

Results Presentation



Year ended 30 September 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 £107.3m, up 8% compared to FY19
Profit before tax £55.3m for the period, up 11% compared to FY19
Operating profit £55.3m, up 11% compared to operating profit in FY19
Operating margin increased to 52%, from operating margin of 50% in FY19
Cash flow and group balance sheet remain strong, with no debt
Second interim dividend of 5.6p declared, total dividend of 8.3p
FUD at £41.09bn, up 9% since FY19
Net inflows of £3.59bn, up 3% from FY19
Gross inflows of £5.75bn
Client numbers at 192k, up 7% from FY19

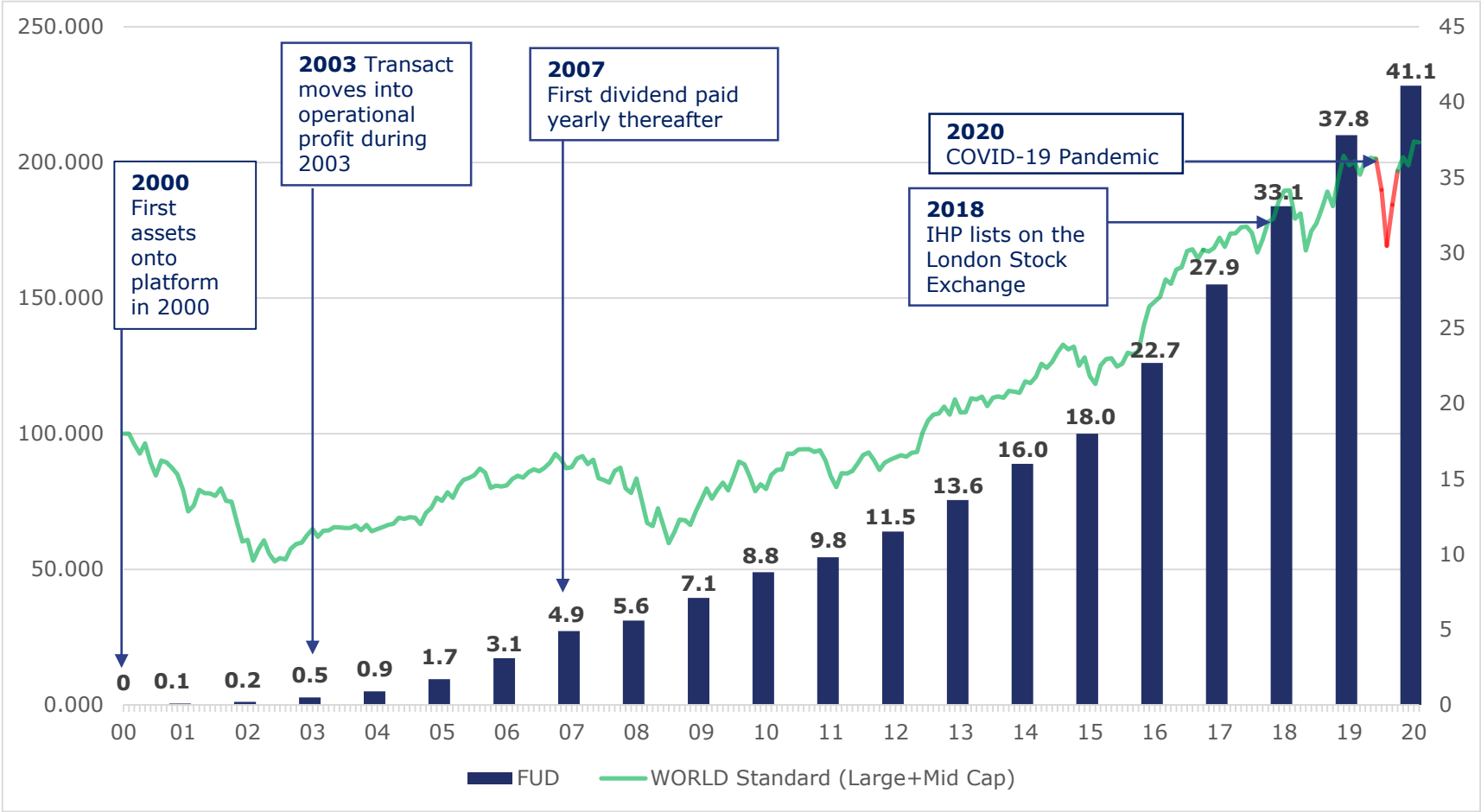
Growth in Funds under Direction



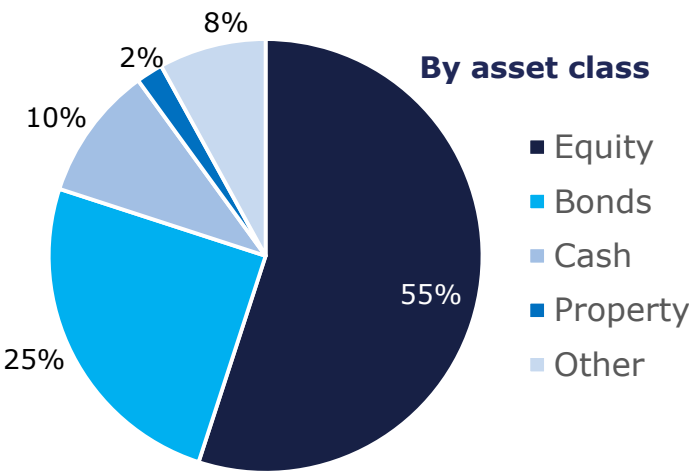
Impressive FUD growth



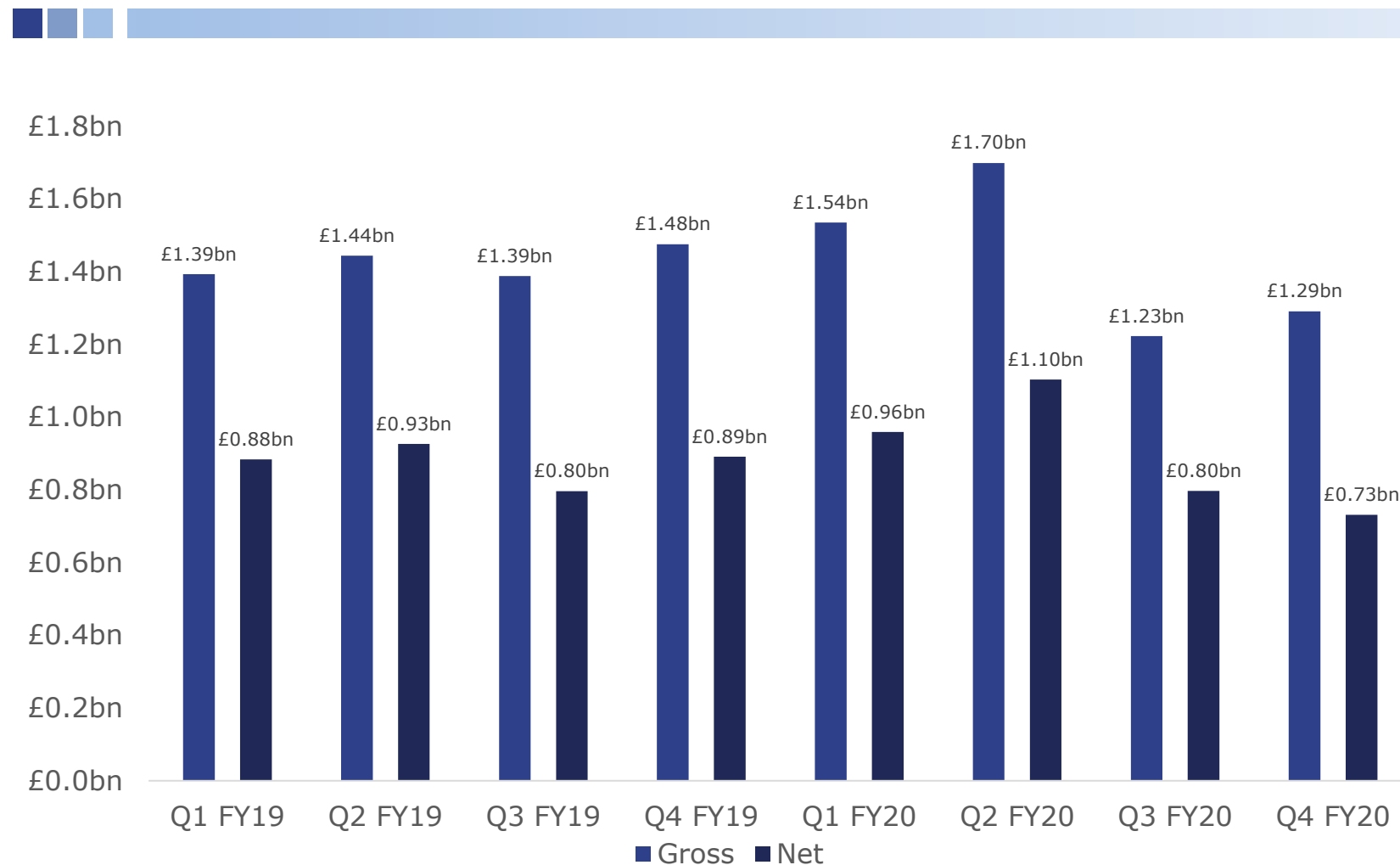
Growth in Funds Under Direction (£bn) compared to the MSCI World Index



