

25 November 2024

# True Potential Q3 2024 Results.

For the quarter ended  
30 September 2024.

**true potential**  LLP®

# Agenda.

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1. Interim CEO Update

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2. Investment Management Update

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3. Q3 2024 Financial Results

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4. Summary and Q&A

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**Jeff Casson**

Interim Chief Executive Officer



**Ben Thorpe**

Chief Financial Officer



**Steven Rutter**

Head of Finance

# Agenda.

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**Jeff Casson**

Interim Chief Executive Officer

# Introduction to Jeff Casson.

Jeff's career began in 1999 with Alliance Trust. In 2005 he moved to Scottish Widows Investment Partnership joining the Emerging Market team to run a series of Emerging Market mandates for retail and institutional clients.

In 2010 Jeff moved to Martin Currie Investment Management as an Investment Director on their Global Emerging Markets team before being appointed as Head of Investment Process in 2017.

Jeff joined True Potential as Chief Investment Officer of True Potential Investments in 2019, before taking the role of Interim CEO in 2024.

Jeff is a Chartered Financial Analyst (CFA) and holds an Executive MBA from the University of Edinburgh.



**Jeff Casson**  
Interim Chief Executive Officer

# The Next Chapter.

- The next chapter for True Potential; whilst continuing to drive forward our shared vision of the future, with more than **500,000 clients**, over **£30 billion of assets under management** and **650 colleagues**, it is a chance for us to review our strategic agenda.
- We maintain our ambition to build the **UK's leading digitally enabled wealth management firm**, all of which is underpinned by our focus on the end client and delivering strong client outcomes.
- We are also looking at how we can continue to evolve and adapt to our clients' needs and the changing market environment.
- We are pleased to announce that **Gerry Mallon** starts as **Group CEO** in early 2025.

# Q3-24: Robust client and financial performance, despite challenging net flows as recruitment evolution continues.

553k

True Potential Clients  
+14k vs Q2-24

96%

Client retention  
Q2-24: 96%

£0.3bn

Net inflows  
Q2-24: 0.6bn

93%

Fully integrated AuM  
Q2-24: 92%

4.9

Trustpilot score  
Q2-24: 4.9

£32.4bn

Total AuM  
+£1.0bn vs Q2-24

104bps

Net revenue margin  
Q2-24: 105bps

77%

EBITDA margin as  
a % new revenue  
Flat vs Q2-24

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**Jeff Casson**

Interim Chief Executive Officer

# True Potential Portfolios advanced diversification approach.

*Diversification by asset class, geographic region and fund manager style.*

## Simple diversification



A mixture of equities, cash and bonds.

## Multi-asset diversification



A full range of asset classes and geographic regions from one Fund Manager.

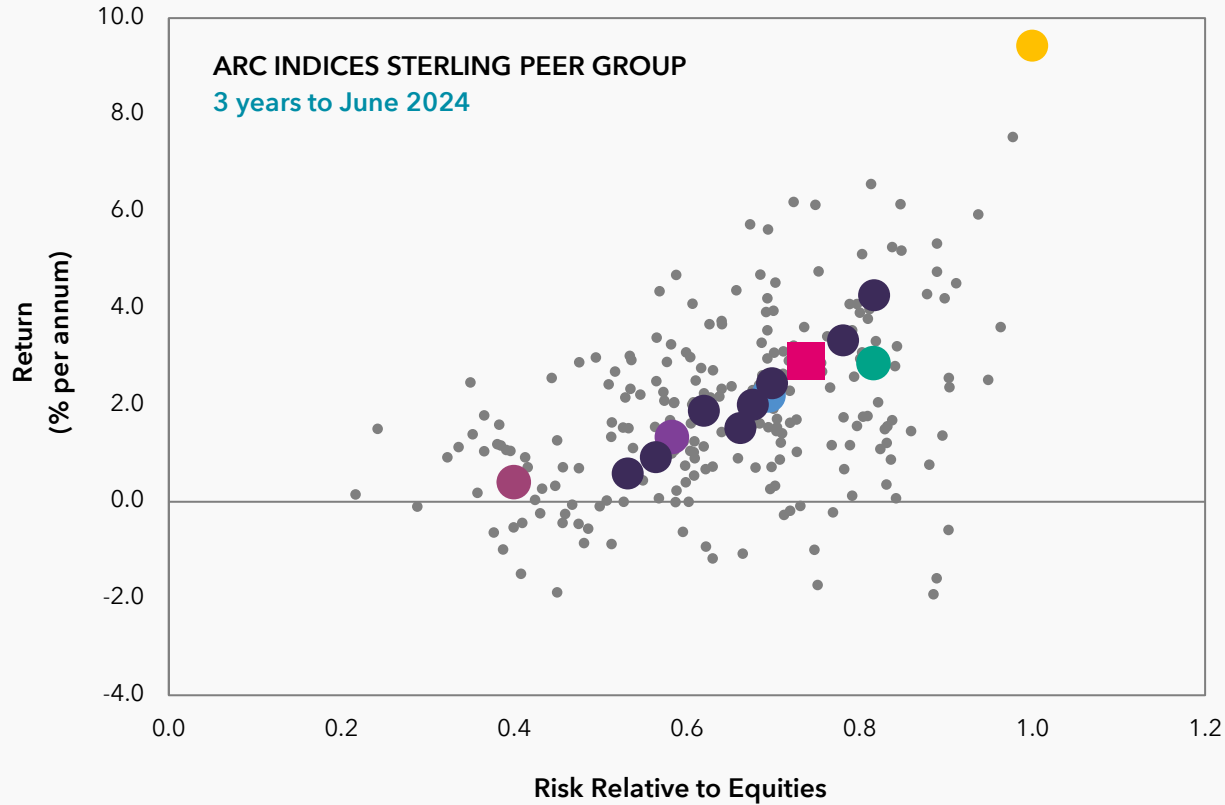
## Advanced diversification



A blend of multi-asset investment strategies that finds opportunities for potential growth.



# Delivering consistent strong performance against ARC.



- Manager averages
- World Equities
- ARC GBP Cautious PCI
- ARC GBP Balanced PCI
- ARC GBP Growth PCI
- ARC GBP Equity PCI
- TP Growth
- All TP Portfolios

Q2 2024 Quartile Ranks	1 Year	3 Year	5 Year	Since TPP Launch 01/10/2015
Cautious	1	2	2	1
Cautious+	1	2	1	1
Balanced	1	2	2	1
Balanced+	1	2	2	1
Growth	1	2	2	1
Growth +	1	1	1	1
Aggressive	1	1	2	2

Source: ARC Research Limited 30/06/2024.  
Net of Ongoing Charges Figure and Platform Fee.

