St. James's Place 2024 Half Year Results Presentation – 30 July 2024 Transcript

Mark FitzPatrick, Chief Executive Officer:

Good morning and welcome to our 2024 half year results.

We have a packed agenda this morning with a lot of ground to cover in explaining how we're performing well and are positioning for further success in the years ahead.
In a moment, I'll set out a high-level summary of the first half. I'll then hand over to Craig to take you through the operating and financial results for the period. Craig will also provide an update on our existing programmes of work around our simpler and more comparable future charging structure and historic ongoing service evidence review. Finally, I'll discuss the business review and what we've completed, and what this means for our future direction.

Before we start though, I would like to take the opportunity to thank Craig who will be retiring as CFO later this year. It's been an absolute pleasure to work alongside him since I joined the business and I've been grateful for his support throughout. We all wish him well for the future. While Craig will be missed, I look forward to working with his successor Caroline Waddington who will join the business in September.

Looking back to February this year, I talked about my initial perspectives, and I also set out that one of my priorities was to continue to get deep into the fabric of SJP. Having immersed myself in this business, and in recent months worked through the process of our business review, I'm pleased to say that my conviction in SJP has only grown stronger.

SJP is positioning for further success, and I'm really excited for the future. At a high level:

- We're the scale market leader in an industry that has embedded structural growth across all market segments.
- We have a distinct business model which will enable us to capitalise on the significant market opportunity, leading to sustained growth in our funds under management.
- This means we will continue to deliver great outcomes for all our stakeholders, including strong and highly visible earnings growth and improving returns for shareholders.

So, onto business performance in the first half. 2024 has presented a mixed environment for UK consumers. On one hand we've seen headline inflation falling, and most economists predict that we're getting closer to an easing in interest rates. This has improved consumer confidence, albeit from a low base. On the other hand, the UK economy is not yet firing on all cylinders and mortgage costs continue to rise for many households, impacting disposable income. It takes time for the full force of inflationary pressure to be felt, and with many households still on fixed rate mortgage deals from before the recent rise in interest rates, this will remain a feature for some time. Therefore, while it has naturally been encouraging to see signs of improvement in market conditions, it's too early to draw firm conclusions on the shape of things to come.

Against this backdrop, we are very pleased with our business and financial performance for the first half of the year. Operationally, it's been a very busy period for us:

- We've completed our business review, which I'll come onto in the final section of this presentation;
- We've made progress on our key programmes of work to implement our simpler and more comparable charging structure, which comes into effect in the second half of 2025, and our historic ongoing service evidence review and Craig will provide more detail on these shortly;
- We've improved our constructive dialogue with the FCA, as we ensure they understand the progress we are making with our key programmes of work, and we all have a clear understanding of their expectations for the wider industry; and
- We've successfully launched our national brand campaign.

From a financial perspective we've performed strongly. Our funds under management reached a record of £181.9 billion at the end of June. This was a result of:

- the continued scale of client investment flows, which improved as the first half unfolded; and
- the continued strong retention of client investments; and
- a positive period for client investment returns.

This highlights the resilience of our model, the underlying strength of the relationships our advisers have with clients, the quality of the advice given, and the long-term nature of our client proposition. Our Underlying post-tax cash result was £205 million, which is in line with the prior year and demonstrates a business in good health and one where our clients continue to recognise the value of quality advice in an increasingly complex world. So, there's been a lot going on, but we're in good shape and are well set for the rest of the year.

Let me hand over to Craig now to talk through the detail of the first half before I come back to discuss the business review and what it means for SJP.

Craig Gentle, Chief Financial Officer:

Thanks Mark, and good morning everyone. As Mark has said, this is my last results presentation as CFO, and I'm pleased to be signing off with a strong set of financials so let's start by analysing some of the detail beneath our flows performance in the first half.

Against the market backdrop that Mark has outlined, our gross inflows were £8.5 billion for the first half, which is 6% higher than for the same period in 2023. Having reported a 5% reduction for Q1, this reflects an increase of 18% for Q2, representing our first comparative quarter growth since 2021. Whilst it wouldn't be right to draw conclusions from one quarter of experience, we're encouraged by these early signs of improvement. This growth has been led by our pensions business which has increased by 14% in the first half, outweighing the impact of modest declines in our investment and unit-trust wrappers which tend to be more sensitive to client confidence and capacity to invest.

