abrdn plc

Full year results 2023 presentation transcript

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Stephen Bird - CEO, abrdn plc

Good morning, everyone. And a very warm welcome to abrdn's 2023 full year results presentation.

I'm delighted to have Jason Windsor with me for his first results presentation as CFO. I'll be taking you through our strategy and our progress, and Jason will walk you through the financials, and then we will open up for your questions.

Here with us, I am pleased to welcome René Buehlmann, our CEO of Investments, Noel Butwell, CEO of Adviser, and Richard Wilson, CEO of ii. And they will be here to help take questions.

Building a modern investment company

Over the last three years, we have reshaped abrdn into a modern investment company that can thrive in the evolving investment landscape.

As you can see today, ii and Adviser continue to diversify our revenues and deliver improved profitability. We are scaling up these market-leading distribution platforms to capitalise on the long-term structural growth opportunities in the UK savings and wealth market.

At the same time, we are refocusing the Investments business. We've hired top talent to lead that business. We've taken out costs every single year for the last three years. We have slimmed down the number of funds in our offering and we have streamlined our geographic footprint. We have divested for many years where we were subscale. And we've enhanced our investment capabilities in more attractive areas.

We have formed a group which has more ways to win with investment content and distribution that is aligned to the products and services that our clients need. Leveraging our data and technology across the three businesses, we are now better able to move away from products that clients wanted yesterday and to deliver what they want and need today. That's what we call client-led growth.

Today's results reflect the action that we've already taken to restore profitability in the group. We're pleased that we achieved £102 million of cost reduction last year in the Investments business, exceeding the £75 million target that we committed to.

We are committed to continue this effort beyond this year and last month we announced our £150 million cost transformation that does exactly that.

Our goal is for all three businesses to deliver their appropriate share of earnings for abrdn.

Our corporate strategy in action

The reshaping of the company has been from top to bottom. We've improved capital discipline and operating execution. We've completed 11 M&A transactions that have simplified the business, added scale and efficiency, and improved our growth prospects. Overall, we have disposed of non-core businesses with around 3% growth and acquired businesses with nearly 20% combined revenue growth over the last 3 years.

We've strengthened our position in the closed-end funds business. We've become third largest globally, adding thematics like health, biotech and logistics through the acquisitions of Tekla and Tritax, both of which represent significant long-term growth potential.

The acquisition of ii has transformed our position in the UK investments market and established a competitor that will continue to grow by offering compelling value to UK customers.

We've strengthened our relationship with Phoenix, our largest single client, firmly establishing abrdn as a strategic investor, and as their partner of choice for new business growth. This relationship with Phoenix is a foundational relationship for the Investments business.

We have streamlined the Investments business in terms of the funds that we focus on. We sold the listed stakes in India, generating £535 million in 2023, £2 billion since the fourth quarter of 2020. This has supported the reinvestment in this business.

Also, over the last three years, we've returned significant value to shareholders totaling £1.5 billion through share buybacks and dividends. While maintaining a strong dividend payout and buying back our own stock, we have effectively halved the cost of the dividend to abrdn plc.

These actions together have delivered a substantially stronger abrdn with more diversified earnings. We're well on the way to having established what we call a modern investing company, a company that can sustainably and efficiently grow.

Our diversified business creates resilience

As I said, our goal has been to position all three businesses for growth, and to operate them in a way that creates strong client focus and has management teams that are laser-focused on their segment. They can move quickly and it's a very different company to three years ago.

In another challenging year for the investment market, ii and Adviser have offset the reduced revenue within the Investments business. In its first full year that we are reporting here today, ii has already surpassed the original investment case that we set out at the time of the deal for you in 2022, and ii has much more growth potential ahead of it.

Together, ii and Adviser accounted for 93% of abrdn's adjusted profit of £249 million in 2023. That highlights the necessity and the opportunity to restore competitive margin in the Investment business. Diversification into these sticky revenue and higher margin businesses in platforms and wealth that we have here, has improved the operating mix and created a balance in the group that any monoline asset manager cannot enjoy.

We are working to restore a more acceptable margin in the Investments business to improve its investment performance and grow flows.

Our goal is for all three businesses to make an appropriate contribution to group earnings and in so doing create a sustainable and profitable abrdn.

With that, I'd like to hand over to Jason.

Jason Windsor - Chief Financial Officer, abrdn

Thank you, Stephen, and good morning, everyone. As I said at the Q4 trading update, I'm very pleased to join abrdn and to be here today to present these results to you.

Let me begin with a summary of 2023 and a little context for our trading.

Action to rebuild and grow profitability

2023 saw a continuation of the challenging macro environment for the investment industry. Many of the headwinds facing traditional active asset managers were fairly strong.

The year saw the continuation, across the market, of some asset allocation activity by clients that didn't play to our strengths: away from equities, particularly in Asia-Pacific and emerging markets, and also cash was retained in money market funds - cash, which would normally be allocated to fixed income funds.

So, as we said in January, this led to lower revenues in Investments, and I will come on to that in more detail.

Putting this backdrop together with the group performance overall, we had a 5% reduction in adjusted operating profit to £249 million.

Higher interest rates in the UK were also significant - for revenue in interactive investor and the Adviser businesses, and also group treasury income.

The group didn't take the fall in revenue lying down. Costs were 4% lower in the year.

And, as we announced on January the 24th, we have initiated a new transformation programme, and together with improving the group's net flows and investment performance, we are committed to taking the necessary cost actions to rebuild the group's profitability. The work over 2024 and 2025 will simplify our business model and remove at least £150 million of costs.

And on the balance sheet, which is strong, we have £1.5 billion of Tier 1 capital, which continues to support the strategy.

In 2023, £600 million of cash was returned to shareholders from the dividend and the share buyback programme.

Adjusted capital generation was up 15% to £299 million, which covered the 2023 dividend of 14.6 pence per share by 1.1 times.

Let me start my review of the business with a look at assets under management and flows.

Group AUMA and net flows

Assets ended the year at £495 billion - this is just 1% lower, although in fact assets were slightly up prior to corporate actions of £6.9 billion.

We saw net outflows of £13.9 billion, excluding liquidity, albeit with positive net flows in interactive investor.

Within Investments, net outflows were primarily in higher margin areas of Institutional and Retail Wealth, reflecting the client asset allocation decisions that I just mentioned.

The partnership with our largest client, Phoenix, delivered well, including £5 billion from their bulk purchase annuities business and inflows from their workplace pension business.