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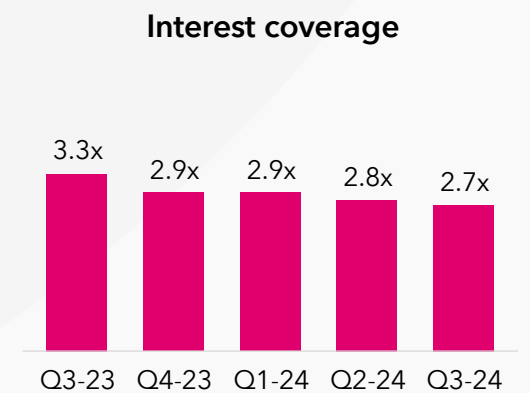
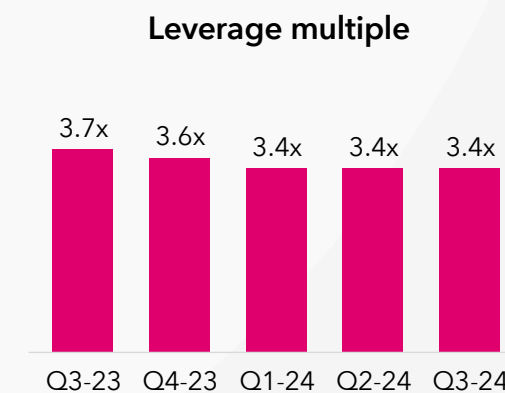
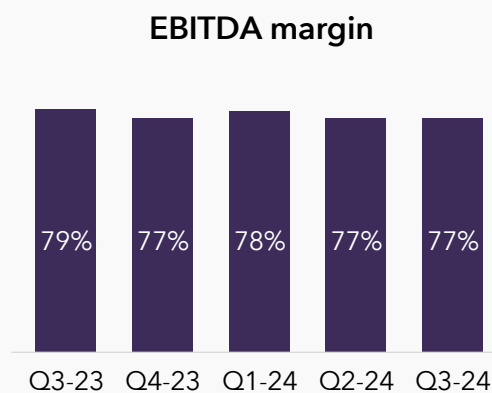
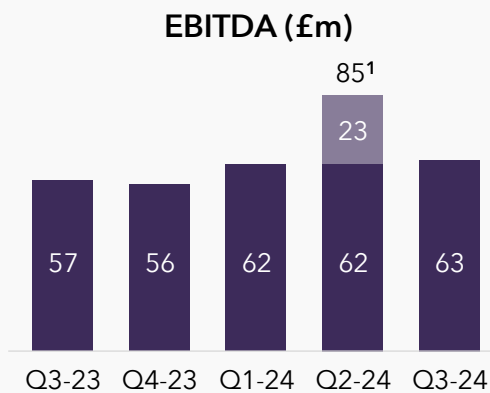
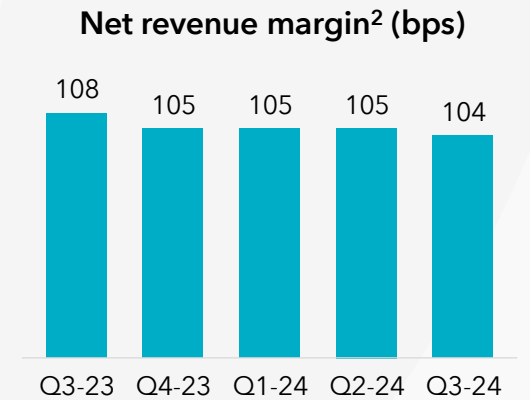
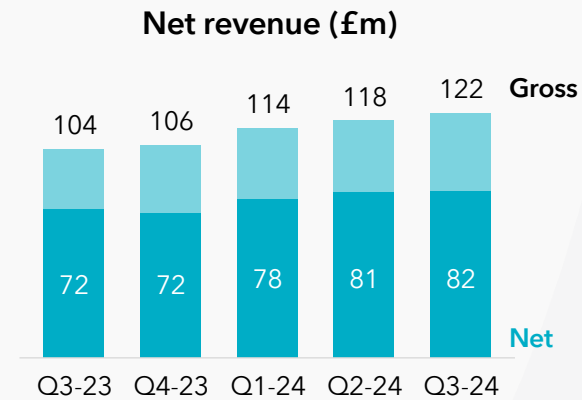
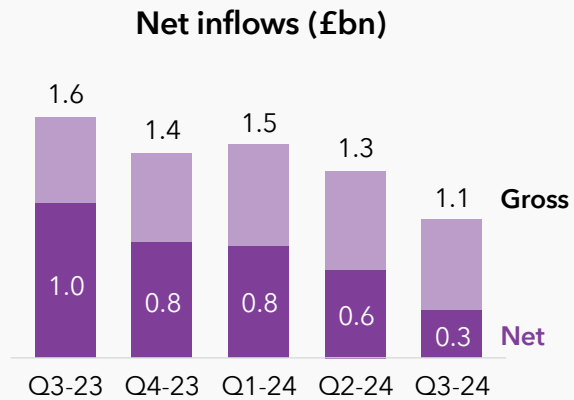
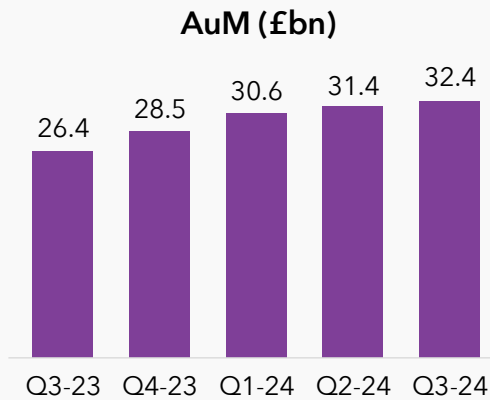
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**Ben Thorpe**  
Chief Financial Officer