We know that many clients continue to feel cost of living pressures including the impact of high mortgage rates, and this has contributed to lower average case sizes. At the same time however, we've seen case volumes continue to rise, reflecting high levels of engagement between our growing numbers of clients and advisers.

Turning to outflows, these remain at an elevated level and cost of living pressures have again undoubtedly contributed to this, with clients drawing upon savings in order to meet immediate needs. We are however encouraged that the flow rate appears to have stabilised in the second quarter, breaking the trend of gradual increases that we saw throughout 2023 and into the first quarter of 2024.

As a result of improving gross inflows and stabilising outflows, we have generated £1.9 billion of net inflows in the first half, once again demonstrating the resilience and strength of our advice-led business model and continuing our long track record of consistent net inflows.

We're very pleased that we've been able to deliver strong investment returns for clients in the first half, and this, together with net inflows, has resulted in FUM increasing by 8% to a record £181.9 billion, with average FUM over the first half some 14% higher compared to the same period in the previous year.

Over the last year we have made some important decisions that have resulted in significant programmes of work that I'll touch upon now. Firstly, we announced that we are implementing a simpler and more comparable charging structure across our entire value chain. This programme has completed its planning and mobilisation phase and is now well into execution and delivery. Our expectation remains to implement the new structure in the second half of 2025, with a total implementation cost of between £140-160 million before tax, in line with guidance we gave in October last year and reiterated in February this year.

In February, we announced that we would be undertaking a review linked to the historic evidencing and delivery of ongoing servicing, and we established a provision of £426 million, before tax, to provide for potential client refunds together with the administrative cost of getting the job done. The project started in March and since then we have built the foundations of what we need in order to deliver this programme effectively. We've therefore put in place the right team, the right systems and the right processes that will enable us to move with pace during the second half and into 2025. We expect to make significant progress with client contact in the second half and start making payments where appropriate.

You'll recall that the provision we made was based on an extrapolation from statistically meaningful data gathered at the start of the year with an estimate of administration costs that I've mentioned. We remain confident that the provision is an appropriate estimate of the ultimate cost and as such, there have been no changes to the provision other than for the IFRS discounting. Finally, I should take this opportunity to remind you that we have not yet taken any credit for amounts that we will recover from the Partnership. We have however now communicated the circumstances under which we expect to recover and once we are able to reliably quantify the recovery we will take credit for it in the accounts.

Moving on to the overall financial results themselves, I am pleased to report a strong outturn for the first half of 2024 across each of our key measures. I'll take you through our Cash result and our solvency position in a moment, and then touch on shareholder returns. I'm not going to cover IFRS and EEV, but information about these metrics can be found in the appendix to the slide deck for those of you who are interested.

So, looking at the Underlying post-tax cash result, this has decreased by just 1% compared to the same period in 2023, despite the significant additional short-term investment that we are making to implement our simplified charging structure. Indeed, if these costs were excluded, then the Underlying cash result would have increased by 11%, representing a very strong outcome given the operating environment. It's also worth flagging that this increase comes despite the impact of the charge cap that we introduced in the second half of 2023 for long duration bond and pensions, as well as the headwind of a higher rate of corporation tax. With a further £49.5 billion of funds in gestation that will begin to contribute to the Cash result over the next six years, we are well set up for highly visible future growth in net income.

Moving on to our financial position, the solvency ratio for our life companies stood at 164% at the end of the period, which is significantly ahead of our approach of holding 130% of the standard formula requirements. This financial strength is also reflected in our credit ratings.

Meanwhile, our Partner lending book remains in good health. This lending activity is an important part of the business model, allowing growing Partner businesses to take on those of retiring or downsizing Partners, supported by loans that are facilitated by SJP. As well as being a key part of our adviser offering, this also ensures continuity of service for clients, enabling us to benefit from exceptionally high retention rates. The loans that we make are subject to prudent affordability criteria and they're secured against the value of ongoing Partner income that emerges on our systems. This means that repayments are deducted at source. Whilst the higher interest rates that we've experienced of late have been inherently unwelcome for all businesses that borrow, the fact that market values have been strong has been a welcome benefit in terms of cashflow.

