

Results Presentation



Year ended 30 September 2018

Presentation team



Ian Taylor

Chief Executive Officer

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



Alex Scott

Chief Financial Officer

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

Key messages



Best ever inflows

Gross and net inflows have increased and FUD is up 19% since Sep '17

Total fee income £91.2m, up 14% compared to FY17

Adjusted operating profit £43.3m, up 15% compared to FY17

Adjusted operating profit margin increased to 47.5% from 47.0% in FY17

Profit after tax £32.9m, up 10% compared to FY17, adjusted profit after tax up 15% at £35.5m

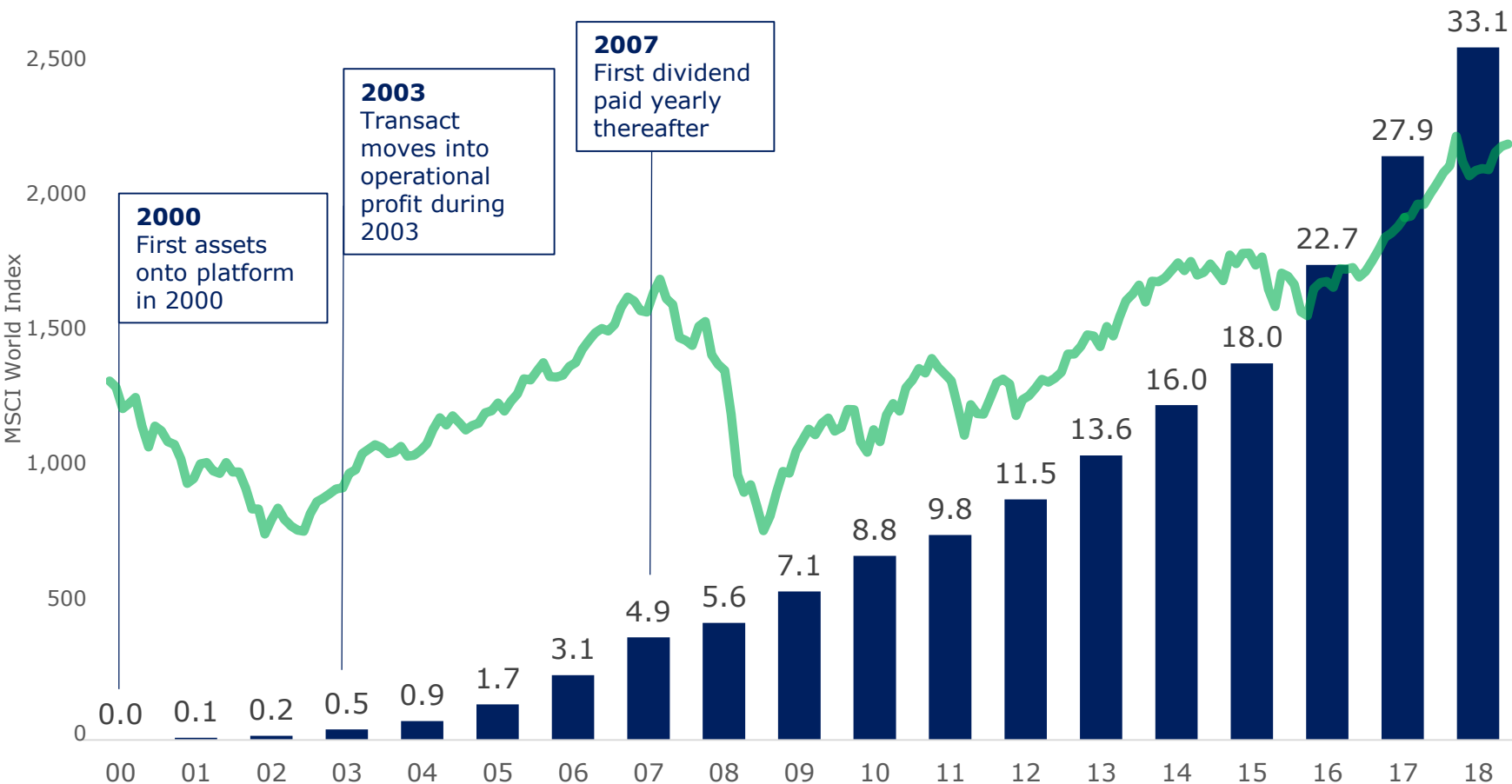
Group balance sheet remains strong with no debt