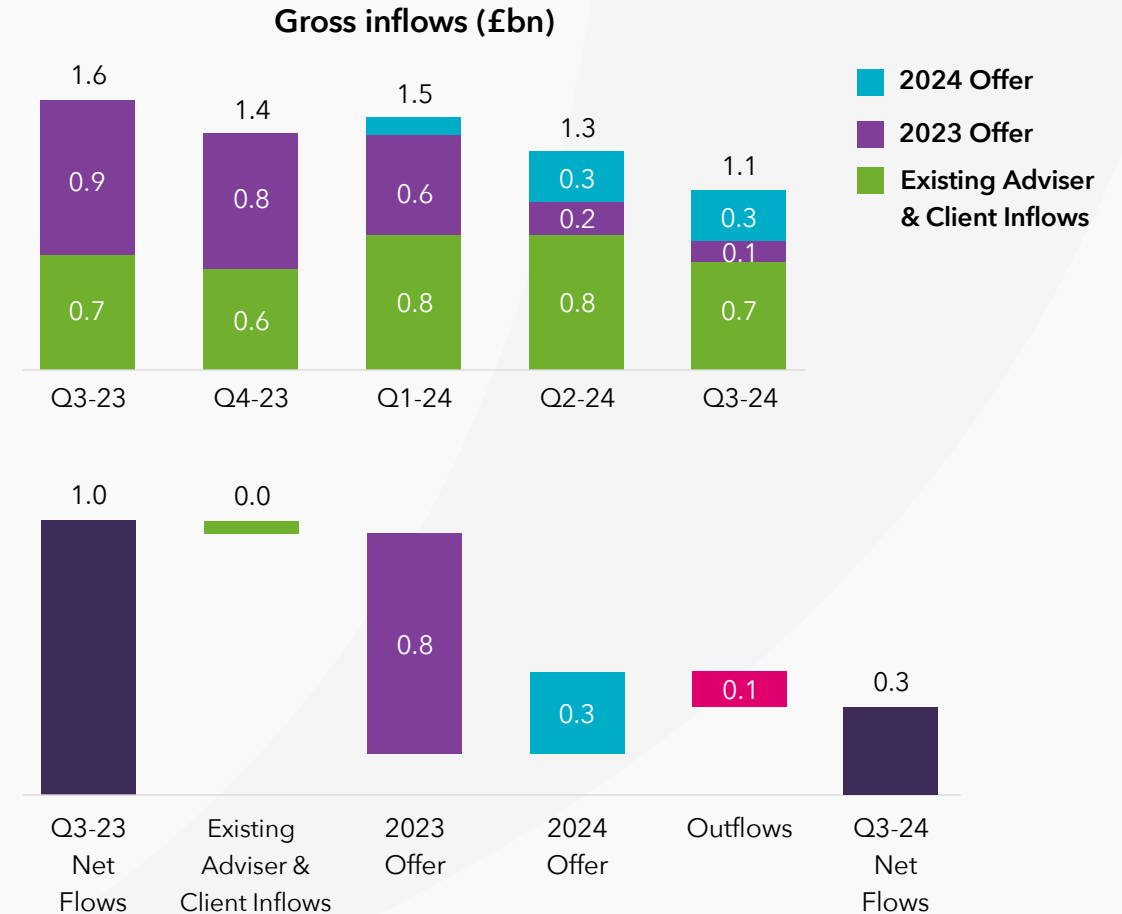
# Robust financial performance, 3% quarterly AuM growth, despite weaker net inflows.



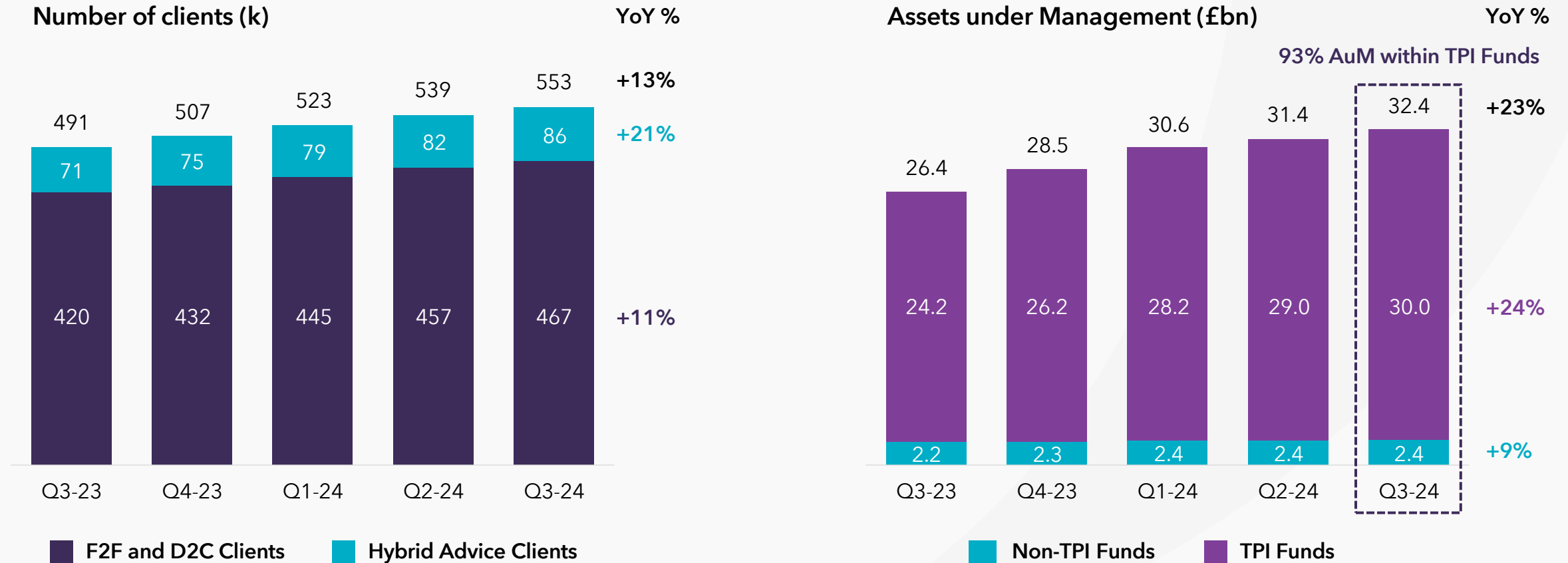
<sup>1</sup>All figures exclude £23m fund performance fee, except EBITDA of £85m. <sup>2</sup> Net revenue margin normalised in prior quarters to match new client interest model.

