

Results Presentation



Half year ended 31 March 2021

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 £59.4m, + 10% compared to H1 20
 - Profit before tax £31.2m for the period, + 12% compared to H1 20
 - Operating margin increased to 53% from operating margin of 52% in H1 20
 - Operating profit £31.2m, + 12% compared to operating profit in H1 20
 - Cash flow and group balance sheet remain strong, with no debt
 - Interim dividend of 3.0p declared (H1 20: 2.7p)
 - FUD is up 34% since H1 20
 - Gross inflows of £3.73bn highest ever in the first half of the year (H1 20: £3.23bn)
 - Net inflows of £2.31bn in the first half of the year (H1 20: £2.06bn)
 - Client numbers at 201k, up 7% from H1 20
 - Acquisition of Time for Advice Limited (T4A) on 11 January 2021

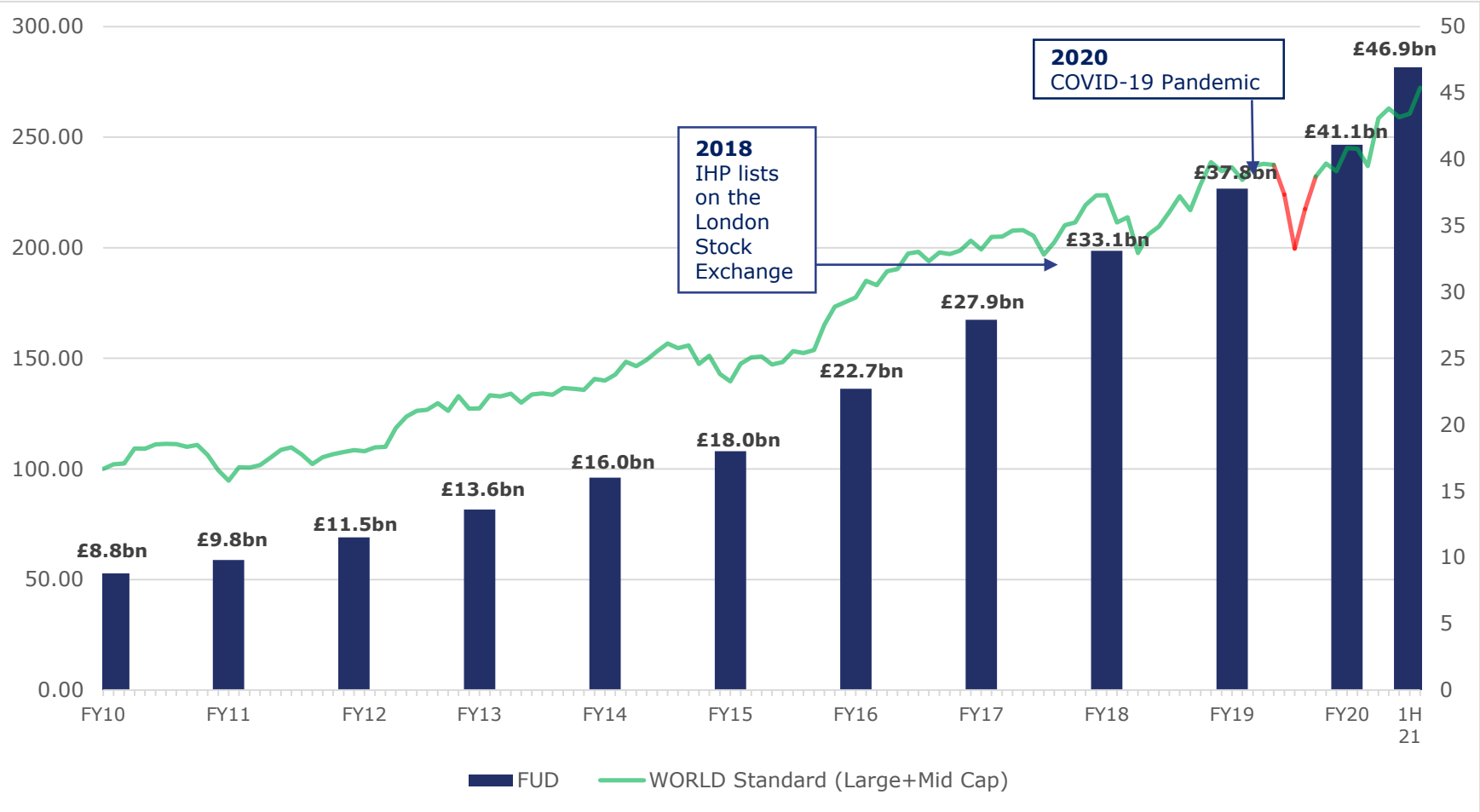
Transact growth



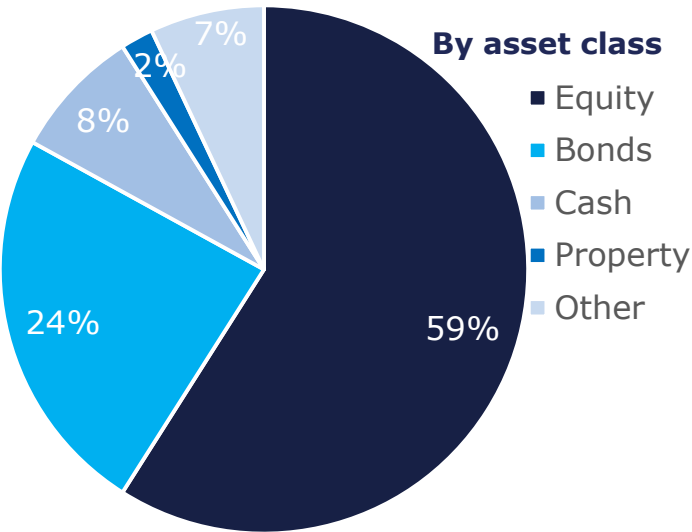
Impressive FUD growth



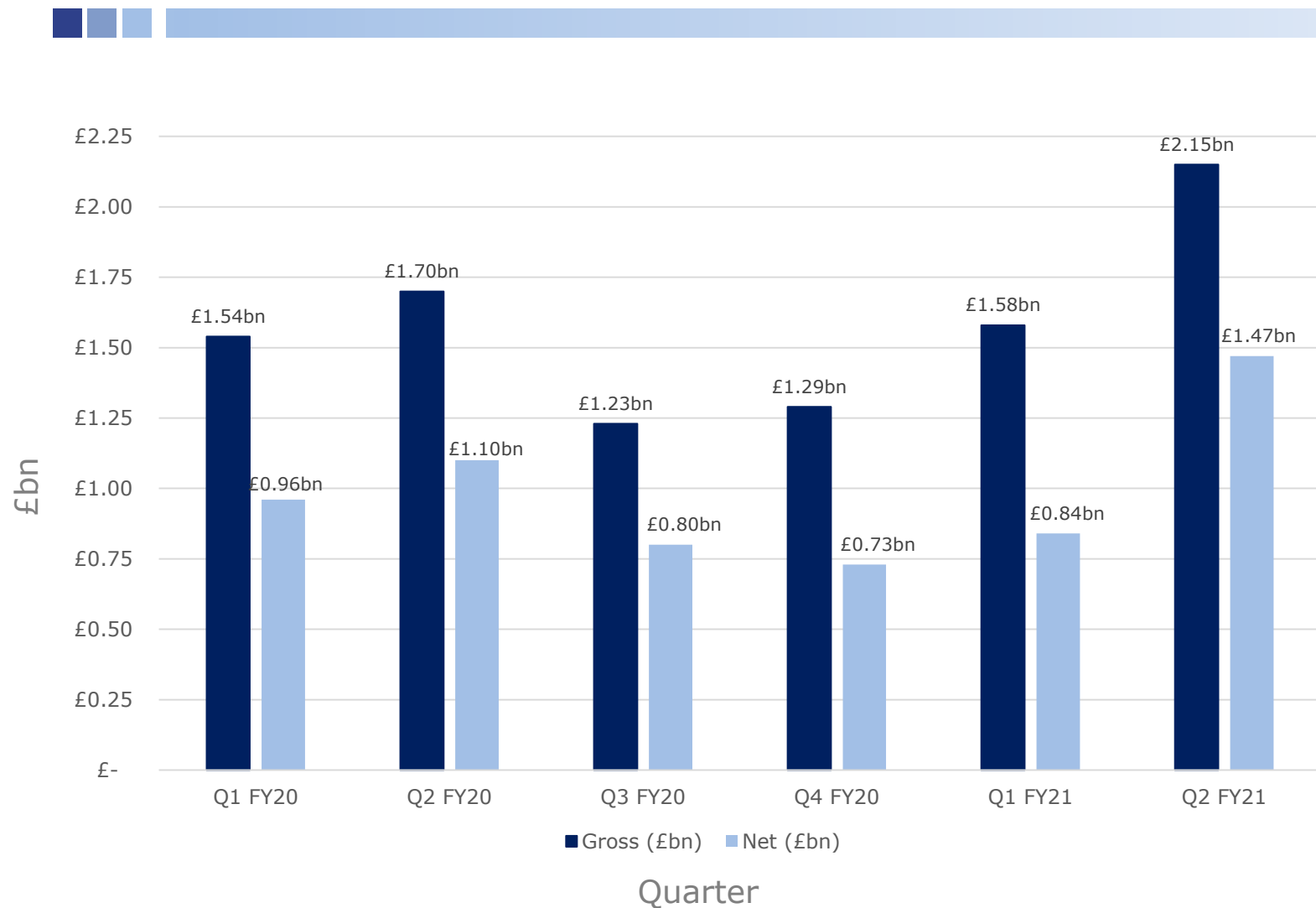
Growth in Funds Under Direction (£bn) compared to the MSCI World Index



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



H1 21 Gross inflows of £3.73bn, highest ever recorded



£m	H1 2021
Opening FUD	41,093
Inflows	3,734
Outflows	(1,427)
Net inflows	2,307
Market movements	3,632
Other movements ⁽¹⁾	(103)
Closing FUD	46,929