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

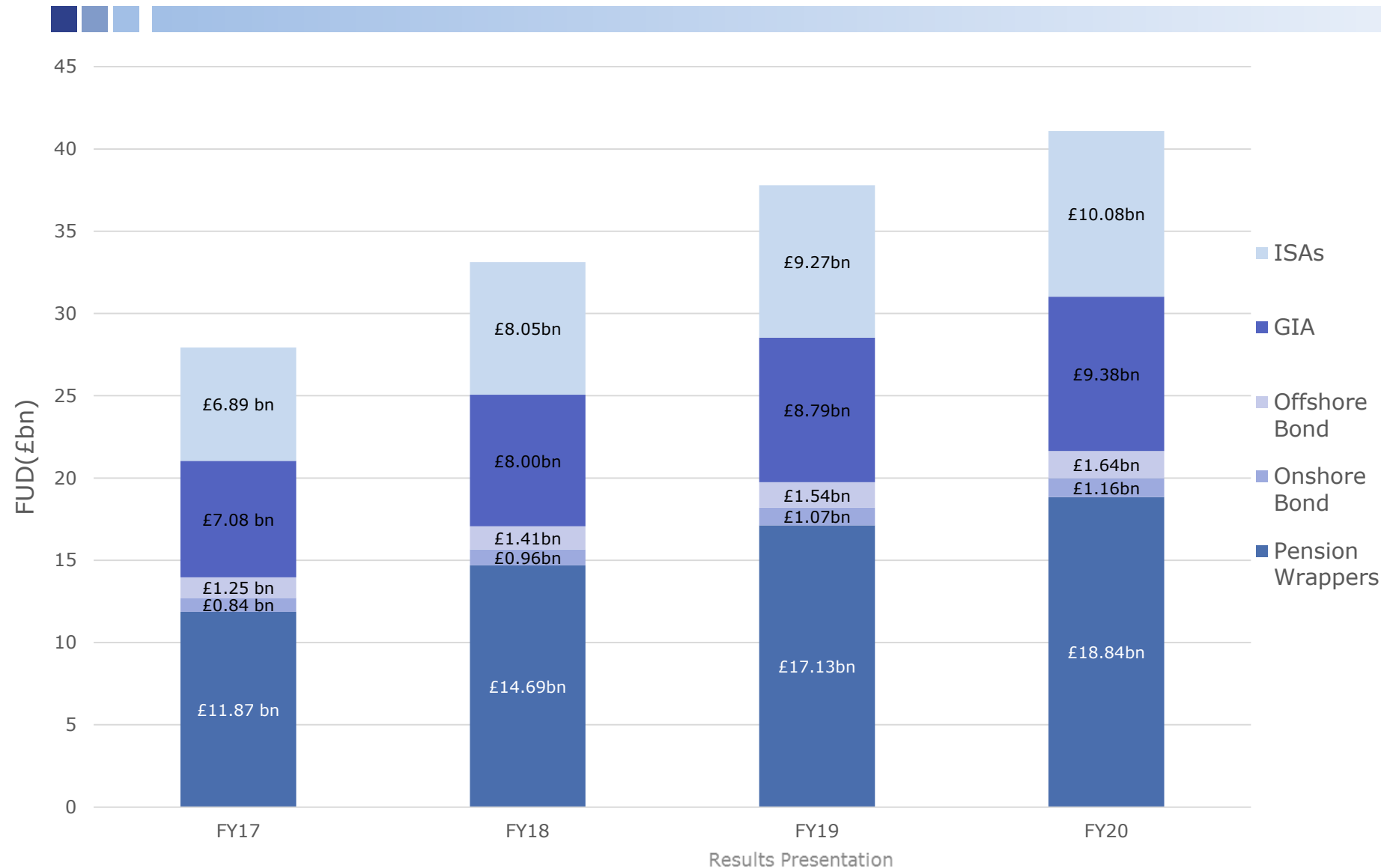


FY20 Net inflows were up 3%



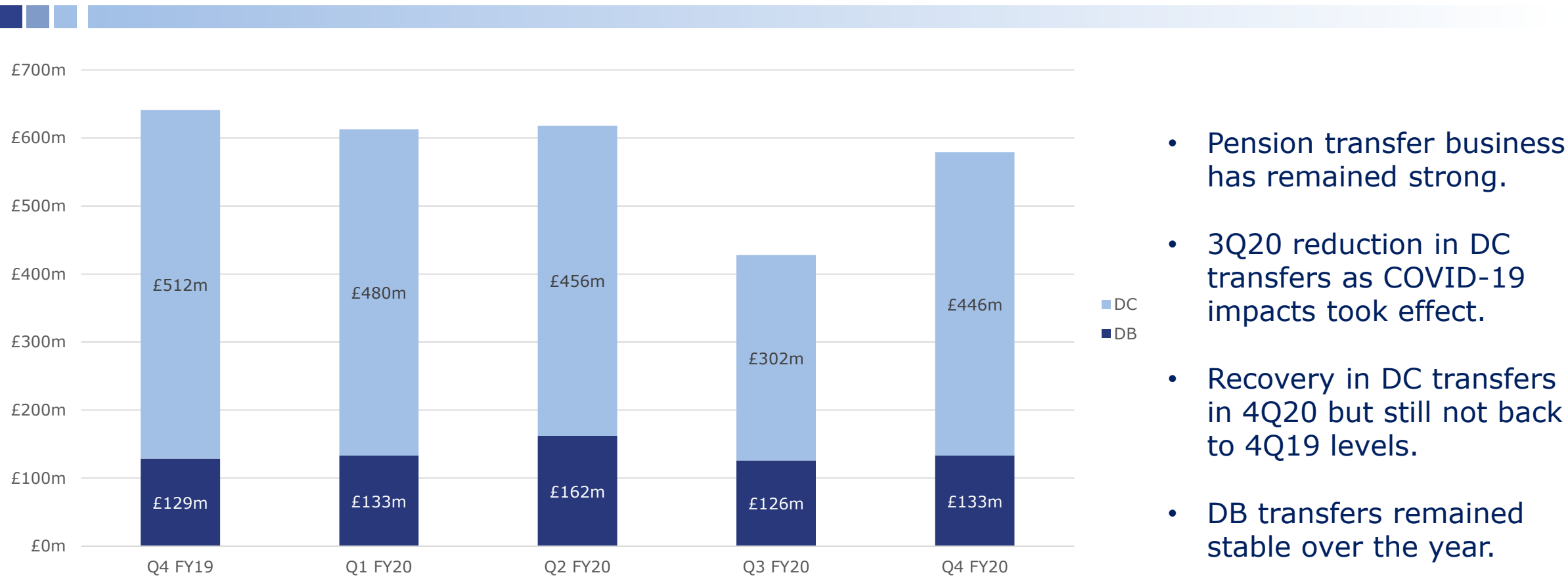
£m	FY20
Opening FUD	37,799
Inflows	5,750
Outflows	(2,160)
Net inflows	3,590
Market movements	(224)
Other movements	(72)
Closing FUD	41,093

FUD by wrapper split



- Strong growth in all wrapper types over the period.
- Pensions and ISA CAGRs in excess of 16%.
- GIAs and Bond ISAs CAGR in excess of 10%.

