programme. This is where a company buys back its own shares from the market, reducing the total number of these shares in issue.

We're already underway with this, and we intend to buy back up to £750 million of Standard Life Aberdeen shares in total.

We have had a strong track record for delivering shareholder value. Through the actions we've taken to reshape our business, we've created a company that's well positioned to continue delivering sustainable value over the long term.

[Screen 10]

You can find out more by visiting the shareholder information section of our website, standardlifeaberdeen.com.

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