

# **Proposed acquisition of interactive investor**

**Enabling clients to become better investors**

# Builds leading position in high-growth UK market

Proposed acquisition of interactive investor for total consideration of £1.49bn



Acquisition achieves scale in the high-growth direct investing market, accessing new customer segments and capabilities



interactive investor is the UK's leading subscription-based direct investing platform and consumer champion



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



Shared vision of a combined high-tech, high-touch model that meets clients' financial needs throughout their lives



Optimal deployment of our capital to drive sustainable growth, returns, scale and shareholder value – transaction is expected to be double-digit earnings accretive<sup>1</sup>

  
abrdn

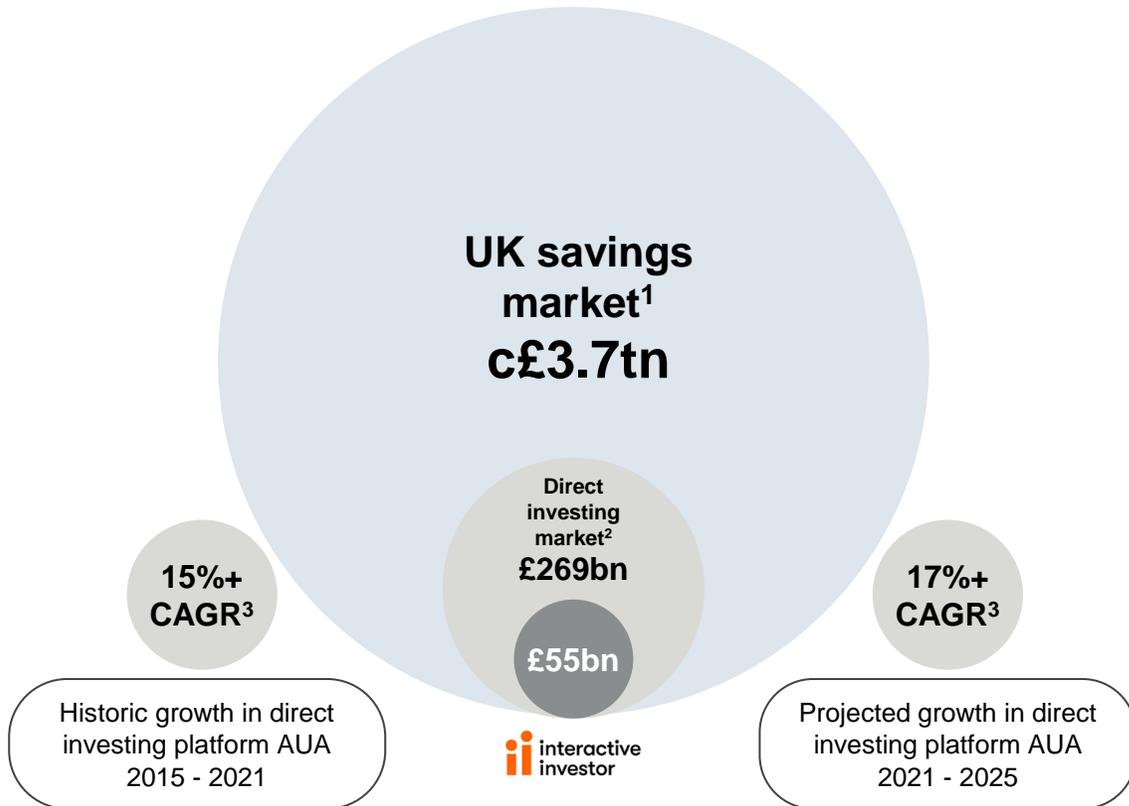


 interactive  
investor



# Scales access to high-growth UK savings market

## Assets Under Administration



## Growth drivers

- 
**Democratisation of wealth**
  - Increased personal responsibility for financial futures
  - Wealth distribution shifting in favour of younger demographics
- 
**Digitalisation**
  - Increased adoption of digital channels by retail investors
  - Better technology and services improving accessibility
- 
**Value for money**
  - Increased price sensitivity among retail investors
  - Newer pricing models gaining share in direct investing
- 
**Wealth transfers**
  - Shifts of capital from DB to DC retirement schemes
  - Intergenerational wealth transfers
- 
**Changing client behaviours and needs**
  - Accumulation vs decumulation
  - Confidence to make own decisions vs need for expert advice



# Introducing interactive investor



UK's leading subscription-based platform with high-value customers



Data-centric open-architecture platform helps drive customer engagement and acquisition



Building growth momentum through increasing customer numbers and activity



Attractive financial profile with strong revenue growth and significant operating leverage