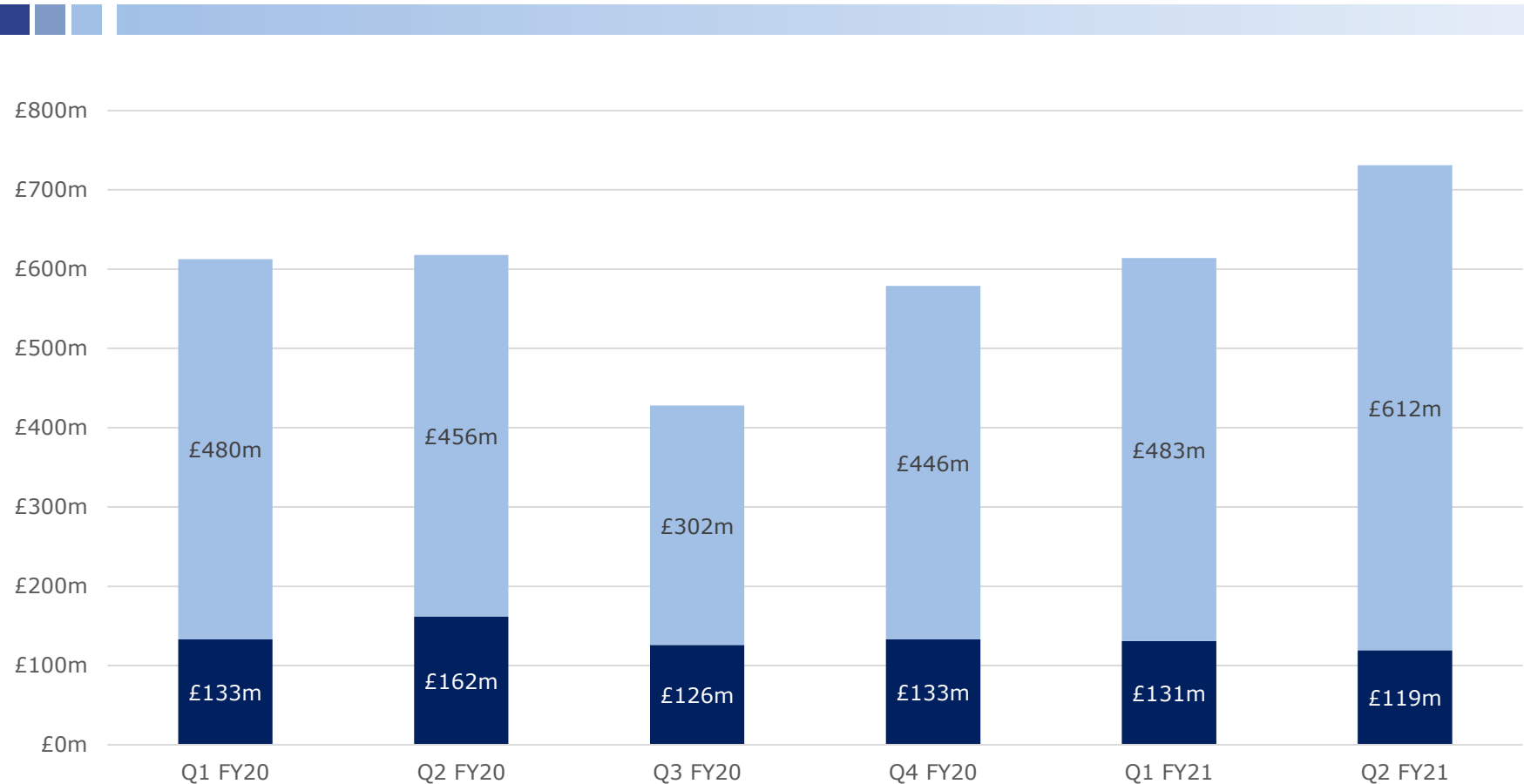
⁽¹⁾ Includes fees and tax charges, rebates, dividends and interest

FUD by wrapper split



- Strong growth in all wrapper types over the period.
- Pensions and ISA CAGRs in excess of 16%.
- GIAs and Bond CAGRs in excess of 12%.

Pension transfers in split by DB/DC



- Pension transfer business has remained strong.
- Large increase in DC transfers in H1 21 compared with H1 20.
- 10% fall in DB transfers in Q2 FY21 from the previous quarter.

Quarter	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21
DB as a %	21.7%	26.2%	29.4%	23.0%	21.3%	16.3%

Financial performance



Transact platform – 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

- Charges reduced from 0.29% to 0.28% and from 0.19% to 0.18% (for the respective charging bands) on 1 April 2020.
- Charges further reduced from 0.28% to 0.27% and from 0.18% to 0.17% (for the respective charging bands) on 1 April 2021.

Wrapper Fees

- Flat fees - no increases.

Buy Commission

- Rebate threshold reduced from £500k to £400k from 1 March 2020.
- Rebate threshold further reduced to £300k from 1 March 2021.

Total revenue up 10%



£m	H1 2021	H1 2020	Change	
Platform revenue				
Annual commission income - recurring	51.8	47.4	+9%	<ul style="list-style-type: none"> • There are now two streams of Group revenue: platform revenue and T4A revenue. • Total platform revenue growth YoY of 9%.
Annual basis point charge levied on assets and cash held on the platform	(88%)	(88%)		
Wrapper fee income - recurring	5.2	4.8	+8%	<ul style="list-style-type: none"> • 97% of total platform fee revenue - annual commission income plus wrapper fee income - is recurring.
Annual fixed fee levied on all Transact wrappers	(9%)	(9%)		
Other income	1.6	1.6	0%	
Commission levied on the value of buy transactions executed on the platform and stockbroker dealing charges (1)	(3%)	(3%)		(1) Buy commission rebate threshold reduced to £400k from 1 March 2020 and further reduced to £300k from 1 March 2021.
Total platform revenue	58.6	53.8	+9%	(2) T4A's revenue from the period 11 January to 31 March 2021
T4A revenue (2)	0.7	-	-	
Total revenue	59.4	53.8	+10%	

Well controlled expenses

£m	H1 2021	H1 2020 (restated)	Change	
Staff costs	20.3	18.3	+11%	• Staff costs increased due to acquisition of T4A, additional 53 T4A staff, replacement of leavers and general inflationary staff costs.
Occupancy	0.4	1.0	-60%	
Regulatory and professional fees	3.2	3.5	-9%	• Occupancy costs £600k lower than comparative H1 20 figure due to receipt of a backdated rates rebate in the six months to March 2021.
Non-underlying expenses	1.9	-	+100%	
Other income – tax relief to shareholders	(1.6)	(0.5)	+220%	• The rebate will be ongoing to the expiry of the lease.
Other costs	2.0	2.1	-5%	
Total expenses	26.2	24.4	+7%	
Depreciation and amortisation	1.4	1.2	+17%	
Total operating expenses	27.6	25.6	+8%	

Non-underlying expenses



- **IHP incurred non-underlying expenses totalling £1.9m in the six months to March 2021.**

One off costs

- The non-underlying expenses consist of:
 - Expenses incurred relating to the acquisition of T4A
 - Work performed on the initial consideration of the acquisition of Nucleus
 - Total one off costs - £1.2m

Recurring, non-underlying costs - IFRS3 Business combinations

- Deferred and additional consideration due to the original T4A shareholders of £0.7m recognised to 31 March 2021
- Future deferred and additional consideration to the sellers to be recognised over four years to December 2024

Acquisition of T4A – financials



- The entire share capital of T4A has been purchased
- T4A is fully consolidated into the Group results with effect from 11 January 2021
- In the period from 11 January 2021 to 31 March 2021 T4A generated:
 - Revenue £732k
 - Gross profit £648k
 - Operating loss £271k
- T4A is expected to move into profit over the next two – three years. This is due to enhanced investment in T4A as
 - Software development is accelerated
 - Headcount is increased
 - Increased number of CURO users

Staff numbers



	Group H1 2021	Group H1 2020	Change
IT & technology	124	117	+6%
Operational & support	341	334	+2%
Sales & marketing	39	41	-5%
T4A staff	53	-	-
Total staff	557	492	13%

- The acquisition of T4A has contributed to the increase in total staff headcount.
- Expect headcount at T4A to expand as the company grows.
- Investment in software development through recruitment of developers.
- Sales and support teams will expand to fully support growing customer base.

