

# Results Presentation



Half Year Ended 31 March 2018

# Presentation team



**Ian Taylor**

*Chief Executive*

- Co-founded IntegraFin in 1999
- 1992 – Seven years in asset management
- 1987 – Five years in life industry



**Alex Scott**

*Finance Director*

- Joined IntegraFin in 2009
- 1997 – Twelve years in insurance licence provision
- 1991 – Six years in life industry

# Agenda



- **Overview of IntegraFin**
- **Financial results**
- **Summary**

# A leading independent platform

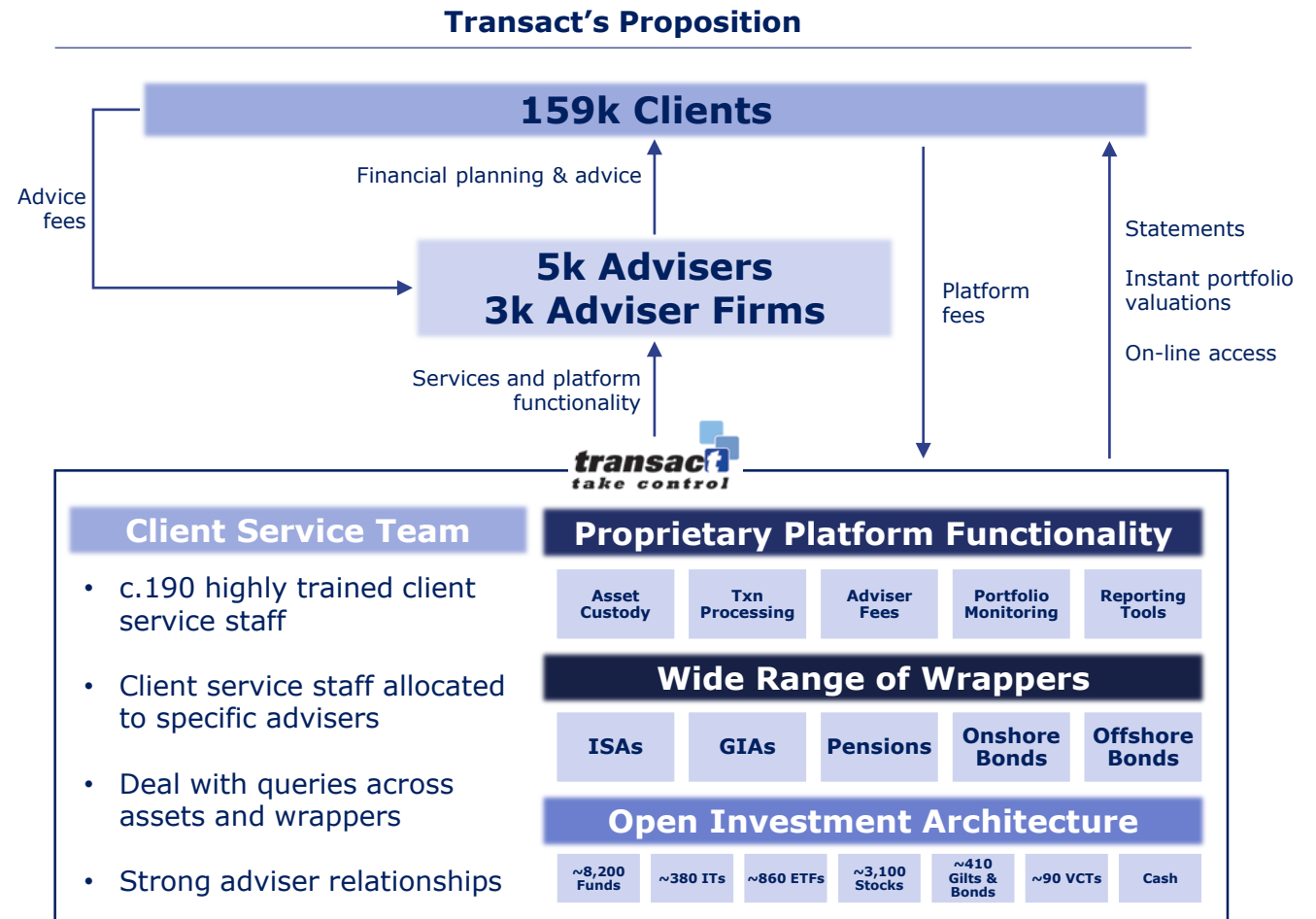


- Transact is the UK's **leading independent B2B platform** with £29.8bn of Funds Under Direction at Mar '18
  - Offers premium service to clients and financial advisers with complex needs
  - Operates in a large and growing market
- **Controls the full platform offering** and owns its technology
- **Net inflows every year** since launch in 2000
- Attractive business model with **recurring revenues, high margins, high cash conversion** and **profitable since 2003**
- **Highly experienced management team** in the UK platform sector

# What we do

Transact provides its clients and financial advisers with:

- a complete financial planning infrastructure
- an efficient solution for investing client assets
- a simple way to maintain client records
- a wide range of tax wrappers and investment products
- a high touch client service team



# Transact's premium service offering

## Transact's differentiated and premium offering is underpinned by its high-touch client service team and proprietary technology platform

### High-touch client service team

- Highly-trained team of circa 190 client service staff
- All based at Transact's head office and allocated to specific advisers
- Client service staff provide financial advisers with dedicated and bespoke support

### Benefits

- #1 ranking for quality of service in adviser surveys
- Personal human support rather than outsourced call centre
- Key factor in building and maintaining long-term relationships with financial advisers

### Proprietary technology platform

- Comprehensive functionality fully developed in-house
- Limited reliance on external providers (unlike most competitors)
- Targeted software development to respond effectively to client needs
  - 90 technology staff (incl. 74 software developers)

### Benefits

- Full control of client experience
- Ability to react quickly to client demands
- Continuous platform investment avoids large one-off re-platforming costs

# Strategy



- **Remain focused:**
  - UK only
  - Intermediary only
- **Maintain high service standards**
- **Reinvest in business:**
  - Continue to enhance online functionality
  - Continue to enhance proposition by adding new financial planning components for advisers
- **Control expenses**
- **Continue to grow inflows**
- **Minimise attrition levels**