Highly experienced management team led by CEO Richard Wilson

£55bn  
AUA

**No.2**  
UK direct investing platform by AUA

**20%+**  
Market share<sup>1</sup>

**400k+**  
Unique customers

**45k+**  
Organic new customers

**17%**  
Net flows<sup>2</sup>

£133m  
Revenue<sup>3</sup>

**£46m**  
Adjusted profit before tax<sup>4</sup>

**34%**  
Adjusted profit margin<sup>4</sup>

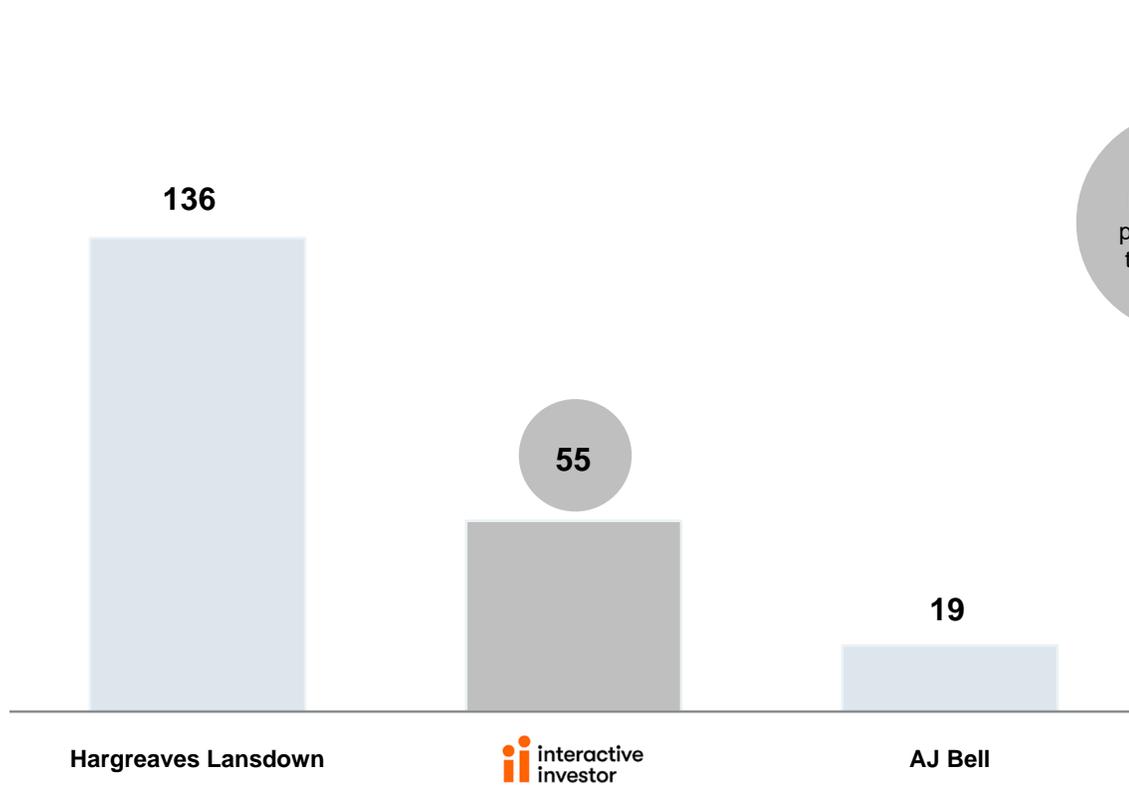


The UK's leading subscription-based digitally-enabled consumer champion in the direct investing market

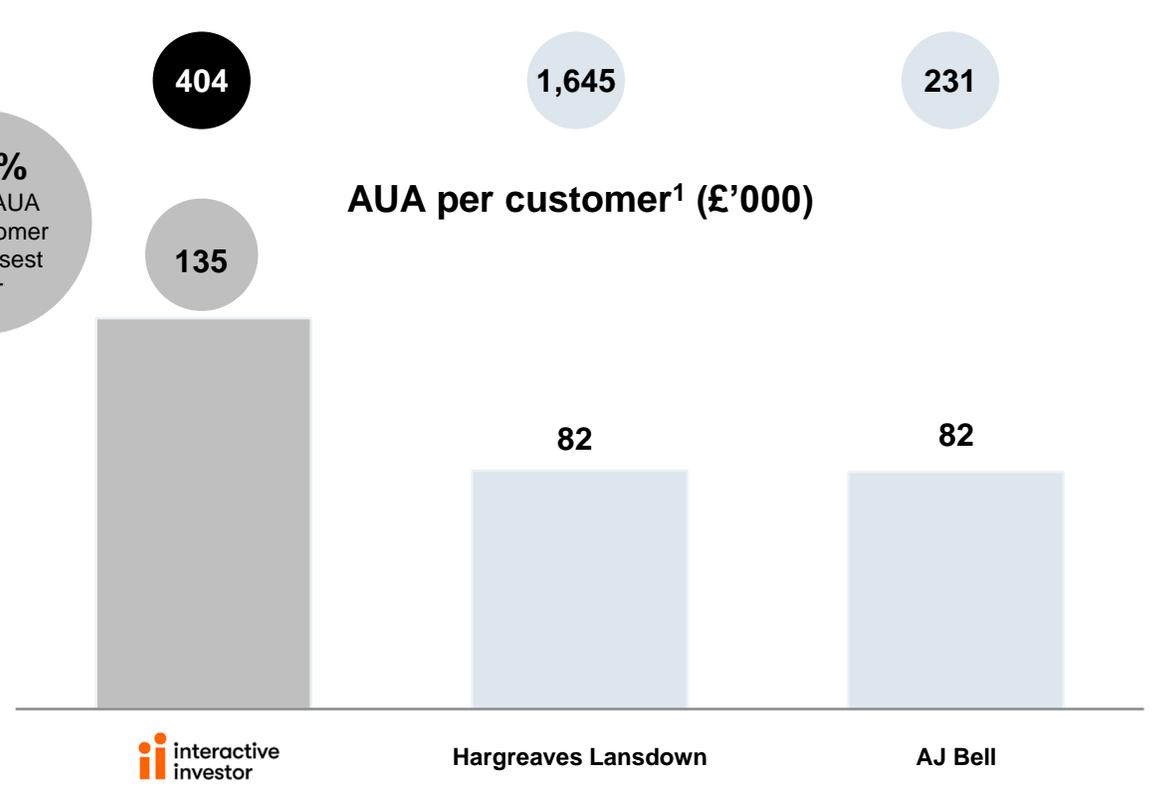


# Leading subscription platform with high-value customers

Direct investing platform AUA (£bn)