H1 2020 restatement



Profit & loss

£m	IHP Group Total H1 FY21	IHP Group Total H1 FY20 Restated	Transact H1 FY21	Transact H1 FY20 Restated
Revenue	59.4	53.8	58.6	53.8
Cost of sales	(0.6)	(0.4)	(0.4)	(0.3)
	58.8	53.4	58.2	53.5
Operating expenses	(25.7)	(25.6)	(27.6)	(27.8)
Non-underlying expenses	(1.9)	-	-	
Operating profit	31.2	27.8	30.6	25.7

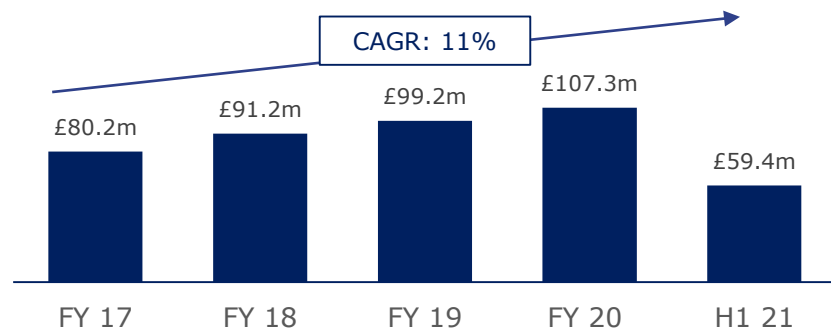
- H1 20 Group operating profit has been restated to £27.8 million from £27.2m.
- This is due to pro-rating the release of tax reserves of £1m effected in the FY20 financial statements.
- As noted at year end, the release is due to corporate expenses being deducted in the policyholder tax calculation resulting in an overprovision of policyholder tax reserves which is due to shareholders.

P&L and cash flows

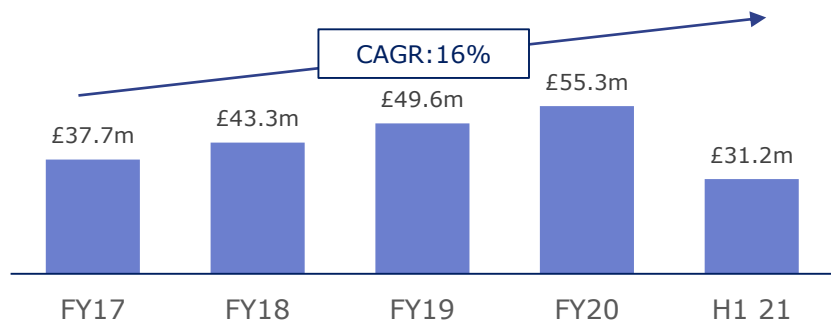
Profit & loss			Cash flows		
£m	IHP Group Total H1 21	IHP Group Total H1 20 Restated	£m	IHP Group Total H1 21	IHP Group Total H1 20 Restated
FUD (£bn)	46.9	35.0	Operating profit	31.2	27.8
Revenue	59.4	53.8			
Cost of sales	(0.6)	(0.4)	Depreciation & amortisation	1.4	1.3
Gross Profit	58.8	53.4	Working capital requirements	(2.9)	0.6
Staff costs	(20.3)	(18.3)	Capex	(0.4)	(0.3)
Non-underlying expenses	(1.9)	-	Tax paid	(6.8)	(8.1)
Other costs	(5.4)	(7.3)	Free cash flows	22.5	21.3
Total expenses	(27.6)	(25.6)			
Operating profit	31.2	27.8	<i>Net operating cash conversion</i>	<i>88%</i>	<i>90%</i>
FUD Y-o-Y growth	34%	2%			
Operating margin	53%	52%			

We continue to achieve strong profit growth while also reducing fees

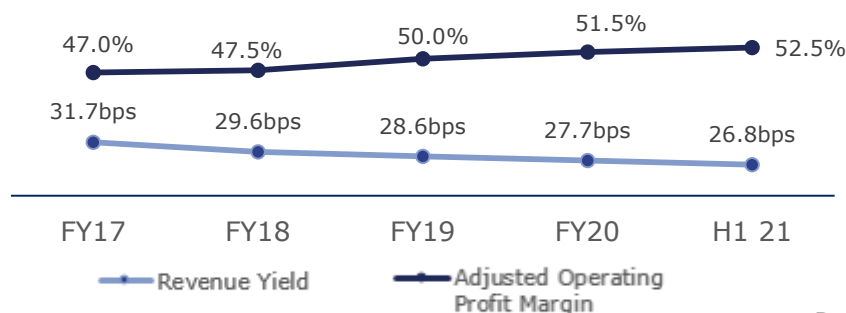
Revenue



Adjusted operating profit⁽¹⁾⁽²⁾



Revenue yield & adjusted operating profit margin



- IHP Group has an impressive record of consistently growing both revenue and operating profit, underpinned by the core business proposition and expense management.
- Given its scale and operating leverage, Transact has been able to implement a number of pro-active pricing changes:
 - Annual commission charges reduced from 0.28% to 0.27% and from 0.18% to 0.17% (for the respective charging bands) on 1 April 2021
 - Buy commission change reducing the commission refund threshold from £400,000 to £300,000, on 1 March 2021