Net outflows of £2.1 billion in Adviser reflect muted client activity across the industry as customers adjust to inflation, and the higher interest rate environment, with increased drawdown to fund the cost of living.

interactive investor had strong net inflows of £2.9 billion, or 4% of AUA, showing the value of the interactive investor customer proposition.

Looking forward, we expect the sale of our European-headquartered private equity business, which has £7.2 billion of assets, and the acquisition of four closed-end funds from First Trust with £0.6 billion of assets, both to complete in the first half.

I'll now walk through the revenue development.

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

Group revenue was 4% lower. This includes £230 million from the full 12 months of interactive investor versus seven months last year. And there were some other smaller corporate actions that we haven't called out separately.

The combined impact of asset allocation changes, net outflows and adverse market movements for the majority of the year resulted in a revenue margin decline in Investments from 25.4 to 23.5bps. Performance fees were also lower. In the second half, that margin was 22.4bps, and we foresee slight further contraction in multi-asset and Phoenix in the first half of 2024 as client-driven moves from active to passive continue.

Group revenue was supported by higher interest income from interactive investor and Adviser, contributing £165 million in total in 2023.

So, you can see the value of the strategy in action – a business with diversified revenue which can deliver in different market conditions.

So let me now change gears and go over operating expenses.

Adjusted operating expenses

Adjusted operating expenses in 2023 reduced by £44 million. This included £102 million of cost reduction in Investments, partly offset by a full 12 months of ii.

Excluding interactive investor, expenses were 9% lower. Non-staff costs were also 9% lower, and staff costs were 7% down, with 13% lower FTEs. Variable compensation was lower by £13 million.

The group cost income ratio was stable at 82%, reflecting the efficiency of Adviser and ii.

But we recognise there is much more needed on costs, which takes me on to the new transformation programme.

New transformation programme

Our new cost transformation programme, to remove at least £150 million of annualised costs, has required us to look more deeply at the group's operating model, particularly in support services. As previously mentioned, we would expect that around 80% of these cost saving benefits will accrue to Investments, and that's primarily in the middle and the back office.

As we said before, we expect the programme overall to lead to a reduction of around 500 roles across the group.

The bulk of the savings will be in non-staff costs. So, we're looking at further efficiencies from our outsourcing and technology. We are delayering management structures and increasing spans of control. So not only is this lower headcount, but everybody in the company will be closer to the customer.

We will improve productivity and pursue more opportunities to automate our processes, for example, in client reporting and client billing.

There will only be modest cuts to the front office in Investments. In fact, the programme has been designed to avoid disruption to client service, and to ensure we retain absolute focus on delivering investment performance for all of our clients, which is after all, the most important thing.

Key to success is to take these actions soon, and to ensure they are sustainable…

Achieving sustainable cost efficiencies

Just a step back first on the context of the savings in Investments. The cost reduction achieved in 2023, plus the new transformation, will reduce Investments expenses by around 24% compared to a 2022 baseline.

Our whole programme is designed to do this as safely and as quickly as possible. We do expect the bulk of the implementation actions to be taken in 2024, and the work to be completed by the end of 2025.

We expect around £60 million of the benefit to be in the group P&L this year, and that we will achieve the annualised run rate of £150 million by the end of 2025.

And in the other direction, we expect approximately 3-5% cost growth per annum within Adviser and interactive investor, which in 2024 is pretty much offset by corporate actions.

Total implementation costs will be around £150 million, which we can fund from our strong balance sheet.

Moving now on to the three segments, starting with Investments.

Investments

Net operating revenue is 17% lower than last year, largely due to lower market levels and net outflows, which impacted average AUM and also changed the asset mix.

Operating expenses were £102 million lower, exceeding the £75 million cost target.

Adjusted operating profit was £80 million lower, at £50 million.

Though proactive measures have been taken to reduce costs, and to focus on improvement in efficiencies and profitability, we remain focused on reducing the cost income ratio toward industry benchmarks.

This will take time, but everyone is fully committed to rebuilding profitability and growing the business.

Now on to interactive investor, which had an excellent first full year in the group.

interactive investor

Adjusted operating profit was £114 million, and of course this reflects the inclusion of interactive investor for the full 12 months.

Net flows were £2.9 billion, with Personal Wealth being an outflow of £0.4 billion, while the D2C business had strong inflows of £3.3 billion. This is the highest flows of D2C platforms in the UK.

Total AUA of £66 billion is after the sale of the discretionary fund management business.

ii treasury income contributed £134 million in 2023 and the margin was 236bps. We expect 2024 to be broadly similar.

Trading revenue was £48 million, which was slightly subdued, and subscription revenue was £54 million.

Personal Wealth revenue reduced by £30 million, reflecting the restructure of this business, including the disposal of discretionary fund management and the transfer of our threesixty and managed portfolio service to Adviser.

And let me now turn to Adviser, which is going through a transition to new, market-leading platform technology.

Adviser

This was a strong performance with adjusted operating profit up 37% to £118 million.

Revenue was up 21% at £224 million, comprising £167 million of platform charges, £31 million of treasury income and £26 million of other, which was mainly the £15 million benefit from a revised distribution agreement with Phoenix relating to the SIPP product that we will be taking direct ownership of in 2024 and will continue from there.

The margin earned on cash balances was 228bps and this is expected to be similar in 2024. Average cash balances were around £1.3 billion, which is about 2% of assets, and that's slightly down year on year.

Operating expenses were 7% higher. This mainly reflects higher average assets on the platform.

In terms of flows, we've seen a slight drop off in new customer volumes in the last three quarters. In fact, the overall market has been softer after several years of strong growth. The market was around £9 billion of net flows in 2023 compared to £30 billion average over the last few years before that. Outflows have increased across the market as customers take more income to help manage their retirement and other cost of living needs. As rates peak, we are optimistic that the advice market will return to good levels of growth.

So let me now touch on some of the other elements of IFRS profit and on capital generation.

Financial management discipline and lowering restructuring

Adjusted profit before tax at £330 million was 30% higher than last year. The largest moving part was net financing costs and investment returns, which generated an income of £81million in 2023 compared to a loss of £10 million last year.

Helped by the reduction in the share count from the buyback, adjusted diluted EPS was 33% higher.

15% higher adjusted capital generation reflects the rise in adjusted profit before tax. And as you know, this included £54 million of dividend income from Phoenix and £10 million of other that won't repeat in 2024.

The tax rate on our adjusted profit was 15%, compared with 9% last year.

Restructuring and corporate transaction expenses were £121 million after tax, which mainly consisted of property related impairments, severance, platform transformation and costs to affect the savings in Investments.