# Softer net flows driven by transition to new recruitment offer; other sources of flows remain robust.

Flows (£m)	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24
Opening AuM	25.7	26.4	28.5	30.6	31.4
Gross Inflows	1.6	1.4	1.5	1.3	1.1
Existing Adviser & Client Inflows	0.7	0.6	0.8	0.8	0.7
2023 Offer	0.9	0.8	0.6	0.2	0.1
2024 Offer	-	-	0.1	0.3	0.3
<b>Total Recruitment Inflows</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.5</b>	<b>0.4</b>
Outflows	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)
<b>Net Flows</b>	<b>1.0</b>	<b>0.8</b>	<b>0.8</b>	<b>0.6</b>	<b>0.3</b>
Market Movement	(0.3)	1.3	1.3	0.2	0.7
Closing AuM	26.4	28.5	30.6	31.4	32.4

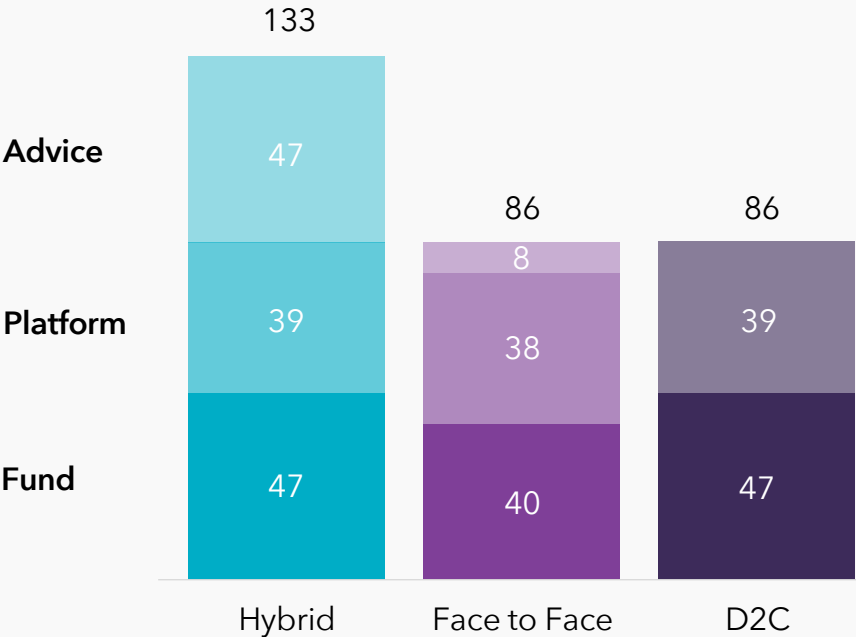


# 13% Growth in client numbers YoY, with AuM up 23% YoY.



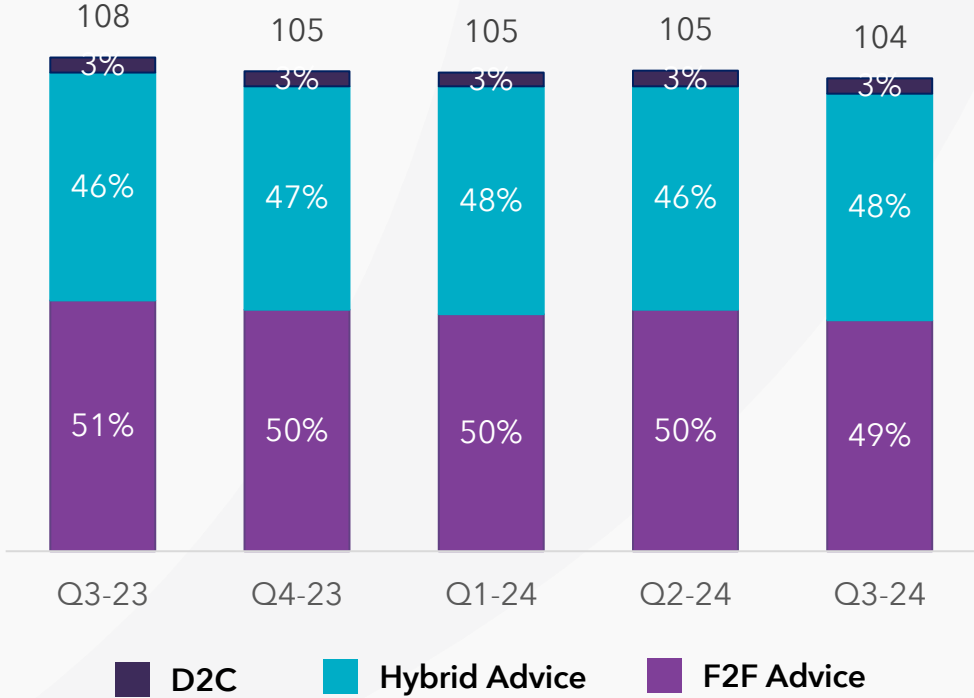
# As our multi-channel offering delivers a diversified net revenue margin.

Q3-24 Net revenue margin per product (bps)



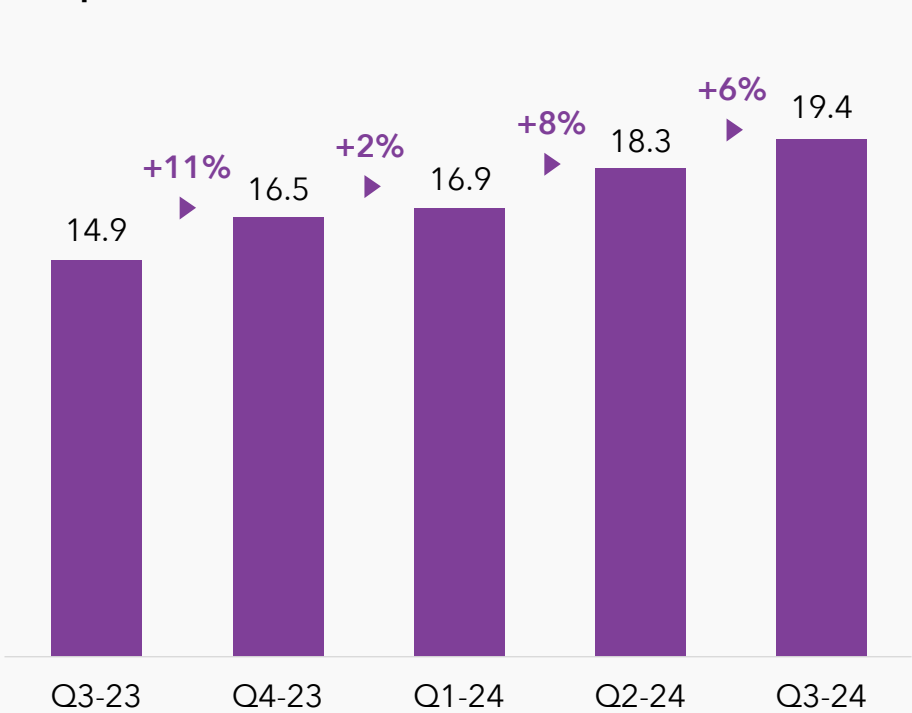
Net revenue margin per channel (bps)

All margins adjusted for client cash interest.

