

Results Presentation



Half Year ended 31 March 2020

Presentation team



Alex Scott

Chief Executive Officer

- Joined IntegraFin in 2009
- 1997 – Twelve years in insurance licence provision
- 25 years of insurance experience in the UK and internationally




Jonathan Gunby

Executive Director – IFAL CEO

- Joined IntegraFin in 2011
- 1999 – Twelve years as Director of NMG Holdings
- 30 years of financial services experience in the UK and internationally

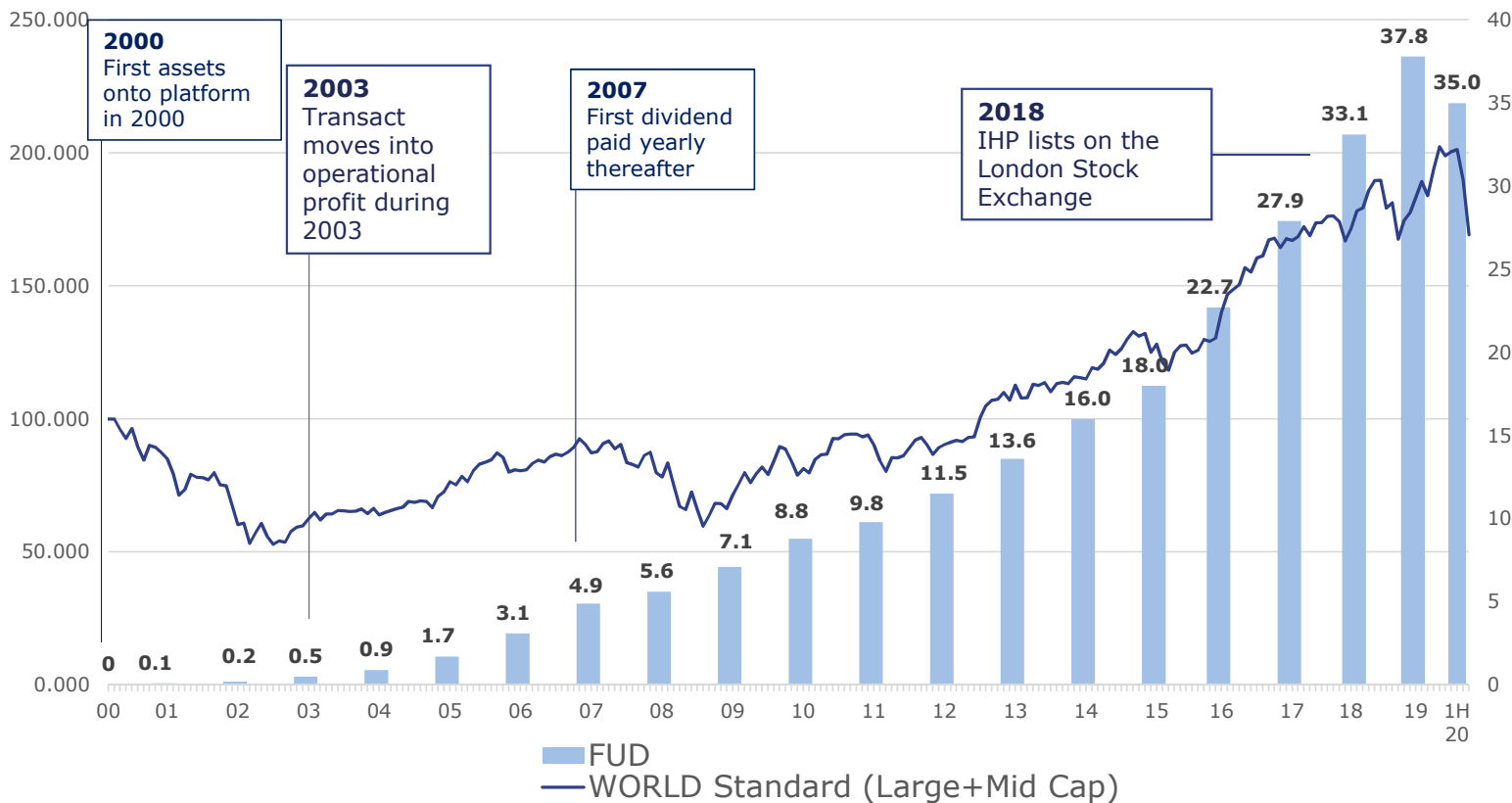
Key messages



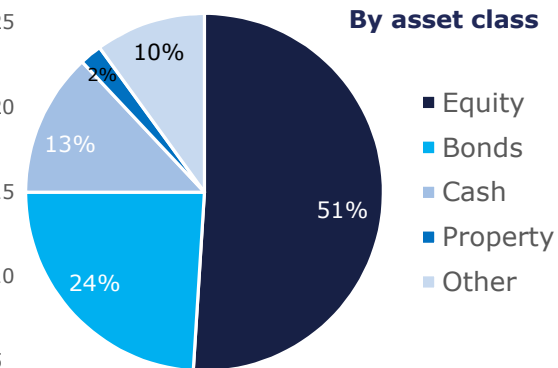
Total revenue £53.8m, up 13% compared to 1H19
Profit before tax £27.3m for the period, up 22% compared to 1H19
