Standard Life

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Standard Life says it will complete Aberdeen Asset Management merger next week as it lifts profits

Standard Life plc (LON:SL.) said it is on track to complete its £11bn merger with Aberdeen Asset Management plc (LON:ADN) next week as it reported a 6% increase in first half operating profit.

In its last set of results as a standalone company before combining with Aberdeen, the insurance and asset management group posted operating profit of £362mln in the six months to 30 June, up from £341mln in the year-ago period.

Assets under management (AuM) edged up 1% to £361.0mln from £357.1mln last year, as a poor performance in its institutional investment business was mitigated by growth in its workplace and retail divisions.

However, the group saw net outflows of £3.7bn, compared to net inflows of £0.9mln the prior year. This reflected an increase in redemptions to £24.4bn from £20.9bn last year due to a weaker investment performance at its flagship Absolute Return Global Bond Strategies fund. Gross inflows also slowed to £20.7bn from £21.8bn.

In reaction, shares fell 2.34% to 434.90p in morning trading.

Fee based revenue climbed 5% to £836mln from £794mln, driven by its retail arm, which was boosted by the acquisition of Axa's portfolio services business, known as Elevate.

"We continue to see the benefits of targeted investments to further our diversification agenda, the success of our newer investment solutions and the ongoing focus on operational efficiency," said chief executive Skeoch.

Merger to deliver cost synergies
Standard Life said its plan to deliver £200mln in annual cost synergies through its planned merger with Aberdeen was "progressing well". The combination of the two companies will create the UK's largest asset management group and the second biggest in Europe.

"With the proposed merger with Aberdeen on track for completion on 14 August we are ready to accelerate the pace of strategic delivery as we open the next chapter of our transformation to a diversified world-class investment company," said Skeoch.

"The combined leadership team of Standard Life and Aberdeen has been working well together to ensure 'Day 1' readiness."

The company lifted its interim dividend by 8.2% to 7p.

Underlying cash generation rose 1% to £256mln from £254mln, ending the period with a cash position of £0.8bn, unchanged from the previous year.

Standard Life cautious on Brexit uncertainty

Share Information

Code:	SL.
Listing:	LSE
Sector:	**Insurance**
Website:	**ukgroup.standardlife.com**

Company Synopsis:
*Standard Life Plc is a FTSE 100 insurance, pensions and general financial group with operations across the globe. *

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Standard Life strengthened its capital buffers with a Solvency II surplus of £3.5bn, compared to £3.3bn last year, representing solvency cover of 220%, up from 214%.

The group was cautious about the uncertainty surrounding Brexit negotiations but said it believes it will be better placed to deal with challenges on completion of its merger with Aberdeen.

"We are well placed to continue to meet changing client and customer needs globally, and to generate growing and sustainable returns for our shareholders," Skeoch concluded.

Looking ahead, the company expects the slowdown in gross inflows to ease and sees strong demand for its retail platforms and an improving investment performance.

Fund managers face fierce competition, says analyst
Neil Wilson, senior market analyst at ETX Capital, said the merger comes as active fund managers are under pressure from low-cost competitors. More investors are swapping the hefty fees of the star managers in favour of passive investing, he said.

"Whether the merger pays off, active fund management has to cope with a lot of change," Wilson said.

"It's becoming a tougher sell to investors and fees are falling. Passive investing represents more than a tenth of UK investment holdings and according to Moody's, it will overtake active management by 2024 in the US."