

True Potential Q2 2024 Results

For the quarter ended
30 June 2024

29 August 2024

true potential 



Agenda

1. CEO Update
2. Q2 2024 Financial Results
3. Summary and Q&A



Daniel Harrison

Chief Executive Officer
Co-founder



Ben Thorpe

Chief Financial Officer



Steven Rutter

Head of Finance

Agenda

1. CEO Update
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Daniel Harrison

Chief Executive
Officer

Co-founder

CEO Update

1. Strong fund performance driving Assets under Management to £31.4bn, with 10.5% annualised Q2 growth.
2. Ongoing evolution of our adviser recruitment offering.
3. Focused investment in operating platform to support next phase of growth.
4. Market opportunity remains strong.

Q2-24: Building on Q1 momentum with growth in clients & AuM

539k

True Potential clients
+16k vs Q1 24

96%

Client retention
Q1-24: 96%

£0.6bn

Net inflows
Q1-24: £0.8bn

92%

Fully integrated AuM
Q1-24: 92%

4.9

Trustpilot score
Q1-24: 4.9

£31.4bn

Total AuM
+£0.8bn vs Q1-24

105bps

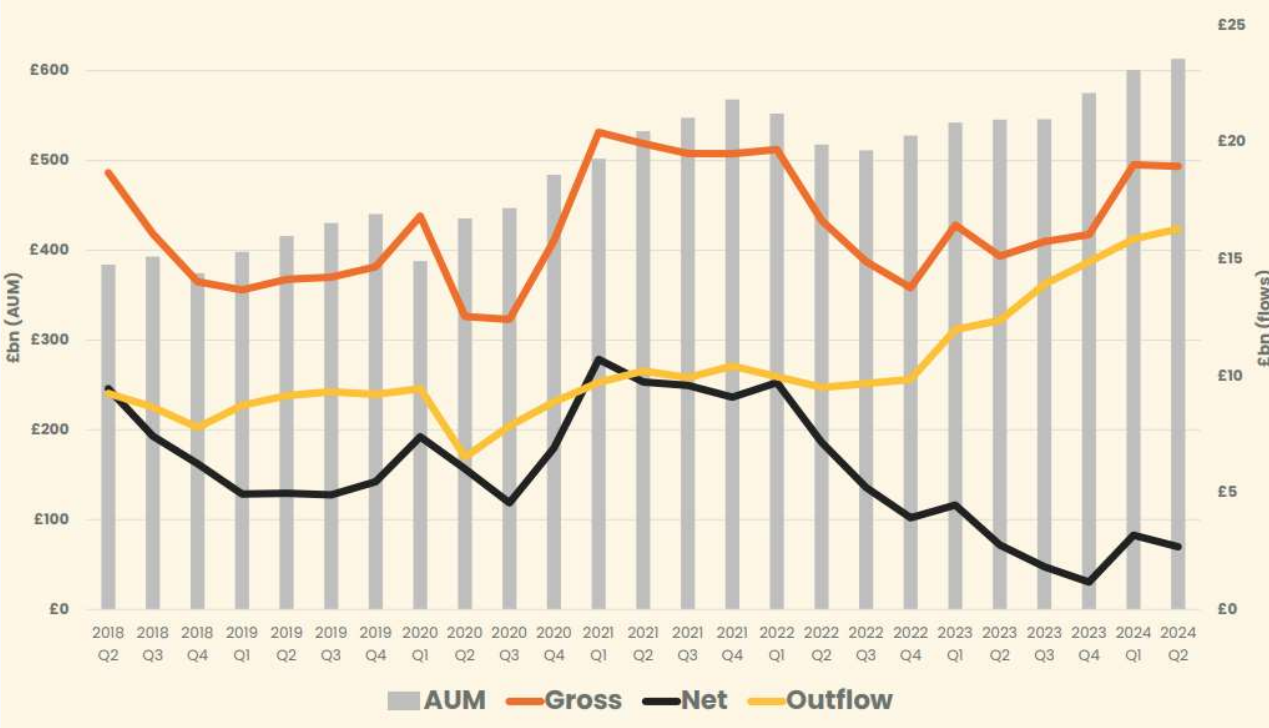
Net revenue margin¹
Q1-24: 105bps

77%

EBITDA margin as a
% net revenue
-1% vs Q1-24

¹ Net revenue margin normalised in prior quarter to match new client interest model.

Advised market outflows remain elevated, encouraging improvement in gross inflows



Source: The Lang Cat Q2-24 Report.

