

Results Presentation



Year ended 30 September 2019

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

Group Director

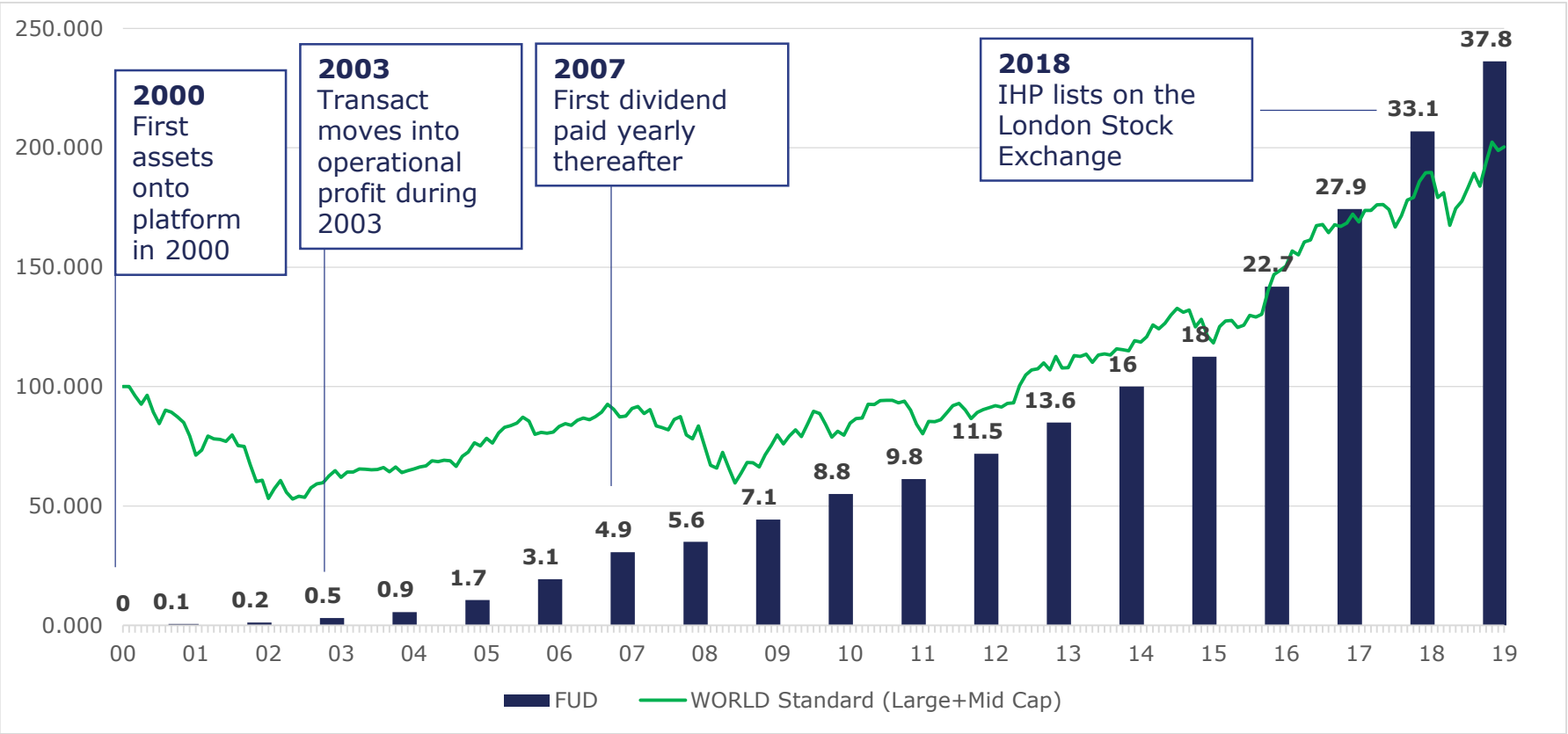
- Joined IntegraFin in 2009
- 1997 – Twelve years in insurance licence provision
- 1991 – Six years in life industry