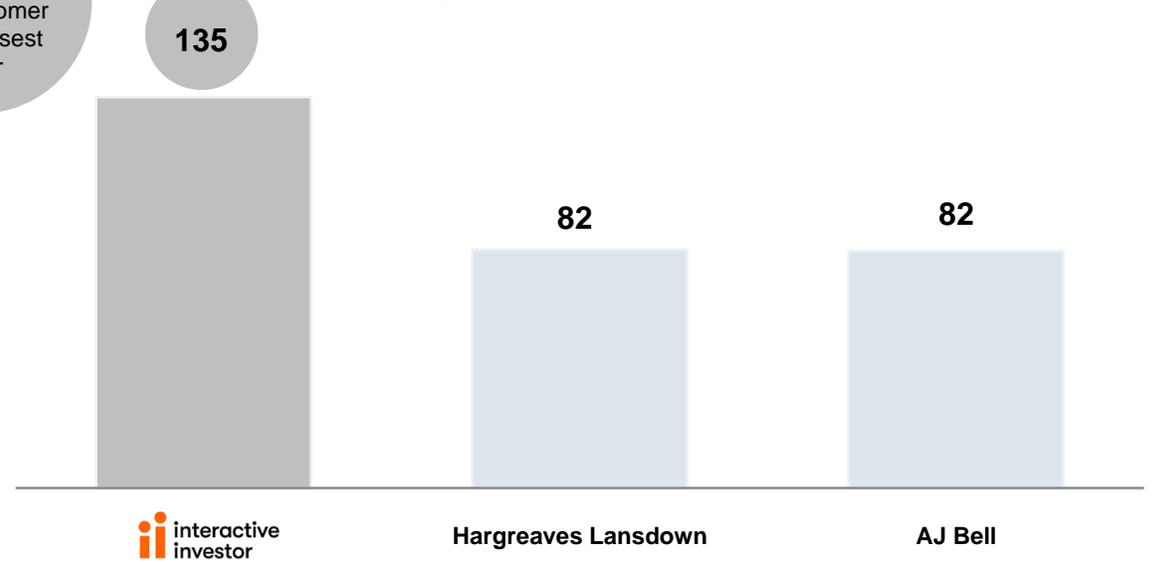


Number of direct investing customers ('000)



**c64%**  
higher AUA  
per customer  
than closest  
peer

AUA per customer<sup>1</sup> (£'000)

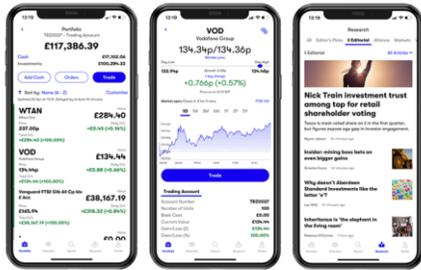




# Insight, engagement and simple pricing model

## Customer engagement and experience

Digital functionality drives customer engagement, underpinned by data insights and AI to better serve customers



Enhanced user experience delivered in 2021

New mobile app



New desktop rollout



New website



## Customer-centric pricing

Attractive range of fixed fee subscription bundles with discounted trading fees

Investor

**£9.99**/ month

1 FREE fund trade per month

Funds Fan

**£13.99**/ month

2 FREE fund trades per month

Super Investor

**£19.99**/ month

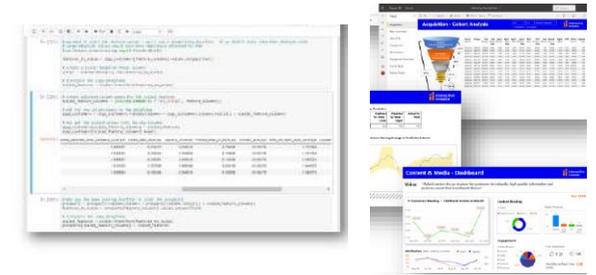
2 FREE fund trades per month

Add a SIPP for

**£10**/ month

## Customer acquisition

Cutting edge data stack drives customer acquisition and personalisation



Improving customer acquisition through current and future initiatives

'Friends and Family'