Agenda

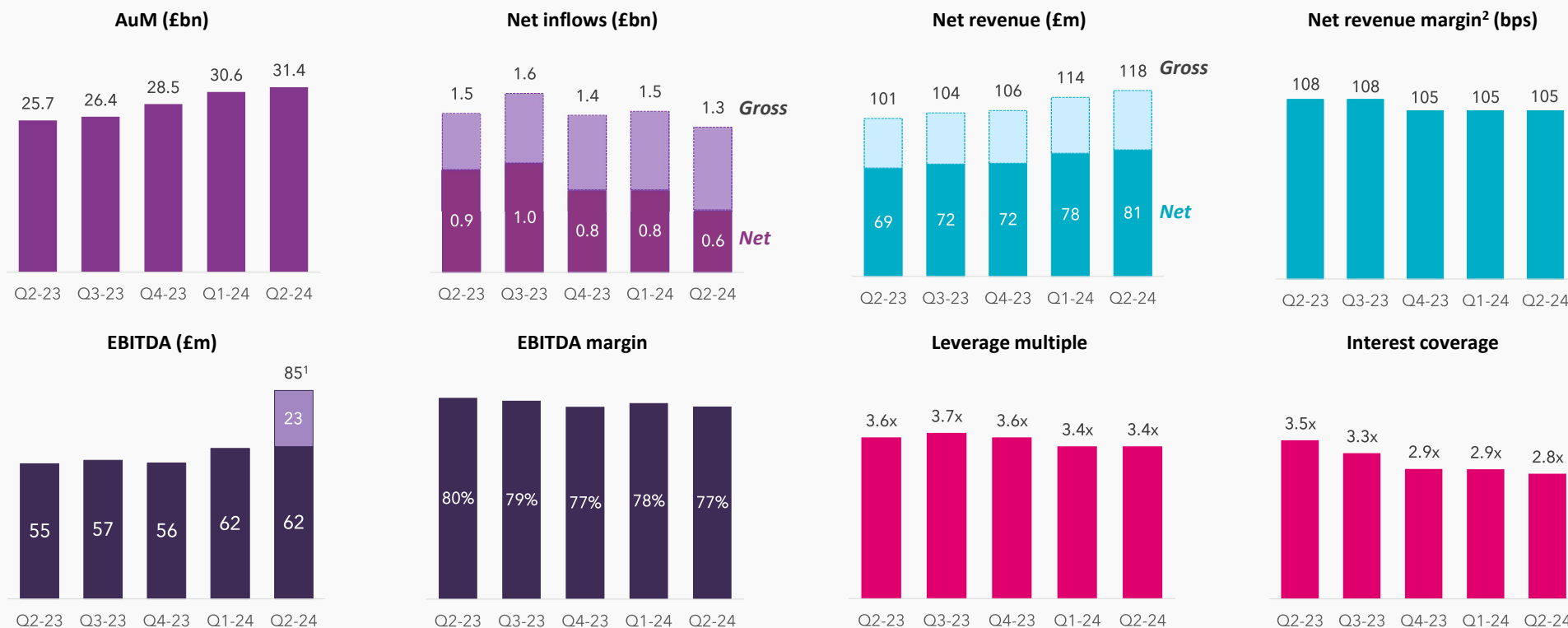
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Ben Thorpe