Pension transfers split by DB vs. DC



- Pension transfer business has remained strong.
- 3Q20 reduction in DC transfers as COVID-19 impacts took effect.
- Recovery in DC transfers in 4Q20 but still not back to 4Q19 levels.
- DB transfers remained stable over the year.

Quarter	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20
DB as a %	20.1%	21.7%	26.2%	29.4%	23.0%

Financial Performance



Fee Income - Responsible Pricing



We share the benefits of scale economies with our clients and reduce our charges when confident it will not negatively impact our award-winning service.

Annual Commission

- No change to Annual Commission charges in 2019.
- 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.

Wrapper Fees

- Flat fees - no increases.

Buy Commission

- Buy commission rebate threshold reduced from £1m to £500k from 1 March 2019.
- Buy commission rebate threshold further reduced to 400k from 1 March 2020.

Total fee income up 8%



97% of total fee income is recurring

		FY20	FY19	Change
		£m	£m	
Annual Fee Income	Annual basis point charge levied on assets and cash held on the platform	94.5 (88%)	86.7 (87%)	+9%
Wrapper Fee Income	Annual fixed fee levied on all Transact wrappers	9.7 (9%)	9.0 (9%)	+8%
Buy Commissions	Commission levied on the value of buy transactions executed on the platform	3.1 (3%)	3.5 (4%)	-11%
Total Fee Income		107.3	99.2	+8%

Well controlled expenses

£m	FY20	FY19 Restated	Change
Staff costs	36.9	36.3	+2%
Occupancy ⁽¹⁾	2.0	3.6	-44%
Regulatory and professional fees	7.0	5.5	+27%
Other income – tax relief to shareholders	(1.1)	(1.0)	+10%
Other costs	3.8	3.7	+3%
Total expenses	48.6	48.1	+1%
Depreciation and amortisation ⁽¹⁾	2.6	0.7	+271%
Total operating expenses	51.2	48.8	+5%

(1) Impact of IFRS 16 reduces occupancy costs by £1.6m and increases depreciation and amortisation by £1.9m. This is due to the recognition of office leases as right of use assets, and subsequent depreciation.

Staff numbers



	30 Sep 20	30 Sep 19	Change
IT & technology	121	115	+5%
Operational & support	327	332	-2%
Sales & marketing	39	39	0%
Total staff	487	486	0%

- Small increase in IT staff to increase development capabilities.
- Small reduction in Operational and support staff numbers as a result of efficiency gained through platform development.
- The small rise in staff costs in the period was attributable to the net effects of general inflationary increases.

P&L and cash flows

Profit & loss			Restatement
£m	FY19 Restated	FY19 Published	
FUD (£bn)	37.8	37.8	<ul style="list-style-type: none"> FY19 Profit after tax has been restated to £41.1 million from £40.1 million.
Total fee income	99.2	99.2	<ul style="list-style-type: none"> FY19 opening retained earnings has been restated with an increase of £5.4m.
Cost of sales	(0.8)	(0.8)	<ul style="list-style-type: none"> The restatement is due to an error caused by corporate expenses being deducted in the policyholder tax calculation resulting in an overprovision of tax reserves due back to policyholders.
Net revenue	98.4	98.4	
Staff costs	(36.3)	(36.3)	<ul style="list-style-type: none"> There has been a release of the policyholder tax provision to the retained earnings as at 1 October 2018 and to the statement of profit or loss and other comprehensive income in 2019.
Other costs	(12.5)	(13.5)	
Total expenses	(48.8)	(49.8)	
Operating profit	49.6	48.6	
Operating margin	50%	49%	

P&L and cash flows



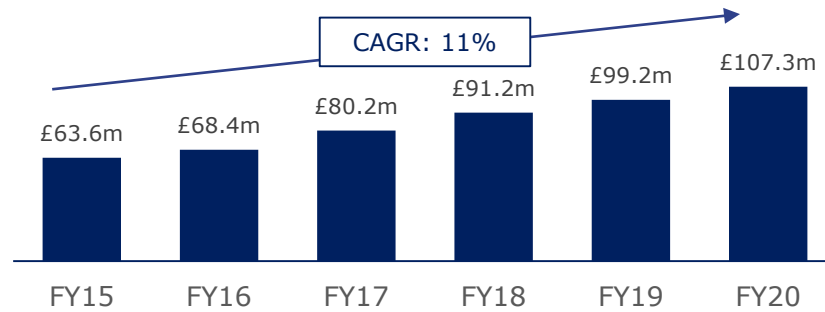
Profit & loss			Cash flows		
£m	FY20	FY19 Restated	£m	FY20	FY19 Restated
FUD (£bn)	41.1	37.8	Operating profit	55.3	49.6
Total fee income	107.3	99.2	Depreciation & amortisation	2.6	0.7
Cost of sales	(0.8)	(0.8)	Working capital requirements	5.0	4.2
Net revenue	106.5	98.4	Capex	(0.9)	(1.2)
Staff costs	(36.9)	(36.3)	Tax paid ⁽¹⁾	(13.8)	(8.7)
Other costs	(14.3)	(12.5)	Free cash flows	48.2	44.6
Total expenses	(51.2)	(48.8)	<i>Net operating cash conversion⁽²⁾</i>	<i>120%</i>	<i>115%</i>
Operating profit	55.3	49.6			
FUD Y-o-Y growth	9%	14%			
Operating margin	52%	50%			