Cash flow remains strong

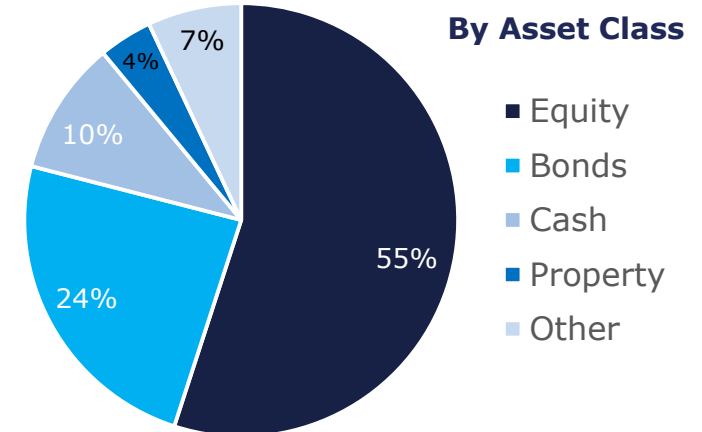
Interim dividend of 6.4p per share, compared to 5.9p for FY17

Impressive FUD growth

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

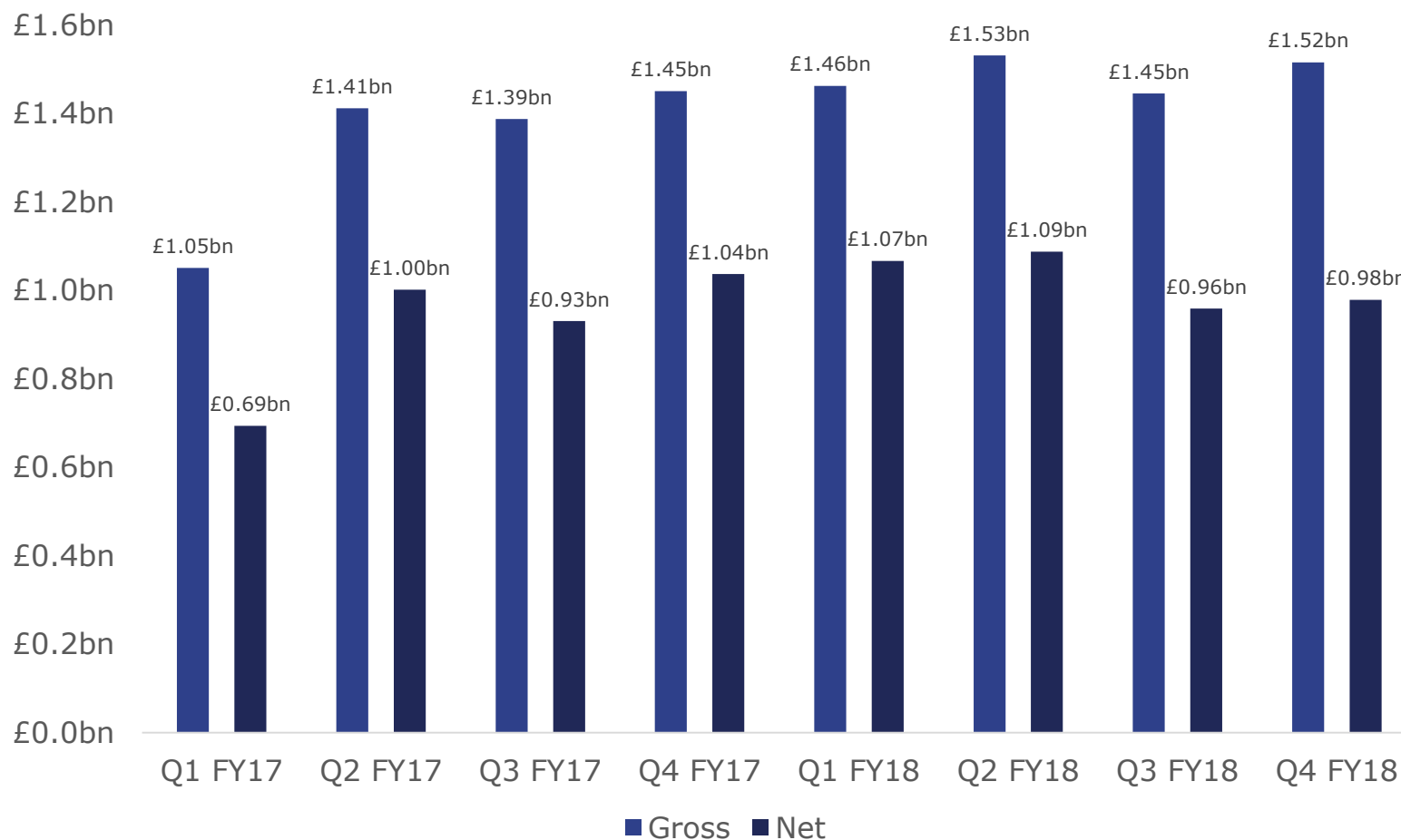


- Transact has enjoyed FUD growth every year since 2000
- FUD growth maintained through periods of high stock market volatility



(1) Excluding assets from an early investor in the business that had withdrawn his assets by September 2017.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

Net inflows for FY18 were 11.7% higher than the previous year



£m	FY18
Opening FUD	27,927
Inflows	5,957
Outflows	(1,863)
Net inflows	4,094
Market movements	1,138
Other movements	(46)
Closing FUD	33,113

Total fee income up 14%

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	

FY18	FY17	Change
£m	£m	
79.2 (87%)	69.5 (87%)	+14%
8.1 (9%)	7.3 (9%)	+11%
3.9 (4%)	3.4 (4%)	+15%
91.2	80.2	+14%

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

£m	FY18	FY17
Staff costs	35.0 ⁽¹⁾	30.5
Occupancy	3.6	3.5