- (1) Adjusted operating profit **excludes** one-off IPO related costs relating to FY17 & FY18
- (2) H1 21 **includes** underlying costs of £1.9m relating to the acquisition of T4A and the consideration of the acquisition of Nucleus

Group balance sheet remains strong



- Transact operates with a conservative balance sheet position:
 - No debt
 - Policyholder assets and liabilities fully matched
 - Deferred acquisition costs and liabilities matched.
 - Cash reduced by up-front payment for T4A of £8.6 million
 - Second FY20 interim dividend of £18.5m paid in January 2021
 - The first FY21 dividend of £9.9m now declared, to be paid in June 2021
 - Cash balance of £152.9m as at 1H21 (1H20: £111.8m), before £9.9m dividend, supporting regulatory capital, risk appetite and tax requirements of c. £111.2m

	H1 2021 £m
Non-current assets	
Loans	2.8
Intangible assets	21.9
Property, plant and equipment	2.2
Right of use assets	3.1
Deferred tax assets	0.5
Deferred acquisition costs	51.6
	82.1
Current assets	
Financial assets at fair value through profit or loss	5.1
Other prepayments and accrued income	14.8
Trade and other receivables	7.3
Investments held for the benefit of policyholders	19,457.0
Policyholder cash and cash equivalents	1,307.7
Shareholder cash and cash equivalents	152.9
Current Tax Assets	-
Deferred acquisition costs	3.9
	20,948.7
Current liabilities	
Trade and other payables	18.2
Finance lease liabilities	2.3
Liabilities for linked investment contracts	20,764.7
Current tax liabilities	4.0
Deferred income liability	3.9
	20,793.1
Non-current liabilities	
Provisions	16.0
Finance lease liabilities	2.7
Deferred income liability	51.6
Deferred tax liabilities	20.5
	90.8
Net assets	146.9