In 2024, we expect restructuring costs to be a little lower than in 2023, mainly reflecting the implementation of the new transformation programme.

My objective is to remove the vast majority of these so-called "below the line" costs by 2026. It will take a little time to transition to that, but in 2025, I do expect they'll be materially below 2024.

Of course, lower restructuring will improve net capital generation, which takes me on to the next slide.

Approach to capital generation and allocation

As Stephen just mentioned, the group has been going through some very significant changes in terms of capital allocation over recent years and in 2023 that continued; with the sale of the remaining stakes in HDFC Life and HDFC Asset Management; the divestment of discretionary fund management and US private equity businesses, which both increases our strategic focus and further simplifies the group.

In total, these disposals generated £713 million of capital and, as I said, £600 million of that was returned to shareholders through share buybacks and dividends.

We've also continued to invest in the business through strategic bolt-on acquisitions, for example, like Tekla. We now have fewer non-core assets, but we'll continue to act to streamline and simplify the group, for example, with the recent exit from the Virgin Money joint venture.

The most important element, however, is to improve organic capital generation. And by that I mean the addition to equity capital each year - simply higher profits and lower restructuring costs.

And the Board's dividend policy remains unchanged, with a medium-term dividend coverage target of 1.5 times capital generation.

Which takes me on to our balance sheet and the capital position.

Strong balance sheet

This slide is a simple way to set out our balance sheet.

For me, the fundamental strength comes from the £1.5billion of common equity "Tier 1" capital. This alone is 139% of our total capital requirements.

And of course, we have qualifying debt too, which makes the overall solvency ratio 184%.

It's my objective that over time debt should also be lower, and closer to the regulatory capacity, which is around £450 million - but we have no redemptions or calls for several years.

The balance sheet at 31st of December includes total group cash and liquid resources of £1.8 billion - and of this amount, just over £400 million was in the plc or group treasury.

On top of the group's cash, we have around £400 million in seed capital and in co-investments, for example, in property and infrastructure funds. This is capital used to support product development in the Investments segment.

Of course, we also have a stake in Phoenix, which had a market value of £557 million at the end of December. This is a significant asset, that isn't included in our capital, and is part of a multifaceted and very important relationship. I'm really pleased to see the growth that Andy Briggs, Andy Curran and their team have achieved at Phoenix, as they establish a leading bulk annuity and workplace pension business, which both have significant structural growth opportunities in the UK market. And importantly for me, abrdn is very well placed to support them as they develop their strategy with excellent investment solutions for annuities and for pensions, and also as a supportive shareholder.

And finally, a note on the defined benefit staff pension scheme, which has a significant IAS19 surplus of £0.7 billion. I'm going to explore options that could realise some of this value, and you will have seen the DWP consultation that came out on Friday, which may offer some new opportunities.

So just to conclude on outlook...

Financial outlook

As you can see in our 2023 results, the group has been reshaped.

The resulting diversification and sources of revenue, and the cost efficiency within Adviser and interactive investor, partly offset the impact of net outflows and markets that has made profitability in Investments very challenging.

In 2024, we expect higher interest rates to continue and maybe start to fall slowly later in the year. Interest income is expected to be broadly similar for the group.

But the outlook for global markets remains uncertain.

Headwinds we faced in 2023 - in changing client demand and preferences - will continue into 2024.

Within Investments, we expect the global theme of asset rotation from active to passive strategies to continue. This is expected to lead to some further pressure on revenue margin.

With this backdrop, we will take proactive steps to improve profitability, and to transform the way we operate through simplification and leveraging technology across the Group.

As we've said, the work to achieve at least £150 million of annualised cost savings is well underway. And in 2024 we expect group operating space expenses, all in, to be around £60 million lower.

The strength of our balance sheet underpins our strategic action. Our focus remains to be disciplined in our allocation of capital to drive sustainable growth, and to support continued returns to our shareholders.

And now I'll hand back to Stephen.

Stephen Bird – CEO, abrdn plc

Thank you, Jason.

Building a modern investment company – Three businesses working together

This is the shape of the modern investing company that we're building. We have two leading businesses in the UK, which is an attractive growth area. Media and the public really recognise that this is an area that needs further growth in order to help people take ownership of their investing future.

Both of these businesses have recently updated their technology to help support their growth and to stay ahead of the competitors.

They sit alongside a specialist global investments business that's moved away from a broad waterfront to a much more focused set of particular skills in specialist equities, fixed income and alternatives.

I'm pleased to say that within our Investments business, we conduct regular client feedback and it shows consistent positive client satisfaction. I'm very proud of our team there and particularly in the area of client service.

Now, each of these three businesses has strengths and opportunities, but across the three businesses we have the investment content that can feed into these distribution channels and service the segments that these businesses are focused on.

Building a modern investment company – Market opportunity and competitive advantage

I want to set out for you how we see the opportunities and the competitive advantages of these businesses and how we are measuring them as they journey towards growth.

Within Investments, we've adapted to the evolving landscape. We are focused on the areas with the greatest growth potential and where we can drive margin. We're focusing on improving investment performance, where it's necessary, and also operating the business more efficiently.

ii operates in the growing £326 billion D2C market. It benefits from our unique subscription model. This provides greater financial resilience, with additional income from trading, FX, and cash margin. We're delivering customer growth and, importantly, growth in SIPPs, which brings higher cash balances and the highest retention rates.

Our Adviser business has a long-established presence. It has significant market share and very strong relationships. Last year our technology upgrade within that business was designed to differentiate it and to increase advisers' capacity. They want to have more capacity to grow their business.

We're focused on three things: increasing the number of tax wrappers per customer, winning more primary relationships, and increasing our overall market share.

Investments – Structural shifts and cyclicality in EM/Asia

Let's talk about Investments. We all know that it's been an incredibly challenging year for the investment management industry. Cross-border flows last year were down 23% on the three-year average and the active management industry saw almost £600 billion of net outflows.

In this context our AUM, was relatively resilient. It was down 2.4%. That was in line with the industry trends.

This was largely thanks to the resilience of our large Alternatives franchise, as you can see here in the slide, and the strength of our Phoenix partnership.

Our biggest challenge related to our asset mix - 22% of our overall assets are in Asia and emerging markets versus an industry average of about 11%. This is particularly the case in equities. We have 57% that is exposed to these markets and in that space we've experienced client de-risking, particularly at the end of the year, and outflows from equities.

Yet we continue to win business in these strategies over the same period of time. So we remain optimistic that when the cycle turns, which it will, we are well positioned to take flows.