Finally, I'll comment on shareholder returns. We announced in February that we would be revising our approach, with the expectation that total annual returns will be set at 50% of the full year Underlying cash result. And, for the next three years this will comprise 18.00 pence per share in annual dividends declared with the balance distributed through share buybacks. In line with this revised approach, the Board has declared an interim dividend of 6.00 pence per share, equivalent to a third of the full year total. In addition to this, the Board has approved an interim share buyback of £32.9 million, matching the cost of the interim dividend and representing some 1% of the current market capitalisation. So that's all from me, all in all a very encouraging set of financial results and now back to Mark who's going to cover the outcomes of our business review

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Mark FitzPatrick, Chief Executive Officer:

Thank you, Craig, for walking us through a strong financial outcome for the first half. Now on to the business review. We began this work earlier this year, with the aim of taking a step back to assess the development of our marketplace, hold a mirror up to our business, and ensuring we've got a clear path forward so that we drive great outcomes for our clients and all our stakeholders.

Ultimately, this work has reinforced our conviction that SJP continues to be a very strong business with a fantastic opportunity ahead. As I mentioned at the start of this presentation, we're positioning for further success. However, achieving this won't happen by accident, so let me talk you through the review and what this means for how we plan to take the business forward.

I'll start by giving an overview of our market, and how we expect it to develop in the years ahead. I'll then talk through our strengths, which came through clearly in the review. Finally I'll take you through our future priorities and focus for the business.

So, firstly, our market. We've done a lot of work assessing our market to consider not just what it looks like today, but how it might develop in the years ahead.

What's evident is that the market opportunity is compelling. At a high level, UK individuals today have around £3.3 trillion in liquid investable assets spread across the broad spectrum of client segments. But what's exciting is that the marketplace is expected to grow further into the future, at around 7% per annum compound over the next 7 years, driven by a combination of structural and cyclical factors including asset appreciation and growing provision for retirement. Now naturally, some segments are expected to grow more quickly than others with growth most rapid at the upper end of the wealth market.

The UK wealth management market today is served by a range of different types of providers, from banks to pension providers to D2C platforms. Where we choose to operate is the advised part of the market where clients want and need the support of a trusted financial adviser. While our marketplace has experienced significant change in the regulatory landscape, it's important to recognise that there continues to be strong support amongst politicians, policymakers and regulators for a healthy UK financial advice industry.

Recent research demonstrates that many people in the UK are not saving enough for retirement, and that retirees are running out of money. A recent report states that 38% of people are on track for living standards in retirement that are below the minimum level set out by the Pensions and Lifetime Savings Association. This is up from 35% in 2023, showing the problem is getting worse. Financial advice has a critical role to play in closing this savings gap.

Financial advice supports financial wellbeing, peace of mind and can help turn people in the UK from savers to investors. This is critical given the long-term outperformance of risk-based investing compared to cash and savings rates.

Within that fully advised landscape we are the most significant operator. With our FUM representing around 9% of this £2.1 trillion marketplace, it's clear there remains significant opportunities for us to grow further. There are nearly 4 million mass affluent individuals who are open to advice but are not yet receiving it. Their wealth is not captured within the fully advised market today. We think there is also scope to take share within the fully advised market. This includes at the upper end where we know many individuals can feel underserved by organisations that are moving further and further up the wealth spectrum.

Those drivers of demand are not going away. If anything, they're growing stronger. I will call out three factors which are strengthening the drivers of demand for advice. Individuals feel overwhelmed by:

1. The range of investment products available to them;
2. The plethora of information available via the press, the internet and through social media channels, some of which is misleading and unregulated; and
3. The complexity of the pension rules and frequency with which they change, making it difficult to make the right decision

As a result, we expect the fully advised market to grow significantly as investable wealth moves from unadvised solutions to the advised space, providing even greater opportunity for SJP.

That's a great backdrop for a scale, long-term and high conviction business like ours. We're already well positioned to capture that opportunity and grow our funds under management, because we have a number of key strengths which came through clearly in the business review.

We have the right business model. It's a model that reflects our belief that we drive the best outcomes for our clients by providing them with a full end-to-end service, from financial advice and planning through to platform and administration, and investment management. This approach has helped us attract and retain clients over time, and we're confident that maintaining our commitment to providing a full service proposition will drive continued success. So let me be clear that while we're unbundling our charges next year, we're not unbundling our proposition.