Regulatory and professional fees	6.8	4.5
Other costs	3.7	3.7
Total expenses	49.1	42.2
Depreciation and amortisation	0.6	0.6
Total operating expenses	49.7⁽²⁾	42.8⁽³⁾

(1) Of which £0.6m related to ongoing costs of being a listed company

(2) Of which £2.6m related to one-off IPO related costs

(3) Of which £0.9m related to one-off IPO related costs

P&L and cash flows

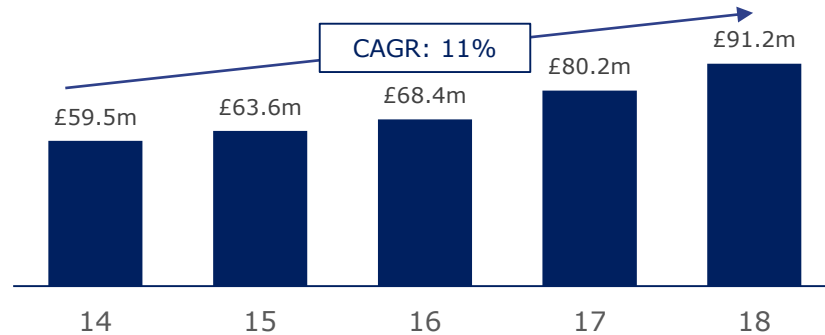
Profit & Loss			Cash Flows		
£m	FY18	FY17	£m	FY18	FY17
FUD (£bn)	33.1	27.9	Adjusted Operating Profit	43.3	37.7
			Adjustments (IPO)	(2.6)	(0.9)
Total Fee Income	91.2	80.2	Operating Profit	40.7	36.8
Cost of Sales	(0.8)	(0.6)	Depreciation & Amortisation	0.6	0.6
Net Revenue	90.4	79.6	Working Capital Requirements	7.5	(0.7)
Staff Cost	(35.0)	(30.5)	Capex	(0.5)	(0.4)
Other Cost	(14.7)	(12.3)	Tax paid ⁽¹⁾	(7.8)	(8.2)
Total Cost	(49.7)	(42.8)	Free Cash Flows	40.5	28.1
Adjustments (IPO)	2.6	0.9	<i>Net Operating Cash Conversion⁽²⁾</i>	<i>126%</i>	<i>103%</i>
Adjusted Operating Profit	43.3	37.7			
FUD Y-o-Y growth	18.6%	22.9%			
Adjusted Operating Margin	47.5%	47.0%			