£5/ month

New cash savings product



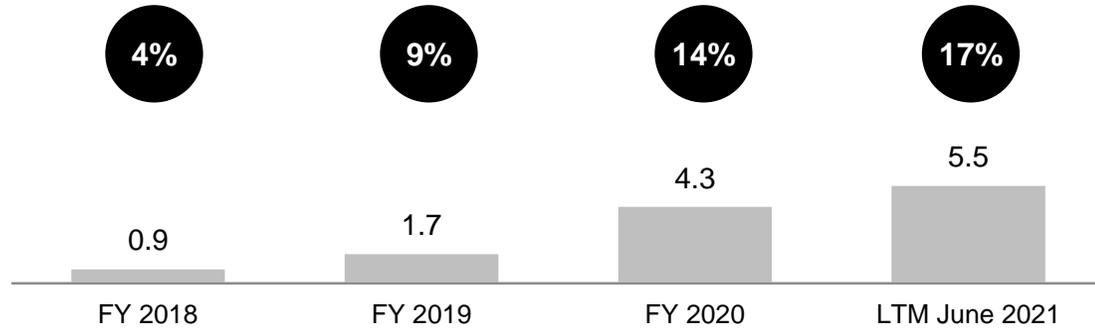
New pricing bundles



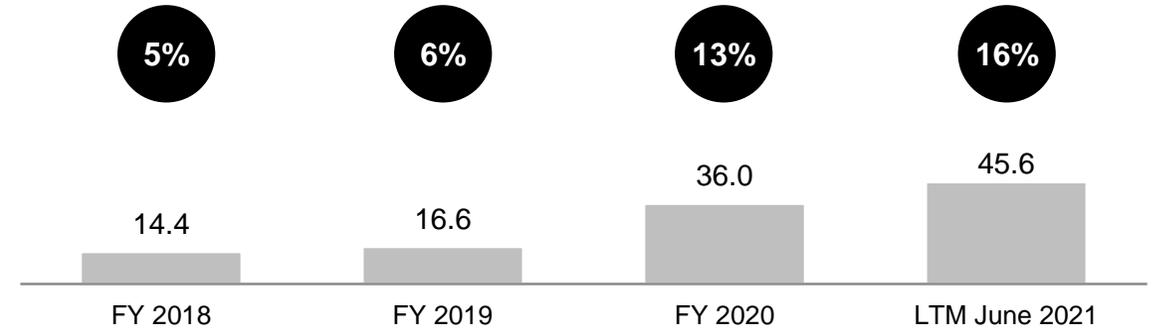


# Growth momentum with increasing client activity

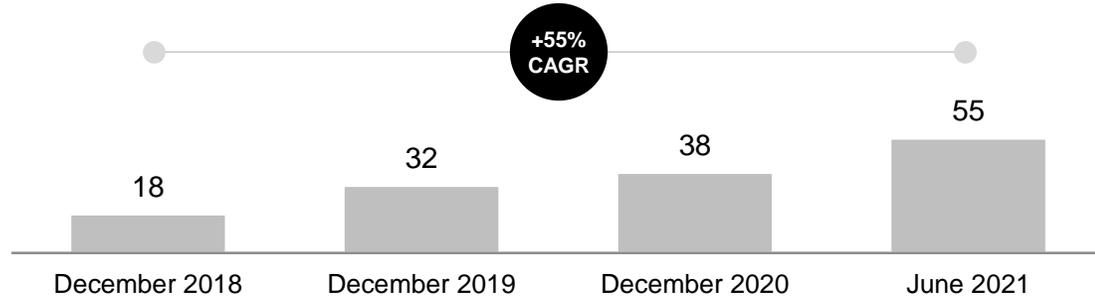
### Net flows (£bn) and as a proportion of opening AUA



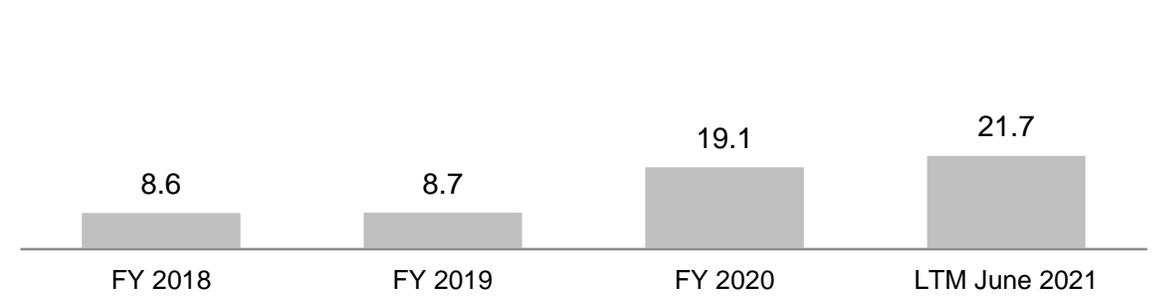
### Organic new customers<sup>1</sup> ('000) and as a proportion of opening customer base