Investments – Ready to capitalise on areas of strength (Public markets)

Looking at 2024, we expect sales growth to marginally turn positive. Our gross sales are already tracking the industry and we expect marginally net positive gross sales in the industry. Our won-not-funded pipeline is very healthy: we're currently sitting on £5 billion, including £3.5 billion in the Border to Coast mandate, the heavily contested mandate that we won last year.

Our team are focused on leveraging our scale and relationship with Phoenix, and our thought leadership on pensions, to grow in the £1.5 trillion UK DB market.

Fixed income remains a key strength of this group. We have 81% performance versus benchmark in that business. We have a great fixed income team.

When interest rates begin to fall, it benefits that business. But we also expect equity, income and multi-asset income products to perform well as well. Our Emerging Market Income fund is six out of 330 funds since we launched it, and it's top quartile across all key time periods. Our newly repositioned multi-asset offering has got competitive, active and passive offerings and we aim to leverage those in the Adviser business, and in ii.

Whilst recognising the cyclical and stylistic challenges of managing a large equity book in emerging markets, we are working very, very hard to improve our investment performance. Under the leadership of Peter Branner, who's been here almost a year, we're leveraging targeted performance improvements where we need to in our fund management business. I can give you an insight into that. Over the last three months of 2023, we have close to 50% of the equity franchise outperforming again.

Investments – Ready to capitalise on areas of strength (Alternatives)

We believe that our large alternatives franchise provides strong growth potential and helps clients to achieve diversification. I want to highlight a few things that I'm particularly excited about.

Our real estate franchise has been very resilient during the downturn, and although valuations have not yet fully recovered, we expect in March, when these year-end performance numbers are published, that franchise is going to be above 60% outperformance.

And we've got some great products in this space. For example, the pan-European Residential Fund, which is the second largest fund in this space, which is nearly €2 billion, and it has a 5-star GRESB rating. We think that it is one of the best funds in the market. We're also expanding our student and residential living franchise.

Private credit is a key area of strength for us and is in high demand. We expect to raise further assets in private credit this year with our upcoming new infrastructure offerings.

Investments – Streamlining the business

In short, we've taken decisive actions over the last three years to re-engineer the Investments business and position that business as a global specialist investor.

It's not a broad waterfront. It's not all things to all people. It's a specialist investing business.

Our disciplined approach has allowed us to refocus what we offer clients and reduce the cost base. We promised £75m, we delivered £102 million cost saving in that business. We exited operations in Australia, we sold the US PE business and we announced the sale of the European PE business, raising over £105 million.

We completed our fund rationalisation process and we closed or merged subscale funds in order to do that. This involved some tough decisions. It's very hard to do, including the closure of the much-reported GARS in December. But the overall programme that we executed has resulted in significant cost savings and means now that 74% of our funds are over £100 million assets each.

Moving forward, we will continue to capitalise on growth opportunities with a specific focus on bolt-on acquisitions in areas like Tekla. You've heard me talk about the Tekla acquisition. We acquired Tekla last year. Those fund managers who came with it are all doctors investing in health and life sciences, biotech is having its most sustained increase in value in the last five years. And so we're particularly proud that we chose that.

interactive investor – Scaling up our leading UK savings and wealth business

ii has transformed the shape of abrdn in the UK, positioning us as one of the UK's leading personal wealth businesses with strong long-term structural growth.

Despite the cost-of-living crisis that has affected the UK, ii's subscription-based model offers financial resilience. In 2023, ii increased its market share of trades and delivered the highest net AUA inflows among the UK direct platforms. Customer growth was 4% in 2023 and we aim to achieve over 5% in 2024. We've got a series of further improvements in products, increased SIPP penetration, and further strengthening of the ii brand - you'll notice ii is now advertising on TV.

Average assets per customer rose from £134k to £152k. That's 2 to 3 times the market average. SIPP customer growth was 21% in 2023, and we believe this rate of growth will continue. You'll recall I was very excited about ii as a self-invested personal pension platform, the vision of the future where everybody has their pension on their phone. The integration of financial planning and the transferring of insights from ii to the Investments business will further enhance the group.

Adviser – Enabling advisers to deliver for their clients

Let's talk about Adviser. The Adviser business faced market headwinds in 2023, but the long-term opportunity is clear - and everything we're doing here is for the long term - with the UK Adviser market expected to grow at 11% through to 2028.

Our focus is on attracting new clients, as I said, and new assets from existing clients. As you know, in 2023 we made a significant tech upgrade - that was the biggest tech upgrade in 17 years to that platform - and it was designed to make the platform better for advisers and their clients.

This has laid the foundation for growth of the Adviser business, including the next stage of our Adviser Experience Programme with the launch of abrdn SIPP and Junior SIPP, which happens this year. The launch of these products forms a core element of our strategy to increase the number of tax wrappers per customer, and the number of products per customer, and grow the existing customer base, as well as attracting new advisers into our platform.

AdviserOS will be launched to clients later this year. You've seen us headline that and it provides a broader range of services to advisers that improves their business efficiency. And we believe that adviserOS will be a market differentiator.

The other important change we have made is the integration of abrdn's Model Portfolio Service into the Adviser business. In December we repriced abrdn MPS and Sustainable MPS ranges to make them even more competitive and, through leveraging existing relationships with 50% of advice firms, we expect that that will drive significant growth for us in the current year.

This is an example of where having abrdn content within the group benefits the Adviser business and benefits the ii business.

Building a modern investment company

As I said at the beginning, the macro environment is very challenging. We have been transforming this business against headwinds, but we've taken decisive action, we've controlled the things that we can control, and we're very determined to do it.

We delivered a strong performance in the Adviser business and ii this year, and that continues to help us as we transform the Investments business. Our cost transformation programme, that Jason talked about, will support improved profitability in Investments.

We have an extensive list of actions that are already underway to address investment performance, and we have a strong presence in the areas which are relevant to our clients – and we think that that will drive future growth as the market turns.

We've been clear that there is much more work to do, and we are confident in the trajectory that we're building. We've created a business that is much more modern and has the ability to grow. We're building a stronger company. It's a diversified business model that positions us for success through the cycle.

And now Jason and I are happy to take your questions.

Q&A

Enrico Bolzoni, JP Morgan: Thank you for taking my questions. One starting question on the cash margin guidance you gave. Clearly there's a lot of discussion about the role of the regulator. The FCA is particularly concerned about the proportion of cash margin which is retained. There's the expectation of rates falling a bit this year. What gives you confidence that you'll be able to maintain that same level of profitability on cash balances? And can you expand a bit on how you think the regulator looks at your proposition as a whole. Clearly you have very compelling pricing because you have a flat fee structure, but do you think that in light of that, they consider it holistically or they could be concerned for the cash more specifically?