We have the Partnership, a scale and high quality group of financial advice professionals who lead our award-winning proposition and who make a real difference to clients' lives. Partners run their businesses, tailoring them to the local communities in which they operate, meaning we have a local presence throughout the UK. In fact, if you were to consider each of our Partner practices a 'branch', we have a greater presence across the UK's villages, towns and cities than the 5 largest UK high street banks combined. In a market where building trusted personal relationships is key, this scale and proximity to our client base is critical, driving satisfaction, retention and advocacy.

Now, we provide extensive support to the Partnership, from learning and development, business advice, market leading technical support, through to our backing for effective adviser succession planning. All of this support helps our advisers look after clients well and run high quality businesses, underpinning growth and retention of client funds under management.

We have the Academy, the largest and most comprehensive financial adviser training and development scheme in the UK marketplace. Over the last 5 years, our Academy has trained around half of those advisers who have joined the financial advice industry. It complements our experienced recruitment pipeline, providing us with a rich seam of adviser talent, supporting our capacity to serve more clients over time as well as attract younger clients to our business. The Academy is also critical to underpinning long-term Partner succession planning and continuity for clients and it keeps the average age of our Partnership some 10 years younger than the wider marketplace. That's a decade of additional longevity embedded in our model.

We've got a distinct investment management approach that works well for clients, offering scalable solutions to deliver good outcomes. It encompasses two key components: our market-leading asset allocation, and our Select/Monitor/Change process. Our Asset Allocation process leverages our unrivalled access to the leading asset managers from across the world, and makes use of our own Investment Team's expertise to manage our proposition from the top-down. The team considers a broad range of factors, including extreme valuations, financial market fundamentals, the economic environment, risk and many, many more. Through rigorous research and debate, this process forms the SJP house view and drives the construction of our portfolios, blending active, passive and systematic strategies. Our approach has enabled us to build, maintain and develop the investment solutions that our clients need.

'Select-Monitor-Change' is the way we build our IMA from the bottom-up. We select world-class external managers to manage our funds, accessing diverse investment styles to ensure our funds are positioned to deliver strong investment performance. We continually monitor our managers to ensure they're achieving the funds' objectives. A significant benefit of our approach is that it provides us with the opportunity to flexibly change fund managers. As you can see from the slide, our portfolios have each performed well over the past year and we're confident that our IMA works for clients.

Our core technology foundations are in place. Built through our previous investment into Bluedoor and Salesforce, and we have no need to re-platform our business. In recent years we have made steps forward with our digital experience, including launching our app, but to deliver the leading client and adviser experience of the future at scale we recognise there is more to do. We must invest to supplement our strong core and develop adjacent technologies to drive strong client outcomes and a superior experience at scale. We have a rich data universe available to us, but we are not yet fully leveraging it to drive intelligent insights and we plan to build our capabilities in this area. Action in this area, together with a clear opportunity to invest in adjacent technologies is an important need coming out of our business review.

These strengths that I've covered have resulted in incredible success over three decades and more:

- We've achieved compound growth in our client base of around 8% per year since 2015, which means we have around 1 million clients, double what we had back then. That's a million clients being helped by a trusted adviser to make better decisions around their finances. A million clients with the confidence to invest for the future; a million clients on the way to achieving financial wellbeing.
- This helps explain our ability to not just attract new client investments to SJP, but to retain them too. Our high long-term retention rate means we've always achieved annual net inflows, underpinning our strong growth in funds under management, and because we've grown funds under management over time, we've also delivered strong growth in the cash result.
- Our business model has clearly worked very well in the past. It's working well today, and I'm confident it will continue to do so in the future. Yet it's clear we need to evolve. We need to tailor our proposition to clients and advisers. We also need to work smarter to capture economies of scale as we grow. This will ensure we remain the home of financial advice in years to come, better equipped to capture the market opportunity ahead, and positioned for further success.

Having covered our market and our strengths which have got us to where we are today, I am now going to move on to our future priorities and focus. As I said earlier, the business review has helped us to define a clear path forward so we can drive great outcomes for our clients and all our stakeholders.

This has led to our refreshed strategy, which is presented on this slide. It is underpinned by our redefined purpose, which is, to empower clients with invaluable advice to realise bolder ambitions. Now a defining feature of the SJP community is its client focus, along with our collective, unwavering belief in the value of advice, and so our redefined purpose articulates what drives all of us.