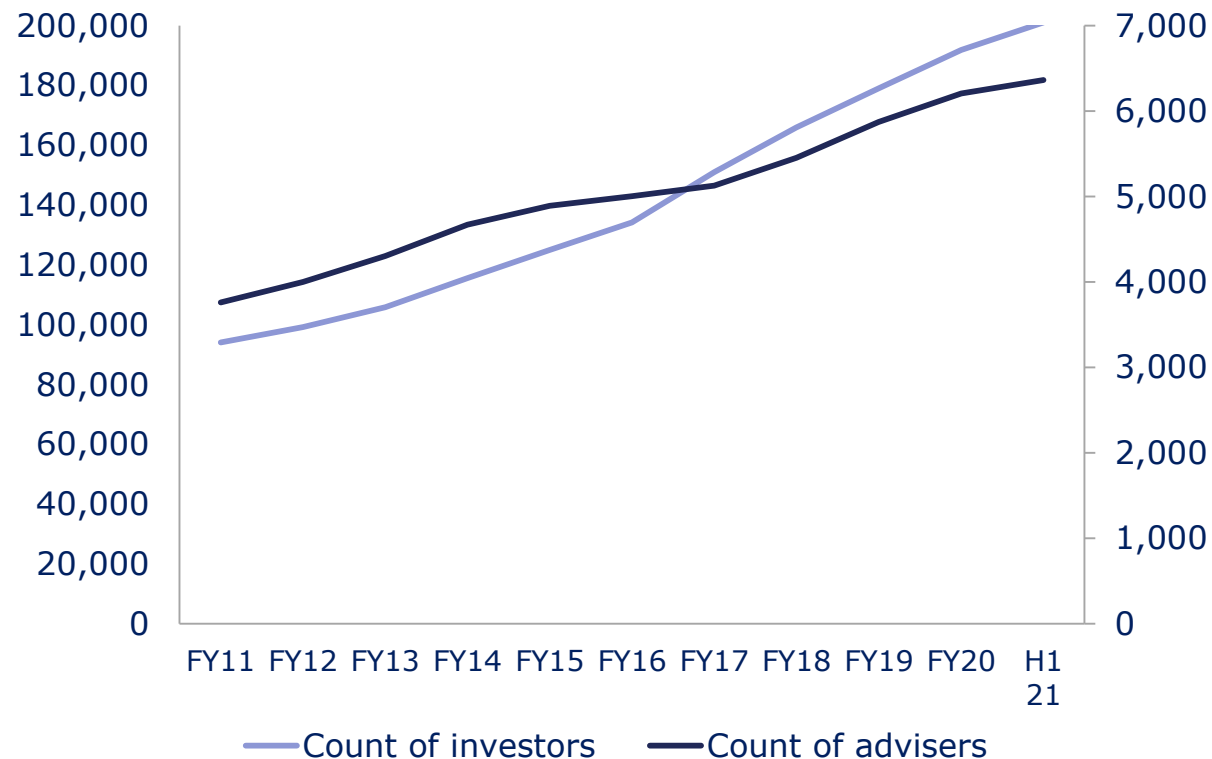
Business Update



Transact has a strong client base and addressable market

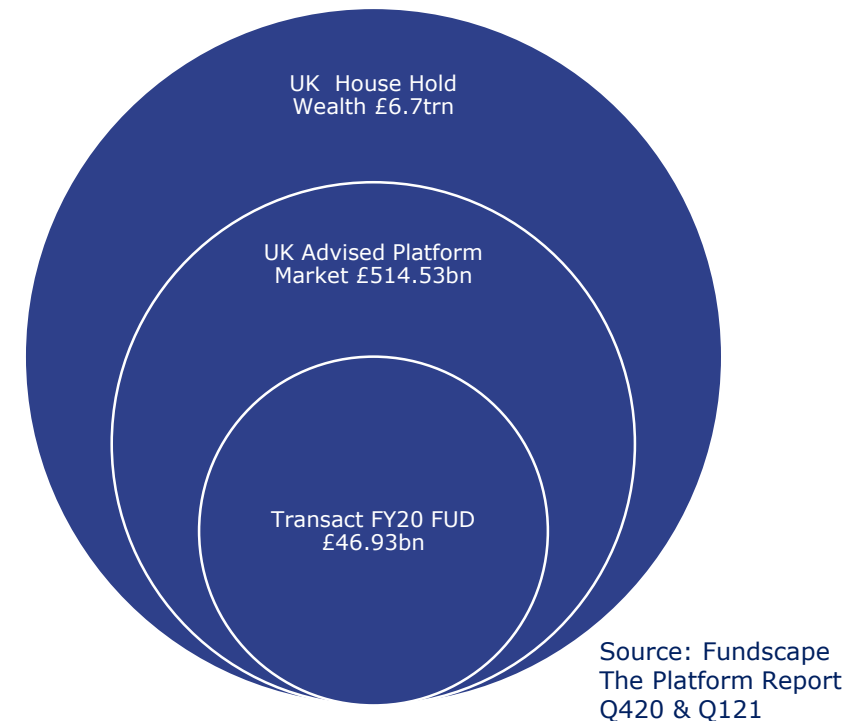


Increasing client and adviser numbers



- Client numbers up 7% from H1 20
- Adviser numbers up 5% from H1 20
- Client retention remained at 96% per annum

Large market with growth opportunities



- UK advised platform market FUD grew 32% in the previous year in difficult market conditions, our FUD grew 34% in the same period.
- 36,401 IFA's in the UK as at 2019 (FCA retail intermediary review July 2020) 15,000 which we consider to be contestable.

Continued technological advances of the platform to meet client needs



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 have made two-step verification available to clients. This optional service provides added security with the use of an additional one-time use code.



We are now rated as "Digital Champions" by Next Wealth.

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.

Recent Inflows Data For The Largest Players



TOP 5 ADVISER PLATFORMS BY GROSS INFLOWS Q2 FY21

Standard Life	£2.33bn
Old Mutual Wealth	£2.26bn
Transact	£2.15bn
Aviva	£2.06bn
Fidelity	£1.83bn

- Transact were 3rd for gross inflows in Q2.

TOP 5 ADVISER PLATFORMS BY NET INFLOWS Q2 FY21

