



LEADING THE FIELD  
THINKING BIGGER

# Investor Presentation

November 2020

**IG** Group

0 1

# Introduction

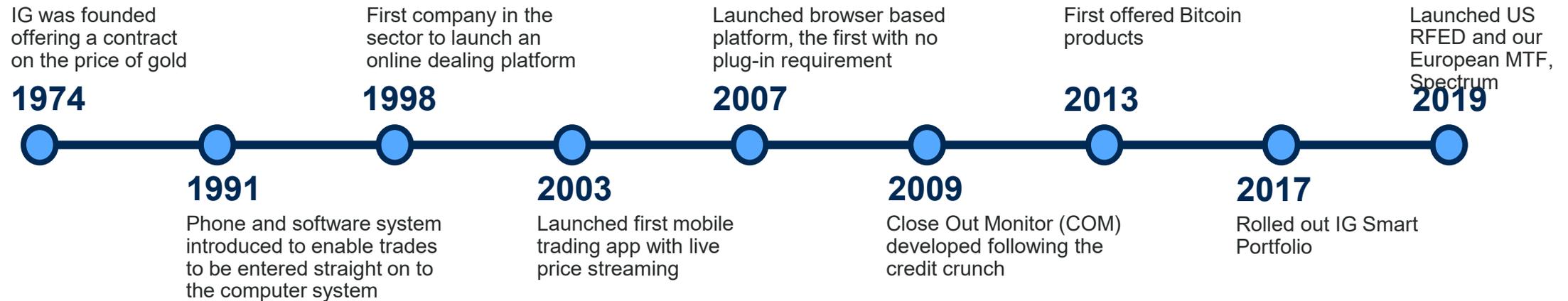
# Who we are

- Our purpose
  - To empower informed, decisive, adventurous people to access opportunities in financial markets
- Founded in 1974
- FTSE 250 with a market capitalisation of £2.9bn<sup>1</sup>
- FY20 revenue
  - 95% from OTC Leveraged Derivatives
  - 3% from Exchange Traded Derivatives
  - 2% from Stock Trading and Investments
- Global company with operations in 17 countries

<sup>1</sup> Close of business 11/11/2020

# Our history

## 46 years of innovation



- With a history of innovation, technological advancement and adaptation IG continues to grow
- IG's differentiated business model is aligned with the interests of our clients
- IG's culture is underpinned by three core values; **champion the client, lead the way and love what we do**

# IG Group's key

A great company with a strong foundation, underpinned by the strength of our strengths



02

Strategy

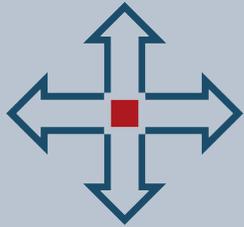
# Our medium term financial targets

- Announced in May 2019
- **Core Markets:** revenue growth at around 3-5% pa over the medium term
- **Significant Opportunities:** an increase in revenue of £100 million, to around £160 million by FY22
- Assuming these targets are achieved, revenue in FY22 will be around 30% higher than in FY19
- The Group intends to maintain the 43.2 pence per share annual cash dividend until the Group's earnings allow for progressive dividends.

# Utilising our growth levers

## NEW

**Expanded distribution channels**



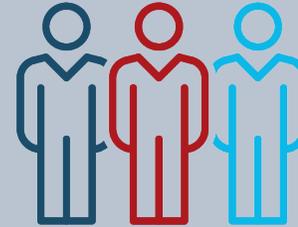
Accelerated and expanded distribution via partnerships

**A global firm with more local focus**



Localised marketing and customer experience

**Segmented target markets**



Customised offerings for high-value, retail and institutions

## EXPANDING

**Multi product**



OTC, ETD and non-leveraged offerings

# FY20 strategic progress – Core Markets

## Good growth prior to exceptional Q4

- Good revenue and client growth in Q1-Q3 FY20
  - Significant recovery in Retail client base in ESMA region **+26% revenue, +8% active clients**<sup>1</sup>
  - EMEA ex EU **+14% revenue, +6% active clients**<sup>2</sup>
  - Australia **+10% revenue, +8% active clients**<sup>2</sup>
  - Singapore **+8% revenue, +7% active clients**<sup>2</sup>
- Record Q4 client acquisition
- 55% of OTC Leveraged revenue generated from clients trading with IG for more than 3 years
- Existing client base extremely active during Q4 FY20 volatility
- Improved Stock Trading offering in select markets