(1) Tax paid excludes policyholder tax paid

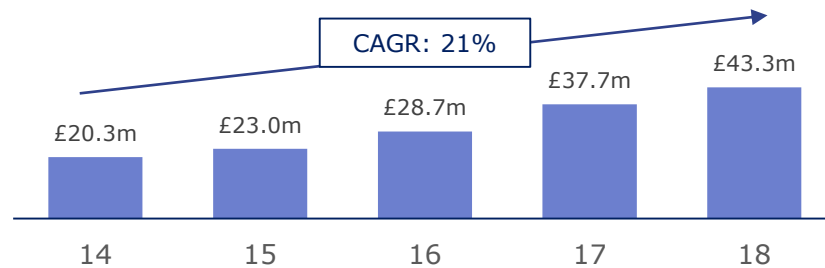
(2) Conversion from profit after tax into net cash from operating activities

We continue to achieve strong profit growth while also reducing fees

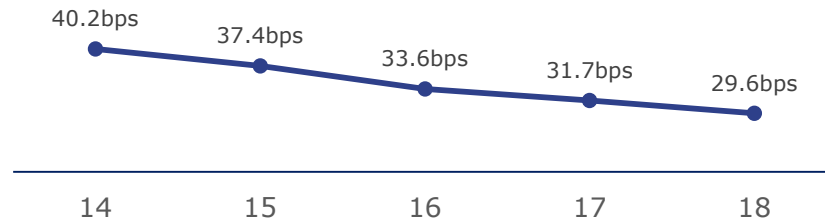
Total Fee Income⁽¹⁾



Adjusted Operating Profit^(2,3)



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: FY14 based on UK GAAP and FY15-18 based on IFRS

(1) For 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 IPO related costs

(3) FY16 operating profit includes an adjustment of £0.7m for the annualised pro forma impact of the acquisition of IAD

Group balance sheet remains strong

- Transact operates with a conservative balance sheet position:
 - No debt as at Sep '18
 - Policyholder assets and liabilities fully matched ¹
 - Dividends paid: interim £19.4m and pre-IPO special £11.4m
 - Dividend declared: £21.2m to be paid in Jan
- Cash balance of £117m as at Sep '18 supporting regulatory capital, risk appetite and tax requirements of £90m

30 September '18

£m

Non-current assets	
Loans and receivables	1.2
Intangible assets	13.0
Property, plant and equipment	1.8
Deferred acquisition costs	46.1
	<hr/>
	62.1

Current assets	
Financial assets at fair value through profit or loss	6.2
Other prepayments and accrued income	11.5
Trade and other receivables	4.1
Investments and cash held for the benefit of policyholders	14,489.9
Cash and cash equivalents	116.8
	<hr/>
	14,628.5

Current liabilities	
Trade and other payables	14.8
Liabilities for linked investment contracts	14,489.9
Current tax liabilities	3.2
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	14,507.9

Non-current liabilities	
Provisions for liabilities	19.1
Deferred income liability	46.1
Deferred tax liabilities	12.6
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	77.8