Transact	£1.47bn
Aviva	£1.45bn
Standard Life	£1.04bn
Old Mutual Wealth	£1.02bn
AJ Bell	£0.90bn

- Transact were 1st for net flows for Q2.

Transact 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



- **1. Covid**

We expect that throughout 2021 the FCA will continue closely supervising authorised firms by reference to the impact of Covid.

- **2. Operational resilience**

In March 2021 the FCA published final rules on 'Building operational resilience' in certain sectors of financial services, which are subject to a one year period of implementation from March 2021 and a three year transitional period starting from March 2022.

- **3. Duty of care**

Legislation is currently before Parliament which in part gives the FCA power to create rules for authorised firms to owe a duty of care to consumers. The FCA has indicated that it will begin a consultation on such new rules during 2021.

- **4. Vulnerable customers**

The FCA finalised and brought into effect guidance on the fair treatment of vulnerable customers.

- **5. Prudential regulation**

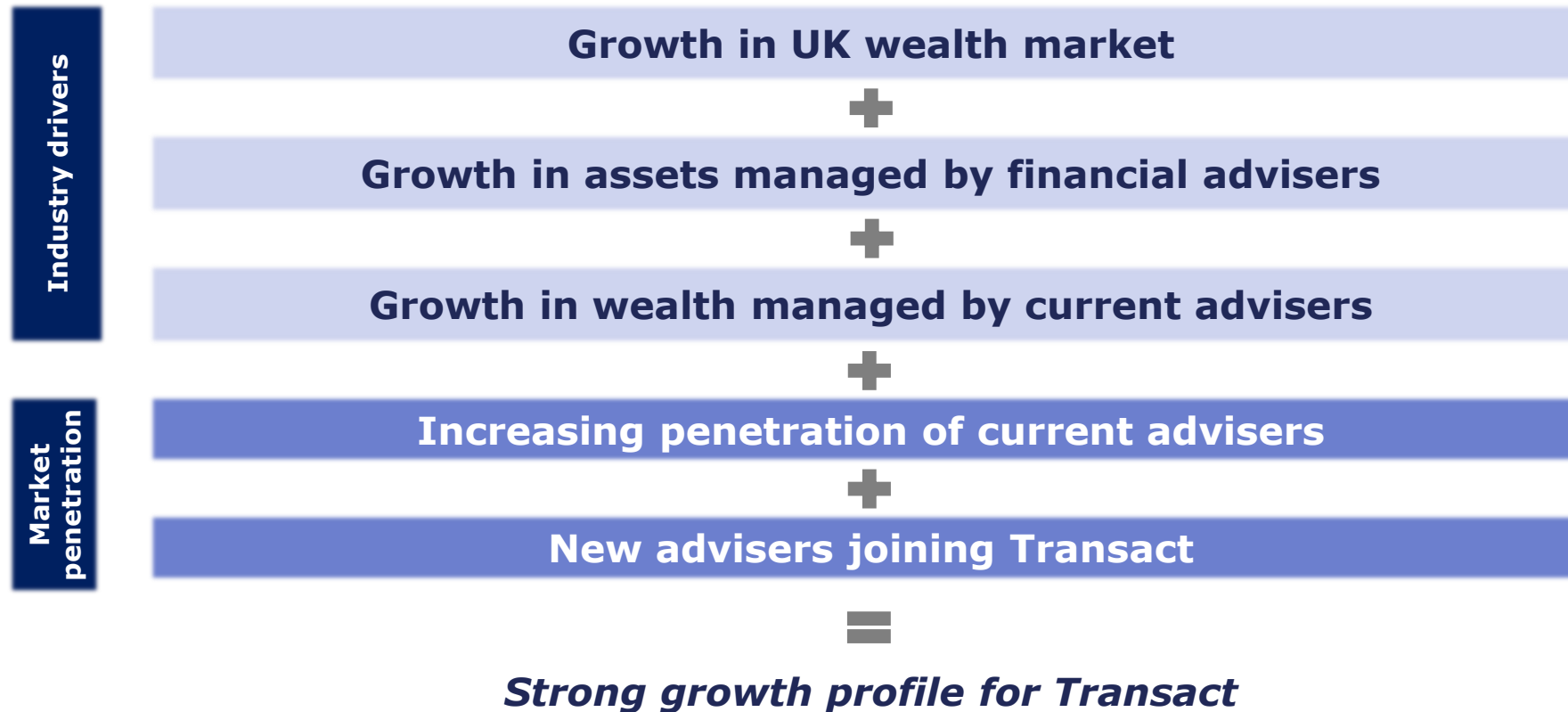
The FCA has commenced consultation on a new UK prudential regulation for investment firms with a view to new rules being implemented from January 2022.