<sup>1</sup> Percentage increase based on average quarterly growth (Q1-Q3 FY20 v Q2-Q4 FY19)

<sup>2</sup> Percentage increase based on Q1-Q3 FY20 v Q1-Q3 FY19

# FY20 strategic progress- Significant Opportunities

Strong progress delivered towards FY22 target

JAPAN	£1bn FX market 2m FX traders	90% growth in active clients <sup>1</sup> Partnership discussions advancing
EMERGING MARKETS	Increasing wealth and financial sophistication driving growth	Launched IG International 37% growth in active clients <sup>1</sup>
GREATER CHINA	£1bn+ structured product market 500,000 professional investors in HK alone	Greater Bay Area development an opportunity Partnership discussions advancing
US	705k + Futures & Options Traders 110k FX traders	IG US growing client base 27m DailyFX unique visitors
INSTITUTIONAL	8,000 hedge funds and family offices £500m market	Launched IG Prime 44% growth in active clients <sup>1</sup>
SPECTRUM	£1bn Exchange Traded Derivative market	150m securitised derivative contracts traded up to 31 May 2020 Integrating an additional broker and in discussions with major banks

03

**FY20 results  
highlights, Q1  
revenue update and  
financial position**

# FY20 highlights

- Good underlying growth in Q1-Q3
  - OTC Leveraged revenue up 9%<sup>1</sup>
- Exceptional Q4 performance
  - 86% higher than Q3 FY20
- Progress achieved against our strategic targets
- Successful navigation through Covid-19 pandemic to date
- Focus on ESG activities
  - Established £5m IG Brighter Future Fund

Net trading revenue

**£649.2m** ↑ 36%

PBT

**£295.9m** ↑ 52%

Basic EPS

**65.3p** ↑ 52%

Total dividend per share

**43.2p**

# Q1 revenue update

- **Very strong performance** in Q1
  - Net trading revenue of £209m, **+62%** (Q1 FY20: £129.1m)
  - Driven by continued high levels of trading activity from existing clients and growth in the active client base
    - 201,500 total active clients, **+50%** (Q1 FY20: 134,100)
    - 134,800 clients traded OTC Leveraged products (Q1 FY20: 92,300)
- **Core Markets** revenue £170.8m **+56%** (Q1 FY20: £109.4m).
  - Retail client base in UK and Europe was particularly strong, with growth delivered in both revenue per client and number of active clients
- **Significant Opportunities** revenue £38.2m, **+94%** (Q1 FY20: £19.7m)
  - On track to deliver the medium-term target of £100m in revenue growth from this portfolio by the end of FY22
- **New client acquisition remained strong** as a result of continued demand and improved marketing effectiveness across multiple channels
  - 34,600 new clients placing a first trade in the quarter, **+129%** on prior year
  - 15% of these first trades from new OTC Leveraged
  - new client retention rates, including the

Revenue by product (£m)	Q1 FY21	Q1 FY20	% Change
OTC Leveraged	195.1	123.0	59%
Exchange Traded Derivatives	6.3	3.8	64%
Stock Trading & Investments	7.6	2.3	235%
<b>Group</b>	<b>209.0</b>	<b>129.1</b>	<b>62%</b>

*"I am excited by the outstanding performance we delivered in the first quarter as we enter the second year of our three-year growth strategy.*

*This was a great start to the year, and although there was some moderation from the exceptional performance in Q4, our first quarter results demonstrate IG's continued strength across the Core Markets, while also highlighting the growth potential in the Significant Opportunities.*

*Our focus remains on providing a first-class experience to sophisticated clients looking to trade across a range of global financial markets. We continue to invest in our people, platform and technology, to deliver the functionality and capabilities demanded by our loyal, high quality client base, while maintaining our differentiated business model."*

# Q1 revenue update - FY21 Outlook

On track to deliver our medium-term targets

- Anticipate a reversion to more normalised levels of volatility over the course of FY21
- Current trading has continued to reflect elevated levels of volatility, however this has moderated since the peak in March
- Capital, funding and liquidity remain very strong
- Additional £10m investment in FY21 to support the planned next stage in development of the Significant Opportunities portfolio and further enhance scalability and resilience in our technology and operations infrastructure