### Total AUA (£bn)<sup>2</sup>



### Daily average retail trade volumes ('000)

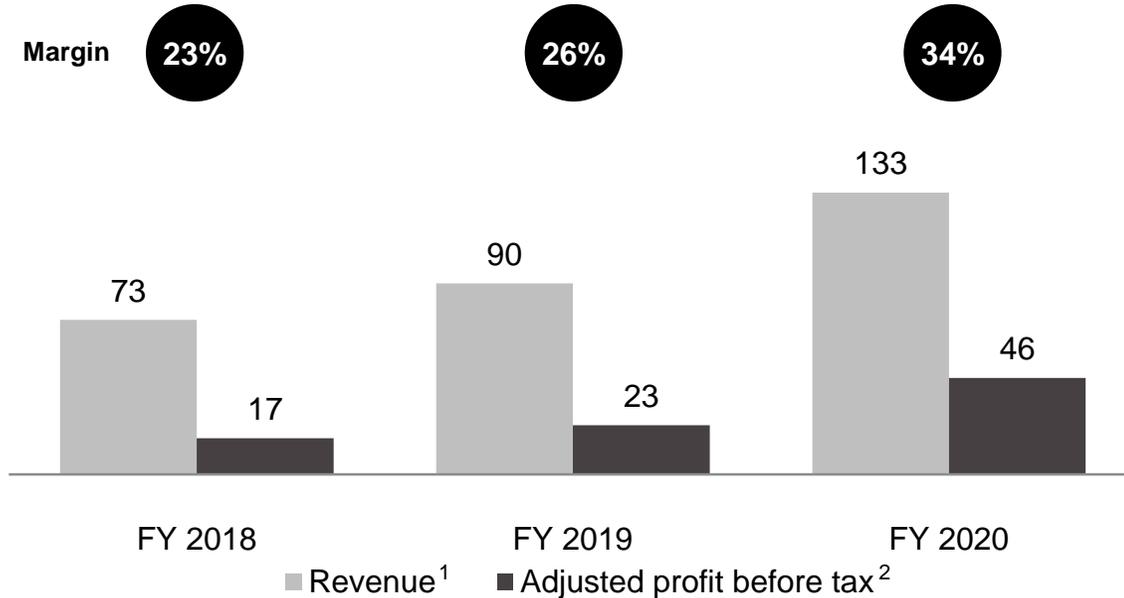


**Customer activity and engagement remain significantly above pre-pandemic levels**



# Attractive growth and efficiency profile

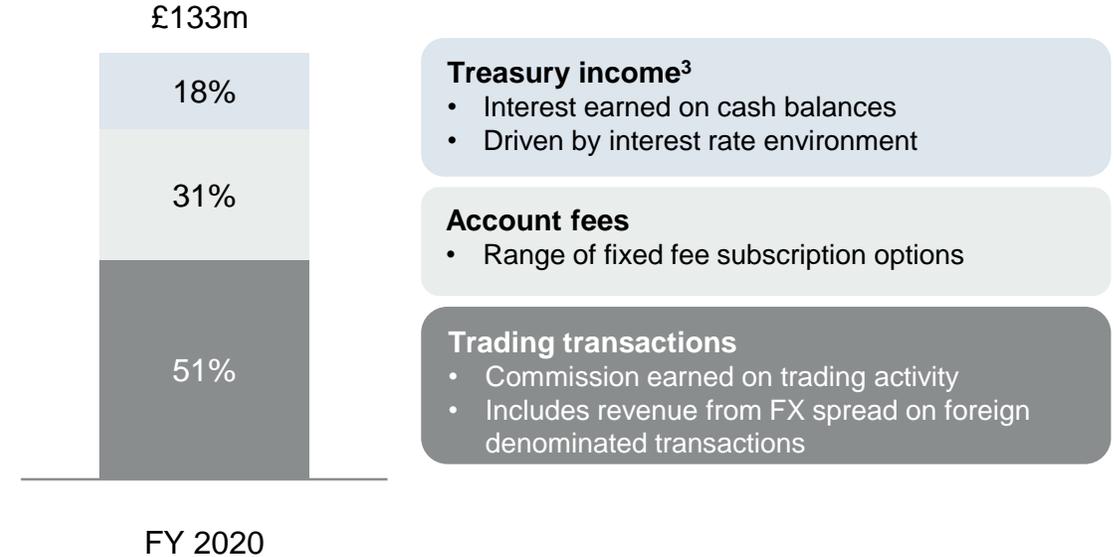
### Revenue and adjusted profit before tax (£m)



**Large proportion of efficient straight-through processing allows significant scaling in customer numbers and activity**

**Strong operating leverage is incremental to abrdn's target cost/income ratio of c70% exiting 2023**

### Diversified sources of revenue



**Revenue growth largely driven by subscription fees and customer activity, not AUA**

**Projected revenue growth complements abrdn's high single digit revenue growth target<sup>4</sup>**



# interactive investor transforms our Personal vector

	Personal vector	 interactive investor	Illustrative pro forma combined	Personal vector +  interactive investor
Fee based revenue	£83m	£116m <sup>1</sup>	£199m	More than <b>doubles</b> our revenue
Adjusted operating profit	£3m	£41m <sup>2</sup>	£44m	Transforms our profitability
AUMA	£14bn	£55bn	£69bn	<b>c5x</b> increase in our AUMA
Net flows	£0.4bn	£5.5bn	£5.9bn	<b>c15x</b> increase in our net flows
Customers	c26,000 <sup>3</sup>	c404,000	c430,000	Significantly expands our addressable market

**Significantly expands our addressable market and creates a step change in our combined UK wealth offering**



# Shared vision of high-tech, high-touch model

 **High-tech investing** 

 **High-touch financial planning** 

## Target customers

Customers with the confidence and appetite to invest directly

Customers with more complex needs and / or larger portfolios, who want help to plan, save and invest

## Core offering

Digital platform offering customers access to self-directed investing across a wide range of investment choices

Financial advice and discretionary investment management largely delivered face-to-face

## Customer experience

Digitally-enabled solution with information to support investor decisions

Aligned with customers needs and behaviours, from high-touch to digitally-enabled tools and content

## Customer acquisition

Data science driven targeted marketing, amplified by family and friends referrals

Client referrals and reputation amplified by unified brand

Committed to interactive investor's standalone open-architecture, fixed fee subscription-based revenue model

Long-term commitment to spectrum of high-tech, high-touch models to meet customer needs throughout their financial lives

Leveraging abrdn's trust, expertise in financial advice, meticulous research and global perspective

Offering value for money to UK customers who are currently underserved

**Together our combined offering provides trust, confidence and compelling value for clients at all stages of their financial journeys**