Chief Financial Officer

Strong quarterly AuM growth delivering robust financial results

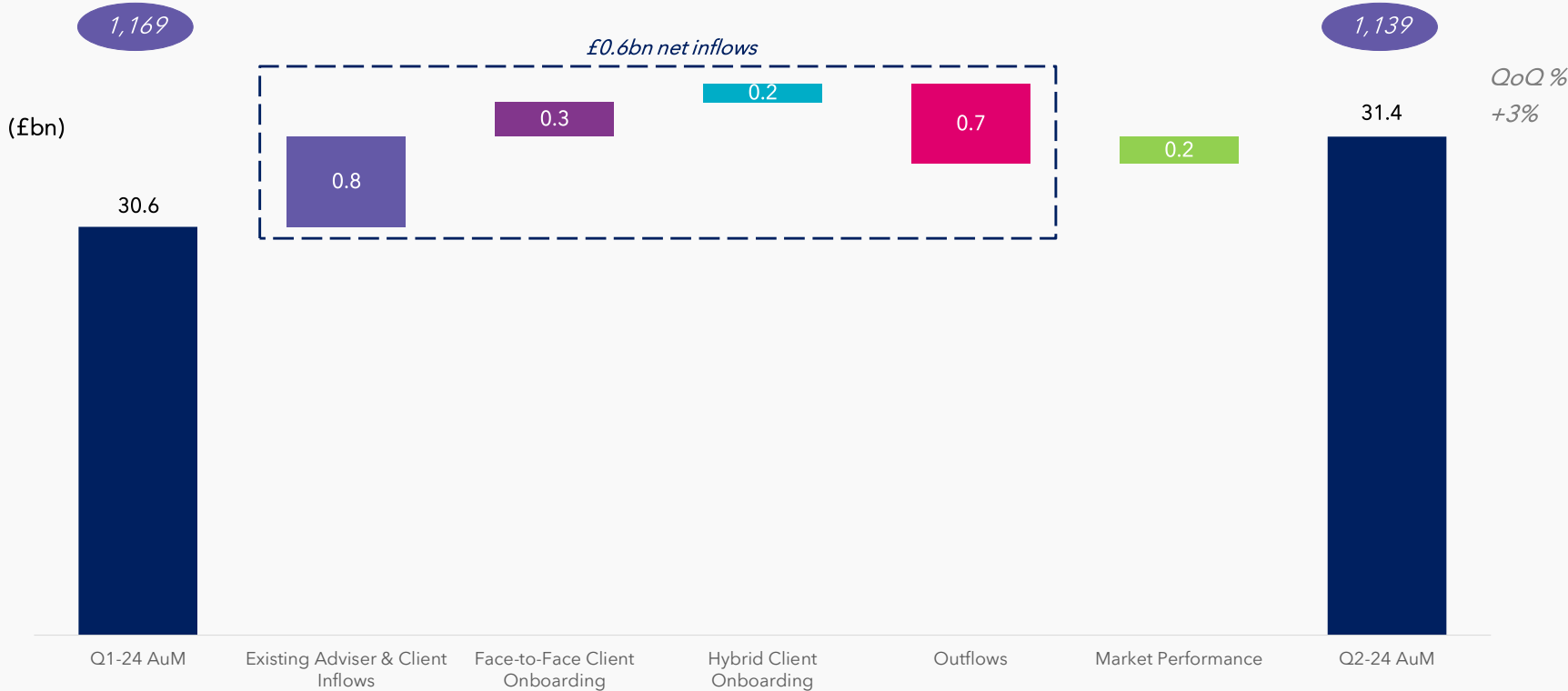


¹All figures exclude £23m fund performance fee, except EBITDA of £85m.

²Net revenue margin normalised in prior quarters to match new client interest model.