# Key messages



Best ever six monthly inflows

Gross and net inflows have increased and FUD is up 6.5% since Sep '17

Total fee income £44.6m, up 15% compared to H1 FY17

Adjusted operating profit £21.2m, up 23% compared to H1 FY17

Adjusted operating profit margin increased to 48% from 45% in H1 FY17

Profit after tax £14.6m, up 5% compared to H1 FY17

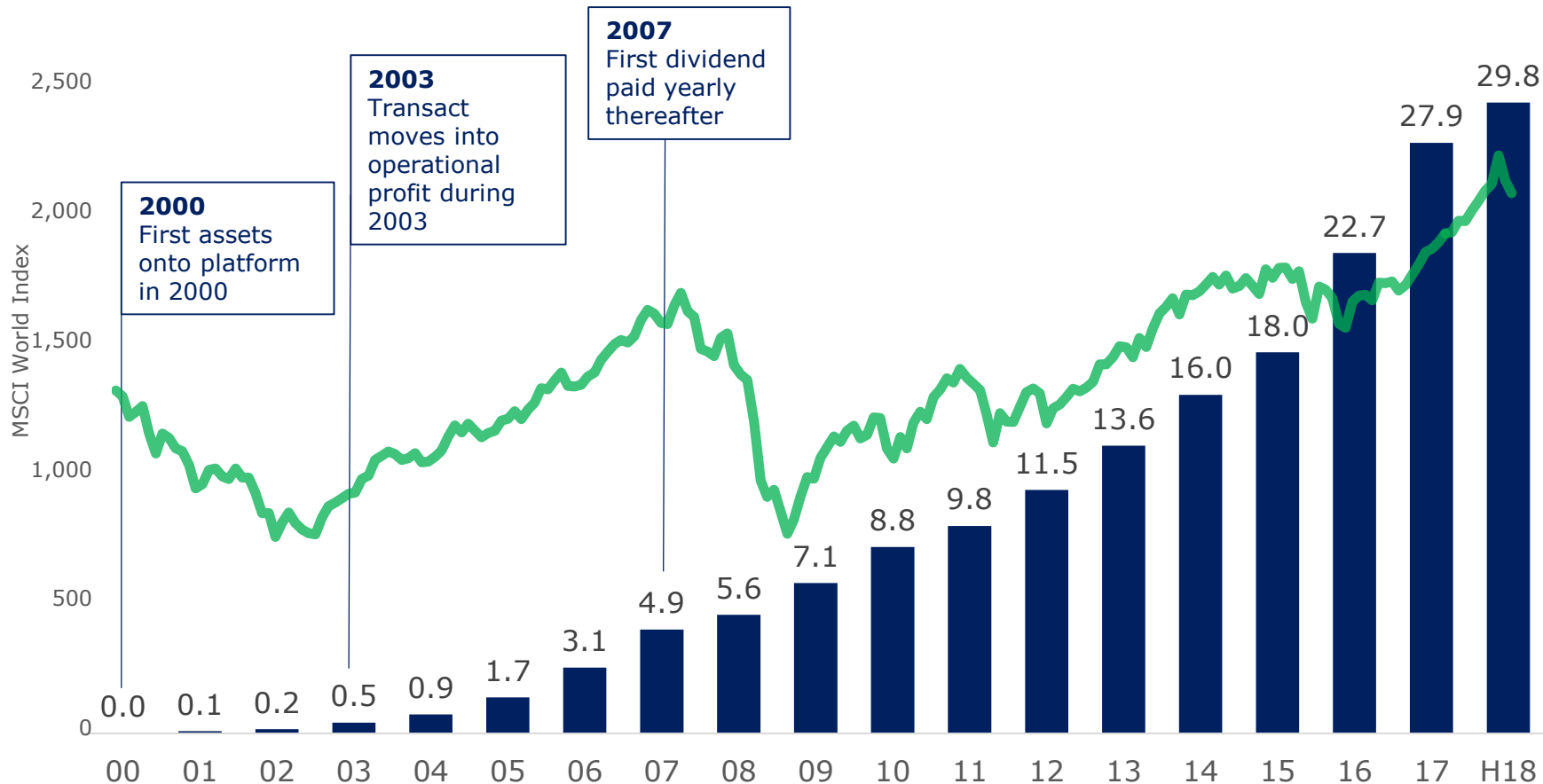
Group balance sheet remains strong

Cash flow remains strong



# Impressive FUD growth

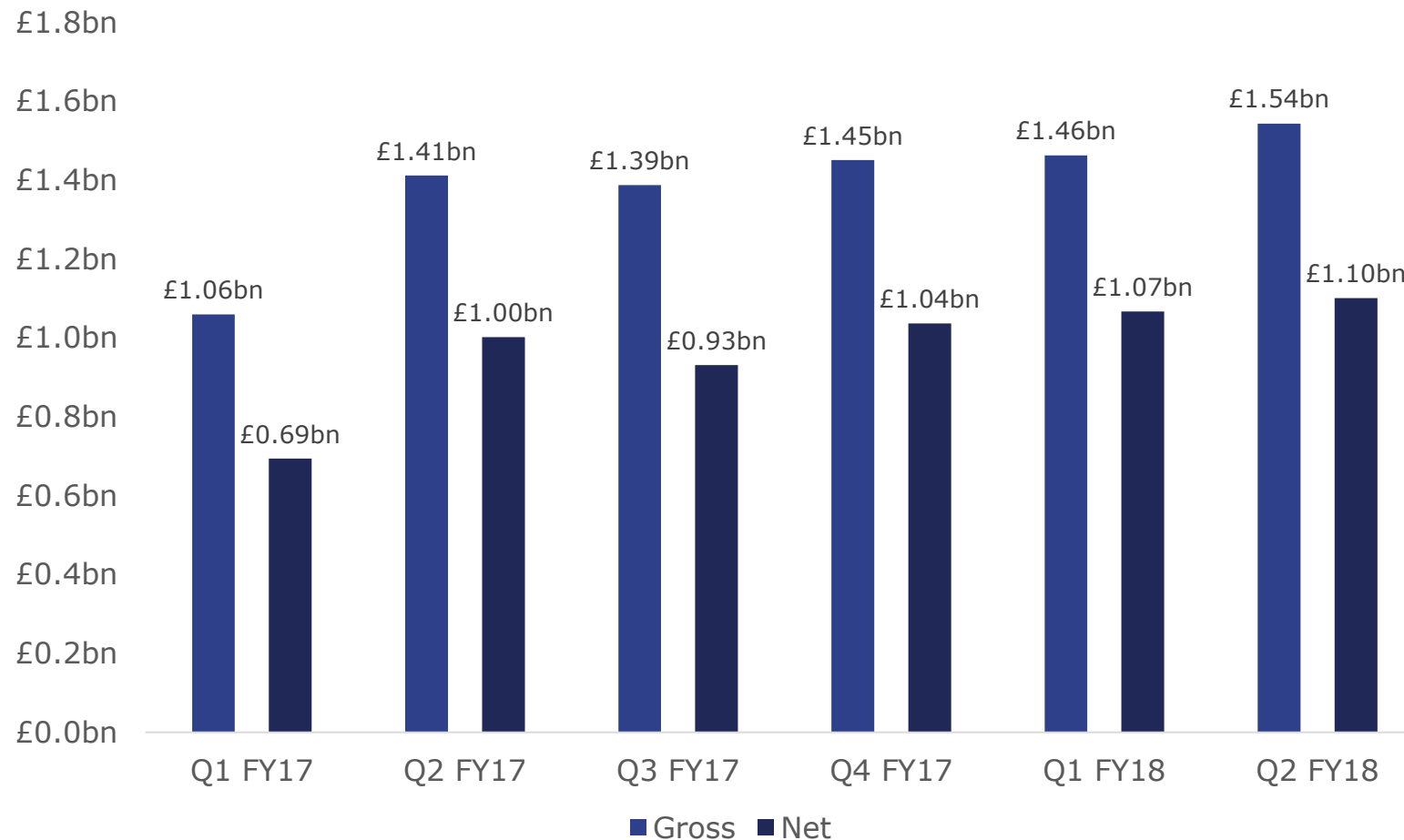
Growth in Funds Under Direction (£bn)<sup>(1)</sup> compared to the MSCI World Index



- Transact has enjoyed FUD growth every year since 2000
- FUD growth maintained through periods of high stock market volatility

(1) Excluding assets from an early investor in the business that had withdrawn his assets by September 2017. These assets attracted nominal fees in the historical period

# Highest ever Q1 & Q2 inflows



| £m                 | H1 FY18       |
|--------------------|---------------|
| <b>Opening FUD</b> | <b>27,927</b> |
| Inflows            | 3,007         |
| Outflows           | (840)         |
| <b>Net inflows</b> | <b>2,167</b>  |
| Market movements   | (319)         |
| Other movements    | (22)          |
| <b>Closing FUD</b> | <b>29,753</b> |

# Total fee income up 15%

## 96% of total fee income is recurring

|                    |   |
|--------------------|---|
| Annual Fee Income  | Annual basis point charge levied on assets and cash held on the platform    |