Operating margin increased to 51% from operating margin of 47% in 1H19
Operating profit £27.2m, up 23% compared to operating profit in 1H19
Cash flow and group balance sheet remain strong, with no debt
Interim dividend of 2.7p declared (1H19: 2.6p)
FUD is up 2% since 1H19
Gross inflows of £3.2bn highest ever in the first half of the year (1H19: £2.8bn)
Net inflows of £2.1bn in the first half of the year (1H19: £1.8bn)
Client numbers at 187k, up 8% from 1H19

Impressive long term FUD growth

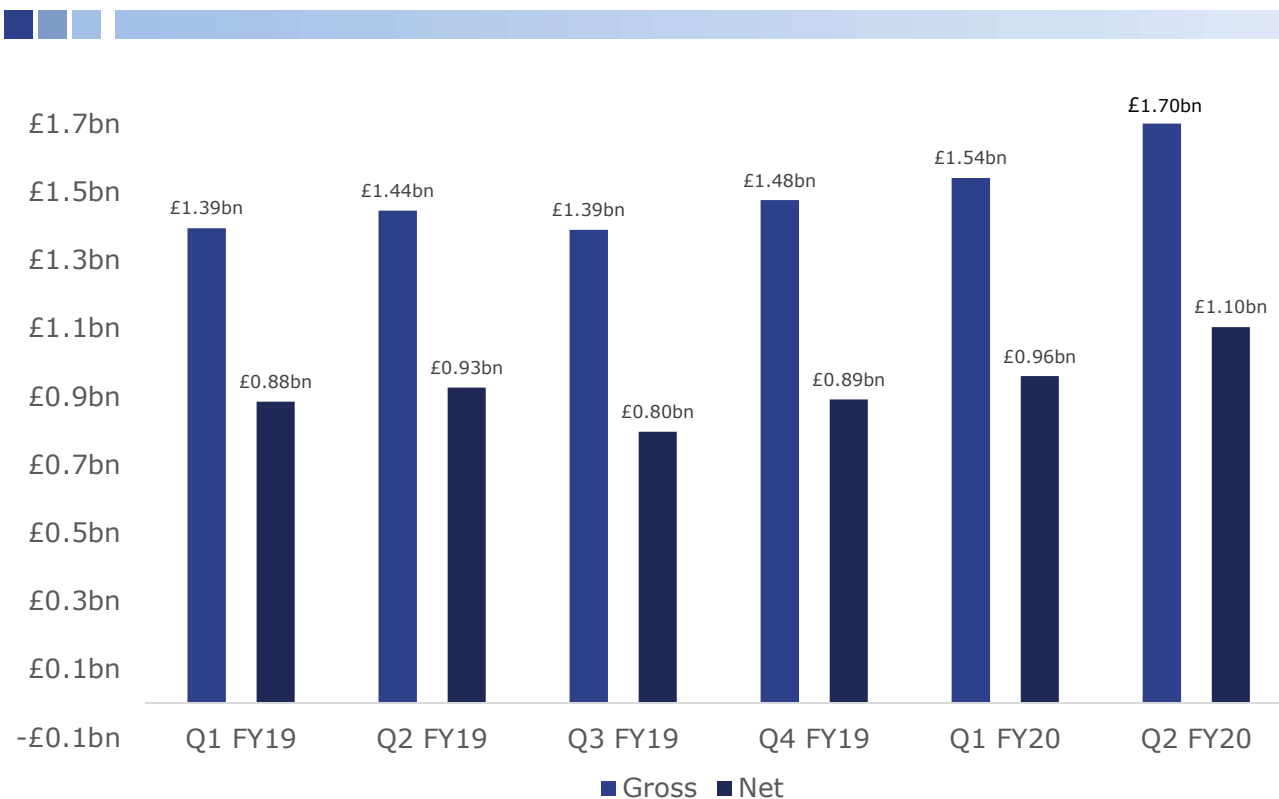
Growth in Funds Under Direction (£bn) compared to the MSCI World Index