Net flows and performance delivering 10.5% quarterly annualised asset growth

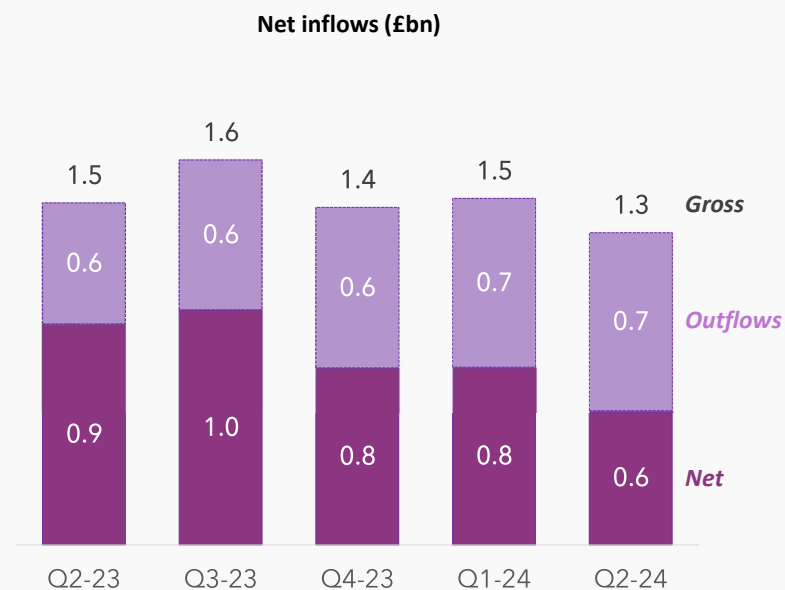
Number of advisers



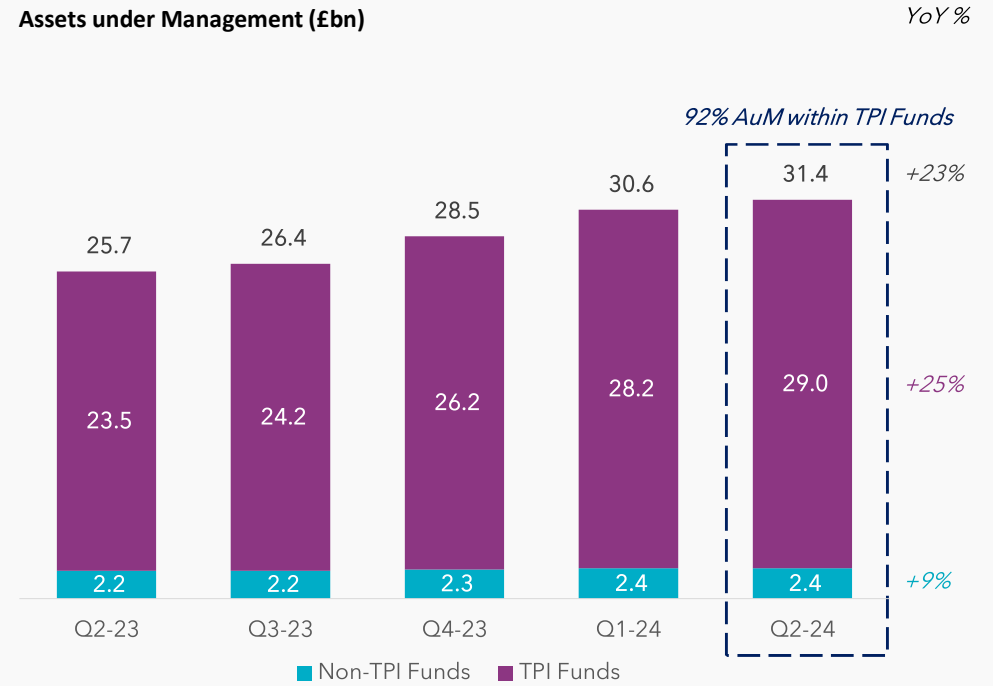
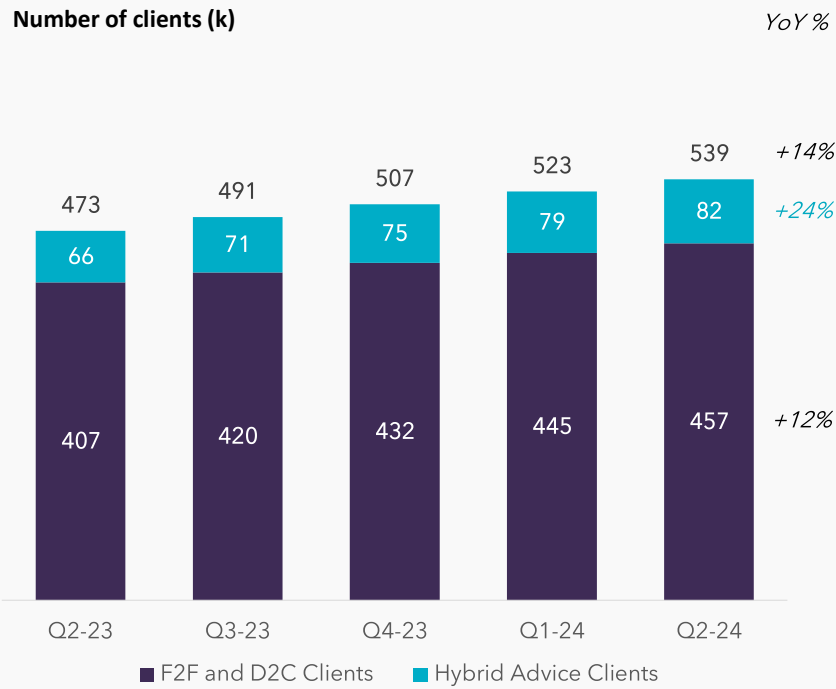
Hybrid Client Onboarding refers to new Central Advice Team Clients, Face to Face Client Onboarding refers to new TPWM adviser clients. Existing Adviser & Client inflows refers to all other advice channels.

Evolution of our adviser recruitment offering underway, with encouraging take up of the new offer

Flows (£m)	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24
Opening AuM	24.8	25.7	26.4	28.5	30.6
Gross Inflows	1.5	1.6	1.4	1.5	1.3
Existing Adviser & Client Inflows	0.7	0.7	0.6	0.8	0.8
2023 Offer	0.8	0.9	0.8	0.6	0.2
2024 Offer	-	-	-	0.1	0.3
Total Recruitment Inflows	0.8	0.9	0.8	0.7	0.5
Outflows	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)
Net Flows	0.9	1.0	0.8	0.8	0.6
Market Movement	0.0	(0.3)	1.3	1.3	0.2
Closing AuM	25.7	26.4	28.5	30.6	31.4



Double-digit client and asset growth maintained...



Client volume mix updated following data cleansing exercise.

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

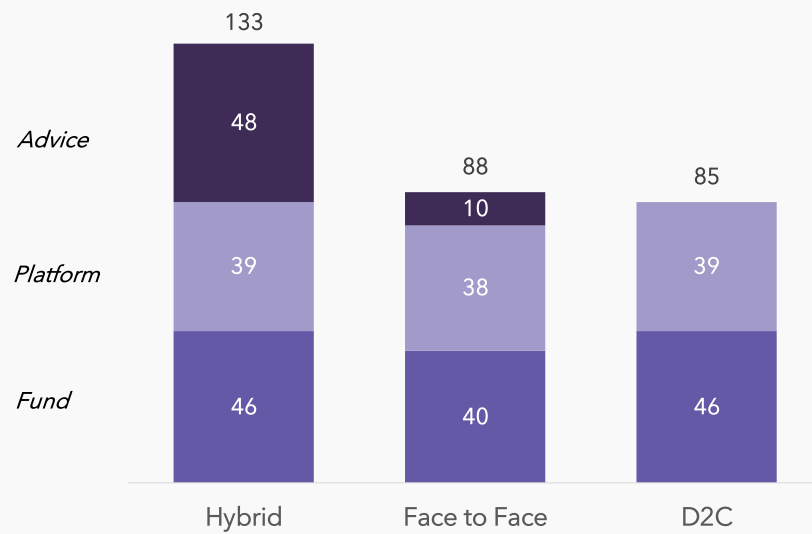
Gross and net revenue (£m)