(1) Tax paid excludes policyholder tax paid

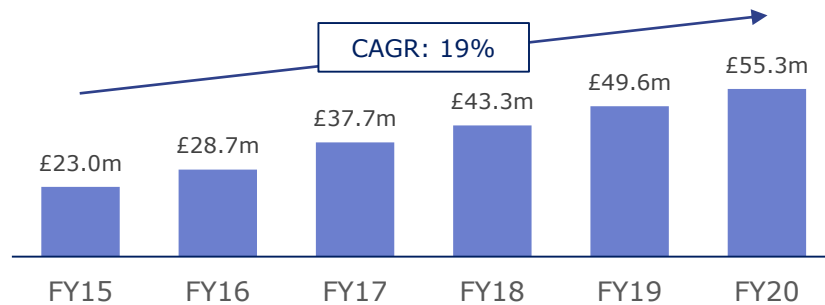
(2) Conversion from profit after tax into net cash from operating activities

We continue to achieve strong profit growth while also reducing fees

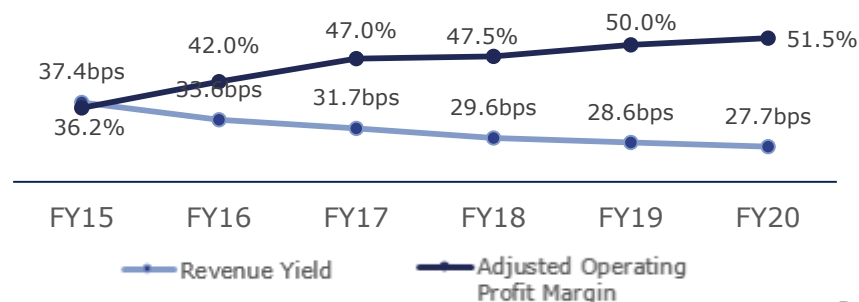
Total fee income



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.
- We have implemented our 13th price reduction in 11 years.

- (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



30 September '20
£m

- Transact operates with a conservative balance sheet position:
 - No debt
 - Policyholder assets and liabilities fully matched ¹
 - Second interim dividend of 5.6p declared
 - Total dividend: £27.5m (2020) vs £25.8m (2019)
 - Cash balance of £154.1m as at September '20 (2019: £132.3m), before £18.6m dividend, supporting regulatory capital, risk appetite and tax requirements of £97.0m

Non-current assets	
Loans	2.6
Intangible assets	13.0
Property, plant and equipment	2.3
Rights of use assets	3.9
Deferred tax assets	0.5
Deferred acquisition costs	53.5
	75.8
Current assets	
Financial assets at fair value through profit or loss	5.1
Other prepayments and accrued income	14.4
Trade and other receivables	3.5
Investments held for the benefit of policyholders	16,727.2
Policyholder cash and cash equivalents	1,385.7
Shareholder cash and cash equivalents	154.1
Current Tax Asset	0.1
	18,290.1
Current liabilities	
Trade and other payables	18.4
Finance lease liabilities	2.4
Liabilities for linked investment contracts	18,112.9
Current tax liabilities	-
	18,133.7
Non-current liabilities	
Provisions	25.2
Finance lease liabilities	3.7
Deferred income liability	53.5
Deferred tax liabilities	9.0
	91.4