Key messages

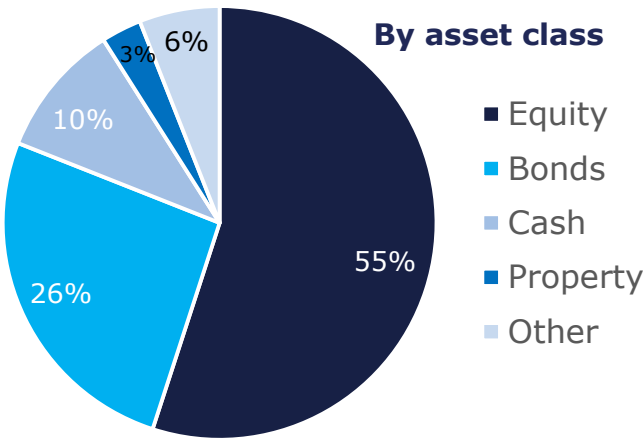
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- Profit after tax £40.1m, up 22% compared to FY18, up 13% compared to adjusted profit after tax in FY18
 - Operating profit £48.6m, up 12% compared to adjusted operating profit in FY18
 - Operating margin increased to 49% from adjusted operating margin of 47% in FY18
 - FUD is up 14% since September '18, increasing by £4.69 billion
 - Net inflows are down, but Transact has the largest share of adviser net flows
 - Total fee income £99.2m, up 9% compared to FY18
 - Group balance sheet remains strong with no debt
 - Cash flow remains strong
 - Second interim dividend declared of 5.2p per share
 - Total FY19 dividend of 7.8p, compared to 6.4p for FY18

Impressive FUD growth

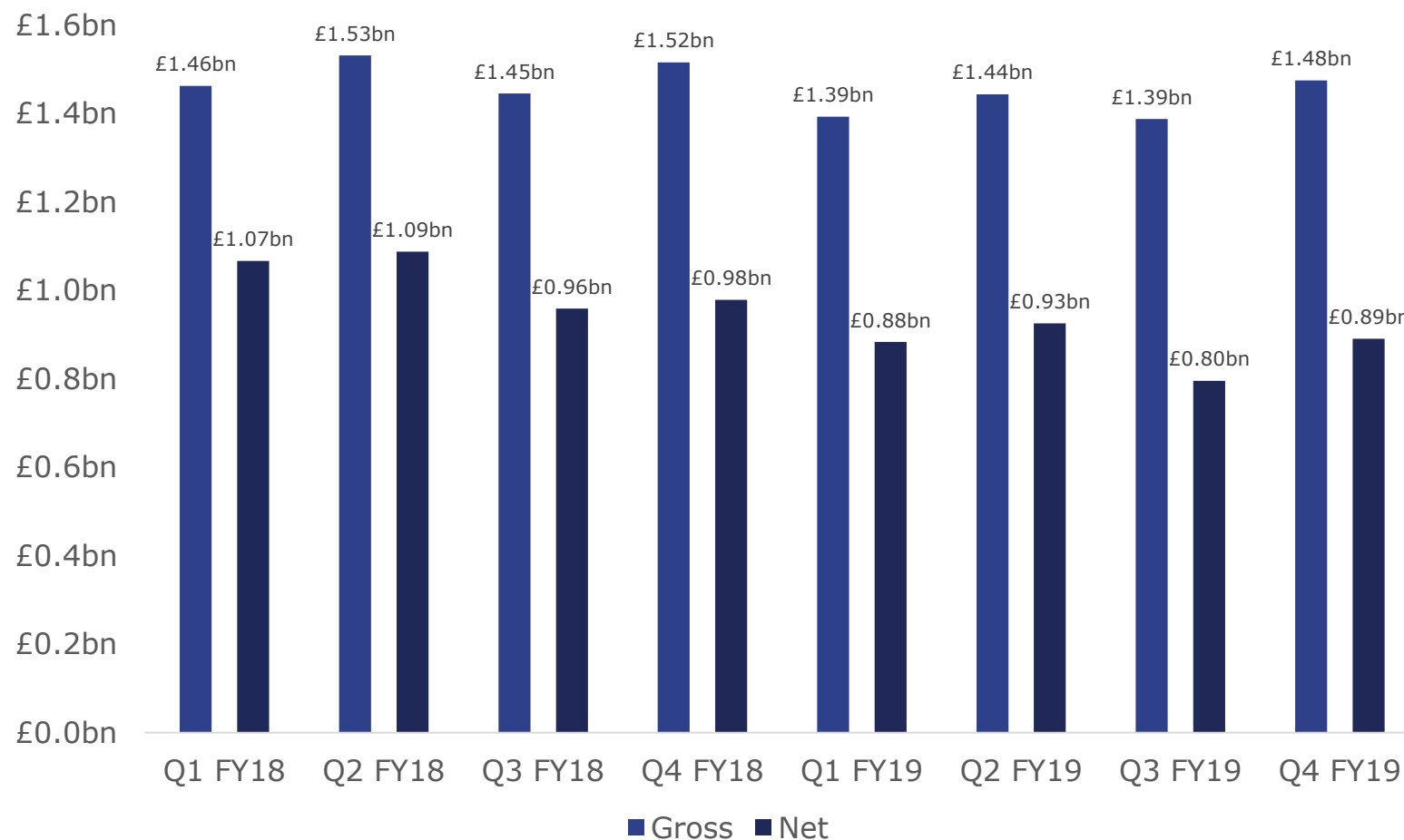
Growth in Funds Under Direction (£bn) compared to the MSCI World Index