| Wrapper Fee Income | Annual fixed fee levied on all Transact wrappers                            |
| Buy Commissions    | Commission levied on the value of buy transactions executed on the platform |
| Total Fee Income   |   |

| H1 FY18              | H1 FY17              | Change |
|----------------------|----------------------|--------|
| £m                   | £m                   |        |
| <b>38.8</b><br>(87%) | <b>33.5</b><br>(87%) | +16%   |
| <b>3.9</b><br>(9%)   | <b>3.5</b><br>(9%)   | +11%   |
| <b>1.9</b><br>(4%)   | <b>1.7</b><br>(4%)   | +12%   |
| <b>44.6</b>          | <b>38.7</b>          | +15%   |

# Expenses were higher mainly due to one-off IPO related costs

| £m                               | H1 FY18                   | H1 FY17                   |
|----------------------------------|---------------------------|---------------------------|
| Staff costs                      | 17.2 <sup>(1)</sup>       | 15.2                      |
| Occupancy                        | 1.6                       | 1.8                       |
| Regulatory and professional fees | 4.5                       | 2.2                       |
| Other costs                      | 2.1                       | 1.8                       |
| Total expenses                   | 25.4                      | 21.0                      |
| Depreciation and amortisation    | 0.3                       | 0.3                       |
| Total operating expenses         | <b>25.7<sup>(2)</sup></b> | <b>21.3<sup>(3)</sup></b> |