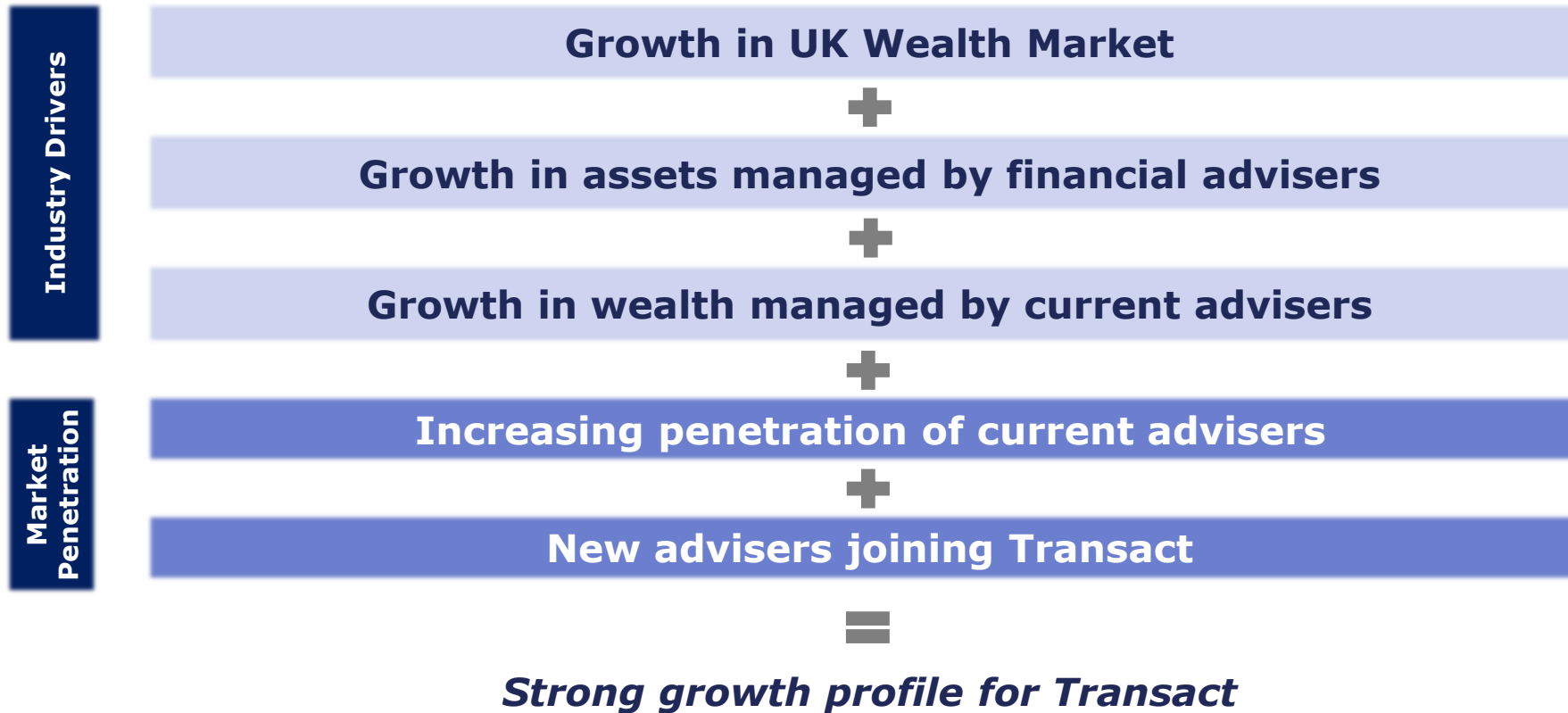
Net assets **104.9**

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**

Summary: Transact enjoys a strong growth profile



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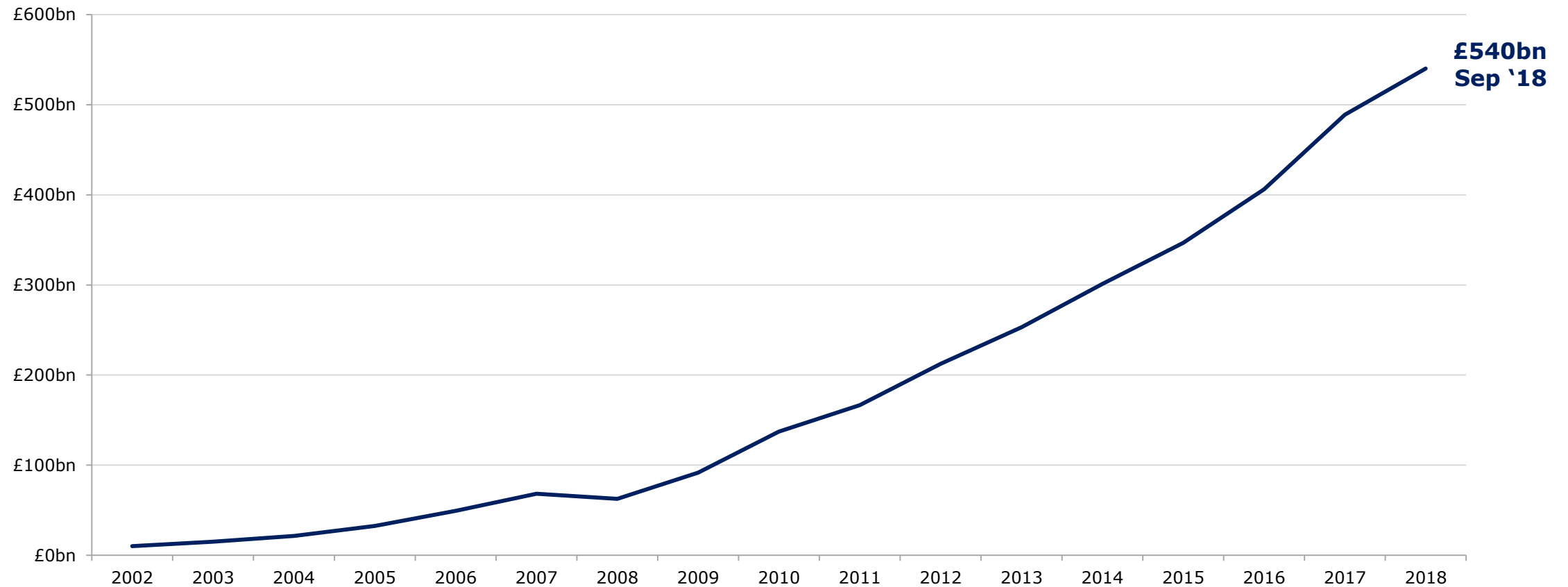
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Appendix 1 – Industry growth (FUD)