# Optimal capital deployment for sustainable returns

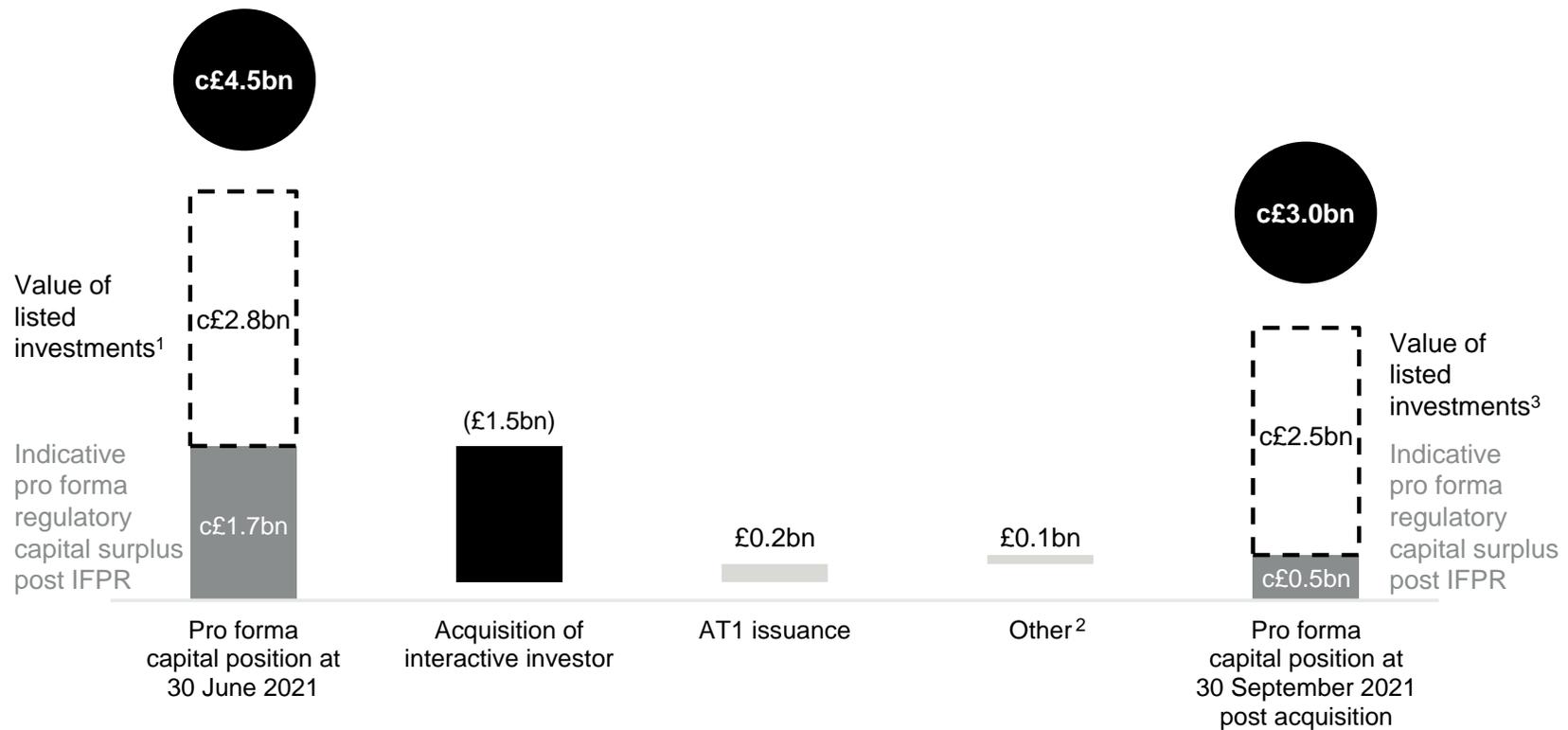
Acquisition funded by **cash**

Issuing **Additional Tier 1 debt** to optimise capital structure

**Strong capital position** – indicative pro forma regulatory capital surplus (post IFPR) of c£0.5bn post acquisition, and c£2.5bn value of listed investments

Continuing to invest in **growth** across all vectors

**Improves dividend cover** – accelerates our trajectory to 1.5x cover



**Pro forma capital position remains strong post acquisition**

<sup>1</sup> Total value of listed stakes (HDFC Life, HDFC AMC, Phoenix) as at 30 June 2021 <sup>2</sup> Other comprises net impact of H2 2021 corporate actions (including impact of HDFC AMC sale in September) and other Q3 2021 capital movements <sup>3</sup> Total value of listed stakes (HDFC Life, HDFC AMC, Phoenix) as at 30 September 2021

# Builds leading position in high-growth UK market



Acquisition achieves scale in the high-growth direct investing market, accessing new customer segments and capabilities



interactive investor is the UK's leading subscription-based direct investing platform and consumer champion



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



Shared vision of a combined high-tech, high-touch model that meets clients' financial needs throughout their lives