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

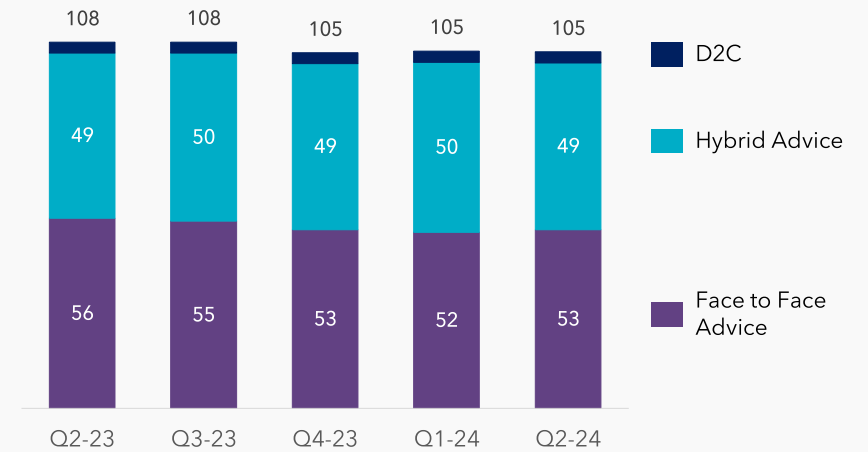
As our multi-channel offering delivers a diversified net revenue margin

Q2-24 Net revenue margin per product (bps)



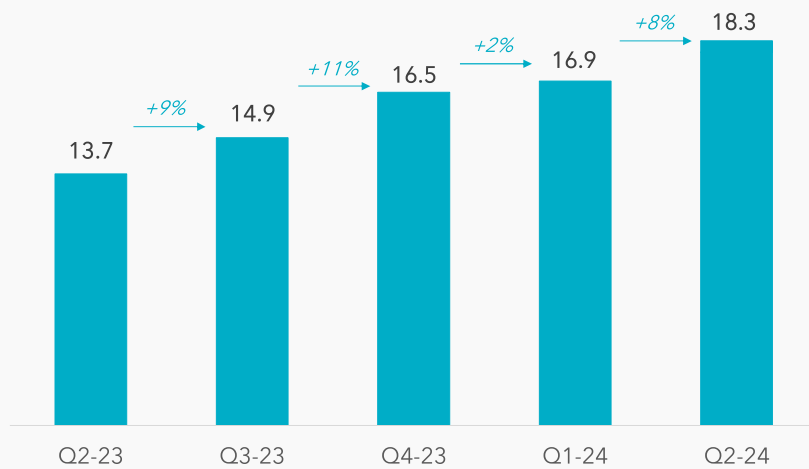
Net revenue margin per channel (bps)

All margins adjusted for client cash interest.

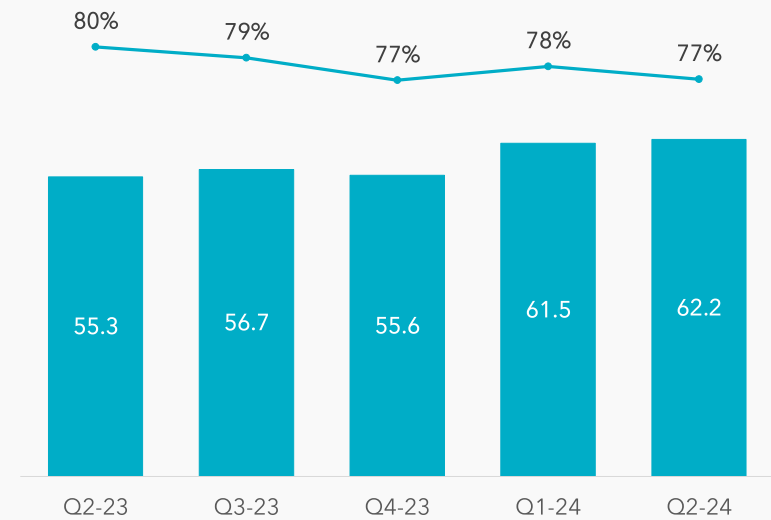


We continue to invest to support growth and business capabilities, whilst maintaining a strong EBITDA margin

Expenses (£m)