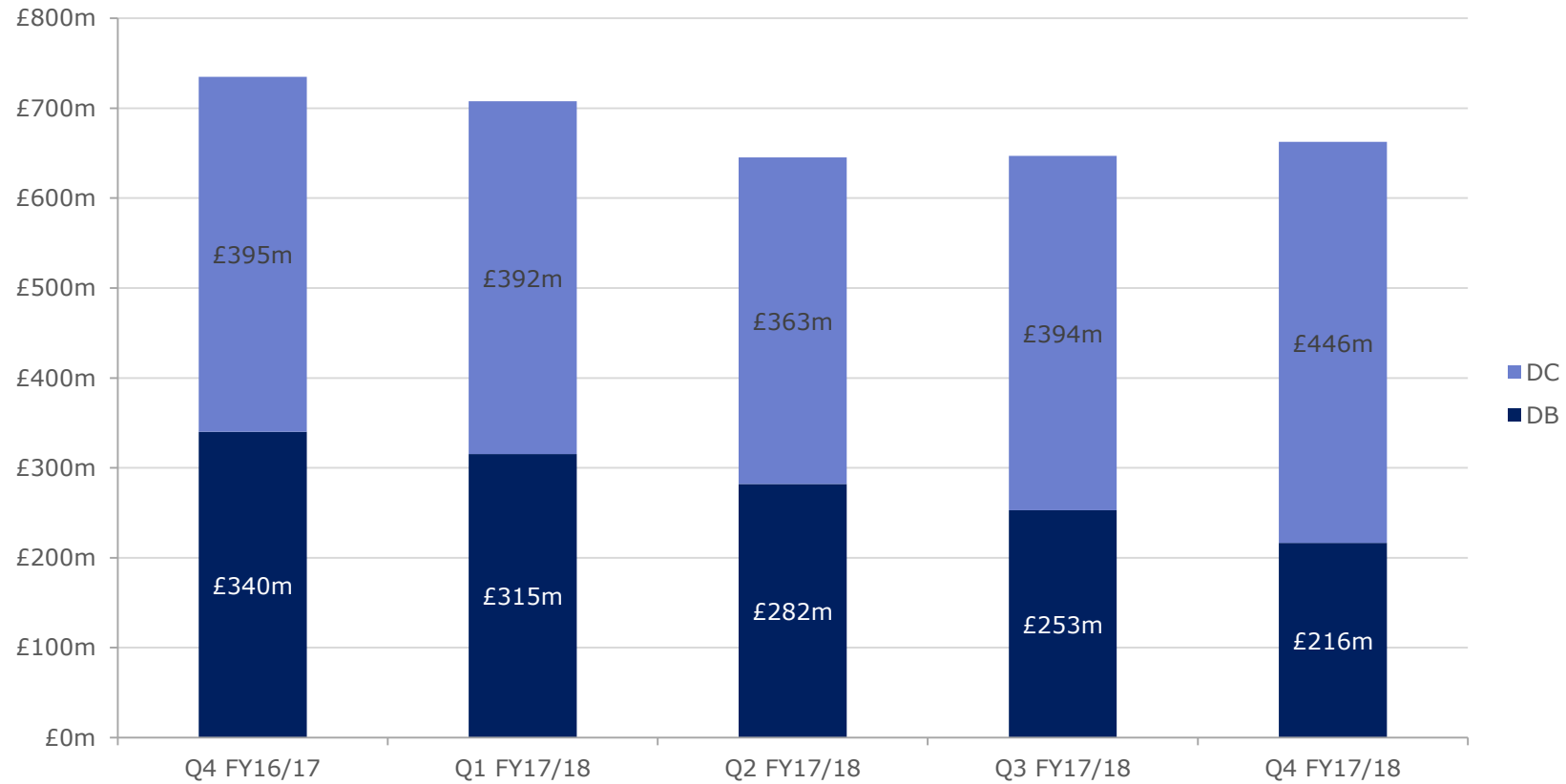


Platform growth remains strong



Source: Platform

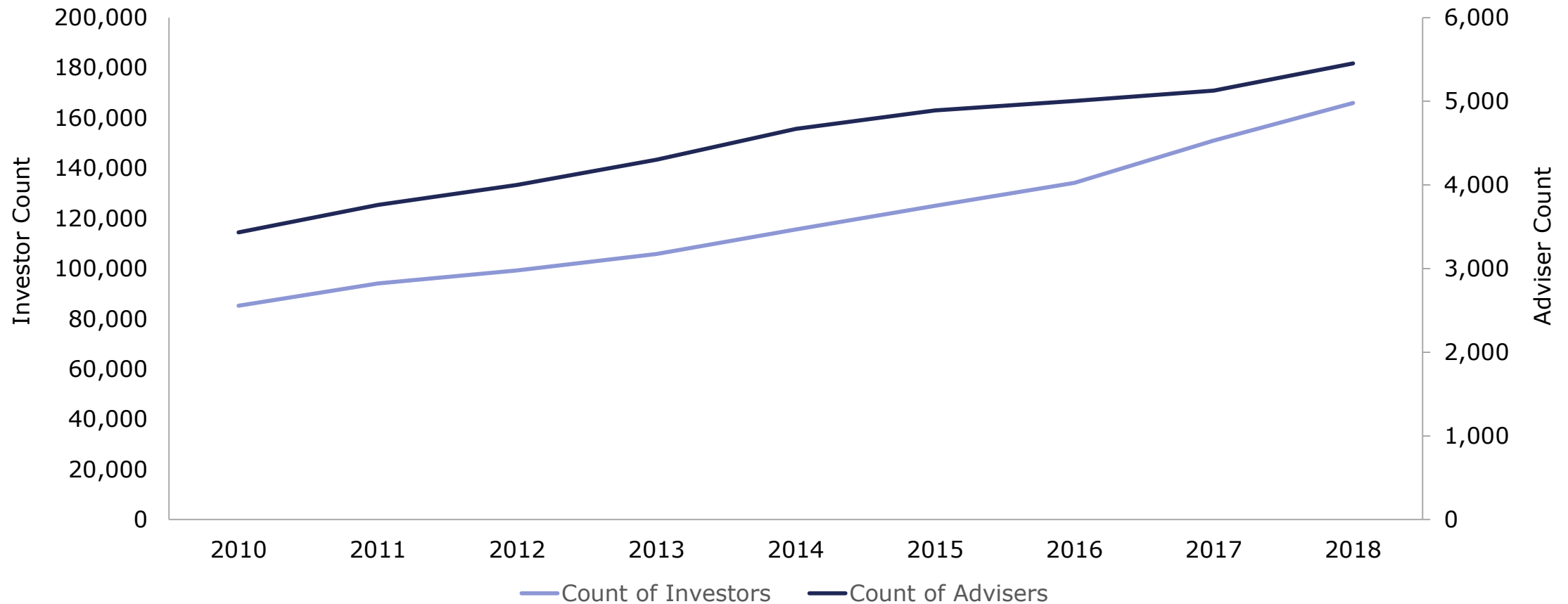
Appendix 2 – Pension transfers in split by DB/DC



Quarter	Q4 16/17	Q1 17/18	Q2 17/18	Q3 17/18	Q4 17/18
DB as a % of total pension transfers in	46%	45%	44%	39%	33%

Source:
Unaudited internal data

Appendix 3 – Growth in number of clients and advisers



Appendix 4 – Operational update



- We built all of the necessary software and created documentation so that both Transact and advisers meet their MiFID II regulatory requirements
- We released new enhancements to software for our internal and external systems (Transact Online) demonstrating our commitment to continual improvements rather than “big bang” re-platforming
- We reduced our charges in April 2018 - our 11th cut in 10 years - and still improved our financial results and maintained service standards
- We continued the rollout of our co-browsing and live chat functionality and now conduct in excess of 1,500 of these per month
- We ran 22 adviser events throughout the UK and expanded our program to support the influential para-planning community. To further improve relationships between staff and advisers we now encourage adviser visits to our head office to meet their regional team.