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



FY19 Gross inflows down 4%, net inflows largest in adviser market



£m	FY19
Opening FUD	33,113
Inflows	5,700
Outflows	(2,203)
Net inflows	3,497
Market movements	1,197
Other movements	(8)
Closing FUD	37,799

Total fee income up 9%



96% of total fee income is recurring

		FY19	FY18	Change
		£m	£m	
Annual Fee Income	Annual basis point charge levied on assets and cash held on the platform	86.7 (87%)	79.2 (87%)	+9%
Wrapper Fee Income	Annual fixed fee levied on all Transact wrappers	9.0 (9%)	8.1 (9%)	+11%
Buy Commissions	Commission levied on the value of buy transactions executed on the platform ⁽¹⁾	3.5 (4%)	3.9 (4%)	-10%
Total Fee Income		99.2	91.2	+9%

⁽¹⁾ Buy commission rebate threshold reduced to £500k from 1 March 2019

Well controlled expenses



£m	FY19	FY18
Staff costs	36.3	35.0
Occupancy	3.6	3.6
Regulatory and professional fees	5.5	6.8 ⁽¹⁾
Other costs	3.7	3.7
Total expenses	49.1	49.1
Depreciation and amortisation	0.7	0.6
Total operating expenses	49.8	49.7

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

Staff numbers



	30 Sep 19	30 Sep 18	Change
IT & technology	115	111	+4%
Operational & support	332	366	-9%
Sales & marketing	39	42	-7%
Total staff	486	519	-6%

- Staff numbers have decreased as a result of efficiency gained through platform development
- Staff costs have increased due to:
 - Introduction of staff share incentive plan and performance share plan
 - Increase in auto-enrolment⁽¹⁾ contribution
 - Inflationary increases

(1) Contribution increased to meet minimum employer and employee contribution rate. This is the last increase required to match the current auto enrolment legislation.

P&L and cash flows



Profit & loss		
£m	FY19	FY18
FUD (£bn)	37.8	33.1
Total fee income	99.2	91.2
Cost of sales	(0.8)	(0.8)
Net revenue	98.4	90.4
Staff costs	(36.3)	(35.0)
Other costs	(13.5)	(14.7)
Total expenses	(49.8)	(49.7)
Adjustments (IPO)	-	2.6
Adjusted operating profit	48.6	43.3

FUD Y-o-Y growth	14%	19%
Adjusted operating margin	49%	47%

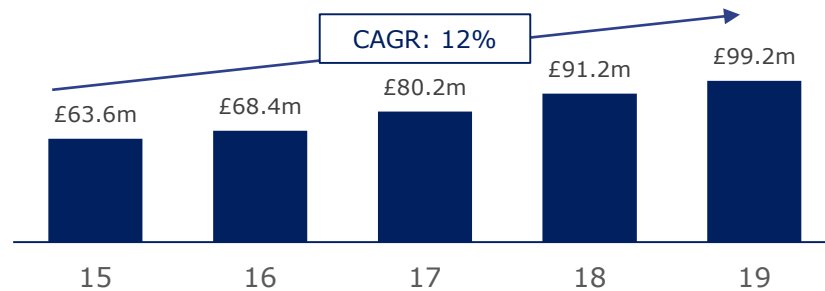
Cash flows		
£m	FY19	FY18
Adjusted operating profit	48.6	43.3
Adjustments (IPO)	-	(2.6)
Operating profit	48.6	40.7
Depreciation & amortisation	0.6	0.6
Working capital requirements	5.3	7.5
Capex	(1.2)	(0.5)
Tax paid ⁽¹⁾	(8.7)	(7.8)
Free cash flows	44.7	40.5
<i>Net operating cash conversion⁽²⁾</i>	<i>118%</i>	<i>126%</i>