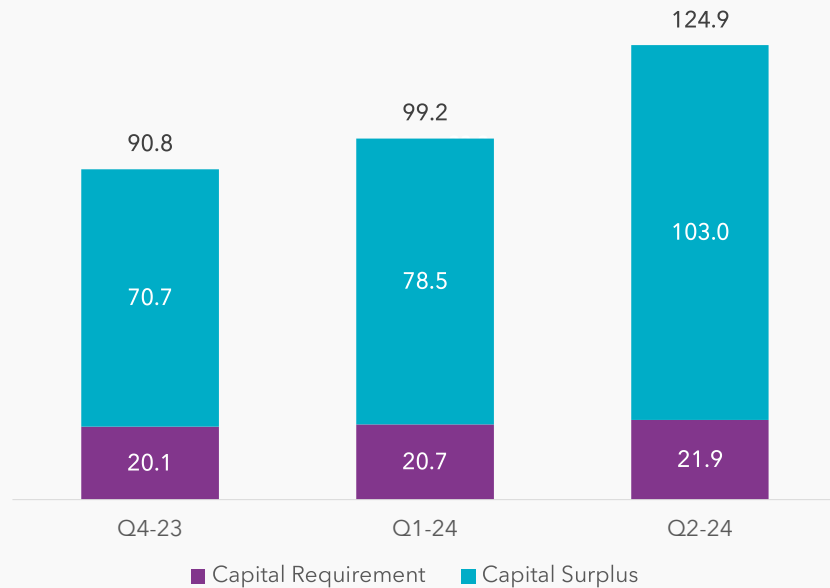
EBITDA (£m) / EBITDA margin (% net revenue)



Well capitalised, with stable leverage levels

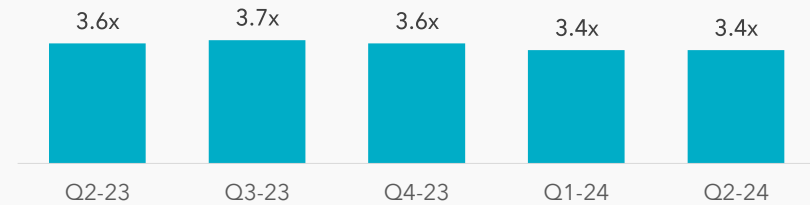
No additional financing in Q2 2024

Regulatory Capital (£m) Jun-24



Leverage Evolution

Leverage multiple (Net debt / Adjusted EBITDA)