Net assets

140.9

17

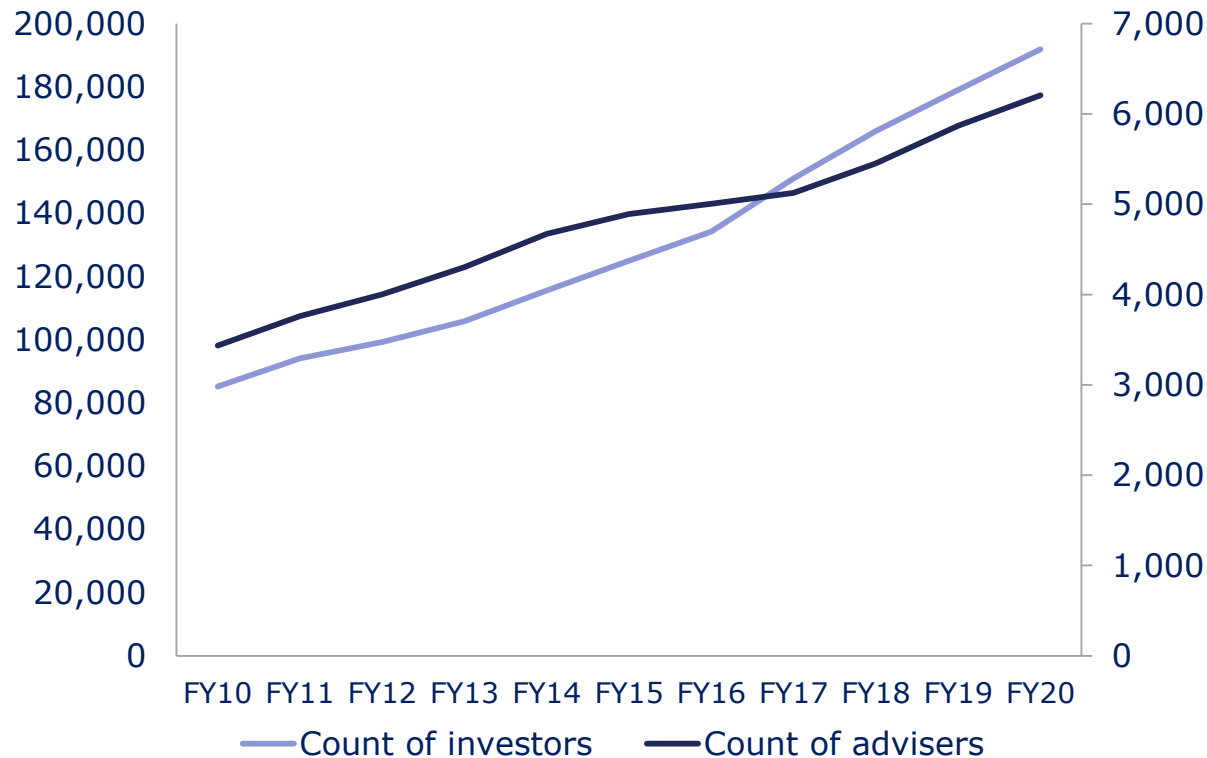
Business Update



Strong client base and addressable market

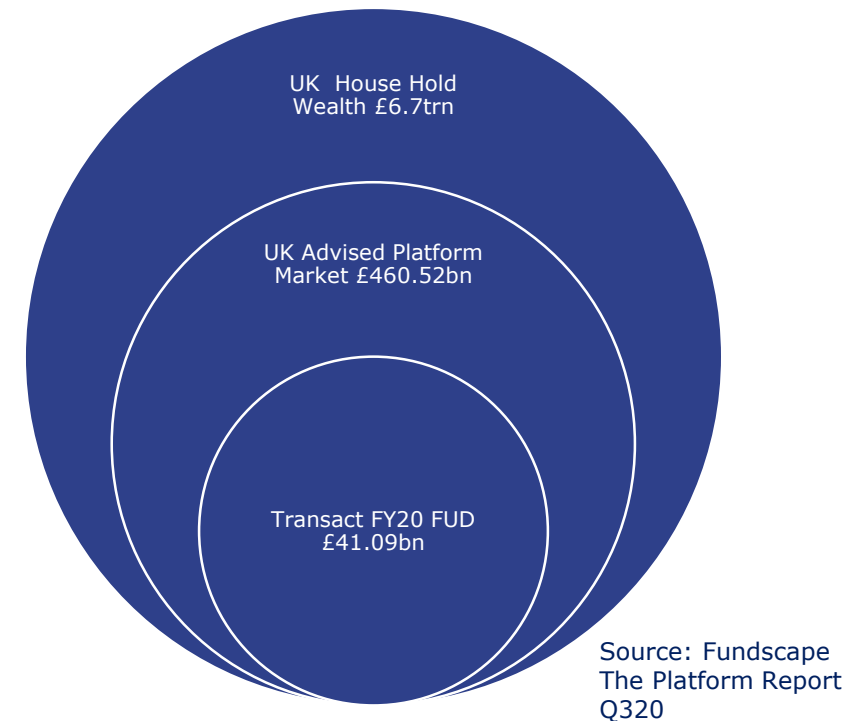


Increasing client and adviser numbers



- Client numbers up 7% from FY19
- Adviser numbers up 6% from FY19
- Client retention remained at 96% per annum

Large market with growth opportunities



- UK advised platform market FUD grew 6% in the previous year in difficult market conditions, our FUD grew 9% in the same period.
- 36,401 IFA's in the UK as at 2019, 15,000 which we consider to be contestable.

Continued technological advances to meet client needs



Platform investment up 9% to £9.8m for the year, making further enhancements that benefit the client and adviser online experience.

We expect that adviser users will continue to move their clients onto Transact, as they experience the benefits that our service brings, and those clients already using us will put more money into their portfolios.



We have launched 'Guided Applications' which enable online applications for a new portfolio and multiple wrappers to be completed online.



We now accept e-signatures, accepting them on most applications via digital signature provider DocuSign.



We have moved all sales conferences and adviser appointments online.

Transact is consistently rated top for service



UK Investment Trends Adviser Technology & Business Report 2020

- 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.

CoreData Investment Platform Study 2020

- CoreData research is a multinational company specialising in financial services. CoreData surveyed 991 UK professionals in the most recent wave.
- Transact was rated Best Overall Platform (2020) – based on 46 service metrics.
- Transact were also rated Best Large Platform (2020) for the 11th consecutive year.