# Income Statement

A strong rebound from the prior year

(£m)	FY20	FY19	% Change
Net trading revenue	649.2	476.9	36%
Net interest on client money	5.0	6.3	
Betting duty and FTT	(7.4)	(7.9)	
Other operating income	1.4	1.9	
Net operating income	648.2	477.2	36%
Operating expenses	(308.6)	(259.6)	
Variable remuneration	(44.3)	(24.7)	
Total operating costs	(352.9)	(284.3)	24%
Gain on sale of subsidiaries	0.7	-	
Operating profit	296.0	192.9	53%

(£m)	FY20	FY19	% Change
Operating profit	296.0	192.9	53%
Net finance (cost) / income	(0.1)	1.4	
<b>Profit before taxation</b>	<b>295.9</b>	<b>194.3</b>	<b>52%</b>
Taxation	(55.5)	(36.0)	
Profit before taxation margin	45.6%	40.7%	
Profit for the period	240.4	158.3	52%
<i>Effective tax rate</i>	<i>18.8%</i>	<i>18.5%</i>	
<i>Weighted average number of shares</i>	<i>368.1m</i>	<i>367.6m</i>	
<i>Basic earnings per share</i>	<i>65.3p</i>	<i>43.1p</i>	
<i>Total dividend per share</i>	<i>43.2p</i>	<i>43.2p</i>	

# Financial position

BALANCE SHEET (£m)	31 May 20	31 May 19
Fixed assets	164.3	165.9
Liquid asset buffer	83.8	84.4
Amounts at brokers	437.4	419.3
Cash in IG bank accounts	486.2	373.3
Own funds in client money	66.5	51.1
Liquid assets	1,073.9	928.1
Bank borrowings	(100.0)	(100.0)
Client funds on balance sheet	(141.4)	(107.3)
Own funds	832.5	720.8
Working capital	(61.8)	(43.1)
Tax payable	(9.9)	(10.4)
Deferred net tax assets	10.8	8.6
Shareholders' funds	935.9	841.8

AVAILABLE LIQUIDITY (£m)	31 May 20	31 May 19
Liquid assets	1,073.9	928.1
Broker margin requirement	(326.0)	(314.0)
Non-UK cash balances	(177.4)	(187.5)
Own funds in client money	(66.5)	(51.1)
Available liquidity at end of period	504.0	375.5
Of which is:		
Held as liquid asset buffer	83.8	84.4
Dividend due	111.7	111.3
REGULATORY CAPITAL (£m)	31 May 20	31 May 19
Regulatory capital resources	675.5	568.9
Risk exposure amounts	2,018.6	1,875.9
Capital ratio	33.5%	30.3%
Requirement	19.9%	20.5%
Capital headroom	273.8	183.8