T4A acquisition



- 11 January 2021 we announced the acquisition of T4A.
- T4A is a specialist software provider for financial planning and wealth management firms.
- CURO is built on Microsoft Dynamics 365 and provides a modern solution for client and practice management.
- CURO is an adviser technology eco-system that unifies a firm's entire business including, CRM, advice & servicing, and back-office.
- CURO integrates with the Microsoft suite of applications.
- We will help scale T4A, accelerating software development and allowing it to expand its reach.
- The acquisition will enable Transact to enhance Platform and adviser back office processes and integrate systems where appropriate.

Summary: Transact enjoys a strong growth profile



IHP Strategy

Deliver high quality financial services infrastructure and services to UK advisers and our mutual clients



Drive organic growth:

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

Consider acquisition opportunities

- Small innovative developments opportunities if there is an especially strong fit with the adviser market.
- Scale opportunities which can easily be absorbed in to the Transact operating model.

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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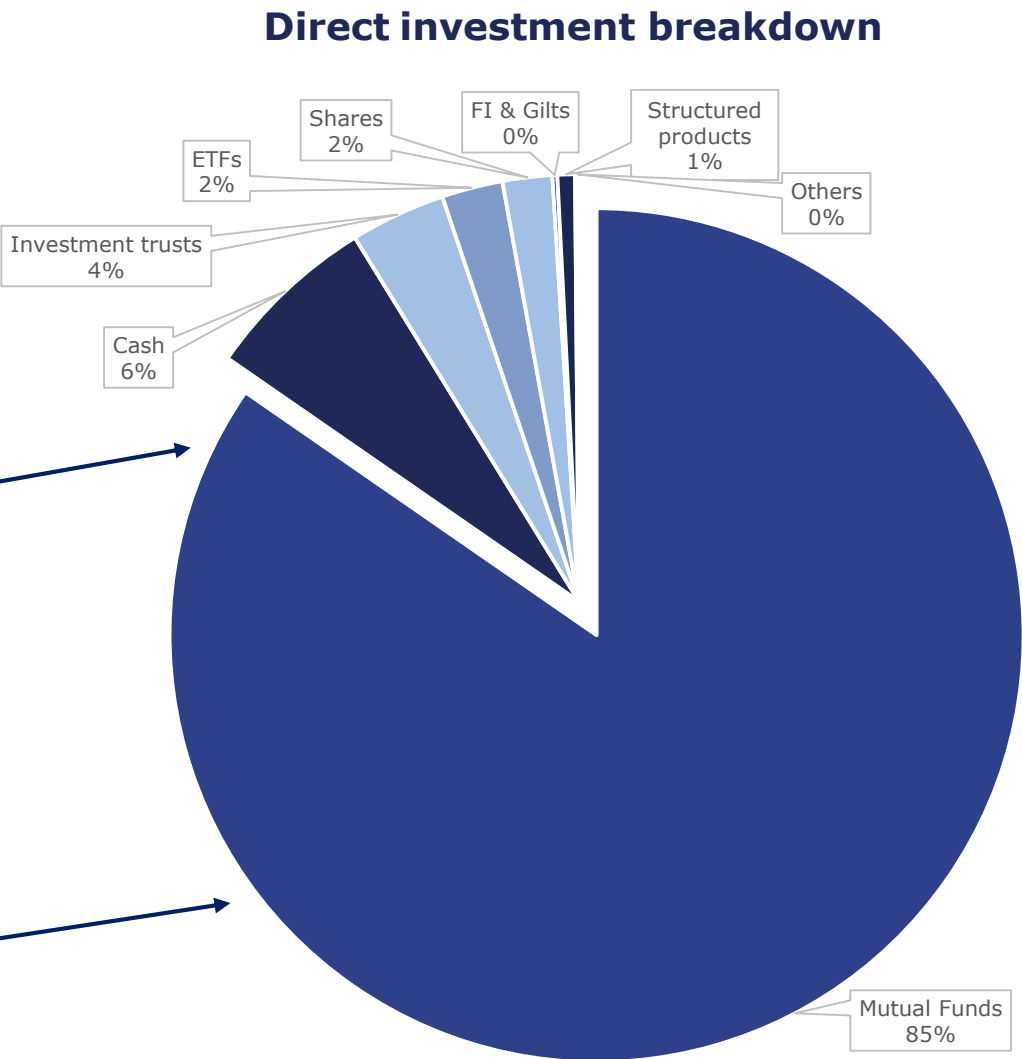
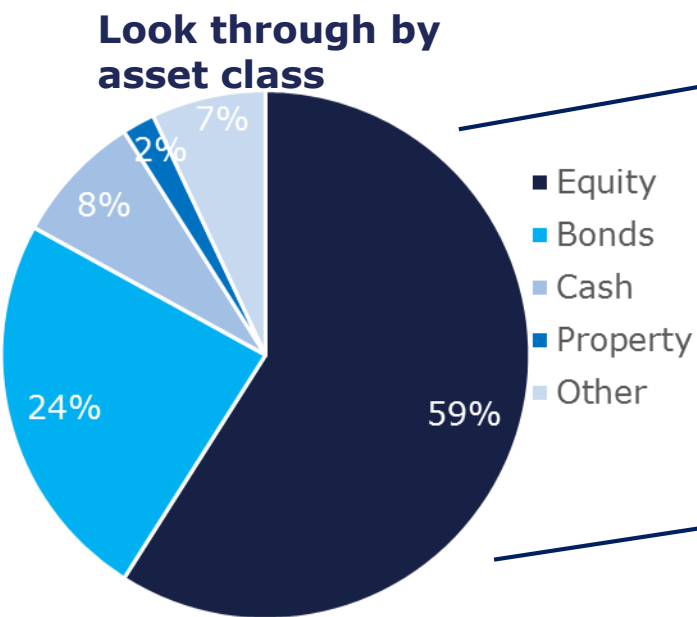
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IntegraFin Holdings plc, 29 Clement's Lane, London, EC4N 7AE Tel: (020) 7608 4900 Fax: (020) 7608 5300
(Registered office: as above; Registered in England and Wales under number: 8860879)
The holding company of the Integrated Financial Arrangements Ltd group of companies.