Sitting underneath our purpose, going forwards our refreshed strategy will be based around 4 pillars.

- Brilliant basics
- Differentiated client proposition
- Leading adviser offering; and,
- Performance focused organisation.

I will explain what we mean by each of these shortly, but first I will explain the two different phases that our strategy is split in to. We know that for all our qualities as a business, we have a lot of work to do ahead of us over the next 24 months. We need to deliver our simpler and more comparable charging structure, refund those clients where ongoing servicing has not been evidenced historically and we need to optimise our cost base. I characterise this initial phase as strengthening our fundamentals for the future. Meanwhile, we will also start to invest in initiatives that will help SJP to drive sustained growth over time. This investment activity begins in 2025 once we begin realising savings, but much of the investment will be weighted from 2026 once we have neared completion of our strengthen phase, and are approaching the amplify phase.

Coming back to the 4 pillars of our strategy, the first of which is brilliant basics. To deliver for our stakeholders and maintain our leadership position, it's imperative that we don't just do the basics, but we do them brilliantly. This encompasses a range of initiatives that we will undertake over time to improve how we operate and deliver for clients and advisers, but to bring this to life I'll focus on three initial priority areas.

- First, we have grown the business and Partnership at pace for many years. In doing so we have accommodated multiple ways of working. And when you're working at scale this can result in inefficiencies that can impact productivity and operational effectiveness across the SJP community. Going forward, we will standardise and simplify our processes, removing unnecessary options and complexity and from speaking to advisers, I know this is a direction of travel they support.
- Second, because we're a scale business with a strong technology core, we have, as I've indicated, a real opportunity to better leverage our rich data universe and drive benefits in a number of areas. Our data capability is not where we want it to be yet, so we're going to be investing to strengthen it, both in terms of human expertise and in terms of systems and analytics, so that we improve the quality and consistency of data and enhance our ability to process that data to drive intelligent insights.
- The third area is that we will continue to be a driving voice for our industry, leading the conversation in UK wealth management. We will be passionate advocates for financial advice and we will promote what we and our industry peers bring to so many clients across the UK.

We've made brilliant progress in increasing awareness of our brand through our national advertising campaign, but what's really important to me is that we promote the value of what we and all our industry deliver: the value of advice. As more people understand the value of advice the more the advised wealth market will grow, which is positive for the industry and the UK economy as a whole.

So much of the conversation in wealth management centres around cost. Now I'm really clear this is important and it matters to clients, but there isn't enough discussion around the benefits of financial advice. As well as measurable financial benefits, advice also provides reassurance of knowing that your savings are working hard for you and that your loved-ones are being well provided for and their wellbeing and your wellbeing and your confidence for the future grows and is stronger. All of this is what we call invaluable advice. We know our clients recognise this, but we will use our industry leadership to make sure this is better understood by the media, policymakers and regulators, so that more people take advice. Specifically, we'll work closely with the UK Government and the FCA to help them close the savings and advice gaps, and on the opportunities presented within the Advice Guidance Boundary Review.

I'll now move on to the second pillar of our strategy, our differentiated client proposition. We plan to invest in broadening our investment shelf, so we can offer clients a greater range of investment options and exposure to a broader range of asset classes. This is about giving clients choice, diversification and packaged solutions that support the delivery of positive long-term outcomes. In the short to medium-term our work is focused on developing our investment shelf in three areas:

- First, we're strong advocates for active investing but it might surprise some to know that today we already have around 20% of our FUM in passive and systematic strategies. We see an opportunity to further develop our long-term proposition, in particular developing more variants of packaged multi-asset solutions at different pricing points and risk levels.
- Second, we already have a private asset offering for the retail market, and we think there is scope to provide a deeper alternatives proposition. This would be particularly attractive for high-net-worth clients and it is a market where we expect the opportunities to continue to evolve.
- Third, we recognise that an integrated and accessible cash proposition is an important offering for all client types, and it is therefore an area we will be doing more work on in the future.

Whilst on the face of it, these changes are more of an evolution to what we do today, we believe offering clients greater choice will support our future success.

Next, we plan to develop our digital channels further, investing so we can introduce new functionality to our mobile app as well as enhanced desktop and tablet capabilities. This will give clients greater flexibility in how they engage with their financial planning. We also plan to harness data to develop user insights, which will enable us to deliver a more personalised experience for clients over time, helping us to support them.