# Supporting information

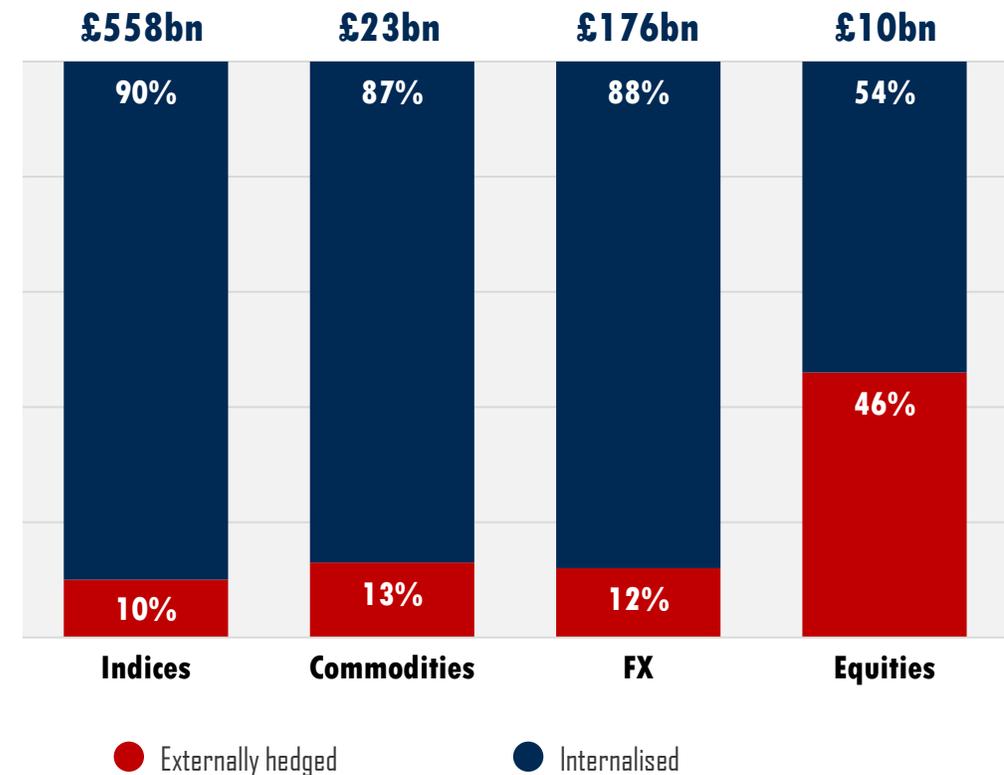
# Business model

# How do we manage market risk?

## Internalisation

- We net off client long and short positions on products and markets which are correlated
- The volume and breadth of our clients' trading gives us an advantage
  - Global footprint and range of markets
- Our technology enables instant internalisation
- We monitor our net market exposure in real time

**% OF CLIENT VOLUME HEDGED - May 2020**



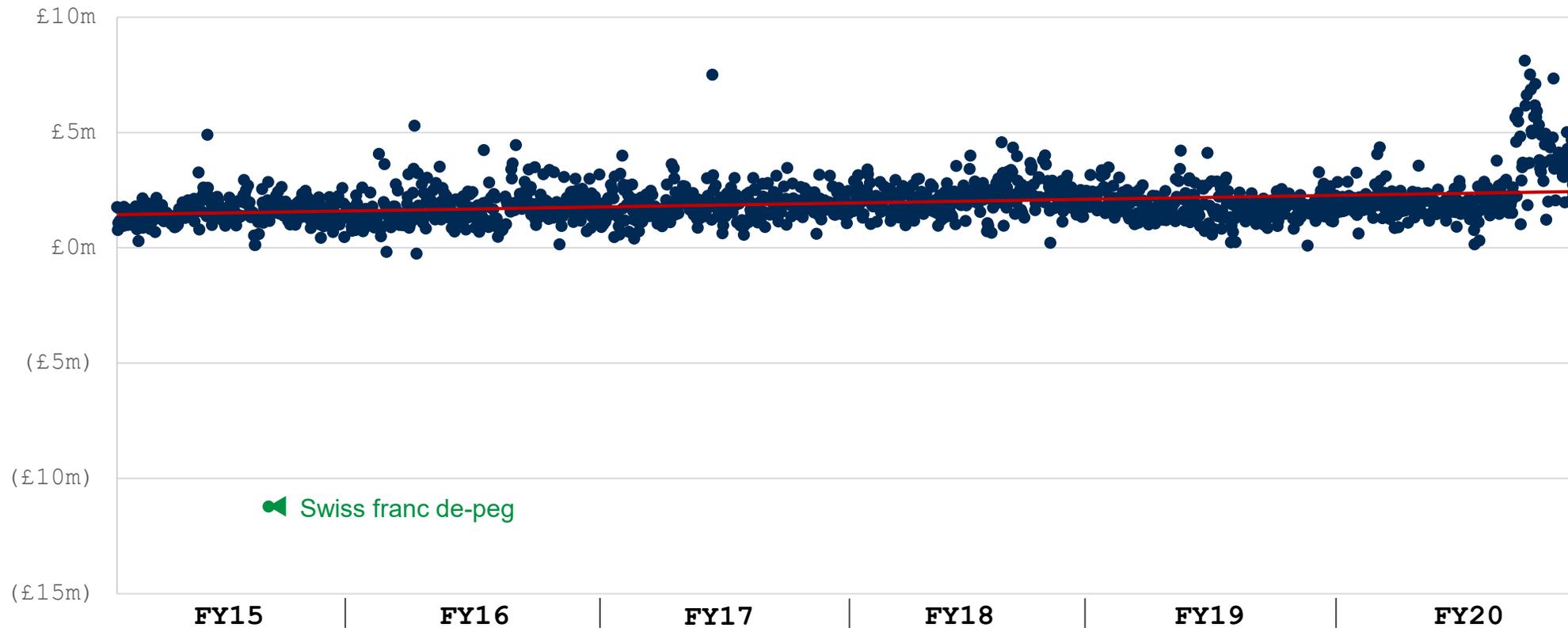
# How do we manage market risk?