- FUD growth remains strong despite periods of high stock market volatility



1H20 Gross inflows of £3.2bn, highest ever recorded



£m	1H 2020
Opening FUD	37,799
Inflows	3,234
Outflows	(1,172)
Net inflows	2,062
Market movements	(4,872)
Other movements ⁽¹⁾	1
Closing FUD	34,990

(1) Includes dividends, interest, fees and tax charges and rebates

Regulation



- The Platform market study
 - Process began in July 2017
 - Policy statement issued last 13 December 2019
- 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

Transact is consistently rated top for service



- Transact was rated the top platform in the UK Investment Trends Adviser Technology & Business Report 2020.
- In this year's study, Transact is rated first for overall satisfaction, for overall adviser support services and for overall investment capabilities.
- Transact also once again obtained the highest advocacy rating from its adviser relationships, with the top net promoter score.
- This is the 11th year running that Transact has been rated top.
- The study is one of the most comprehensive undertaken and is based on the views of 1,466 UK advisory professionals. The fieldwork for this independent research was undertaken in March 2020.

Total fee income up 13%



97% of total fee income is recurring

		1H 2020	1H 2019	Change
		£m	£m	
Annual Fee Income	Annual basis point charge levied on assets and cash held on the platform	47.4 (88%)	41.3 (87%)	+15%
Wrapper Fee Income	Annual fixed fee levied on all Transact wrappers	4.8 (9%)	4.4 (9%)	+9%
Buy Commissions	Commission levied on the value of buy transactions executed on the platform ⁽¹⁾	1.6 (3%)	1.9 (4%)	-16%
Total Fee Income		53.8	47.6	+13%

⁽¹⁾ Buy commission rebate threshold reduced to £400k from 1 March 2020

Well controlled expenses

£m	1H 2020	1H 2019
Staff costs	18.3	18.4
Occupancy ⁽¹⁾	1.0	1.8
Regulatory and professional fees	3.5	2.5
Other costs	2.2	1.9
Total expenses	25.0	24.6
Depreciation and amortisation ⁽¹⁾	1.2	0.3
Total operating expenses	26.2	24.9

(1) Impact of IFRS 16 reduces occupancy costs by £0.8m and increases depreciation and amortisation by £0.9m. This is due to the recognition of office leases as right of use assets, and subsequent amortisation.

Staff numbers



	1H 2020	1H 2019	Change
IT & technology	117	110	6%
Operational & support	334	361	-7%
Sales & marketing	41	43	-5%
Total staff	492	514	-4%

- Staff numbers have decreased from natural attrition and efficiency gains delivered through platform development

P&L and cash flows

Profit & loss			Cash flows		
£m	1H 2020	1H 2019	£m	1H 2020	1H 2019
FUD (£bn)	35.0	34.4	Operating profit	27.2	22.2
Total fee income	53.8	47.6			
Cost of sales	(0.4)	(0.5)	Depreciation & amortisation	1.3	0.3
Net revenue	53.4	47.1	Working capital requirements	0.6	(3.0)
Staff costs	(18.3)	(18.4)	Capex	(0.3)	(0.6)
Other costs	(7.9)	(6.5)	Tax paid	(8.1)	(3.0)
Total expenses	(26.2)	(24.9)	Free cash flows	20.7	16.0
Operating profit	27.2	22.2	<i>Net operating cash conversion</i>	<i>90%</i>	<i>94%</i>
FUD Y-o-Y growth	1%	15%			
Operating margin	51%	47%			