My second question relates to the fund underperformance. Can you tell us a bit more in terms of the equity strategies? We know that the performance has not been great versus benchmark, but how do they rank on average versus peers, and can you give us some colour in terms of what you typically see in correlation between the performance and the subsequent flows?

And the final question also relates to that, you have now reduced the number of strategies to 580. Can you give us an idea how many of these strategies are actually underperforming? So, getting a sense of underperformance not just based on AUM but also based on the number of strategies that actually are doing better or worse than benchmark. Thank you.

Stephen Bird: Thank you. So, I'll start and then I'm going to hand to Richard to talk about Consumer Duty.

The reason we acquired ii was because it was the consumer champion in that space. Which? Magazine and everybody else have talked about the fact that it's compelling value, that you can save £30,000 in fees over your investing life by investing with ii.

We are supporters of Consumer Duty. Consumer Duty is about value and it's about transparency. We do both of those things. And we think that when you are the most compelling value provider, that helps you win. The market focus is on value and transparency. But to talk a little bit about Consumer Duty and to talk about the way that regulators think of it, I'll pass to Richard.

Richard Wilson, CEO ii: Thank you. So first, to take the question head-on around interest margin. First of all, ii pays competitive rates on cash. Number two, we see the higher for longer environment supporting a reasonably stable rates environment through a large part of '24. So, we don't see a significant fall-off in margin in '24. Number three, in terms of the Consumer Duty, we've welcomed the Consumer Duty regime from the FCA, and we've always advocated transparency, choice and a level playing field.

We've clearly seen the challenge of supporting the consumer is never over. And in fact, the FCA, when they approached us, they've highlighted things we can do better on disclosures. So, we've updated those, and we'll continue to work through that as the environment changes.

Having said that, just to be clear, treasury income belongs to the firm. So, this notion of agency where it's retention versus a pass-through is not how we operate. We make a gross margin on treasury [income] and we pay competitive rates to our customers, and we expect that to remain. Obviously, it's a competitive landscape. We monitor rates in the marketplace on an ongoing basis and we're comfortable with our position.

Stephen Bird: Thank you very much, Richard. I'm going to turn to Jason to talk about guidance, but we received the Dear CEO letters from the regulator. We take these things incredibly seriously. We have responded to them, and we think that's entirely appropriate.

James Windsor: As I said in my script, the margins we don't see changing materially, and probably not going up. And in terms of the cash balances, again, not dissimilar, ii just under 10%, around 9%, Adviser around 2%. So, the baseline of the figures is going to go roughly in line with the development of the assets under management.

Stephen Bird: Thank you. So, let's talk a little bit about the other two questions and I'll turn to René. Performance versus peers, who are also, if you like, a quality equity house with EM exposure. And then also with reference to our overall number of strategies.

René Buehlmann, CEO Investments: Morning everyone. On performance, maybe a bit of context. As you know, we are running a quality bias equity franchise. So, if you look at what happened in particular across Asia and emerging markets, you have seen that value [style investing] has outperformed over the last two years significantly. So that was certainly a drag for our clients.

You also asked whether we see an impact of clients moving because of that. As a matter of fact, clients know our investment style, so they still typically stick to us through these periods. However, to your point, peer performance is super critical in this context. I would say we have been challenged the last two years on the equity side, certainly, and particularly last year, our China stock calls were off. So, it was not the allocation to China, but actually the stock picking in China, and that's stuff that we are looking at as we improve performance.

I would say on your second question around fund rationalisation or refocusing, particularly on funds with poor performance, so, we are obviously merging or closing funds where we think we have not the credible value proposition to our clients and really focus the volumes where we think we have a very credible performance.

I would like to wrap this up for you. When you look at our overall performance, we have seen fixed income, very strong; real estate, very competitive. We have revamped our multi-asset offering and you have seen 67% of our MyFolio range is outperforming versus peers. Equities is the area where we need to do more work. But as Stephen highlighted, we do a lot of work with Peter [Branner, Chief Investment Officer] around performance improvement plans, zooming in where we think client demand will be going forward.

Nicholas Herman, Citi: So also three questions, please. We've touched on the first one on cash. We've discussed the margin. Can we just turn to volume? So, I know we talked in the past about how you expect cash balances to rise over time as you grow in SIPP and obviously 2023, you grew by 23%[1], which is very respectable. Nonetheless, cash balances fell. So, is it also fair to say that the opportunity to grow cash balances may be somewhat more limited, given growing adoption of alternatives like gilts, and money markets?

And also interested to see how you see the cash balances evolving over both the short term but also over the medium to longer term, In light of this mix shift and potentially structural change in demand?

Second question also on cash for Richard, please, or senior management. You outsource your cash savings operations. What is the strategic rationale for outsourcing this? Could it make strategic sense to acquire a provider, your own provider of that business?

And then finally, on cost. So, you've guided to 3-5% per annum in Adviser and interactive investor. I guess conceptually that makes sense to me for Adviser. I mean you are the market leader; you've done a large IT migration. But for ii, you are not the market leader. The market leader has some challenges and I guess that also results in some introspection on their part. Surely now is not the time to limit cost growth and try to take market share? Thank you.

Richard Wilson: Thank you. So firstly, on the question of cash balances. Today, ii's cash balance is around £5.5 billion. And what we saw in the latter part of 2022 and '23 were

[1] ii SIPP customer growth was 21%

two things. Number one, there was an adjustment to cash levels given there was significant 'risk off' early in '22. And then subsequently there was a rotation into fixed income and money markets, as you pointed out. An example of that, I think in '23 we had an increase in gilt holdings of around a billion. Most of that rotation had completed by the end of the third quarter in '23, and we are now seeing a more steady level. Compared to some other platforms that you may have heard of, the change in cash balances is much more muted compared to theirs.

To be exact, in terms of our cash levels, on the general trading account, the cash level is 7%, on ISAs it's 8%, and on SIPPs it's 12%.

We have year on year, in terms of assets, SIPP asset growth of 30% - based upon 20%+ of compound growth. And in the GIA and ISA wrappers, about 8% growth. So, we expect the overall growth to continue in cash balances, albeit you're entirely right that as choices improve, there's greater efficiency in the marketplace, there will be more discerning choice.

The gilt trade clearly was driven by the capital gains free treatment of the discount. Its heavily dependent upon the very low coupon gilts out there and of course only really works in a trading account. There's no real tax benefit in the wrappers. So that trade, we're not seeing a great deal of movement increasing into gilts since the 2022-23 rotation.