(1) Tax paid excludes policyholder tax paid

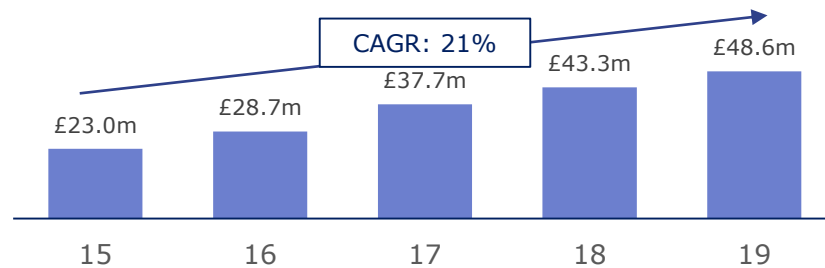
(2) Conversion from profit after tax into net cash from operating activities

We continue to achieve strong profit growth while also reducing fees

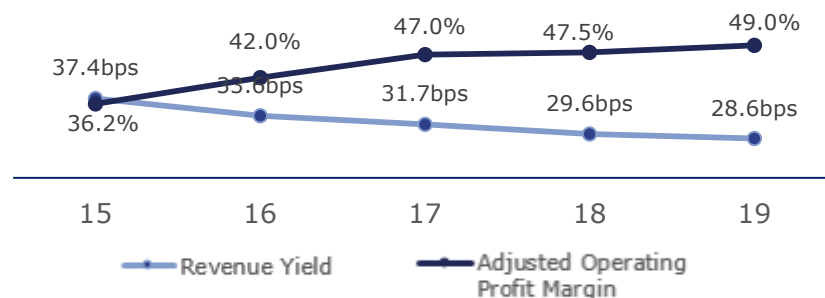
Total fee income



Adjusted operating profit^(1,2)



Revenue yield & adjusted operating profit margin



- 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:

- Annual commission charges reduce from 0.29% to 0.28% and from 0.19% to 0.18% (for the respective charging bands) on 1 April 2020
- Buy commission change reducing the commission refund threshold from £500,000 to £400,000, on 1 March 2020

(1) Adjusted operating profit excludes one-off IPO related costs

(2) 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



30 September '19
£m

- Transact operates with a conservative balance sheet position:
 - No debt
 - Policyholder assets and liabilities fully matched ¹
 - Second interim dividend declared: £17.2m to be paid in January '20;
 - Total interim dividend: £25.8m vs £21.2m
 - Cash balance of £132.3m as at September '19 (2018: £116.8m), before £17.2m dividend, supporting regulatory capital, risk appetite and tax requirements of £92.9m

Non-current assets	
Loans	1.2
Intangible assets	13.0
Property, plant and equipment	2.4
Deferred tax assets	0.1
Deferred acquisition costs	50.4
	67.1
Current assets	
Financial assets at fair value through profit or loss	5.1
Other prepayments and accrued income	13.1
Trade and other receivables	6.5
Investments and cash held for the benefit of policyholders	16,665.0
Cash and cash equivalents	132.3
	16,822.0
Current liabilities	
Trade and other payables	17.0
Liabilities for linked investment contracts	16,665.0
Current tax liabilities	3.4
	16,685.4
Non-current liabilities	
Provisions	24.6
Deferred income liability	50.4
Deferred tax liabilities	13.2
	88.2
Net assets	115.5

Regulation



- The Platform market study
 - Process began in July 2017
 - Policy statement issued last week!*
- Two pages of rules to speed up transfers
 - We have always complied anyway
 - Good news – as we are net importers
- No ban on exit fees (this is still under review)
 - We have never charged exit fees
- No mention of vertical integration