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

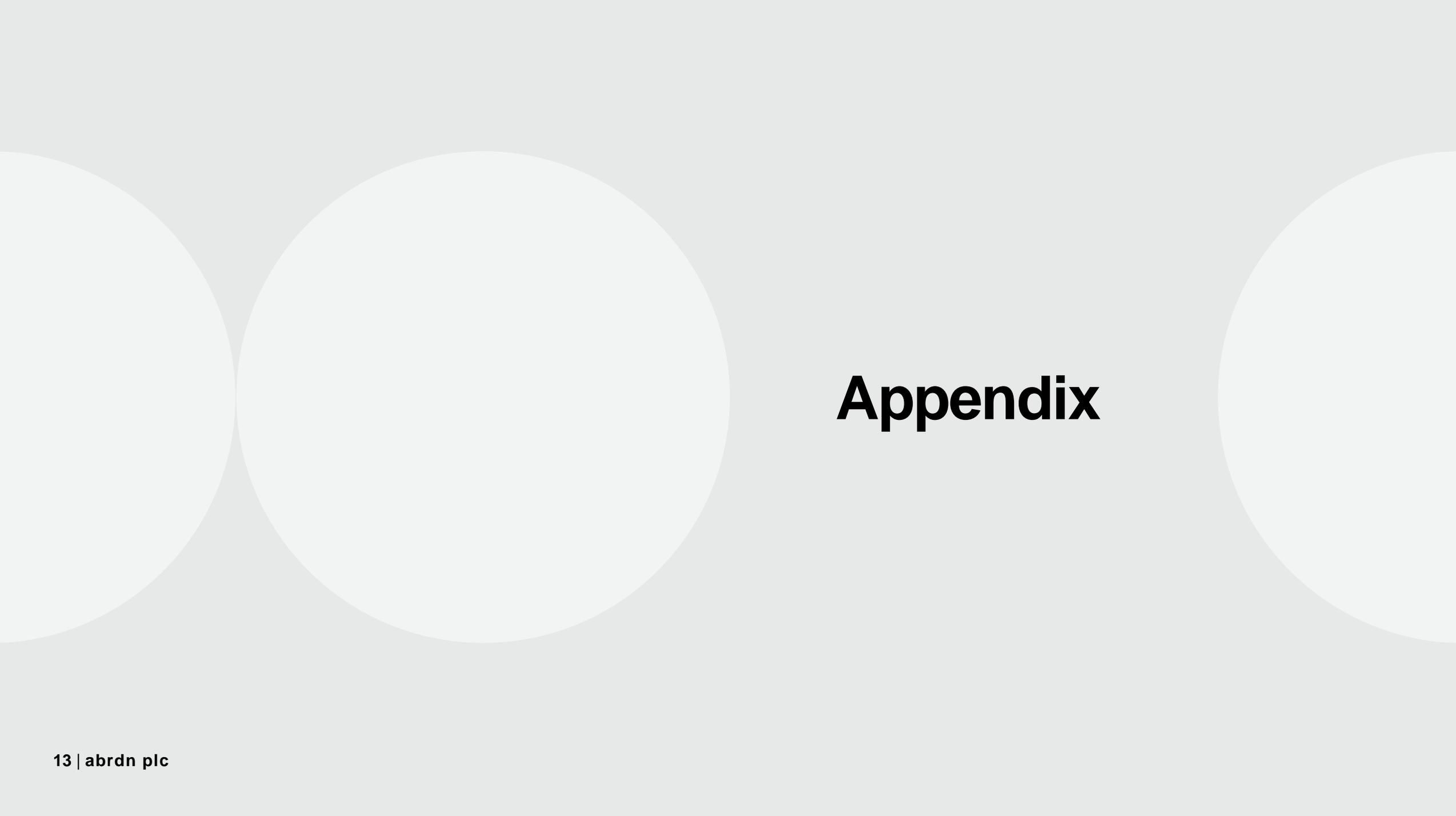
  
abr dn



 interactive  
investor

The background features three large, overlapping white circles arranged horizontally. The circles are positioned such that they appear to be part of a larger, continuous shape, possibly a stylized 'Q' or a decorative element. The text 'Q&A' is centered between the middle and right circles.

# Q&A

The background features three large, overlapping white circles arranged horizontally. The circles are positioned such that they overlap each other and the central text. The word "Appendix" is centered between the middle and right circles.