## Automated hedging when risk limits reached



# Low variability of revenue

3 loss making days in past 6 years, no loss making days in FY20



# Financial information

# Revenue by market

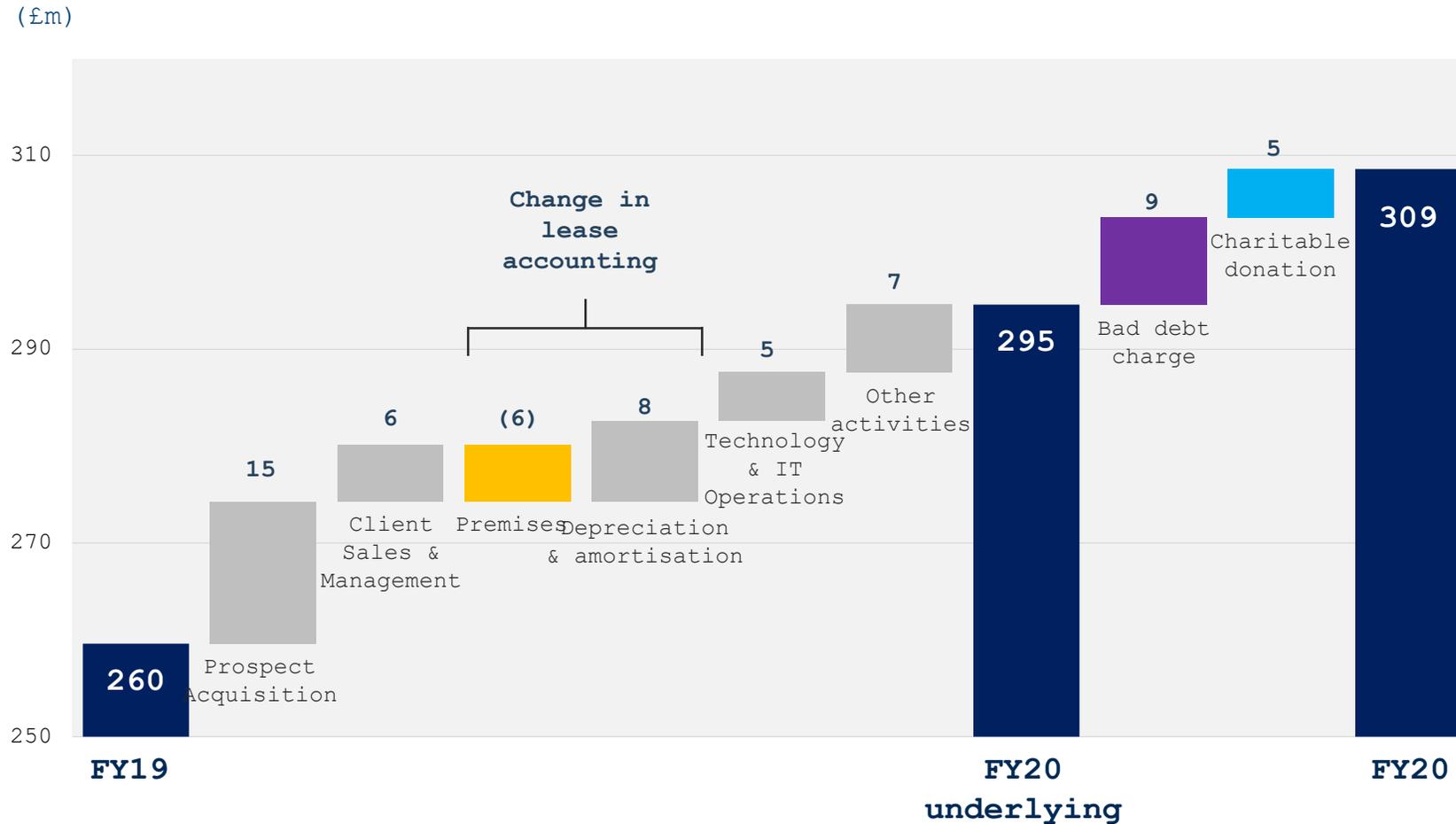
High growth rates seen across all markets

Revenue (£m)	FY20	FY19	% Change
ESMA region - OTC Leveraged	328.5	260.4	26%
Other Core Markets - OTC Leveraged	198.7	149.1	33%
Stock Trading & Investments	13.6	8.7	57%
<b>Total Core Markets</b>	<b>540.8</b>	<b>418.2</b>	<b>29%</b>
Significant Opportunities - OTC Leveraged	90.0	41.9	115%
Significant Opportunities - ETDs	18.4	16.8	9%
Total Significant Opportunities	108.4	58.7	85%
Total Group	649.2	476.9	36%