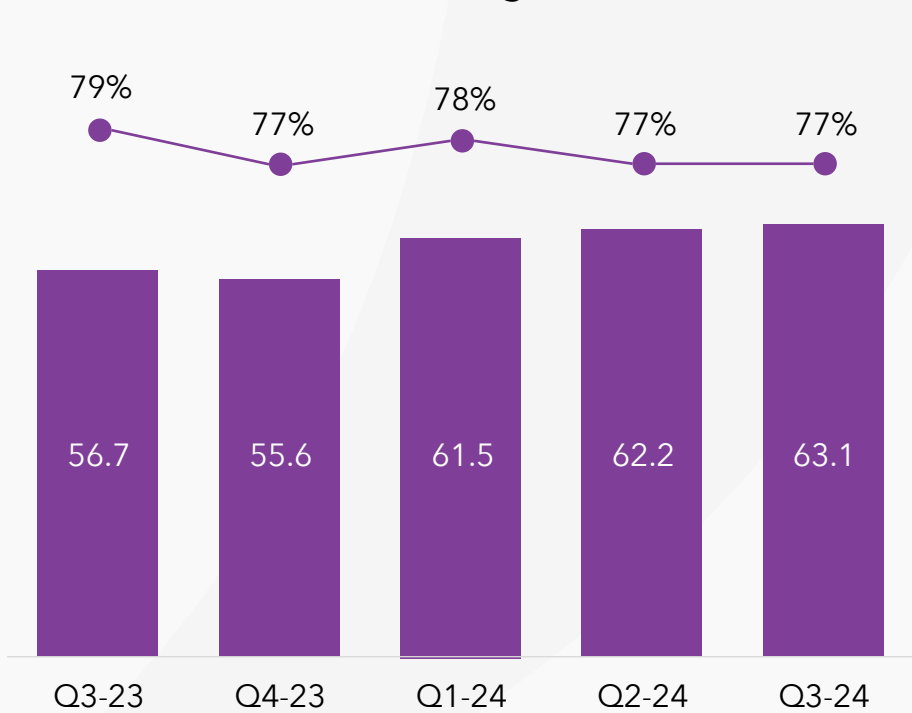


# We continue to invest to support growth and business capabilities, whilst delivering consistent EBITDA.

Expenses (£m)



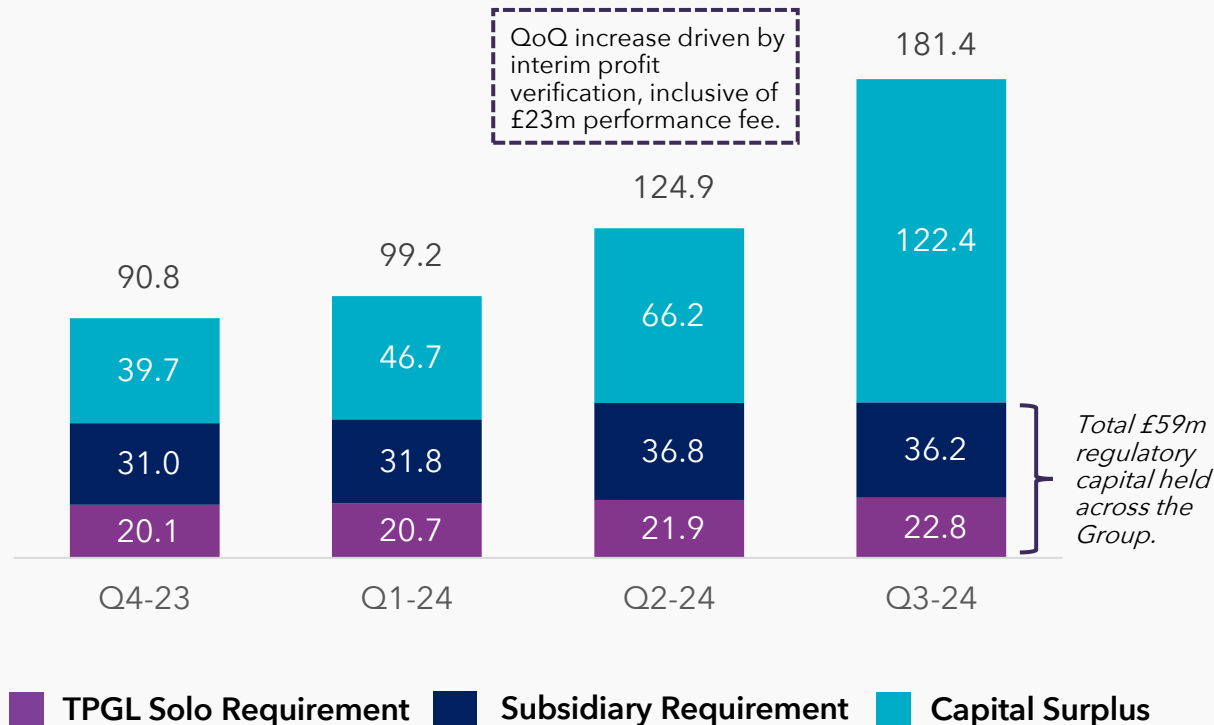
EBITDA (£m) / EBITDA margin (% net revenue)



# Improving capital position, with stable leverage.

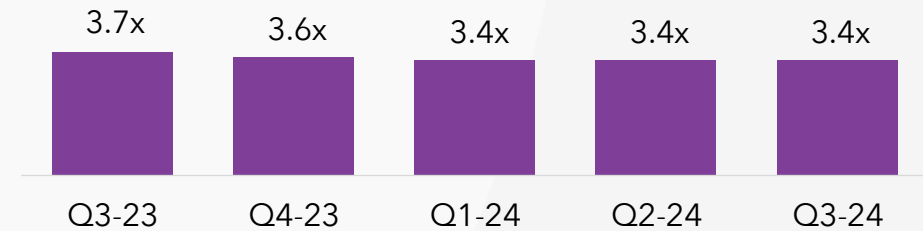
## £39m additional financing in Q3 2024.