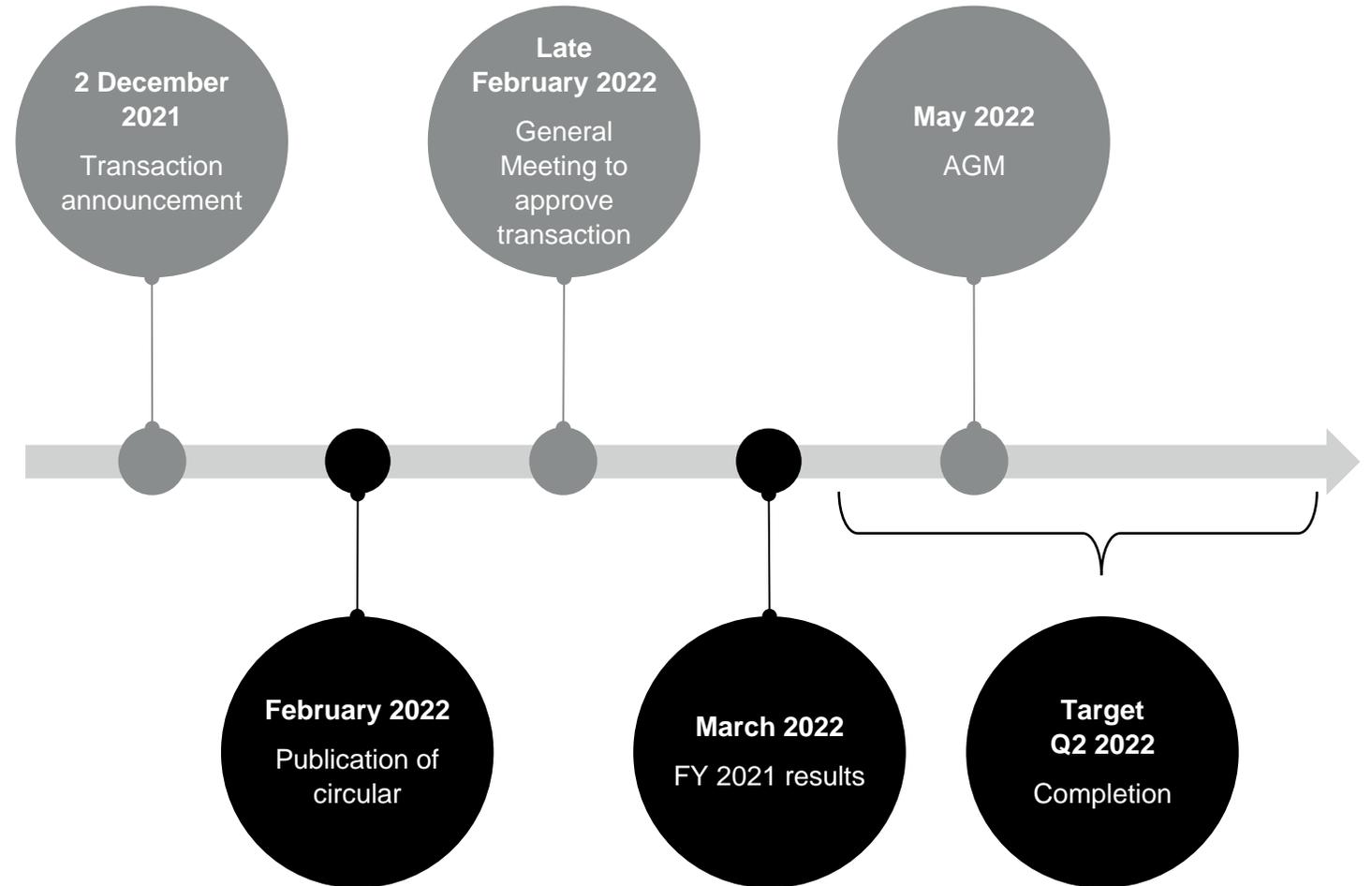
# Appendix

# Transaction details and indicative timetable

Acquisition of interactive investor from its ultimate shareholders, including a fund advised by J.C. Flowers & Co., for **total consideration of £1.49bn**, subject to a locked box adjustment and a regulatory capital adjustment

**Acquisition is a Class 1 transaction**, conditional on abrdn shareholder approval

**Completion expected in Q2 2022**, subject to satisfaction of regulatory and other conditions



# Illustrative pro forma combined financial metrics

	AUMA (£bn)				Fee based revenue <sup>1</sup> (£m)			
	 abrdn (30 June 2021)	 interactive investor (30 June 2021)	Combined	% of combined	 abrdn (LTM June 2021)	 interactive investor (FY 2020)	Combined	% of combined
<b>Investments vector</b>	457	-	457	78%	1,208	-	1,208	76%
<b>Adviser vector</b>	72	-	72	12%	155	-	155	10%
<b>Personal vector</b>	14	55	69	12%	83	116	199	13%
<b>Adjustments &amp; other<sup>2</sup></b>	(11)	-	(11)	(2)%	28	-	28	2%
<b>Total</b>	<b>532</b>	<b>55</b>	<b>587</b>	<b>100%</b>	<b>1,474</b>	<b>116</b>	<b>1,590</b>	<b>100%</b>

# Sources of information and bases of calculation

## In this presentation, unless otherwise stated:

- All financial information presented other than financial information in respect of the abrdn Group, reflects reported results for interactive investor, which is the holding company of the interactive investor Group. Currently, c.95.2% of interactive investor's shares are held by Antler;
- Information on net flows, revenue, expenses and adjusted profit before tax with respect to the years ended 31 December 2018 – 2020 relating to interactive investor is from audited financial accounts at the time of this announcement;
- Information on customers, daily average retail trades and AUA with respect to the years ended 31 December 2018 – 2020 relating to interactive investor is from unaudited management accounts at the time of this announcement;
- Information on customers, net flows and AUA is in relation to customers, net flows and AUA on the interactive investor platform; and
- Information with respect to the 12 months ended 30 June 2021 relating to interactive investor is from unaudited management accounts at the time of this announcement.

# Forward-looking statements

**This document may contain certain ‘forward-looking statements’ with respect to the financial condition, performance, results, strategy, targets, objectives, plans, goals and expectations of the Company and its affiliates. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts.**

Forward-looking statements are prospective in nature and are not based on historical or current facts, but rather on current expectations, assumptions and projections of management about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. For example but without limitation, statements containing words such as ‘may’, ‘will’, ‘should’, ‘could’, ‘continue’, ‘aims’, ‘estimates’, ‘projects’, ‘believes’, ‘intends’, ‘expects’, ‘hopes’, ‘plans’, ‘pursues’, ‘ensure’, ‘seeks’, ‘targets’ and ‘anticipates’, and words of similar meaning (including the negative of these terms), may be forward-looking. These statements are based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate.

By their nature, forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and/or depend on circumstances which may be or are beyond the Group’s control, including among other things: UK domestic and global political, economic and business conditions (such as the UK’s exit from the EU); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions, disposals or combinations undertaken by the Company or its affiliates and/or within relevant industries; the value of and earnings from the Group’s strategic investments and ongoing commercial relationships; default by counterparties; information technology or data security breaches (including the Group being subject to cyberattacks); operational information technology risks, including the Group’s operations being highly dependent on its information technology systems (both internal and outsourced); natural or man-made catastrophic events; the impact of pandemics, such as the COVID-19 (coronavirus) outbreak; climate change and a transition to a low carbon economy (including the risk that the Group may not achieve its targets); exposure to third party risks including as a result of outsourcing; the failure to attract or retain necessary key personnel; the policies

and actions of regulatory authorities; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which the Company and its affiliates operate. As a result, the Group’s actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward looking statements.

Persons receiving this document should not place reliance on forward-looking statements. Neither the Company nor its affiliates assume any obligation to update or correct any of the forward-looking statements contained in this document or any other forward-looking statements it or they may make (whether as a result of new information, future events or otherwise), except as required by law. Past performance is not an indicator of future results and the results of the Company and its affiliates in this document may not be indicative of, and are not an estimate, forecast or projection of, the Company’s or its affiliates’ future results.

abrdn plc is registered in Scotland (SC286832) at  
1 George Street, Edinburgh, EH2 2LL  
[www.abrdn.com](http://www.abrdn.com)  
© 2021 abrdn. All rights reserved.