In fact, compared to December we had £1.5 billion of gilt value, we've now got £1.55 billion, and that was largely for people folding the January '24 gilt into January '25.

So, we monitor all these things very, very closely. We're now seeing generally a move back to a more orderly, stable marketplace through what was a very dramatic period of interest rates.

To the excellent question around investment. Thank you for that. Well, what we said back in June last year was that we were going to be more assertive in terms of product, tech, marketing and brand. And we've always known that we've had a deficit in brand awareness, which clearly, as you move to a broader audience, is very inefficient in terms of acquisition. So as some of you may have been badgered by, we've launched a series of programmes including advertising. The good news from that is that in January we've seen an unmistakable increase in brand awareness. I won't give the number, but it's a fairly dramatic increase in awareness. And we're now seeing SEO [search engine optimisation] cannibalising PPC [price per click]. That's a good thing. And we've invested very hard in rotation to organic capability. So, we've built what I think now is the best commercial team in Europe who specialise in all of these fields.

We moved on price in the third quarter, and we've got a very full product pipeline in 2024, which is delivering throughout the year. We're still super cost conscious. It's very easy to spend money and part of the culture in our organisation is always to regard this as your own business. So, we watch that like a hawk.

The long-term stat that I worry about is our overall cost on AUA. We're currently running about 18 basis points. That's a high watermark for us and we expect to drag that down over the cycle to more towards 15 basis points, which is I think, the efficient frontier for our business. But we're investing as hard as we can and, in fact, we can't really achieve a great deal more in terms of our marketing spend currently because the channel fills before we get to an incremental increase in customers, i.e. the channels are constrained so you can only achieve so much. So, in fact, we've outperformed in January-February to the extent we've had to dial back on our marketing.

In terms of customer acquisition that's running at roughly two X what it was period for period last year. SIPP acquisitions is running at two point something X. And in January our net SIPP inbound transfers were 40% higher than our all-time record in the frothy first quarter of 2021.

So, we're seeing on the one hand an inescapable view that the rotation to organic has been delivered. But we're not interested in spending large CapEx to deliver incremental growth. This is about leveraging technology capability and data capability.

To your point around the deposit service, we partner with Flagstone to provide a cash deposit service, and a number of platforms partner on that solution. One [platform] in particular have spent a good ten years building their own in-house. Our overall strategy in terms of capability is to focus on what we are very good at and if we can find high quality partners to work with, irrespective of the field, we'll look at that very carefully so that we don't try and pretend that we'll master all parts of our sphere.

That's an ongoing process, but we're comfortable with our current position.

Hubert Lam, Bank of America: First, on capital, I think you mentioned you have £1.5 billion of CET1 capital. Can you talk about how much surplus you have, including a margin buffer?

Second one is also on capital. I think there's been discussion or hopes that you could reduce your capital requirements with the regulator. Is that process over? Just wondering what is our potential to go down further from where we are today? Any progress around that?

And final question around capital, with the answer you're going to give me about your surplus, it was mentioned that you're looking at doing bolt-on M&A. Is that something that you are actively pursuing, and is that going to be pursued over buybacks?

And one last question on the Investments revenue yield. I know that's come down; the exit rate is 22 basis points. You're saying you expect that to come down further this year, given the passive shift, wondering where do you think it would stabilise for this year?

Jason Windsor: I think the balance sheet is well set up. I don't see a huge amount of excess capital. The regulatory surplus is just over £800 million. We are not going to be pursuing one-off capital returns.

We are going to invest in the business, as I said, in transformation costs, in particular, with the £150 million going in there. The key objective is to improve organic capital generation and get value out of that investment.

So don't be expecting significant one-off capital returns. That's not in the foreseeable plan. Of course, if we did take the judgment that we had excess in the future, we would do that. But the primary objective right now is to invest in the core business and maintain the dividend.

I do not foresee regulatory or any other form of change in the capital base. I think let's put that one to bed.

In terms of M&A appetite, we might have some, it would be selective. We've done a few divestments; we bought a few small things. Stephen talked about Tekla there, which last year was the last significant thing that we acquired. We might look at something that is smallish, but the appetite is modest. There's nothing that we need to forewarn or foreshadow here on that topic.

The core part is investing – as Richard was just talking about - in the core business. What the guys in the front row are absolutely focused on is the organic growth of the core business.

On the revenue margin, on the investments business, you're right, it was 22.4bps in the first half. I think you surmised it was 22bps as an exit rate, and that is probably not far off the guidance for the second half. I don't want to get too drawn into it because I could get caught out by markets whipsawing around as long-dated fixed income outperforms high yielding equities. That changed more than I think we thought last year. But I think for the foreseeable future, something around that just under 22bps level is a pretty reasonable line in the sand.

Mike Werner, UBS: Two questions, please. First, you mentioned there was quite a lot of risk aversion in the fixed income space this year with money going into money markets. Some of your competitors have indicated that flows, and fixed income flows in particular, year to date have picked up quite substantially. I was wondering if you've seen that or when you might expect to see a reversal of what we saw in 2023.

And then the second question on the Adviser business. This is the first time I think we've seen the SIPP redistribution agreement with Phoenix in the P&L, in the second half of this year, and I think it was about £15 million. Can you let me know how we should think about that going forward? Is that a full half run rate? Were there periods in there where you didn't benefit from that? Just trying to think about that line item going forward. Thanks.

René Buehlmann: [On fixed income] if you look at industry, cross-border flows, January was actually still net negative out. However, there are green shoots. Fixed income investment grade for the first time was positive and it's maybe worthwhile to highlight the outflows overall were at the 11-month low. So, it's starting to trend.

If you look at our pipeline, RFPs in the organisation were up significantly, so absolutely there is interest coming back and our pipeline around fixed income is very solid. So yes, the trend will turn, hopefully. I think the volatility in the market is obviously what will trigger these decisions. But I think as we highlighted earlier, our fixed income business is very well positioned in that space. So, we definitely anticipate to participate when this will turn.

Jason Windsor: On the way that we presented the SIPP, it's not completely new. It's been part of an extraction, from Phoenix Standard Life, which has taken far too long. So, it's now in, in anticipation of the SIPP product becoming our own product on our own platform, which will be a 2024 event. The way that that agreement has been set up has moved effectively from a netting of restructuring costs of £15 million revenue into the Adviser segment in '23. And that will continue. It's not a one-off thing. It will continue into 2024 and beyond. We're obviously quite optimistic about the growth of SIPPs, both within interactive and within Adviser.