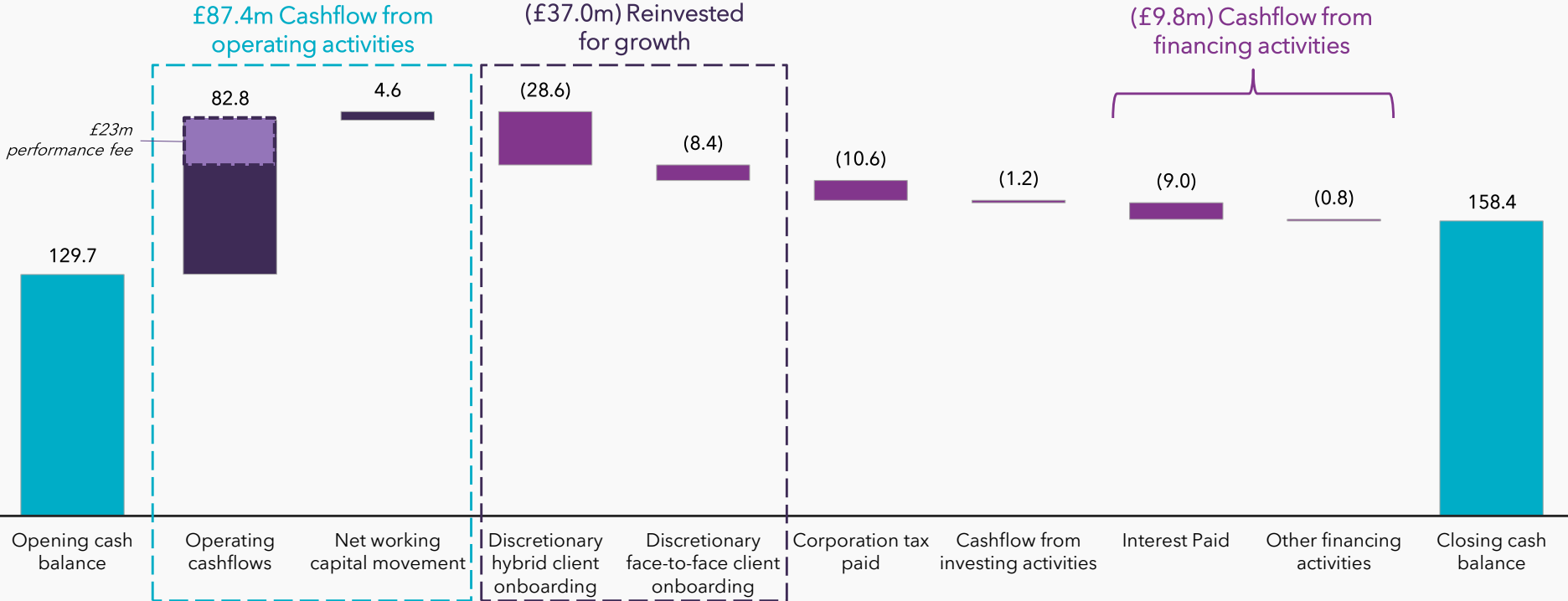
Debt and Leverage (£m) Jun-24

Adjusted EBITDA (£m)	261.5
Debt breakdown	
Total Gross debt	1,055.7
Less: Cash	(158.0)
Net debt	897.7
Leverage Multiple	3.4x

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

Cash (£m)



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. Supportive macroeconomic environment.
2. Significant UK wealth market opportunity.
3. Consumer Duty and regulatory developments provide an opportunity to adapt and enhance the business model for long-term success.
4. Continued enhancement of the client and adviser experience.

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

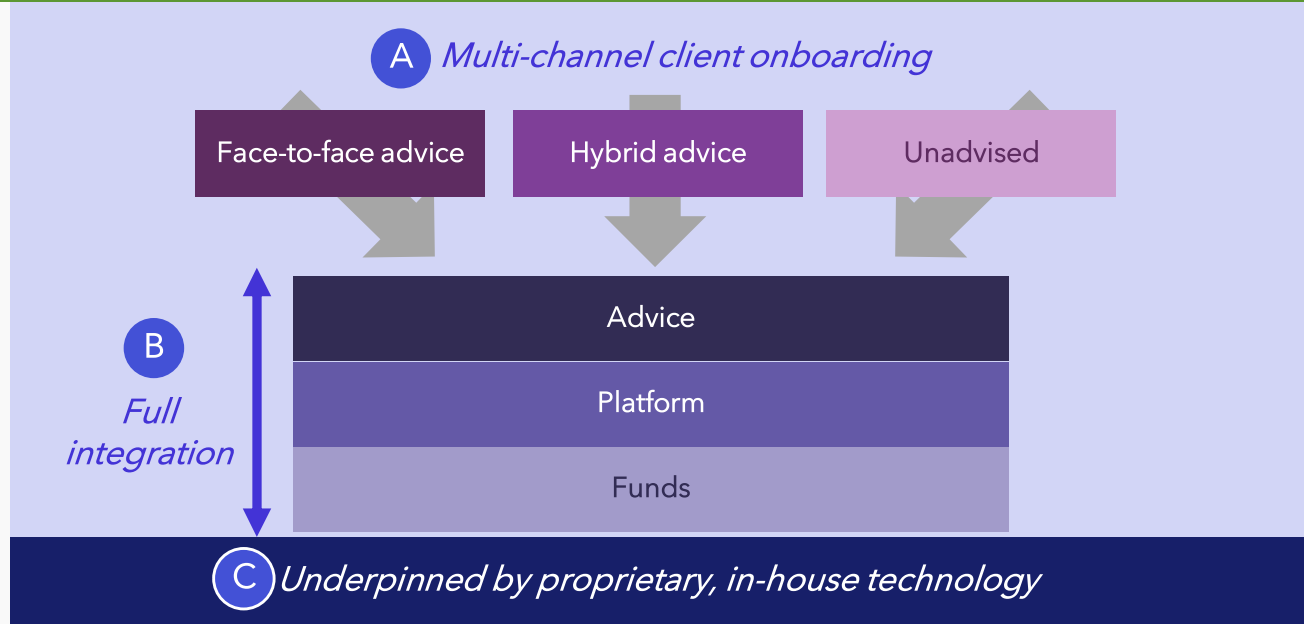
...leading to a superior FY23 financial profile

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

¹ 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



...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)

Quarterly P&L

True Potential Group Ltd

P&L (£m)	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24
Revenue	100.5	104.2	105.6	114.6	141.2
Fee expenses	(31.6)	(32.6)	(33.5)	(36.2)	(37.7)
Net revenue	68.9	71.6	72.1	78.4	103.5
Administrative expenses (excl, D&A)	(13.7)	(14.9)	(16.5)	(16.9)	(18.3)
EBITDA	55.2	56.7	55.6	61.5	85.2
D&A	(10.4)	(11.0)	(11.4)	(12.2)	(12.7)
Exceptional items	-	(3.4)	(0.9)	-	(2.4)
Operating profit	44.8	42.3	43.3	49.3	70.1
Finance income	0.7	0.3	1.0	1.3	1.4
Finance costs	-	-	(0.1)	-	-
Profit before tax	45.5	42.6	44.2	50.6	71.5
Taxation	(12.4)	(9.1)	(5.0)	(9.2)	(12.6)
Profit for the quarter	33.1	33.5	39.2	41.4	58.9