### Regulatory Capital (£m)



### Leverage Evolution

Leverage multiple (Net debt/Adjusted EBITDA)



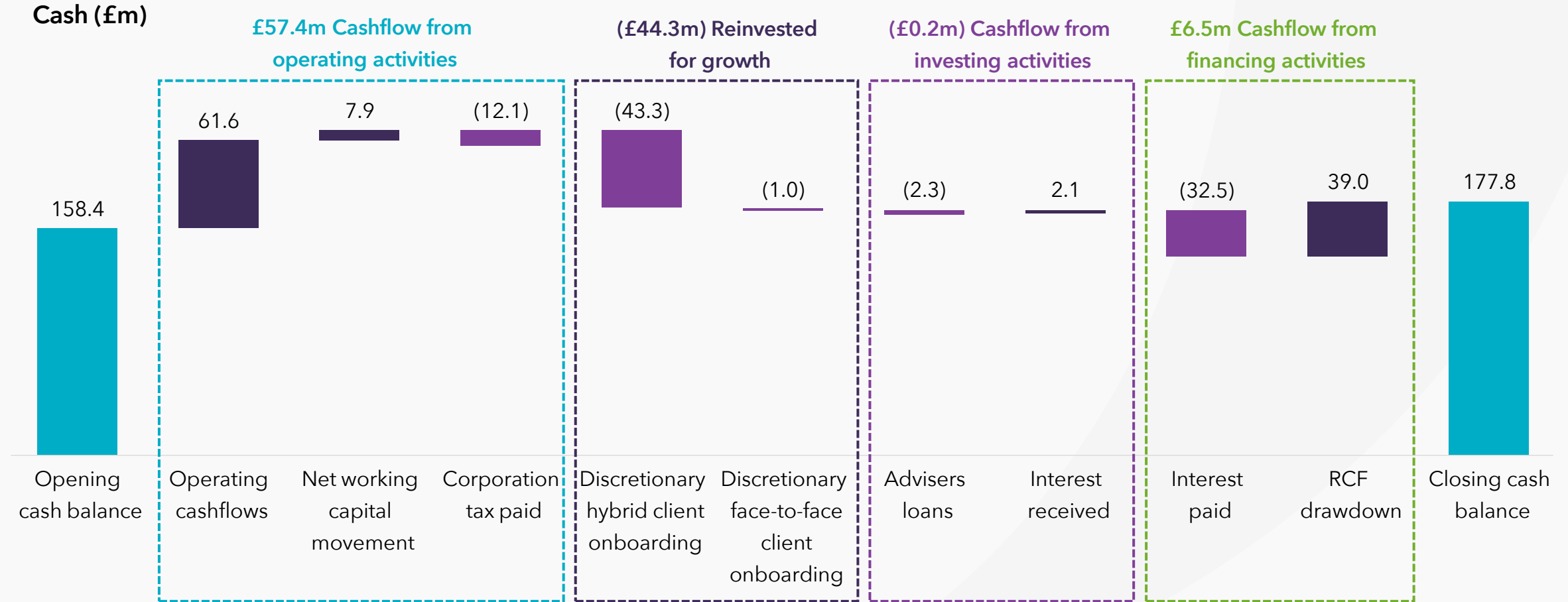
### Debt and Leverage (£m)

	Sep-24
<b>Adjusted EBITDA (£m)</b>	<b>267.3</b>
<b>Debt Breakdown</b>	
<b>Total Gross Debt</b>	<b>1,094.9</b>
Less: Cash	(176.9)
Net Debt	918.0
<b>Leverage Multiple</b>	<b>3.4x</b>

Adjusted EBITDA represents LTM EBITDA adjusted for run-rate impact of the movement in AUM to the end of the current period, to reflect the financial performance already embedded.



# Strong underlying cash generation, with £44.3m spent on 2023 recruitment offer.



The cashflow bridge represents Kane Bidco Ltd cashflow reporting financials, with both the True Potential Group Ltd and Kane Bidco Ltd cashflow tables included within the appendix.

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# Summary and Q&A.

- ① The next chapter, but a consistent approach to building the UK's leading digitally enabled wealth management firm.
- ② Evolution in recruitment and flows expected to continue, but significant UK wealth market opportunity remains.
- ③ Consumer Duty and regulatory developments provide an opportunity to adapt and enhance the business model for long-term success.
- ④ Keeping our focus on the end client and delivering strong client outcomes.

**Appendix.**

# True Potential: The UK's leading digital wealth manager.

Unique proposition, best placed to win...

-  Loyal, long-term and aspiring client base
-  Huge and growing market opportunity
-  Fully integrated multi-channel offering with attractive unit economics
-  High growth, scalable and proprietary tech platform
-  Superior financial profile

...leading to a superior FY23 financial profile

Flows and AuM	£29bn AuM	29% AuM CAGR '19-'23
	£6.2bn Gross inflows	27% Gross inflow rate <sup>1</sup>
	£3.9bn Net flows	17% Net flow rate <sup>1</sup>
Revenue and Profitability	£406m AuM	157bps Gross revenue margin
	£279m Net revenue	108bps Net revenue margin
	£220m EBITDA	79% EBITDA margin

<sup>1</sup>Calculated as a percentage of opening AuM.

# Our performance comes from our unique business model.

Our business is built to deliver the best client experience

## A Multi-channel client onboarding

Face-to-face advice

Hybrid advice

Unadvised

B

Full  
integration

Advice

Platform

Funds

## C Underpinned by proprietary, in-house technology

which leads to...

- 1 Loyal, long-term customers
- 2 Huge market opportunity
- 3 Attractive unit economics
- 4 High growth
- 5 Superior financial profile

# There is a huge and growing market opportunity.

## Large addressable market...



- Deliberate focus on advised assets - sticky and stable clients and assets
- 90% of the market in resilient wrapped products: 70% in pensions, 20% in ISAs
- We can offer these clients a better offering than what they currently have

Long runway ahead: 4% current market share

## ...which will continue to grow

- Ageing UK population
- Shift from DB to DC
- Inter-generational wealth transfer
- Emerging "pension savings gap"
- Increasing need for financial advice & guidance