We continue to achieve strong profit growth while also reducing fees



- 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 reduced 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 relating to FY17 & FY18
- (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



1H 2020
£m

- Transact operates with a conservative balance sheet position:
 - No debt
 - Policyholder assets and liabilities fully matched **1**
 - Second FY19 interim dividend of £17.2m paid in January 20
 - The first FY20 dividend of £8.9m is being declared now, to be paid in June 20
- Cash balance of £131.7m as at 1H20 (1H19: £111.8m), before £8.9m dividend, supporting regulatory capital, risk appetite and tax requirements of c. £95m

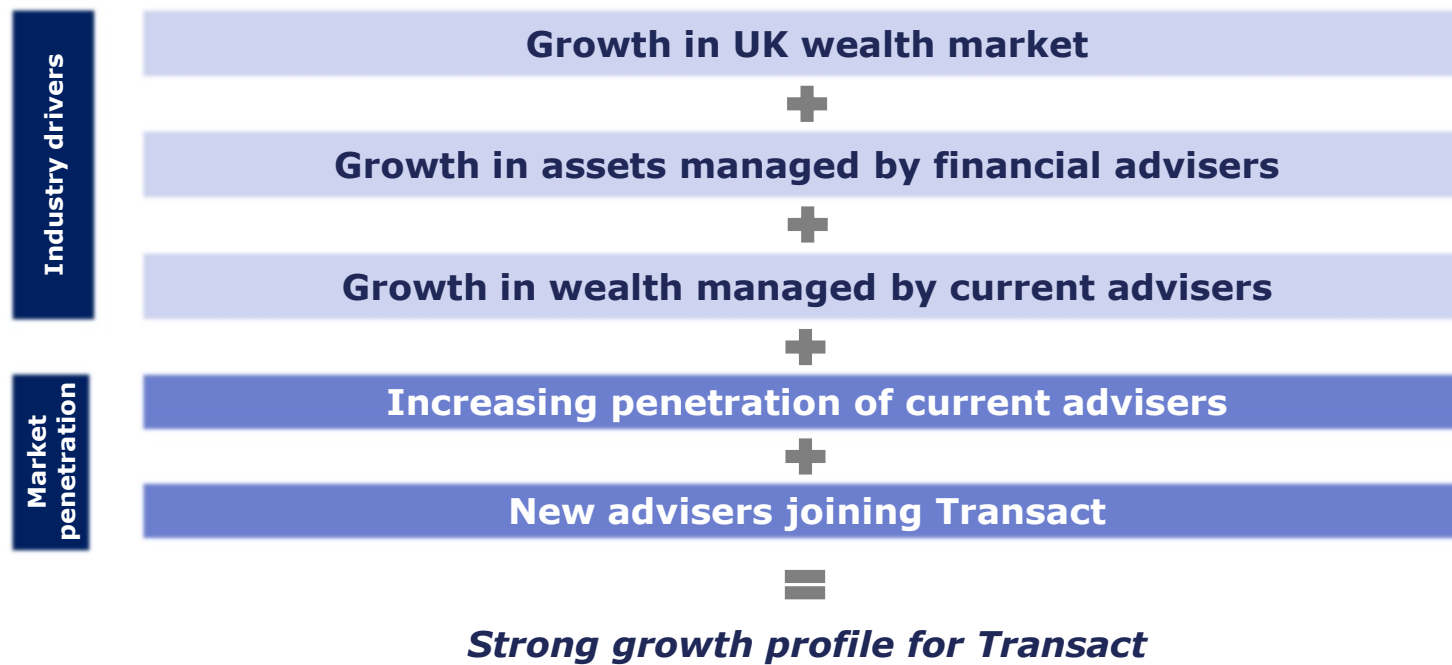
Non-current assets	
Loans	2.2
Intangible assets	13.0
Property, plant and equipment	2.3
Right of use assets	4.7
Deferred tax assets	8.1
Deferred acquisition costs	52.9
	83.2
Current assets	
Financial assets at fair value through profit or loss	5.1
Other prepayments and accrued income	12.9
Trade and other receivables	3.2
Investments and cash held for the benefit of policyholders	15,410.2
Cash and cash equivalents	131.7
	15,563.1
Current liabilities	
Trade and other payables	18.4
Finance lease liabilities	2.4
Liabilities for linked investment contracts	15,410.2
Current tax liabilities	0.1
	15,431.1
Non-current liabilities	
Provisions	36.9
Finance lease liabilities	4.8
Deferred income liability	52.9
Deferred tax liabilities	0.5
	95.1
Net assets	120.1