We are a business with nearly one million clients. We serve and support clients with relatively simple needs through to those with complex financial affairs and very significant investable wealth. To deliver value for such a range of clients, it's important we invest in better tailoring our service and proposition across our client segments.

We will continue to deliver for the mass affluent segment, but we know that the high net worth market is expected to be one of the fastest growing segments. We therefore see the opportunity to develop a more focused and dedicated high net worth proposition. We will not only enhance the service we provide for our current clients in this space, but we will also equip ourselves to capture share in this growth market.

I've already spoken about developing elements of our investment proposition, including our alternate asset capability. Offering services to high-net-worth clients also means providing training and support so that more advisers are able to provide the often more complex financial advice these clients need, and developing the range of ancillary services they can access. We aim to grow our funds under management over time, and investing to capitalise on this growth segment will support our ambitions.

In addition to our work in the high-net-worth space, we will ensure that we continue to add value to the small minority of our clients who have opted out of receiving ongoing advice.

By delivering a differentiated client proposition, which is tailored to our clients' needs, we will be better positioned to deliver great outcomes for them. This will underpin growth and retention of client investments, helping us scale further in the decades to come.

Our third pillar is about ensuring SJP remains the best place to be a financial adviser in the UK. I said earlier that it is our advisers who can change clients' lives, and we're proud to have more advisers than anyone else in the UK. Scale is important, but so too is quality, and we're equally proud that we have more advisers with Chartered status than anyone else across our financial planning profession. This combination of scale and quality means our positive impact is considerable.

In much the same ways that we should always develop and enhance our proposition for clients, as the home of financial advice we must also do this for our advisers and continue to set the standard.

Firstly, we will continuously challenge ourselves on how we can improve our market-leading Academy programme. We've been running our Academy programme for over 10 years now, and it's something we're really proud of. Over the last 10 years our Academy has evolved in terms of both scale and delivery. Given the decline in the number of qualified financial advisers in the UK over the last three decades, it's imperative that our Academy delivers a pipeline of quality advisers.

We facilitate the recruitment of those coming out of the Academy into the Partnership, ensuring that Partner businesses seeking to grow, and those seeking a succession plan, are provided with high quality, productive advisers. This is a key strand of our support for the Partnership. As such, we plan to continually upgrade our Academy to ensure it continues to focus on delivering high quality, productive advisers to the Partnership, and equips them with everything they need for successful careers.

Secondly, one of our key differentiating factors in our adviser proposition is our market leading business sale and purchase scheme, which plays a key role in supporting Partner succession planning and continuity of client servicing. This is critical to driving the outstanding client retention rates we continue to achieve, so it's important that we maintain the effectiveness of this scheme as the Partnership continues to evolve in the future.

As the Partnership continues to evolve so must our broader support model, which is our third initial priority area.

There is no such thing as a typical Partner business today. It comprises businesses very large, very small, those in their infancy and those who have been here for two or three decades, and from all areas of the UK. Their needs are not uniform. They are diverse. That means we should be more deliberate in how we support each of them, targeting what they need to thrive. This may be training or ongoing qualifications; technology tools to help manage client engagements; specialist technical support; or consulting services. Support to help Partners go from running good businesses to great businesses. Doing all of this will facilitate Partners to run more scalable and efficient businesses that support growing numbers of clients, increased productivity, and higher funds under management.

Going forward, our focus will be on the quality and productivity of the Partnership. Maintaining the quality of the Partnership is key to developing long-term, trusted relationships with clients, which in turn drives great client outcomes. We also have an ambition to drive long-term improvements in productivity, which will help us achieve our growth ambitions.

The final pillar of our strategy is that we must become a more performance-focused organisation, with a culture of delivering the very best outcomes for all our stakeholders. So, our immediate priorities are to:

- embed high performance into our culture, by empowering our people and driving clear accountability through a new leadership framework and suite of values;
- maintaining a disciplined approach to capital allocation; and
- optimising our cost base, delivering a more efficient operating model that supports our strategy and will free up significant capacity to invest in the initiatives I have set out across our four pillars.

So, looking at this final priority in more detail, we recognise there is opportunity for us to become a more efficient organisation. So, having looked across our addressable cost base of some £670m, we have identified a broad range of potential future savings as we align to our redefined purpose and refreshed strategy.