- Increased revenue across all markets, boosted by record Q4
- Core Markets revenue up 29%
- Significant Opportunities portfolio revenue up £50m
  - Estimate underlying growth of £30-35m, normalising for Q4

# Operating expenses

Planned investment to support further growth



## FY21 cost guidance:

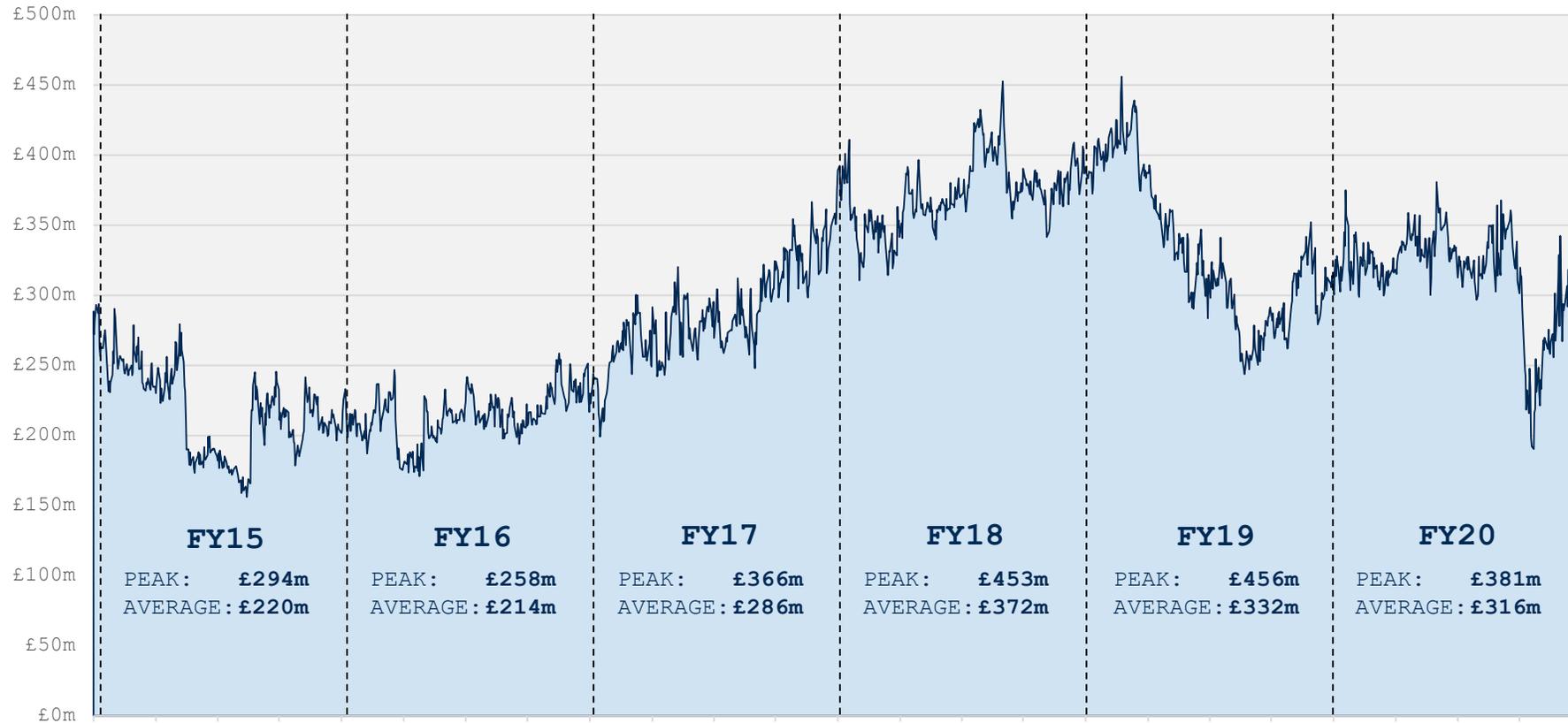
- Operating expenses
  - £295m FY20 underlying cost base to grow ~3%
  - £10m investment to support next stage of Significant Opportunities and further enhance technology resilience
- Variable remuneration
  - Midpoint between FY19 and FY20