Kane Bidco Ltd

P&L (£m)	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24
Revenue	100.5	104.2	105.6	114.6	141.2
Fee expenses	(31.6)	(32.6)	(33.5)	(36.2)	(37.7)
Net revenue	68.9	71.6	72.1	78.4	103.5
Administrative expenses (excl, D&A)	(14.0)	(18.6)	(13.4)	(17.3)	(20.7)
EBITDA	54.9	53.0	58.7	61.1	82.8
D&A	(17.1)	(17.7)	(18.8)	(19.1)	(19.6)
Exceptional items	-	-	(4.3)	-	-
Operating profit	37.8	35.3	35.6	42.0	63.2
Finance income	0.7	0.3	1.0	1.3	1.6
Finance costs	(15.6)	(17.4)	(27.8)	(27.2)	(16.6)
Profit before tax	22.9	18.2	8.8	16.1	48.2
Taxation	(12.4)	(9.1)	2.2	(11.0)	(10.8)
Profit for the quarter	10.5	9.1	11.0	5.1	37.3

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					Kane Bidco Ltd				
Cash Flow (£m)	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24
EBITDA excluding exceptional items	55.2	56.7	55.6	61.5	85.2	54.9	53.0	58.7	61.1	82.8
Less exceptional items	-	(3.4)	(0.9)	-	(2.4)	-	-	(4.3)	-	-
EBITDA including exceptional items	55.2	53.3	54.7	61.5	82.8	54.9	53.0	54.4	61.1	82.8
Operating cashflows before movement in working capital	55.2	53.3	54.7	61.5	82.8	54.9	53.0	54.4	61.1	82.8
Net working capital movement	(1.5)	0.9	(7.0)	(2.4)	1.7	4.3	1.4	(10.5)	(1.8)	4.6
Total discretionary client onboarding	(63.9)	(75.7)	(60.6)	(44.8)	(36.9)	(63.9)	(75.7)	(60.6)	(44.8)	(36.9)
<i>Discretionary hybrid client onboarding</i>	<i>(59.5)</i>	<i>(70.9)</i>	<i>(52.5)</i>	<i>(35.9)</i>	<i>(28.6)</i>	<i>(59.5)</i>	<i>(70.9)</i>	<i>(52.5)</i>	<i>(35.9)</i>	<i>(28.6)</i>
<i>Discretionary face-to-face client onboarding</i>	<i>(4.4)</i>	<i>(4.8)</i>	<i>(8.1)</i>	<i>(8.9)</i>	<i>(8.4)</i>	<i>(4.4)</i>	<i>(4.8)</i>	<i>(8.1)</i>	<i>(8.9)</i>	<i>(8.4)</i>
Corporation tax paid	(10.3)	(9.8)	(7.4)	(12.7)	(10.6)	(10.3)	(9.8)	(7.4)	(12.7)	(10.6)
Bidco intercompany loan	(36.7)	20.5	(38.9)	(2.3)	(9.1)	-	-	-	-	-
Cashflow from operating activities	(57.2)	(10.8)	(59.2)	(0.7)	27.8	(15.0)	(31.1)	(24.1)	1.7	39.8
Cashflow from investing activities	0.6	0.3	0.9	1.0	1.5	0.6	0.2	9.3	0.9	(1.2)
Cashflow from financing activities	(0.2)	18.5	143.7	(0.6)	(0.6)	(42.5)	39.0	100.2	(2.6)	(9.8)
<i>Interest Paid</i>	-	-	-	-	-	<i>(4.4)</i>	<i>(26.1)</i>	<i>(7.7)</i>	<i>(32.1)</i>	<i>(9.0)</i>
<i>Net finance facility movement</i>	-	-	-	-	-	<i>(38.0)</i>	<i>65.3</i>	<i>108.1</i>	<i>30.4</i>	-
<i>Other financing activities</i>	-	-	-	-	-	<i>(0.1)</i>	<i>(0.2)</i>	<i>(0.2)</i>	<i>(0.9)</i>	<i>(0.8)</i>
Net cash movement	(56.8)	8.0	85.4	(0.3)	28.7	(56.9)	8.1	85.4	(0.0)	28.7
Opening cash balance	93.0	36.2	44.2	129.6	129.3	93.1	36.2	44.3	129.7	129.7
Closing cash balance	36.2	44.2	129.6	129.3	158.0	36.2	44.3	129.7	129.7	158.4

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.

True Potential Executive Committee



Daniel Harrison

Chief Executive Officer



Ben Thorpe

Chief Financial Officer



Earl Glasgow

Chief Recruitment Officer



Jeff Casson

Chief Investment 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

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