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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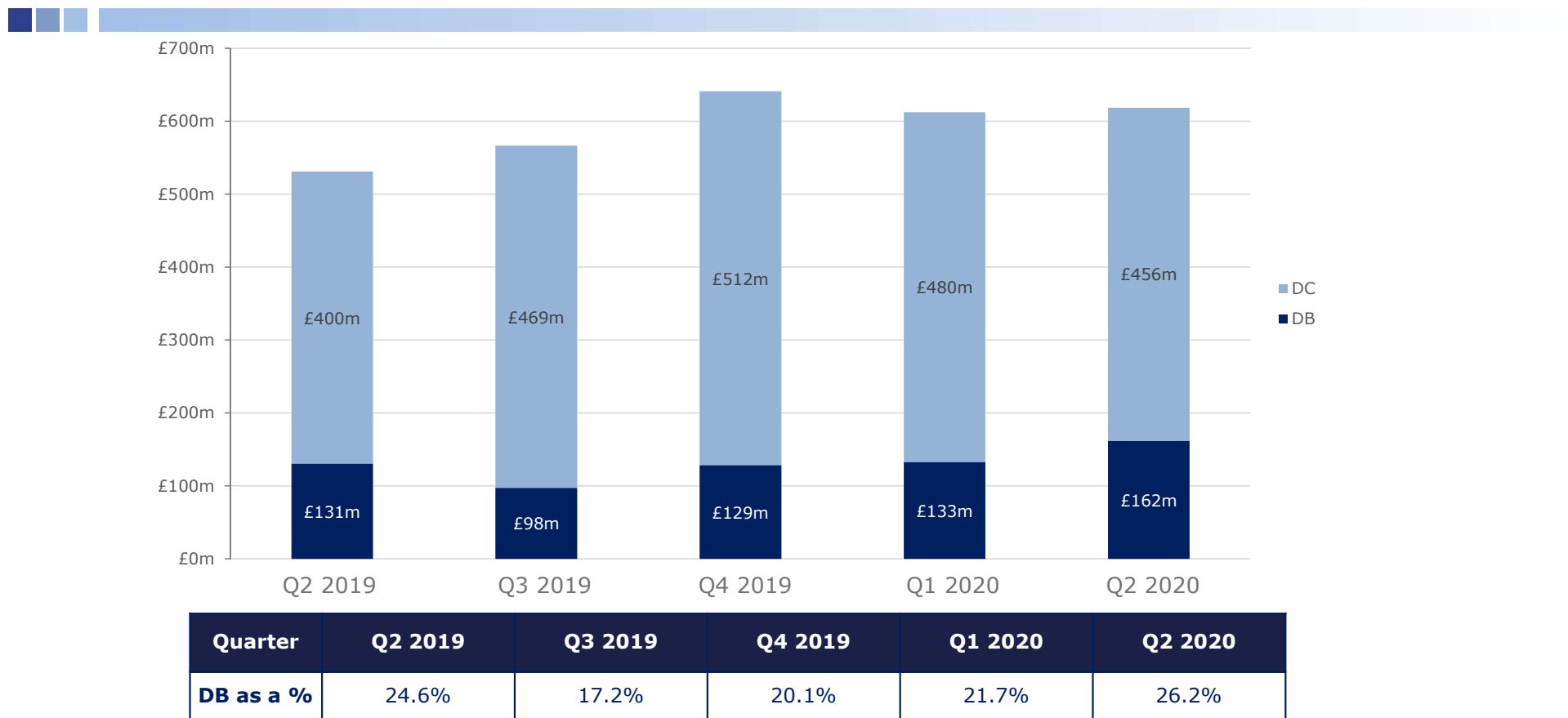
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