# Operating expenses by type and activity

BY COST TYPE (£m)	FY20	FY19	Change
Fixed remuneration	116.4	106.3	9%
Advertising and marketing	61.8	51.7	20%
Bad debts	11.0	1.8	n/m
Regulatory fees	6.8	3.6	88%
Other structural costs	79.7	65.8	21%
Premises	7.3	13.1	(45%)
Depreciation and amortisation	25.6	17.3	48%
<b>Operating expenses</b>	<b>308.6</b>	<b>259.6</b>	<b>19%</b>

BY COST ACTIVITY (£m)	FY20	FY19	Change
Prospect acquisition	87.2	72.5	20%
Client sales and management	28.1	22.2	26%
Technology and IT ops	56.0	52.8	6%
Other activities	115.6	100.4	15%
Cash operating costs	286.9	247.9	16%
Capitalised salary cost	(3.9)	(5.6)	(32%)
Depreciation and amortisation	25.6	17.3	48%
Operating expenses	308.6	259.6	19%

# Broker margin



# Q4 performance

Record revenue and active clients

**£259.5m**

Net trading revenue  
86% up on Q3

**51,200**

New clients  
onboarded  
204% up on Q3

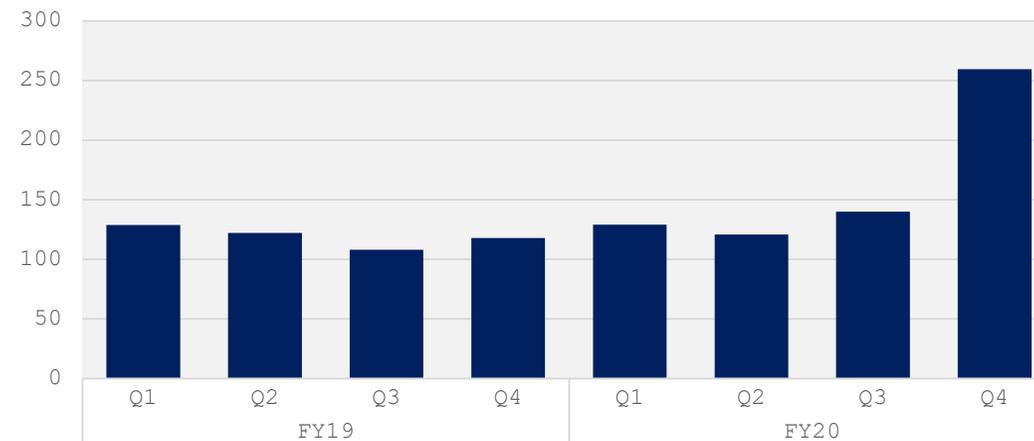
**199,300**

Unique clients  
trading  
39% up on Q3

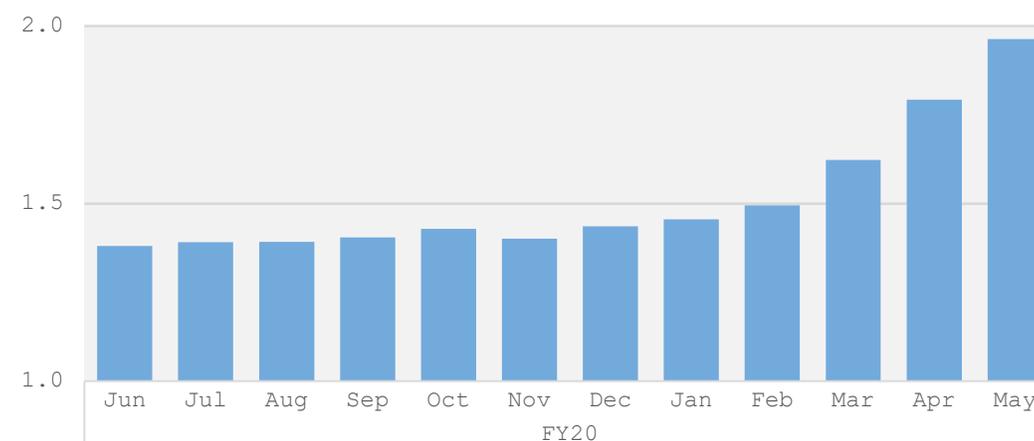
**£1.96bn**

Client money  
balance<sup>1</sup>  
31% up on end of Q3

QUARTERLY NET TRADING REVENUE (£m)



CLIENT MONEY BALANCE (£bn)