(1) Of which £400k related to ongoing IPO related costs

(2) Of which £2.9m related to one-off IPO related costs

(3) Of which £400k related to one-off IPO related costs

# P&L and cash flows

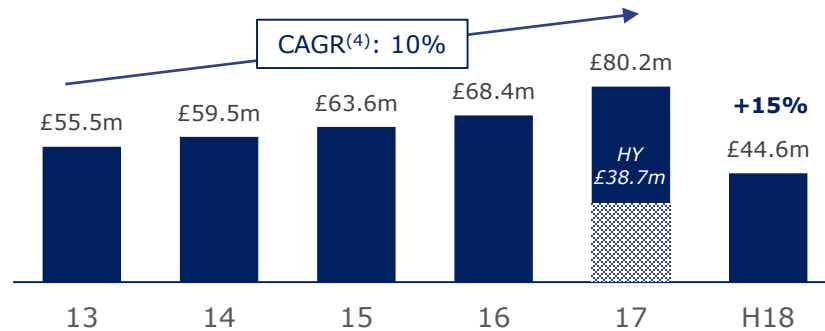
| Profit & Loss                    |               |               | Cash Flows  |             |             |
|----------------------------------|---------------|---------------|---|-------------|-------------|
| £m                               | H1 FY18       | H1 FY17       | £m  | H1 FY18     | H1 FY17     |
| <b>FUD (£bn)</b>                 | <b>29.8</b>   | <b>25.5</b>   | <b>Adjusted Operating Profit</b>                      | <b>21.2</b> | <b>17.3</b> |
|                                  |               |               | Adjustments   | (2.7)       | (0.1)       |
| <b>Total Fee Income</b>          | <b>44.6</b>   | <b>38.7</b>   | <b>Adjusted Operating Profit (incl. exceptionals)</b> | <b>18.5</b> | <b>17.2</b> |
| Cost of Sales                    | (0.4)         | (0.2)         | Depreciation & Amortisation                           | 0.3         | 0.3         |
| <b>Net Revenue</b>               | <b>44.2</b>   | <b>38.5</b>   | Working Capital Requirements                          | 6.4         | 5.1         |
| Staff Cost                       | (17.2)        | (15.2)        | Capex   | (0.3)       | (0.3)       |
| Other Cost                       | (8.5)         | (6.1)         | Tax paid <sup>(1)</sup>                               | (2.9)       | (3.2)       |
| <b>Total Cost</b>                | <b>(25.7)</b> | <b>(21.3)</b> | <b>Free Cash Flows</b>                                | <b>22.0</b> | <b>19.1</b> |
| Adjustments                      | 2.7           | 0.1           | <i>Net Operating Cash Conversion<sup>(2)</sup></i>    | <i>153%</i> | <i>139%</i> |
| <b>Adjusted Operating Profit</b> | <b>21.2</b>   | <b>17.3</b>   |   |             |             |
| FUD Y-o-Y growth                 | 17%           | 29%           |   |             |             |
| Adjusted Operating Margin        | 48%           | 45%           |   |             |             |

(1) Tax paid excludes policyholder tax paid

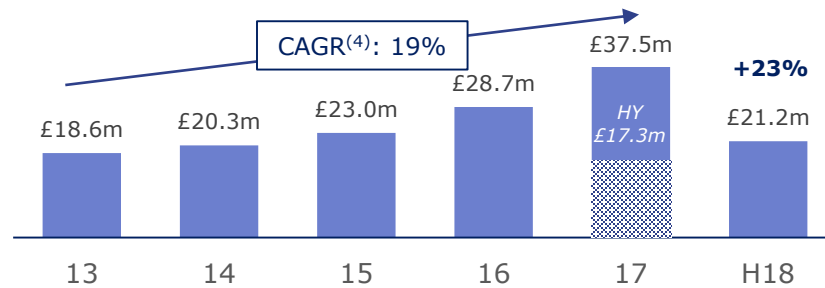
(2) Conversion from profit after tax into net cash from operating activities