Structural growth tailwinds

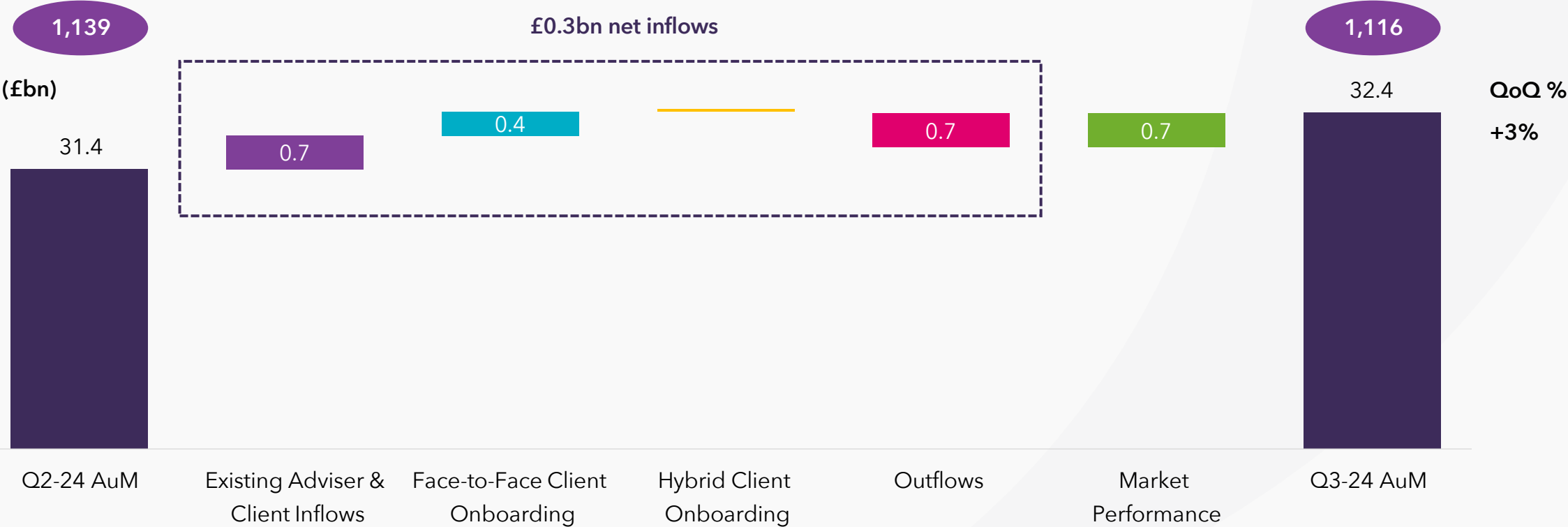
**+7%**

Estimated market growth (CAGR 2022-32)

Source: LEK, Sep-23.

# Net flows and performance delivering 13% quarterly annualised asset growth.

## Number of advisers



Hybrid Client Onboarding refers to new Central Advice Team Clients, Face to Face Client Onboarding refers to new TPWM adviser clients. Existing Adviser & Client inflows refers to all other advice channels.



# Quarterly P&L.

## True Potential Group Ltd

P&L (£m)	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24
<b>Revenue</b>	<b>104.2</b>	<b>105.6</b>	<b>114.6</b>	<b>141.2</b>	<b>121.8</b>
Fee expenses	(32.6)	(33.5)	(36.2)	(37.7)	(39.3)
<b>Net revenue</b>	<b>71.6</b>	<b>72.1</b>	<b>78.4</b>	<b>103.5</b>	<b>82.5</b>
Administrative expenses (excl, D&A)	(14.9)	(16.5)	(16.9)	(18.3)	(19.4)
<b>EBITDA</b>	<b>56.7</b>	<b>55.6</b>	<b>61.5</b>	<b>85.2</b>	<b>63.1</b>
D&A	(11.0)	(11.4)	(12.2)	(12.7)	(13.8)
Exceptional items	(3.4)	(0.9)	-	(2.4)	(1.2)
<b>Operating profit</b>	<b>42.3</b>	<b>43.3</b>	<b>49.3</b>	<b>70.1</b>	<b>48.1</b>
Finance income	0.3	1.0	1.3	1.4	2.1
Finance costs	-	(0.1)	-	-	-
<b>Profit before tax</b>	<b>42.6</b>	<b>44.2</b>	<b>50.6</b>	<b>71.5</b>	<b>50.2</b>
Taxation	(9.1)	(5.0)	(9.2)	(12.6)	(11.5)
<b>Profit for the quarter</b>	<b>33.5</b>	<b>39.2</b>	<b>41.4</b>	<b>58.9</b>	<b>38.7</b>

## Kane Bidco Ltd

P&L (£m)	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24
<b>Revenue</b>	<b>104.2</b>	<b>105.6</b>	<b>114.6</b>	<b>141.2</b>	<b>121.8</b>
Fee expenses	(32.6)	(33.5)	(36.2)	(37.7)	(39.3)
<b>Net revenue</b>	<b>71.6</b>	<b>72.1</b>	<b>78.4</b>	<b>103.5</b>	<b>82.5</b>
Administrative expenses (excl, D&A)	(18.6)	(13.4)	(17.3)	(18.3)	(20.8)
<b>EBITDA</b>	<b>53.0</b>	<b>58.7</b>	<b>61.1</b>	<b>85.2</b>	<b>61.6</b>
D&A	(17.7)	(18.8)	(19.1)	(19.6)	(20.7)
Exceptional items	-	(4.3)	-	(2.4)	(1.2)
<b>Operating profit</b>	<b>35.3</b>	<b>35.6</b>	<b>42.0</b>	<b>63.2</b>	<b>39.8</b>
Finance income	0.3	1.0	1.3	1.6	2.1
Finance costs	(17.4)	(27.8)	(27.2)	(16.6)	(23.4)
<b>Profit before tax</b>	<b>18.2</b>	<b>8.8</b>	<b>16.1</b>	<b>48.2</b>	<b>18.5</b>
Taxation	(9.1)	2.2	(11.0)	(10.8)	(11.5)
<b>Profit for the quarter</b>	<b>9.1</b>	<b>11.0</b>	<b>5.1</b>	<b>37.3</b>	<b>6.9</b>

Figures include £23m fund performance fee in Q2 2024. Kane Bidco Ltd exceptional items are reported on an annual basis in Q4, as part of year-end processes, hence the timing differences between True Potential Group Ltd and Kane Bidco Ltd in the reported P&L figures.