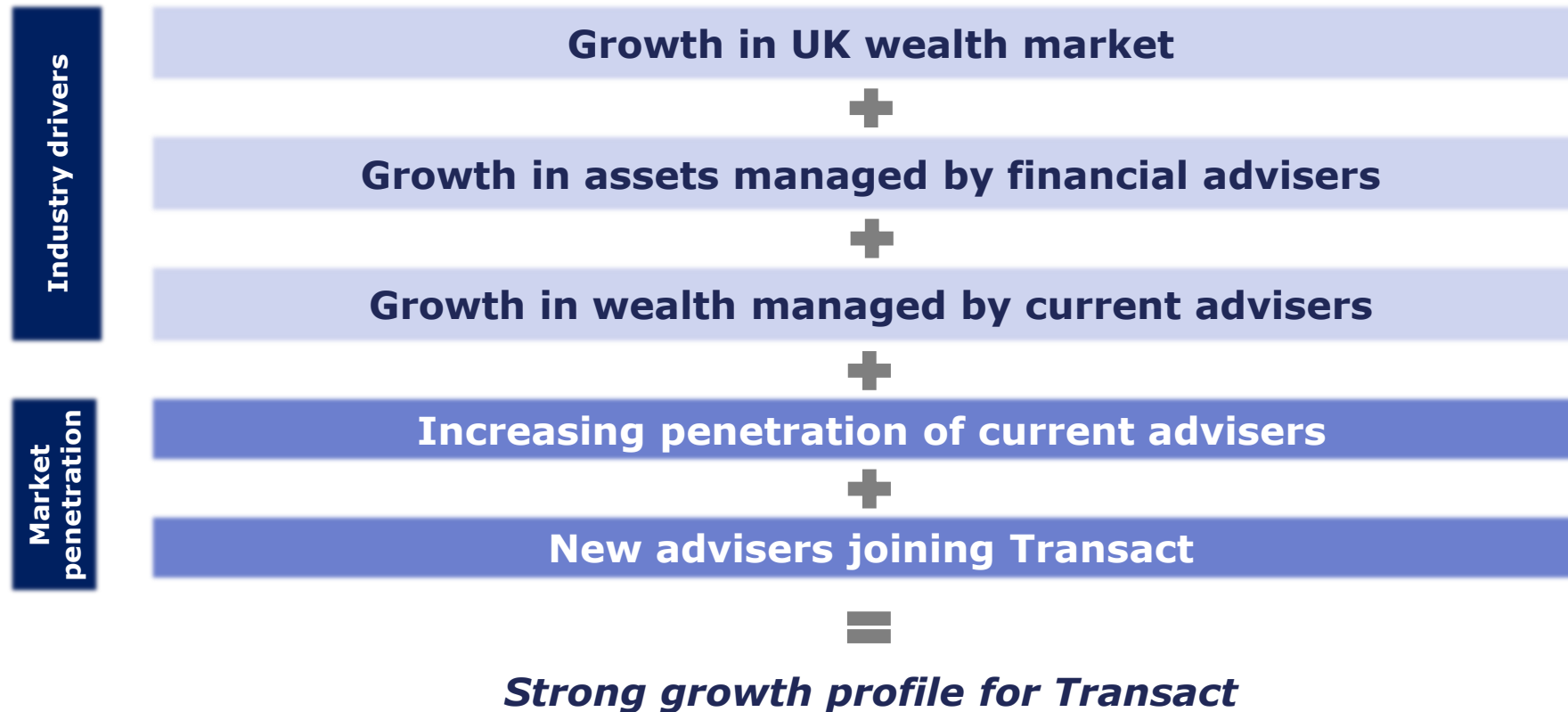
**13th December 2019*

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



Board changes at Transact and its parent company



- On 2nd March 2020, Alex Scott will become Chief Executive of IntegraFin Holdings plc (IntegraFin), the listed holding company that owns the Transact group of companies. Alex is currently Group Director of IntegraFin.
- On the same date, Jonathan Gunby will become Chief Executive of Integrated Financial Arrangements Ltd (IFAL), the company that operates Transact, and a director of IntegraFin. Jonathan is currently Chief Development Officer and a director of IFAL.
- Ian Taylor, who currently holds both CEO positions, will remain on the Board of IntegraFin as an executive director after Jonathan and Alex have taken over.
- Jane Isaac is currently Group Chief Financial Controller and joins the Board of IFAL.

