Sanford DeLand
ASSET MANAGEMENT
Business Perspective Investors

TM SDL UK Buffettology Fund

Monthly Insights – January 2026

Understanding AJ Bell's 10x Customer Economics

Consider the following investment opportunity:

1. Invest £100 today
2. Receive £74 a year on average for the next 17 years

No brainer, right?

This is roughly the calculation AJ Bell faces when deciding how much to invest in marketing to attract new customers.

The initial investment - known as the customer acquisition cost (CAC) - is around £100 per new customer. In return, the average customer will generate over £70 of pre-tax profit in the first year alone, meaning the investment pays back in roughly 16 months. And with an average customer lifespan of over 17 years, that single customer is expected to produce well over £1,000 in cumulative pre-tax profit. This is known as the customer's lifetime value (LTV).

In this case the lifetime value divided by the acquisition cost (LTV / CAC) is over 10x. Investment opportunities this compelling are rare. So, in December, when AJ Bell announced plans to increase marketing investment by more than £10m in 2026, you would be forgiven for expecting the stock market to respond positively.

Instead, the shares fell over 7% on the day, reducing the company's market value by more than £150m.

Why?

Unlike physical assets such as property, plant and equipment which are capitalised and depreciated through the income statement over years, investment in attracting new customers is treated as an immediate expense. The result of this accounting treatment is a reduction in short-term profit expectations despite the long-term value being created. The initial share price reaction focused on the former rather than the latter.

For long-term investors willing to look beyond the next set of results, this short-term market thinking creates opportunity.

David Beggs
21 January 2026

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