New Charging structure



New Transact annual commission charging structure effective from 01/04/2021

Single or consolidated portfolios of less than £100,000	
	Cash & investments
£0 - £60,000	0.50%
>£60,000 and <£100,000	0.27%

Single or consolidated portfolios of £100,000 and above	
	Cash & investments
£0 - £600,000	0.27%
>£600,000 - £1,200,000	0.17%
>£1,200,000 - £5,000,000	0.07%
On the remainder	0.05%

New Transact buy commission charging structure effective from 01/03/2021

Monthly average portfolio value	Refund	Effective rate
<£300k	0%	0.05%
£300k+	100%	0.00%

Regulation



- **COVID-19**

We expect that throughout 2021 the FCA will continue to devote considerable effort to supervising authorised firms in relation to the impact of COVID-19.

- **Operational resilience**

A joint Bank of England, PRA and FCA policy statement is expected in 2021 addressing requirements for strengthening operational resilience across financial services.

- **Platform market study**

New rules to simplify transfers between platforms are being introduced in February 2021. The FCA has announced a halt to its consultation work on restricting platform exit fees, due to platforms moving away from such fee charging, but that it will continue to monitor the situation. We have never charged exit fees.

- **Duty of care**

The FCA has indicated that it will begin a consultation in 2021 on investment firms duty of care to consumers.

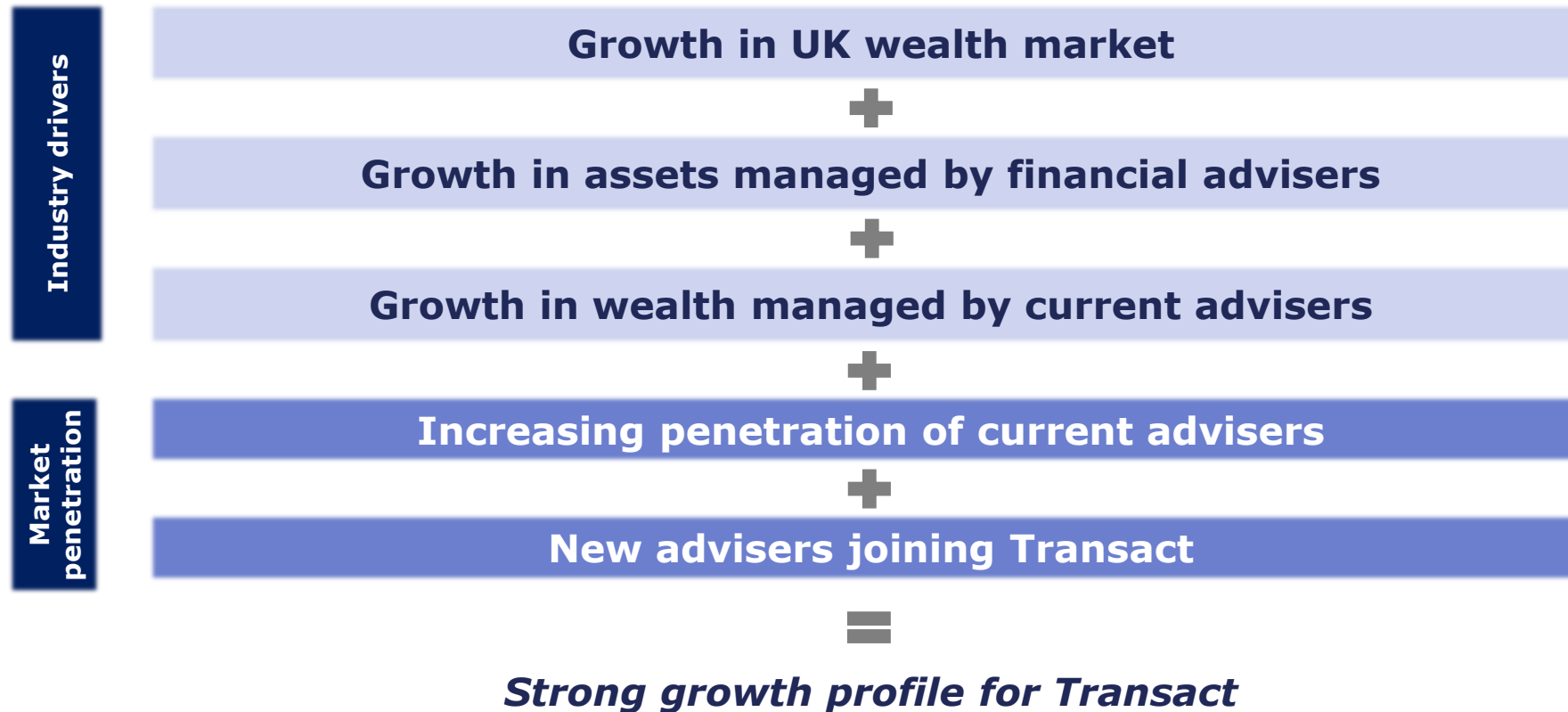
- **Vulnerable customers**

In late 2020, early 2021 the FCA is expected to finalise and bring into immediate effect guidance on the fair treatment of vulnerable customers.

- **Prudential regulation**

The FCA is to begin a consultation on a new UK prudential regulation for investment firms with a view to new rules being implemented from sometime around mid 2021.

Summary: Transact enjoys a strong growth profile



Strategy



Drive organic growth:

- Grow FUD by attracting and retaining advisers and their clients.
- Deliver a superior service and value for money.

Consider acquisition opportunities

- Innovative development opportunities to broaden our proposition.
- Scale opportunities to increase shareholder value and accelerate responsible pricing.

Reinvest in the business:

- Continue to enhance our existing proposition by adding new financial planning components for advisers.