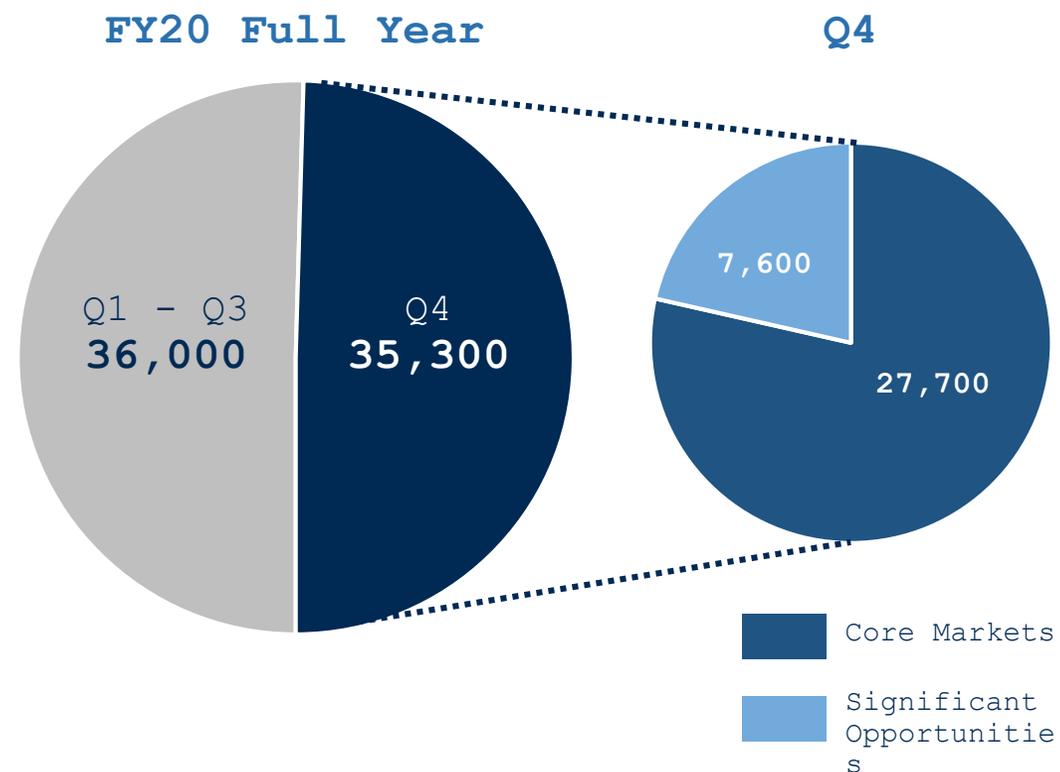
<sup>1</sup> Segregated client money balance as at 31 May 2020

# Q4 client cohort

Exceptional client acquisition, maintained strict onboarding standards

- 53% of the FY20 new clients were onboarded in Q4
  - 35,300 new OTC Leveraged clients
  - 17,900 new Stock Trading clients
- Cost efficient acquisition due to investment in brand and search engine optimisation
- Continued to apply strict onboarding standards
- Client demographic similar to existing client base
  - Too early to comment on future trading behaviour
  - Attrition rate slightly higher than historical cohorts
  - Will add to the size and quality of our client base over the longer term

## FIRST TRADES – OTC LEVERAGED



This presentation, prepared by IG Group Holdings plc (the "Company"), may contain forward-looking statements about the Company and its subsidiaries (the "Group"). Such forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "projects", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which are beyond the Company's control and are based on the Company's beliefs and expectations about future events as of the date of this presentation, including the results of operations, financial condition, liquidity, prospects, growth and strategies facing the Group and the industries in which it operates and the dividend policy of the Company. If the assumptions on which the Company bases its forward-looking statements change, actual results may differ from those expressed in such statements. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including those set out under "Principal Risks" in the Company's annual report for the financial year ended 31 May 2020. The annual report can be found on the Company's website ([www.iggroup.com](http://www.iggroup.com)).

Forward-looking statements speak only as of the date of this presentation. Except as required by applicable law and regulation, the Company undertakes no obligation to update these forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

Some numbers and period on period percentages in this presentation have been rounded or adjusted to ensure consistency with the financial statements. This may lead to differences between subtotals and the sum of individual numbers as presented.

FY20 relates to the financial year ending 31 May 2020, FY19 relates to the financial year ending 31 May 2019. FY20 H1 refers to the half year ending 30 November 2019. FY19 H1 refers to the half year ending 30 November 2018.