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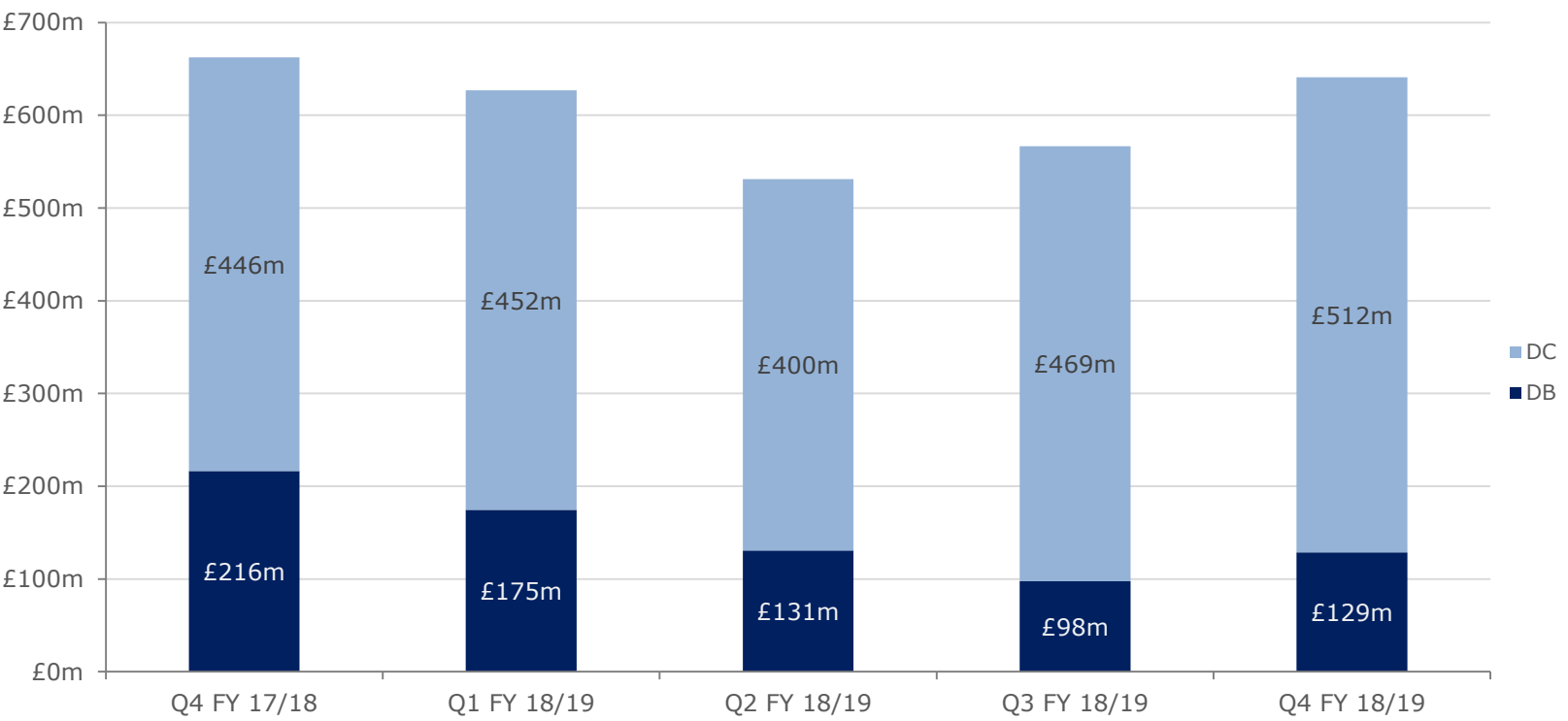
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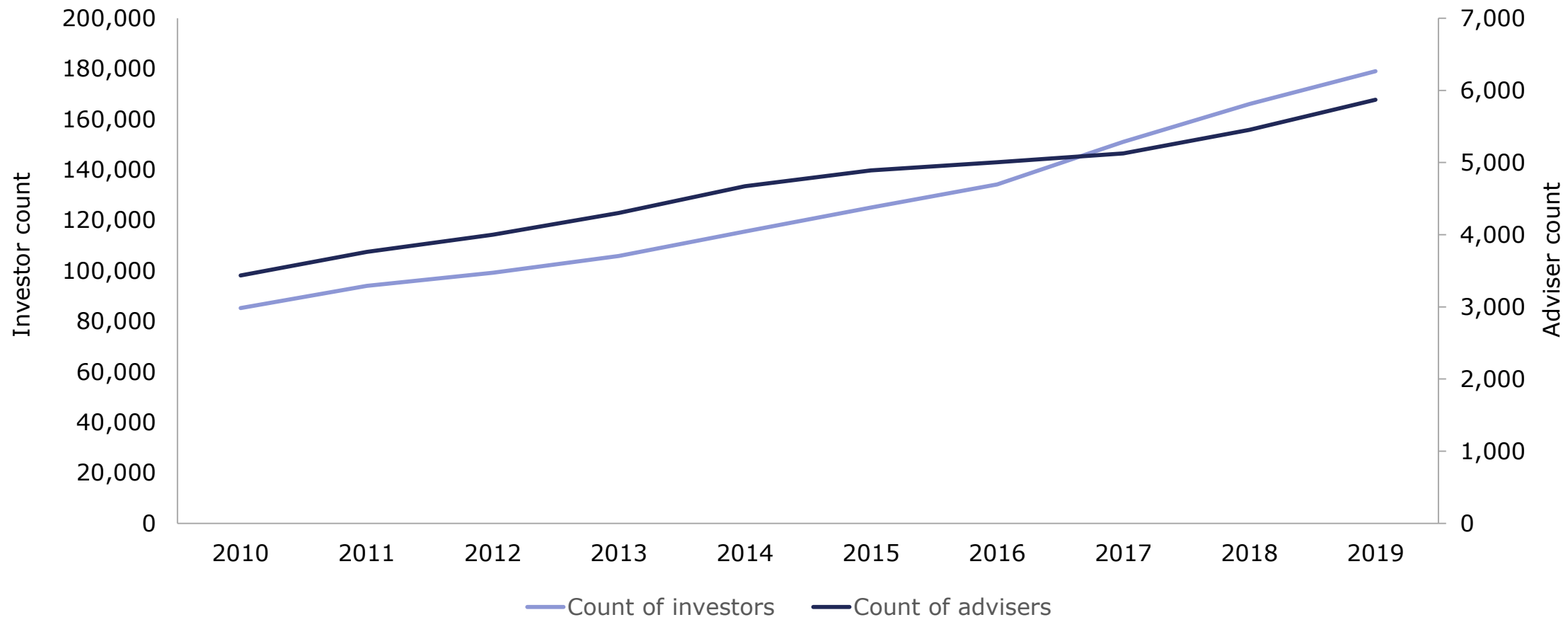
Appendix 1 – Pension transfers in split by DB/DC