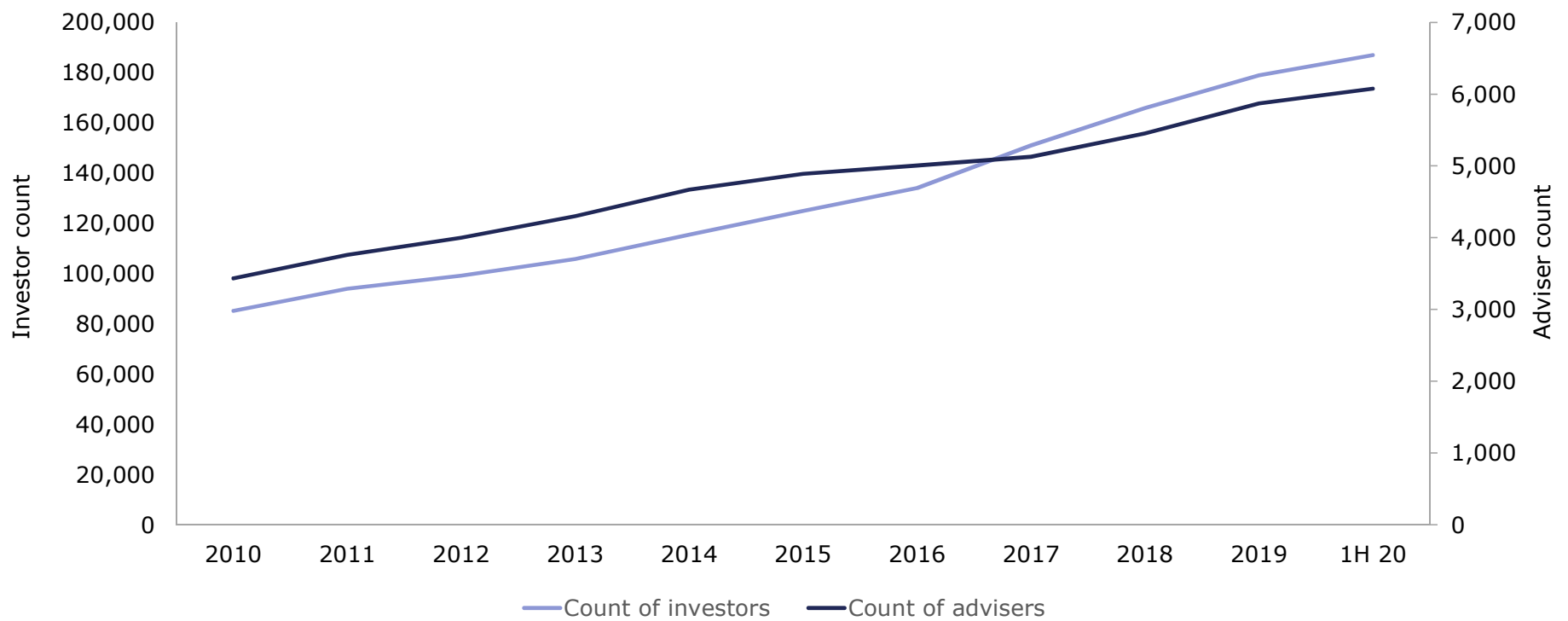
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The holding company of the Integrated Financial Arrangements Ltd group of companies.