# Quarterly Cashflow.

## True Potential Group Ltd

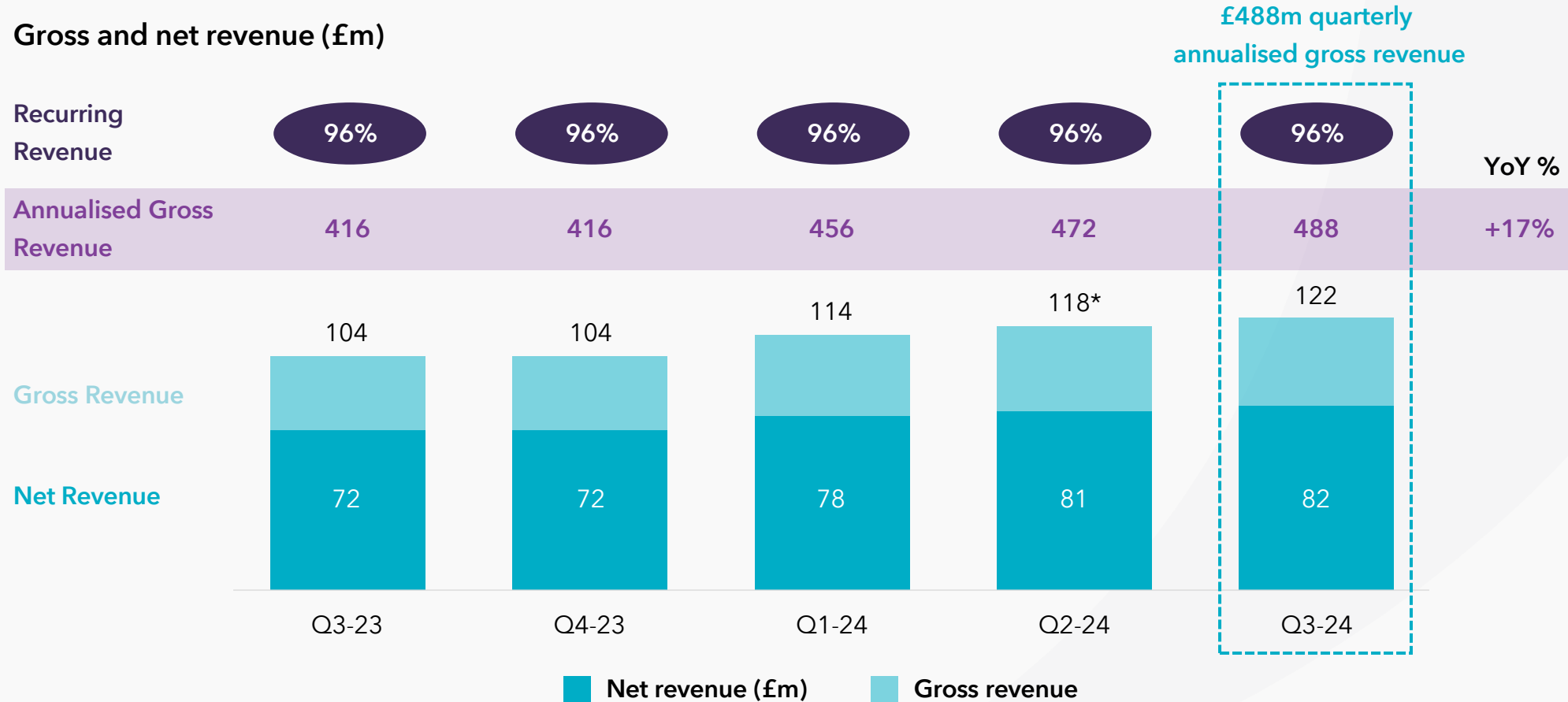
Cash Flow (£m)	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24
EBITDA excluding exceptional items	56.7	55.6	61.5	85.2	63.1
Less exceptional items	(3.4)	(0.9)	-	(2.4)	(1.2)
EBITDA including exceptional items	53.3	54.7	61.5	82.8	61.9
Operating cashflows before movement in working capital	53.3	54.7	61.5	82.8	61.9
Net working capital movement	0.9	(7.0)	(2.4)	1.7	21.5
Total discretionary client onboarding	(75.7)	(60.6)	(44.8)	(36.9)	(44.3)
<i>Discretionary hybrid client onboarding</i>	<i>(70.9)</i>	<i>(52.5)</i>	<i>(35.9)</i>	<i>(28.6)</i>	<i>(43.3)</i>
<i>Discretionary face-to-face client onboarding</i>	<i>(4.8)</i>	<i>(8.1)</i>	<i>(8.9)</i>	<i>(8.4)</i>	<i>(1.0)</i>
Corporation tax paid	(9.8)	(7.4)	(12.7)	(10.6)	(12.1)
Bidco intercompany loan	20.5	(38.9)	(2.3)	(9.1)	(15.1)
Cashflow from operating activities	(10.8)	(59.2)	(0.7)	27.8	11.9
Cashflow from investing activities	0.3	0.9	1.0	1.5	1.8
Cashflow from financing activities	18.5	143.7	(0.6)	(0.6)	5.3
<i>Interest Paid</i>	-	-	-	-	-
<i>Net finance facility movement</i>	-	-	-	-	-
<i>Other financing activities</i>	-	-	-	-	-
Net cash movement	8.0	85.4	(0.3)	28.7	19.0
Opening cash balance	36.2	44.2	129.6	129.3	158.0
<b>Closing cash balance</b>	<b>44.2</b>	<b>129.6</b>	<b>129.3</b>	<b>158.0</b>	<b>176.9</b>

## Kane Bidco Ltd

	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24
	53.0	58.7	61.1	82.8	61.6
	-	(4.3)	-	-	-
	53.0	54.4	61.1	82.8	61.6
	53.0	54.4	61.1	82.8	61.6
	1.4	(10.5)	(1.8)	4.6	7.9
	(75.7)	(60.6)	(44.8)	(36.9)	(44.3)
	<i>(70.9)</i>	<i>(52.5)</i>	<i>(35.9)</i>	<i>(28.6)</i>	<i>(43.3)</i>
	<i>(4.8)</i>	<i>(8.1)</i>	<i>(8.9)</i>	<i>(8.4)</i>	<i>(1.0)</i>
	(9.8)	(7.4)	(12.7)	(10.6)	(12.1)
	-	-	-	-	-
	(31.1)	(24.1)	1.7	39.8	13.1
	0.2	9.3	0.9	(1.2)	(0.2)
	39.0	100.2	(2.6)	(9.8)	6.5
	<i>(26.1)</i>	<i>(7.7)</i>	<i>(32.1)</i>	<i>(9.0)</i>	<i>(32.5)</i>
	<i>65.3</i>	<i>108.1</i>	<i>30.4</i>	-	<i>39.0</i>
	<i>(0.2)</i>	<i>(0.2)</i>	<i>(0.9)</i>	<i>(0.8)</i>	-
	8.1	85.4	(0.0)	28.7	19.3
	36.2	44.3	129.7	129.7	158.4
	<b>44.3</b>	<b>129.7</b>	<b>129.7</b>	<b>158.4</b>	<b>177.8</b>

We continue to monitor our financing requirements and may consider engaging in discussions with potential investors on raising additional financing as appropriate. As part of ongoing capital structure reviews we may consider buying back bonds if deemed appropriate.

# Delivering YoY 17% increase in quarterly annualised gross revenue.



\*Figures exclude £23m fund performance fee in Q2-24.

# True Potential Executive Committee.



**Jeff Casson**

Interim Chief Executive Officer



**Ben Thorpe**

Chief Financial Officer



**Earl Glasgow**

Chief Recruitment Officer



**Iain Wallace**

Chief Risk Officer



**Steve Hutton**

Chief Product Officer



**Jamie Sexton**

Chief Client Officer



**Gregg Lang**

Chief Operations Officer



**David Reid**

Chief Technology Officer



**Henrietta Jowitt**

TPA Chief Executive Officer\*

\*Pending regulatory approval.

# Contact.

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**Steven Rutter**

Head of Finance

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