Quarter	Q4 17/18	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19
DB as a %	32.7%	27.9%	24.6%	17.2%	20.1%

Source:
Unaudited internal data

Appendix 2 – Growth in number of clients and advisers



Appendix 3 – Operational update



- We have further enhanced our pensions proposition by processing transfers more quickly and by extending the functionality of how we facilitate pensions drawdown.
- 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 2019 - our 12th cut in 11 years - and still improved our financial results whilst, retaining the number one spot for service.
- We ran 25 Transact adviser/paraplanner events throughout the UK and attended numerous industry events.
- We continue to play a major role in helping set industry standards and protocols with regard to asset transfer.

Appendix 4 – New charging structure

New Transact annual commission charging structure effective from 1 April 2020

Single or consolidated portfolios of less than £100,000	
	Cash & investments
£0 - £60,000	0.50%
>£60,000 and <£100,000	0.28%

Single or consolidated portfolios of £100,000 and above	
	Cash & investments
£0 - £600,000	0.28%
>£600,000 - £1,200,000	0.18%
>£1,200,000 - £5,000,000	0.07%
On the remainder	0.05%

New Transact buy commission charging structure effective from 1 March 2020

Monthly average portfolio value	Refund	Effective rate
<£400k	0%	0.05%
£400k+	100%	0.00%