Appendix 1 – Pension transfers in split by DB/DC



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 the Transact buy commission rebate threshold to £400k in March.
- New Transact annual commission charging structure effective from 1 April 2020.
- 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

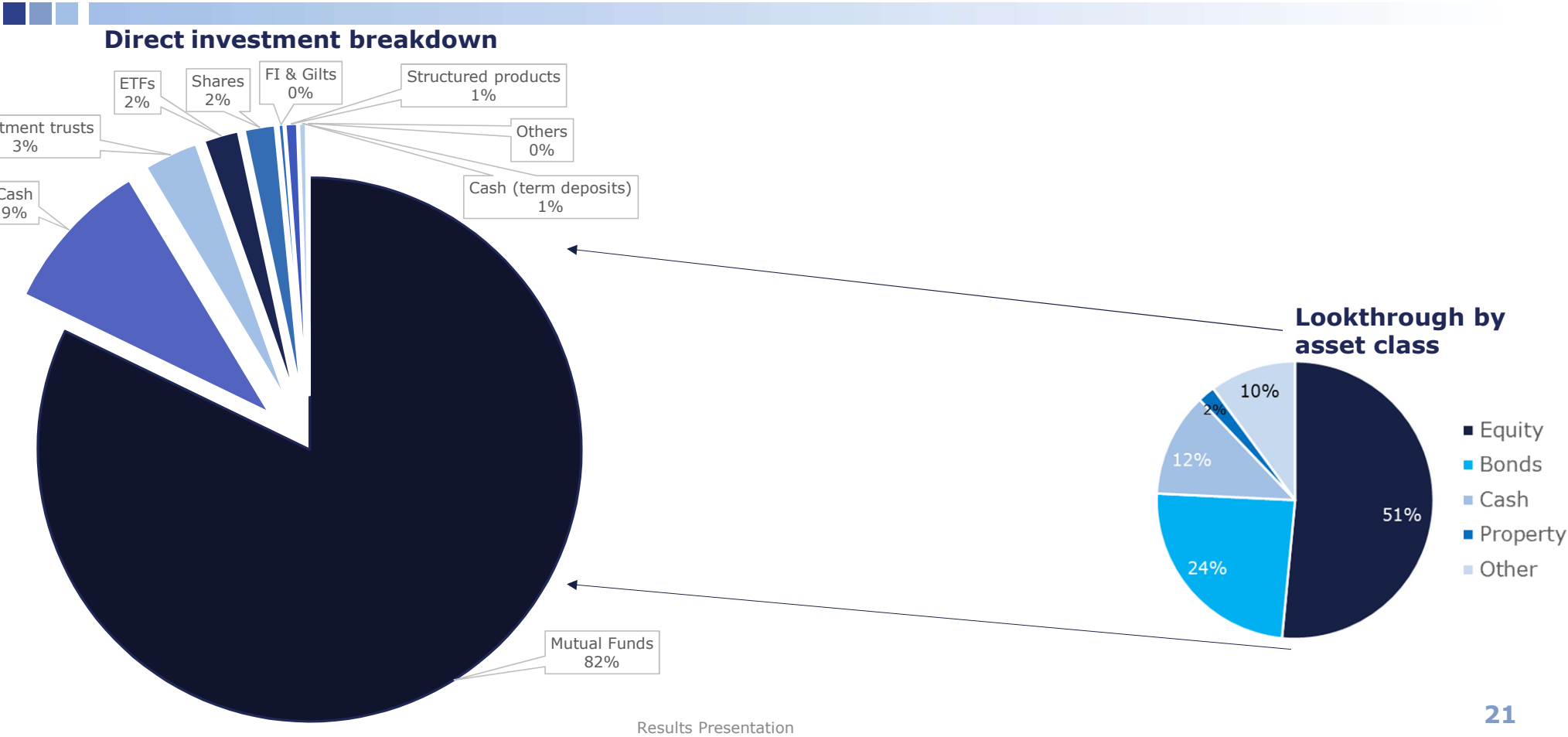
Single or consolidated portfolios of less than £100,000	
	Cash & investments
£0 - £60,000	0.50%
>£60,000 and <£100,000	0.28%