We will, therefore, undertake a cost and efficiency programme focused on 5 key areas:

- We will improve our demand management, eliminating avoidable spend.
- We will redesign our operating model to better support our refreshed strategic focus.
- We will optimise our procurement, consolidating vendors and securing best terms.
- We will simplify our technology estate; and
- We will innovate to develop greater levels of automation in our routine activities and processes.

Now, we have an ambition to reduce our addressable cost base by about £100 million per annum before tax, which is equivalent to approximately 15%. We will have completed the work to achieve these cost savings by the end of 2026, with one-off costs to achieve of approximately £80 million. This means that up to 2030, we estimate cumulative savings, net of costs to achieve, of approaching £500 million. In creating this significant capacity, we have the opportunity to fund investment in a disciplined manner. This investment will enable us to deliver on our strategic initiatives, further underpin our long-term growth ambitions, and improve the cash result.

We expect to invest a total of around £250 million through to 2030, or around half the capacity we will create over this period. Our initial business priority is to strengthen the business, but as we move towards our amplify phase and our costs savings emerge, we'll use these savings to increase the scale of our investment. Our priorities at this stage will be on enhancing our technology and data capabilities, the client proposition and broadening the investment shelf, all of which I've spoken about already this morning. These will support our operational performance, adviser productivity growth and further enhance our client offering.

So we've included in the appendix a simple illustrative modelling guide that sets out how you might expect to see the impact of these cost savings and investments as they emerge over time, but for now I want to walk you through the net effect of all of this. This slide shows that the overall impact, which includes all expected costs to achieve, will be broadly neutral to the cost base through to the end of 2026, with the costs to achieve and reinvestment approximately equal to the net savings over this period. After this, the programmes will have a net positive impact that builds up to full ongoing savings of £70 million per annum by 2029. The savings set out on the slide will improve our Underlying cash result and create significant value over time, though for modelling purposes you will of course need to net them down for tax.

That's how we expect our cost base to evolve in the medium term, but it's also important to consider how we see the utilisation of our capital resources going forwards. Our first priority will always be the safety of client investments, which we ensure by meeting all regulatory solvency, working capital and liquidity requirements and maintaining an investment grade credit rating. These requirements grow as the business grows.

After this, we will invest in the core capabilities of the business, including ensuring we maintain and evolve our technology systems, build our digital capabilities and invest the capital necessary to support our Partner succession proposition.

Next, we will provide reliable returns to shareholders. We will return 50% of Underlying cash without impacting our ability to invest in the business.

Finally, we will consider returning excess capital to shareholders. We don't anticipate additional returns in the immediate future as we complete the ongoing programmes of work and invest in the priorities described in our strategy. However, in the medium term, we will consider returning additional capital over and above our requirements to invest in the business at attractive returns.

I see being deliberate and disciplined in how we manage capital allocation as critical to ensuring we have a well invested business that drives returns and creates sustained value for our shareholders.

So to summarise. We have a redefined purpose and a refreshed strategy. This will see us embrace change, drive growth, simplify and standardise, exercise discipline around costs, and focus on accountability and execution. In doing all of this, the future for SJP will be very exciting.

So what will success look like?

- We will continue to be the best place to be a financial adviser in the UK, with leading advocacy across our Partnership.
- SJP colleagues will feel empowered and engaged through our high-performance culture, advocating our purpose.
- We will be a business with a growing base of clients investing and staying with us for the long-term.
- As we continue to attract new business, maintain high levels of client retention and deliver for clients through our IMA, I see us delivering mid to high single digit annual growth in funds under management over time.
- While near-term profit growth will reflect the structural impact of transitioning to our simplified charging structure as we announced last October, we expect to see the Cash result accelerate in

2027 and beyond, doubling between 2023 and 2030. Importantly, much of this rapid growth is highly predictable because of those changes that we are making to our charges.

So, coming back to what underpins all of this, I joined SJP because I believed in the value of what SJP delivers for its clients. And while there's a lot to do, my belief has only grown stronger, and I look forward to an exciting and successful future for SJP. We are the home of invaluable advice. We exist to empower clients with invaluable advice to realise bolder ambitions. I want SJP to be admired as a business – with the hallmarks of trust, excellence, high performance, and the constant pursuit of improvement.

Thank you for listening and do please stay tuned in to this webcast for our live Q&A which will kick off shortly.