Appendix 1 - Pre-Look through position



Type	Value (£bn)	Percentage of total FUD
Mutual funds	39.72	84.63%
Cash (pooled)	3.10	6.58%
Investment trusts	1.69	3.61%
ETFs	1.08	2.31%
Shares	0.88	1.88%
Structured products	0.31	0.66%
FI & Gilts	0.09	0.19%
Others	0.06	0.14%
Total	46.93	



Appendix 2 - Cohort analysis

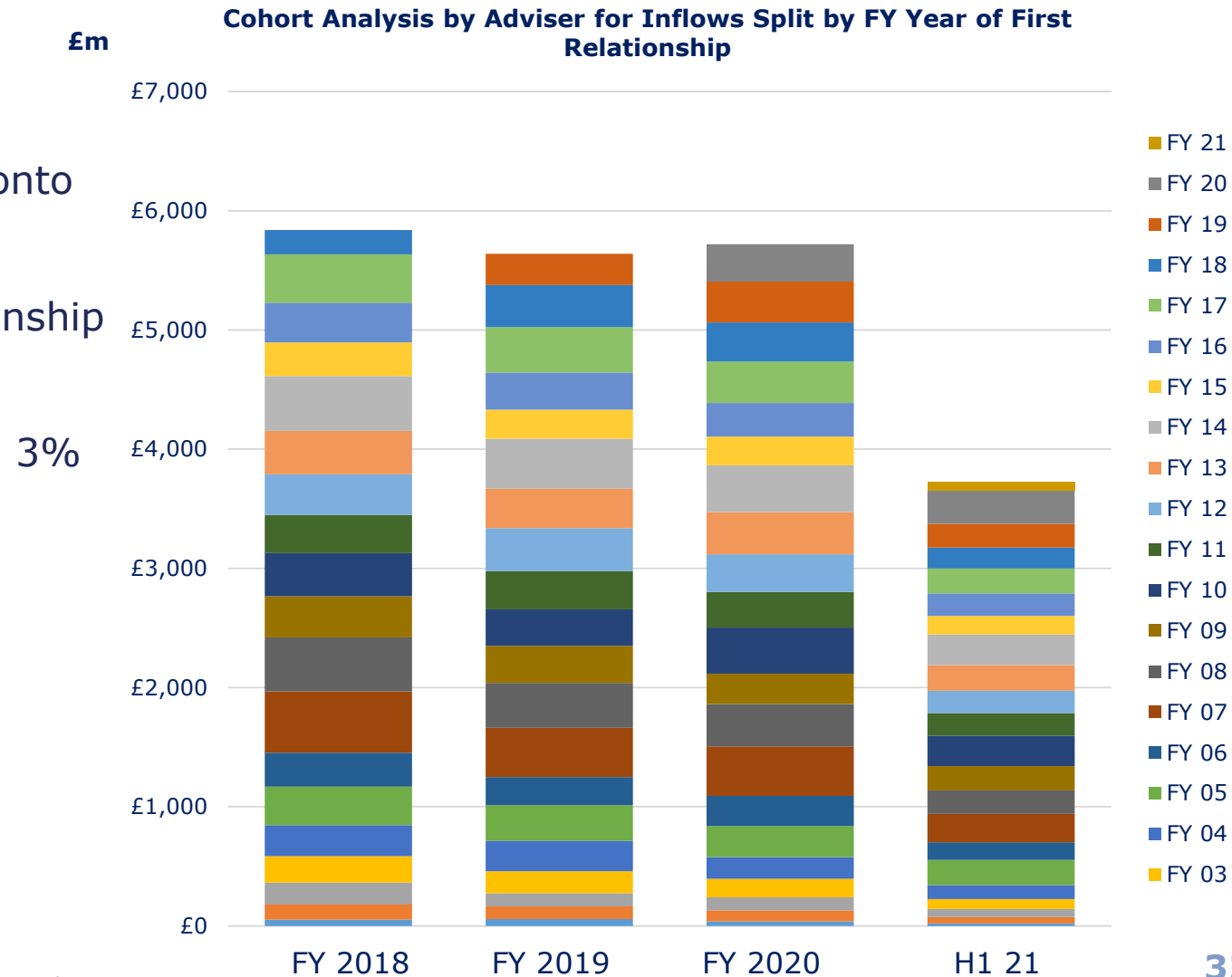


Inflows breakdown

-Inflows from current investors putting more onto the Platform: 37%

-Inflows from advisers with established relationship putting new investors onto the Platform: 60%

-Inflows from new advisers onto the Platform: 3%



Appendix 3 - Growth in Funds Under Direction (£bn) compared to the MSCI World Index (2000-2010)