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%

Appendix 5 - Pre-Look through position

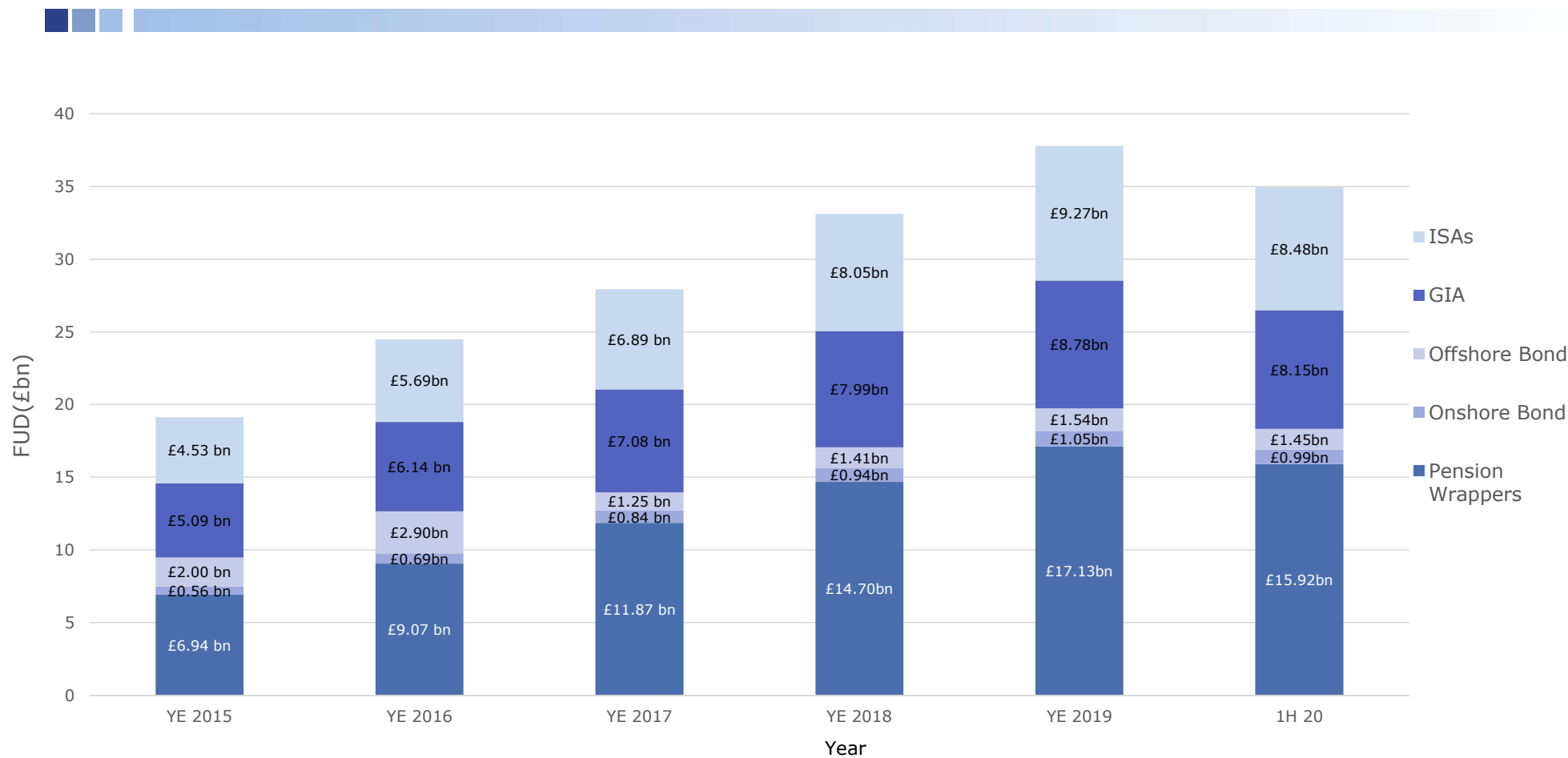


Appendix 6 - FUD by asset class breakdown



Type	Value (£bn)	Percentage of total FUD
Mutual funds	28.75	82.18%
Cash (pooled)	3.21	9.19%
Investment trusts	1.14	3.22%
ETFs	0.72	2.06%
Shares	0.63	1.80%
FI & Gilts	0.11	0.30%
Structured products	0.24	0.69%
Cash (term deposits)	0.15	0.42%
Others	0.04	0.14%
Total	34.99	

Appendix 7 - FUD by wrapper split



Appendix 8 - Cohort analysis

Inflows breakdown

- Inflows from current investors putting more onto the Platform: 33%
- Inflows from advisers with established relationship putting new investors onto the Platform: 63%
- Inflows from new advisers onto the Platform: 4%