Grow earnings:

- Maintain level of growth and potentially increase it in the coming year recognising the economic outlook is challenging.

Maintain cash generation:

- We will continue to manage expenses and it is expected the Group's strong liquidity profile will be maintained.

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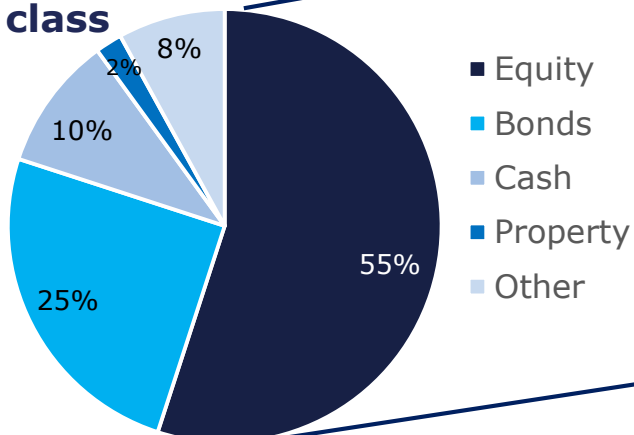
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(Registered office: as above; Registered in England and Wales under number: 8860879)
The holding company of the Integrated Financial Arrangements Ltd group of companies.

Appendix 1 - Pre-Look through position

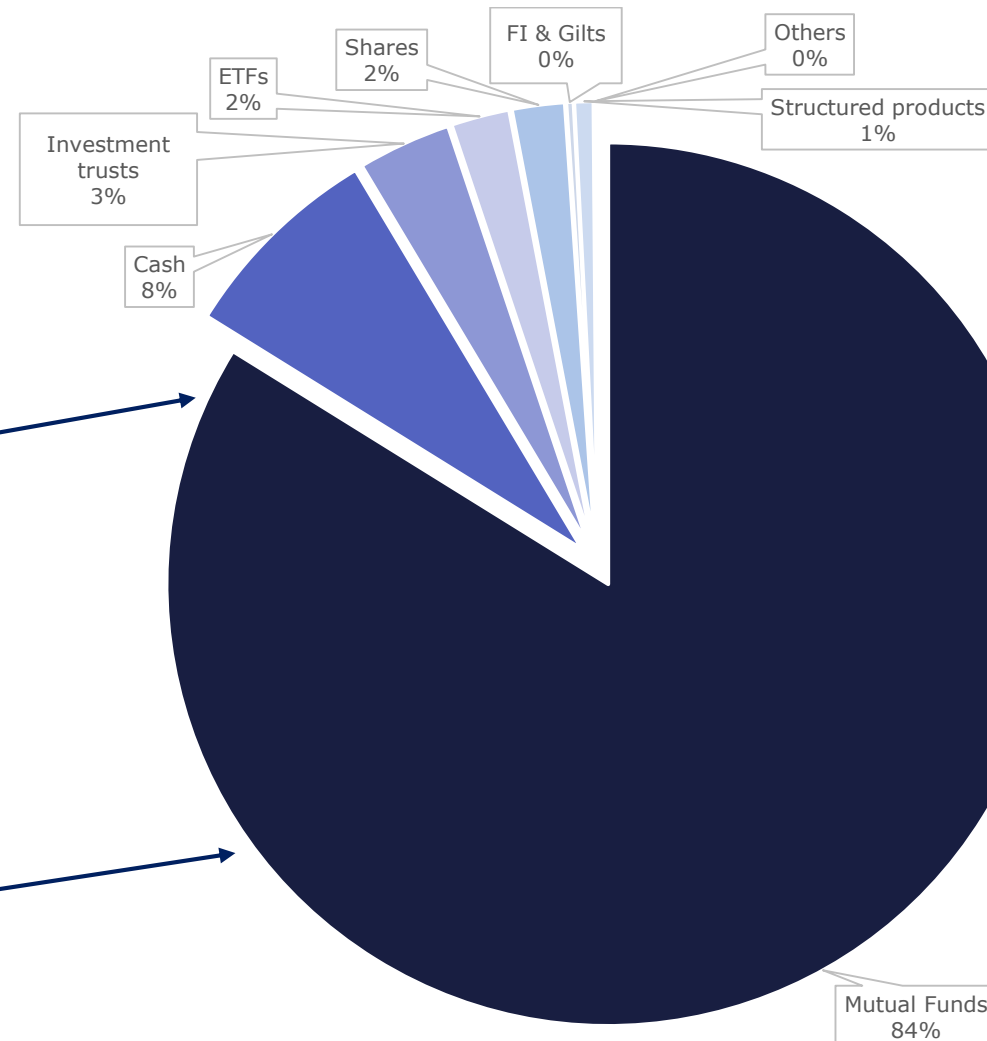


Type	Value (£bn)	Percentage of total FUD
Mutual funds	34.45	83.84%
Cash (pooled)	3.12	7.59%
Investment trusts	1.41	3.43%
ETFs	0.88	2.14%
Shares	0.79	1.93%
Structured products	0.28	0.70%
FI & Gilts	0.11	0.26%
Others	0.05	0.11%
Total	41.09	

Look through by asset class



Direct investment breakdown



Appendix 2 - Cohort analysis



Inflows breakdown

- Inflows from current investors putting more onto the Platform: 31%
- Inflows from advisers with established relationship putting new investors onto the Platform: 62%
- Inflows from new advisers onto the Platform: 7%