Andrew Crean, Autonomous: Three questions. Firstly, the staff pension scheme, if you've got clearance from the Court of Session, the trustees want to do it, you want to do it. How much is the surplus on a buyout basis versus the £0.7 billion after tax and when will the trustees press the button on that? Is that in the next 12 months?

Second question in terms of your cash margin, if base rates go down to 3%, what happens to your margin?

And then thirdly, the company has always laid out a capital buffer of £0.5 billion. You're now telling us that's £0.9 billion or above. Why have you moved the buffer up and therefore cancelled the opportunity for buybacks?

Jason Windsor: So, the pension scheme is obviously in significant excess. IAS19, as I said on the slide, £0.7 billion, which is after tax. That's not an economic figure and I'm not going to give you a buyout figure. It's not something that we have. But typically, they are lower than that. I've got a bit of a track record in this game. The opportunities are not lost on me. Let's put it like that.

The consultation that came out the other day could be interesting as a different way of extracting surplus. Depends on the way that goes, the way that trustees adopt it and the various protections that are provided to trustees. It is likely an external de-risking could produce extra value. And that's something that we've got the, as you say, the authority from the court to attribute the surplus. We've got an arrangement to do so. We need to think through other things and jointly partner with the trustees, to take that step, but we've not made that decision. But as I said, that's something that is on the cards for 2024. I think that's reasonable. You know, I think we need to have a good look at it during the course of this year, subject to markets.

Cash margin - I think down to three-ish percent we can continue roughly with our current level of return. I think once you get below that, we'll see when we're making 2.3%, it starts to bite a little bit. But you know, all the way back down to that sort of level, we think the current guidance holds, and we certainly wouldn't expect that this year, maybe not even next. And who knows, we could continue to be reasonably comfortable with the sort of level that we're at today.

In terms of management buffer, I didn't say I'm comfortable with £800 million surplus, that's just the figure that we have. We're not going to run it down to that level. We've got quite a lot of debt, covering that, which is why I've tried to turn from talking about regulatory surplus to talking about Tier 1. I'll probably find more words next time I stand up to articulate where we are and the way we think about risk appetite across the balance sheet.

We feel comfortable with the balance sheet as it sits today. We're going to make investments from it, you know, which will take up capital. We're going to maintain a pretty healthy dividend. So, we've got pretty clear on uses of capital, sources of capital. And the stock is in a good place. But we're not in the place where we want to say we have excess capital we're going to return.

Charles Bendit, Redburn Atlantic: First question on the cost savings. You mentioned you're expecting a £60 million net reduction or absolute reduction in the group cost base in 2024. What's the same figure for the £150 million gross cost savings programme as a whole? So, put another way, how much do you expect the cost base to be lower by in absolute terms over the implementation period?

Second question is on Phoenix, wondering if you could go over the agreement there again. So, it sounds like there's been a rotation out of active strategies into passive, and this is revenue margin dilutive, and you're expecting that to continue. Is there a floor below which Phoenix can't go in terms of active allocation or could they go to 100% passive? And if they do, what's the end point revenue margin for that business?

And then third question, this is on personnel. As part of the cost reduction efforts, I noticed the variable comp ratio is lower this year than last year. And wondering whether there has been, or you anticipate, any impact on employee retention and how you're thinking about this risk?

Stephen Bird: So let me take the last part first. We've actually had an improvement in retention in 2023 versus '22, quite marked from about 11% attrition to 8.1% attrition in '23. We have supported our colleagues very strongly over the last three years through various different mechanisms, whether it be incentive comp, whether it be in restricted stock units. And this year we've actually announced the restricted stock plan, which also supports long-term retention, a significant restricted stock plan.

So, we are very aware of the need to support our top talent. We've attracted a lot of top talent. As you know, we attracted René, Xavier [Meyer, Chief Client Officer], Peter Branner, the CIO, and when we acquired key businesses with talent in it, such as Tekla, we retained that talent and mixed it into our equities team. For example, the Tekla team, sitting in Boston, are very happy to be here. And they're now collaborating with the rest of our fund managers because, although we didn't have a health and life specialty, we actually already owned quite a lot of health firms. So now we're sharpening our understanding of what we own.

And so, we're very aware of it. And improving profitability means that we will be able to pay more. But this is a reality across the whole space. We're not alone in this, I'm not going to call out competitors, but you've seen the headlines, there are reductions right across the street.

Jason Windsor: So, on the costs, I think we've being pretty clear about 2024. £60 million benefit from the programme and, coincidentally, it's £60 million for group cost which is a little bit of growth in ii and Adviser offset by some of the divestments that we talked about, discretionary and private equity. So, approximate guidance for the year, group op ex £60 million lower, that's coming from the reduction from the programme. We expect to hit the run rate of that programme £150m by the end of 2025 so going into 2026, £150m lower.

The call out of cost growth is what we just talked about with Richard, this is around 3-5% growth in interactive and Adviser. If we do better, we'll do a bit more, if we don't do as well, we'll save a bit more. We'll see how it plays out.

But I'm not going to get into any more detail. I think I've given you enough, hopefully helpful, guidance as to how I see that developing. There'll be a lot of events between now and then. But that's the way we're thinking about taking that out. And again 80% of that £150m is aimed at the Investments business, but mainly in the support services, so in terms of the segmental P&L, £120m or so coming through the Investments side.

Stephen Bird: So let me talk a little bit about Phoenix. Let me characterise it first and then hand it to René. When I got here, my very first priority was our largest client. I spent time with Andy because at that point we were actually in a legal dispute with Phoenix.

We wanted to have a strong relationship, a growing relationship where we were supporting them as investors. You'll recall that the output of that was that we renewed the Phoenix investment management agreement, until 2031. My concern was this business had lost Lloyds/[Scottish]Widows. I wanted to make sure that the largest client was in for the long haul. We've done that.

We've actually surveyed Phoenix at multiple levels, and they've told us that the relationship has never been better. So that's really important because that's a reflection of the fact that myself, René, Xavier, Tom Frost [Head of UK Institutional], Bob Cast [Head of Insurance Partnerships], every level we are focused on: Can we help them grow? How are we helping them grow?

Workplace pensions - Phoenix were struggling initially with workplace pensions and we had already sold, my predecessors had sold, Standard Life Assurance to them, but we'd kept using the name Standard Life. We repatriated Standard Life to them, to make a competitive workplace proposition.