# We continue to achieve strong profit growth while also reducing fees

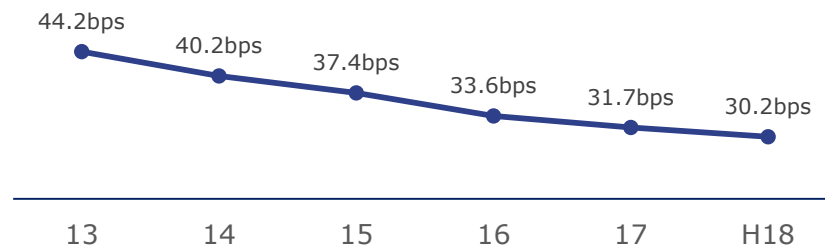
Total Fee Income<sup>(1)</sup>



Adjusted Operating Profit<sup>(2,3)</sup>



Revenue Yield



- Transact has an impressive record of consistently growing both Revenue and Operating Profit
- Given its scale and operating leverage, Transact has been able to implement a number of pro-active pricing changes:
  - Reducing costs for clients; and
  - Attracting greater FUD

Notes: FY13-FY14 based on UK GAAP and FY15-HY18 based on IFRS  
 (1) For FY13 and FY14, revenue excludes income which relates to tax collected from policyholders before being paid out to the relevant tax authorities  
 (2) Adjusted Operating Profit excludes one-off, non-recurring items  
 (3) FY16 operating profit includes an adjustment of £0.7m for the annualised pro forma impact of the acquisition of IAD  
 (4) CAGR calculated for full years only

