Abrdn shrugs off 'sunk cost' of £1.49bn deal for Interactive Investor

Jason Windsor, the interim chief executive, has admitted that his predecessor paid a high price for the DIY investment platform

Patrick Hosking, Financial Editor, The Times — Wednesday 7th August 2024

Abrdn's former chief executive Stephen Bird paid "a high price" when he forked out £1.49 billion in cash for Interactive Investor in 2021, his interim successor Jason Windsor has said. Windsor said on Tuesday that the DIY investment platform for retail investors was doing well, but conceded the purchase price — which was equivalent to 40 times profits — had been full.

"It probably was a high price at the time," he said, "but that's history. It's a sunk cost."

The focus on Interactive comes amid speculation over whether its bigger rival Hargreaves Lansdown will agree a £5.4 billion takeover offer from a CVC-led private equity consortium, which values Hargreaves at a more modest 17 times profits. The two sides have provisionally agreed a price and have until Friday to strike a deal under takeover rules.

Bird, who left in May, hailed the Interactive deal at the time as "transformational" for Abrdn, giving it access to 400,000 retail investors and a promising third division capable of strong growth.

He had to pay a high price, it was argued, because Barclays was interested in buying the platform, while Interactive's owner, the private equity group JC Flowers, was also considering a possible flotation.

Windsor, who arrived last year and is interim chief executive, was commenting after announcing early signs of a recovery in profitability at Abrdn, formerly Standard Life Aberdeen. Outflows of client money had been significantly contained, while operating profits in the six months to June crept £1 million higher to £128 million.

He hailed Interactive's success in winning £3.1 billion of net inflows in the first half, which was more than in the whole of 2023. However, its adjusted operating profit fell from £61 million to £55 million. Overall, Abrdn reported net inflows of £800 million, a recovery from the net outflows of £5.2 billion posted last time.

Abrdn, the product of the 2017 merger between Standard Life and Aberdeen Asset Management, has been plagued for years by clients pulling money out. It is one of the most widely held companies with about 1 million small shareholders and owns a mainstream asset management business and a platform for financial advisers as well as Interactive. The insurance arm has been sold and as it confirmed it was on track to make £150 million of cost savings by 2025.

It also reaffirmed plans to explore trying to extract some of the surplus from its staff pension fund, which grew from £700 million to about £800 million in the period. Abrdn is one of the few large employers to confirm it would like to claw back some of the surplus built up in its defined benefit scheme. It is considering both a buyback with a conventional insurance company, but also "running on" the scheme while extracting some of its surplus.

Clawing back some of the pension surplus would be innovative and potentially difficult, though the government is exploring ways to make it easier. Windsor said Abrdn had "a really good relationship" with the trustees of the scheme and would "tread softly". Abrdn is waiting for a consultation by the Department for Work and Pensions before it can take any further steps. It is thought any clawback would have to be approved by The Pensions Regulator.

The scheme has 13,000 members. It was closed to new members in 2004 and to new accrual from existing members in 2019. About 4,000 of its members are already drawing a pension. Most Abrdn staff today are in a separate defined contribution scheme.

Shares in Abrdn closed down 1¼p, or 0.8%, at 158¾p.