And now you just saw this year the growth in workplace pensions. Phoenix are doing a great job growing workplace - a combination of the whole value proposition, tax efficient, passive funds, engineered by us, plus a strong brand. They win, we win. So that's our focus, making sure we do that. BPA [bulk purchase annuities], we are the recipient of the bulk of the BPA business that they win.

So, we're doing the right things, engineering both parts of this partnership to really be focused on growth. You're right, Phoenix, along with everybody else, has rotated out of large cap equities into more efficient investing. We took most of that pain last year and so that's the frame of the relationship from me. René, you want to talk a little bit about it?

René Buehlmann: Just to highlight, I think, performance in the respective areas, it is critical, where they go active and passive. As long as we deliver performance, obviously they will stay active. You have seen also that we report our AUM is actually £11 billion higher at the end of the year than last year. So, we start the year at least with a higher AUM basis.

On the margin basis, you have seen 10.5bps last year, this year we have said 10bps, maybe slightly lower. So, we don't see a significant change of margin. And key is what Stephen highlighted, the collaboration is really very constructive. If we have issues on performance, we have a discussion around it. So, this is a strong collaboration.

David McCann, Numis: A few questions for me. Just to come back on this treasury income interest spread point. I hear Richard's well-made point about how you're viewing it. I just wanted to clarify, this view that it's your treasury income, is this a view that the FCA has concurred with? Have they confirmed they are happy with that approach? Or is it still something you'd expect to have to spend time with them on?

Secondly, on this Phoenix SIPP distribution fee question. Can you give us some colour or guidance on what you see as the run rates revenue margin for the Adviser business as a whole? And what you would see it after the SIPP business comes on completely?

Then finally, can you give us some guidance on what the adjusted effective tax rate for the business should be? Because again, it's coming well below the UK statutory rate. Thank you.

Stephen Bird: First of all, regarding the FCA, obviously the FCA's process was to send out the Dear CEO letters, receive them back, with the entire industry. That is an ongoing and active thing. We have played our part in it. We've got a very constructive and open relationship, as you would expect, with the regulator, but I really can't comment further than that.

Jason Windsor: I wouldn't say much more on the SIPP distribution. I think we would call out we've got £15 million this year. That is not a one-off, that is a reset of a baseline, likely to drift up slightly during the course of 2024 and into '25, depending on how successful we are, frankly.

The tax rate this year was up, but it's still below the corporate tax rate, I think it was 15% effective level. There was a whole heap of deferred tax assets and the like and I think I would just guide that this is likely to trend back toward more normalised levels across the whole group depending on where we make profits.

It could be just below 25%, that is probably a decent place to draw a line in the sand for guidance. Albeit there is a bit of volatility in that depending on the way the tax rates move across the piece.

Greg Simpson, BNP Paribas: I hear what you say about the market being tougher, but some of your listed peers are still having net inflows or flat flows at a slower pace. So, what's it going to take to turn flows around there? What's the timeline on this AdviserOS upgrade and getting Advisers on board with that?

And then the second question is around ii client growth, you mentioned 5%, for 2024. Does that include the transfers from Investments, I think you mentioned you have some coming through? Is that inclusive of that or on top?

And thirdly, just a quick check on the Investments flow messaging. Was it that you're expecting gross inflows to be up year-on-year but are you still budgeting for net outflows. And then any areas you're concerned about in terms of client redemptions in the pipeline? Thank you.

Stephen Bird: So, I will just talk a little bit about the investments market. I go to lots of events with my peers in this space and the whole industry is expecting tepid growth, about 2%, in 2024. But it's an election year. There's very high geopolitical risk. We still have two wars underway. We've got great uncertainty about inflation. So, nobody knows.

What we know is that our probability weighted balance between won-not-funded and lost-not-yet-redeemed is in favor of the positive pipeline. That's what we know.

We know that we've improved our position in the market, every year since the merger. Is this the year it turns? There will be a year it turns. René, do you want to talk about it?

René Buehlmann: I think to be very honest, what we see when you look at our pipelines: fixed income our highest asset pipeline; we have a very solid pipeline on alternatives. Equities is the question of clients, do they come back to 'risk on' or not? I think our wedge between high conviction pipeline and assets at risk is positive. Our wedge in terms of assets at risk versus won-not-funded is positive. So, I use the words - cautiously optimistic.

Noel Butwell, CEO Adviser: Thanks very much for the question. The market was the toughest market, I think, in platform history. We had the lowest level of ISA sales in 14 years. Q3 was the worst on record for net flows before Q4 trumped that and became the worst. So, it's the worst year on record and you'll see that play out.

I think we saw a 65% reduction in net flows directly linked to the increasing rate environment, increasing inflationary environment, etc. But I think to your question, what we also saw then was an increase in outflows. The market went from what I think was about 7.4% up to 10%, the value of AUA. So that was an industry increase right across. We went from about 7% to 11%. So slightly higher.

Part of that is driven by the fact that we're one of the biggest providers in the market. We've been here longer than anybody else, and our average age [of customers] is a bit higher than some of our competitors. And so it's more pronounced in times such as these. Now, a big part of our future strategy - you mentioned AdviserOS - is how do we attract more new clients, as Stephen referred to, as part of our strategy, but also new customers.

So, the next phase of our upgrade is the launch of the on-platform pension that will come with a Junior SIPP, and like the Junior ISA, that will be zero charges. There's no charge at all for Junior SIPP or Junior ISA. We've got other plans in place in terms of how you actually manage family wealth and linking that and some of the pricing stuff that we're looking to do.

But in terms of the outlook, I think as far as the market is concerned, I think H1 will be very much like H2 for the short term. That said, I think the 11% [long-term] realistic outlook I think is appropriate in my opinion.

Richard Wilson: So, the growth numbers are purely organic; and we have an adjusted net figure. If we acquire a book of business, as we've done in our M&A history, we don't include those numbers in our organic numbers. Nor do we include - as we assimilate the book there's usually excessive churn as you have customers, some who wouldn't be necessarily rational customers, and you agitate the book, so you have elevated churn – so we exclude that, and we also exclude exits or divestments. We're trying to adjust for what's a pure organic number so it's always comparable period for period. And the specific question, the book migrated in December, around 5,000 names, that's not a substantial book, that's excluded from our growth numbers.

Stephen Bird: That brings the presentation to an end. I want to thank you very much for coming in. Thank you very much for your questions about the company. Adapting and growing and building is tough, especially against the headwinds. But, as you can see, there's a lot of new faces here. It's a different company from three years ago, and this team is very capable of executing against it.

Thank you.

ENDS

This transcript reflects best efforts to record the details of the call, there may be some errors.