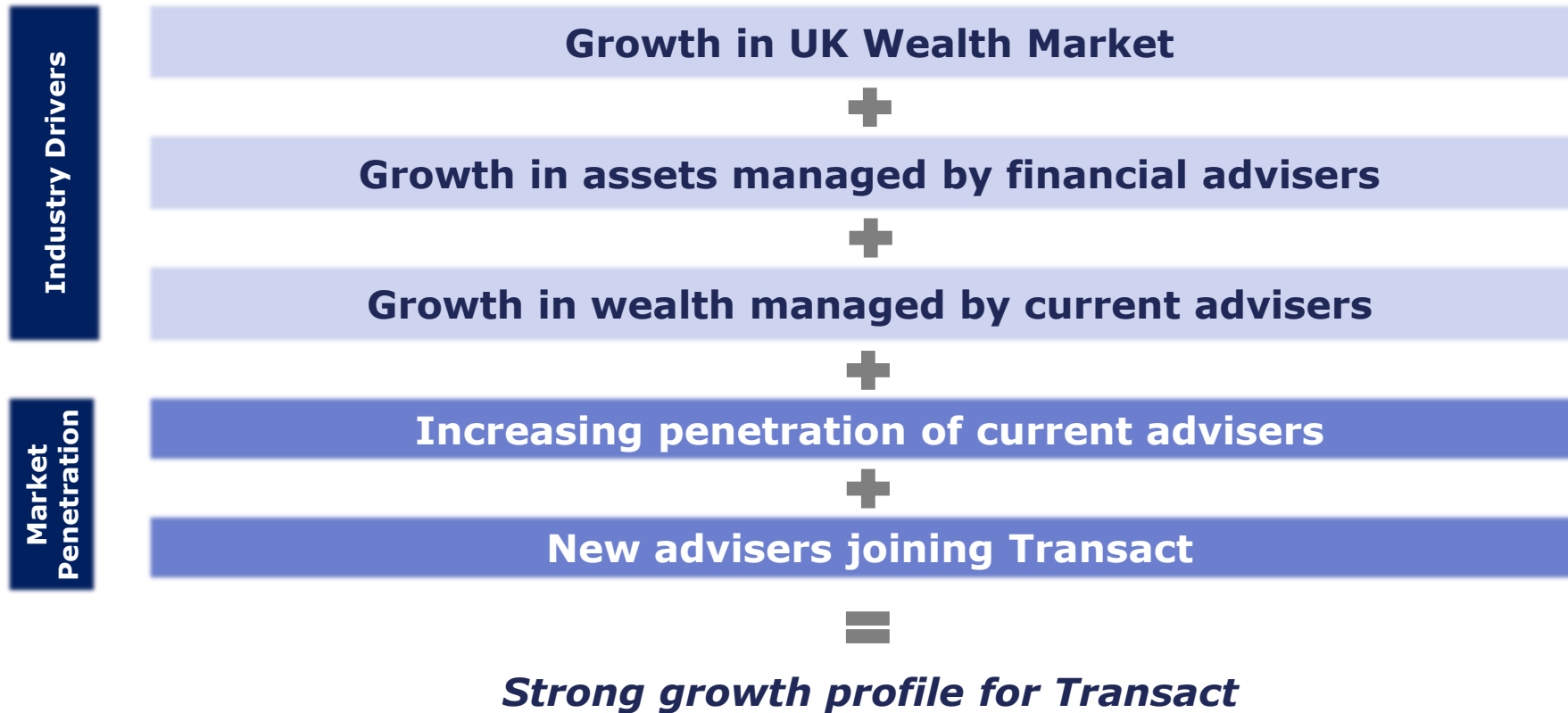
# Group balance sheet remains strong



- Transact operates with a conservative balance sheet position:
  - No debt as at Mar '18
  - Policyholder assets and liabilities fully matched <sup>1</sup>
  - Dividends paid: interim £19.4m and pre-IPO special £11.4m
- Cash balance of £97m as at Mar '18
  - Cash supporting regulatory capital and tax requirements of £73m


|  | <b>31 March '18</b> |
|--|---------------------|
|  | <b>£m</b>           |
| <b>Non-current assets</b>                                  |                     |
| Loans and receivables                                      | 3.7                 |
| Intangible assets  | 13.0                |
| Property, plant and equipment                              | 1.9                 |
| Deferred acquisition costs                                 | 42.4                |
| Investments and cash held for the benefit of policyholders | 12,877.1            |
|  | 12,938.0            |
| <b>Current assets</b>                                      |                     |
| Financial assets at fair value through profit or loss      | 6.2                 |
| Other prepayments and accrued income                       | 10.5                |
| Trade and other receivables                                | 2.8                 |
| Cash and cash equivalents                                  | 97.2                |
|  | 116.7               |
| <b>Current liabilities</b>                                 |                     |
| Trade and other payables                                   | 19.0                |
| Current tax liabilities                                    | 4.0                 |
|  | 23.0                |
| <b>Non-current liabilities</b>                             |                     |
| Provisions for liabilities                                 | 19.1                |
| Deferred income liability                                  | 42.4                |
| Liabilities for linked investment contracts                | 12,877.1            |
| Deferred tax liabilities                                   | 6.9                 |
|  | 12,945.4            |
| <b>Net assets</b>  | <b>86.3</b>         |

# Summary: Transact enjoys a strong growth profile





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# Appendices












# Appendix 1 – Key players in the B2B platform market



- Transact is unique amongst the large B2B platforms due to its:

- Independence
- Proprietary technology
- High touch client service team

## UK Large B2B Platforms

|   | Adviser Rating <sup>(1)</sup> | Ownership            | Technology Provider | FUD <sup>(2)</sup> |
|---|-------------------------------|----------------------|---------------------|--------------------|
|     | 8.5                           | Independent          | Proprietary         | £30bn              |
|     | 7.8                           | IFG Group            | Proprietary         | £26bn              |
|     | 7.7                           | Standard Life        | FNZ                 | £54bn              |
|     | 7.7                           | Sanlam / Independent | Bravura             | £14bn              |
|     | 7.5                           | Independent          | GBST                | £34bn              |
|     | 7.5                           | Fidelity             | Bravura             | £80bn              |
|   | 7.5                           | Zurich               | FNZ                 | £29bn              |
|   | 7.4                           | Old Mutual           | FNZ                 | £51bn              |
|  | 7.1                           | Aegon                | GBST                | £117bn             |

Source: (1) CoreData 2017 rating based on Platforms > £12bn FUD; (2) Platform FUD as at 31/12/2017