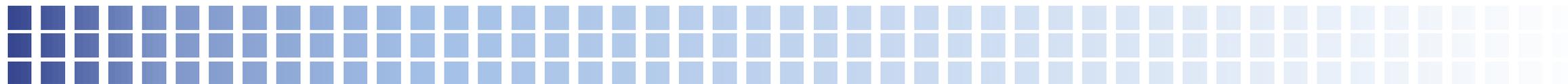


# Results Presentation



Half year ended 31 March 2022

# Presentation team



**Alex Scott**

*IHP Chief Executive Officer*

- Joined IntegraFin in 2009
- 1997 – Twelve years in insurance licence provision
- 30 years of financial services experience in the UK and internationally – with specific insurance experience



**Jonathan Gunby**

*IHP Executive Director – and 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

# The IHP Group strategy – focused on clients and UK advisers

We provide services for clients and UK advisers



We deliver enhanced value for our stakeholders by

## Growing

- Growing FUD by attracting and retaining clients and UK advisers
- Growing cash earnings - from increasing FUD

## Investing

- To deliver market leading software and straight through operational processes
- To deliver high levels of client service

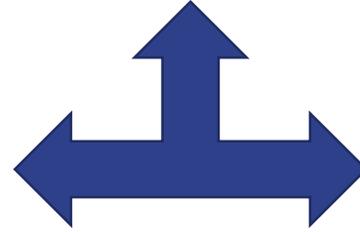
## Managing

- Controlling the cost base
- Maintaining a strong balance sheet

# The IHP Group business model – proprietary technology based



# IntegraFin



Provides the market leading investment platform for clients and UK advisers

Early growth stage (acquired by IHP in 2021) - provides the market leading back office software for UK advisers

## Operational

- FUD at £53.5bn
- Average portfolio size c.£250k
- 7k advisers using the platform, and 219k clients

- Software installed at > 80 client firms, with in excess of 2k licence-paying users
- Built on Microsoft Dynamics

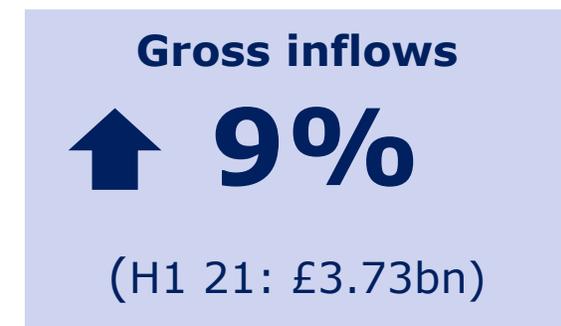
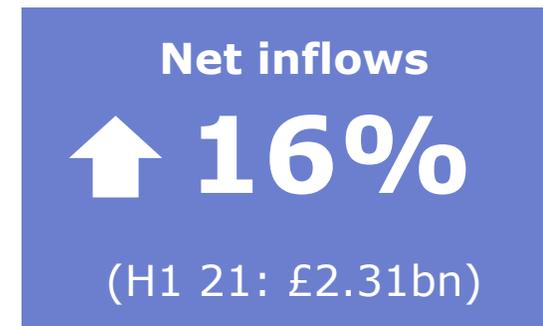
## Priorities

- Invest in platform software development
- Invest in additional staff to maintain high service standards
- Enhance self-serve functionality for advisers

- Initial release of CURO 365 software by end of 2022.
- Collaborate with Microsoft to expand co- selling opportunities
- Expand the Marketing and Implementation teams

# Half year 2022 - key financial results

- Group revenue up 13% to £67m
- Transact platform PBT up 10% to £33.7m - margins maintained at 52%
- Continued investment in T4A – loss of £1.1m, and post combination payments of £1.5m
- The effect of T4A reduces Group PBT growth
- Group PBT up 2% to £31.7m
- The business model is highly cash generative and the Group balance sheet is strong
- Interim dividend of 3.2p declared



# Transact platform – record profits, and resilient margin



<b>Resilient platform PBT margin</b>	Platform PBT margin at 52% (H1 2021: 52%)
<b>Record PBT</b>	Platform PBT grew by 10% - to £33.7m
<b>Platform revenue growth</b>	Platform revenue grew by 11%
<b>Investment in staff and software</b>	Platform costs grew by 13% - we invested in client facing staff and software development

# T4A – losses incurred as expected while developing the new software

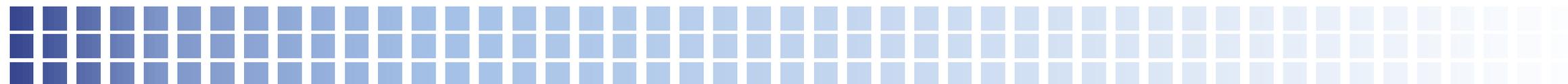


<b>T4A's new software</b>	T4A's new CURO 365 software is on track for initial release by the end of 2022
<b>Software development headwinds</b>	Headwinds from: developers in Ukraine; required changes to safely transfer data to the Microsoft platform; ongoing user testing
<b>Scaling up the T4A business</b>	T4A staff numbers grew from 54 to 67 – an investment to scale up the business
<b>Growth</b>	Removing licence fee revenue from the user that has been in the process of terminating their contract since prior to acquisition - revenue has grown by 33%

# Investment in an additional 50 staff for FY22 and FY23

- During H1 2022 we increased investment costs and staff numbers to:
  - maintain service standards
  - further develop our software
  - enhance our operational systems
- We will continue to invest by adding 50 software development and systems staff incrementally during the remainder of 2022 and early 2023
- This will enable us to:
  - strengthen our position as the leading software and service provider for clients and UK advisers
  - grow FUD and revenue
  - efficiently scale up the business and deliver enhanced future profitability

# IHP Group financial performance



# Transact platform - revenue increased by 11%



£m	H1 2022	H1 2021	Change
<b>Annual commission income - recurring</b>	<b>58.4</b>	<b>51.8</b>	<b>+13%</b>
<b>Wrapper fee income - recurring</b>	<b>5.7</b>	<b>5.2</b>	<b>+10%</b>
<b>Other income</b>	<b>1.2</b>	<b>1.6</b>	<b>-25%</b>
<b>Total platform revenue</b>	<b>65.3</b>	<b>58.6</b>	<b>+11%</b>

- The main revenue stream – annual commission – grew by 13%
- Total platform revenue grew by 11%, despite the effect of price reductions
- Our transparent costs approach means we pass all interest earned on client cash onto clients

# Transact platform – PBT increased by 10%, resilient PBT margin



£m	H1 22	H1 21	Change
<b>Total Transact revenue</b>	<b>65.3</b>	<b>58.6</b>	<b>+11%</b>
Cost of sales	(0.5)	(0.4)	+25%
<b>Net revenue</b>	<b>64.8</b>	<b>58.2</b>	<b>+11%</b>
<b>Total Transact operating expenses</b>	<b>(31.3)</b>	<b>(27.6)</b>	<b>+13%</b>
Net interest income	0.2	0.1	+100%
<b>Transact profit before tax</b>	<b>33.7</b>	<b>30.7</b>	<b>+10%</b>
<b>Transact PBT margin</b>	<b>52%</b>	<b>52%</b>	

- Transact platform PBT growth of 10%
- Operating expenses increased by 13% - as we invested in more staff to maintain service levels and enhance our systems
- Platform PBT margin maintained at 52%

# T4A – losses expected until the end of FY23



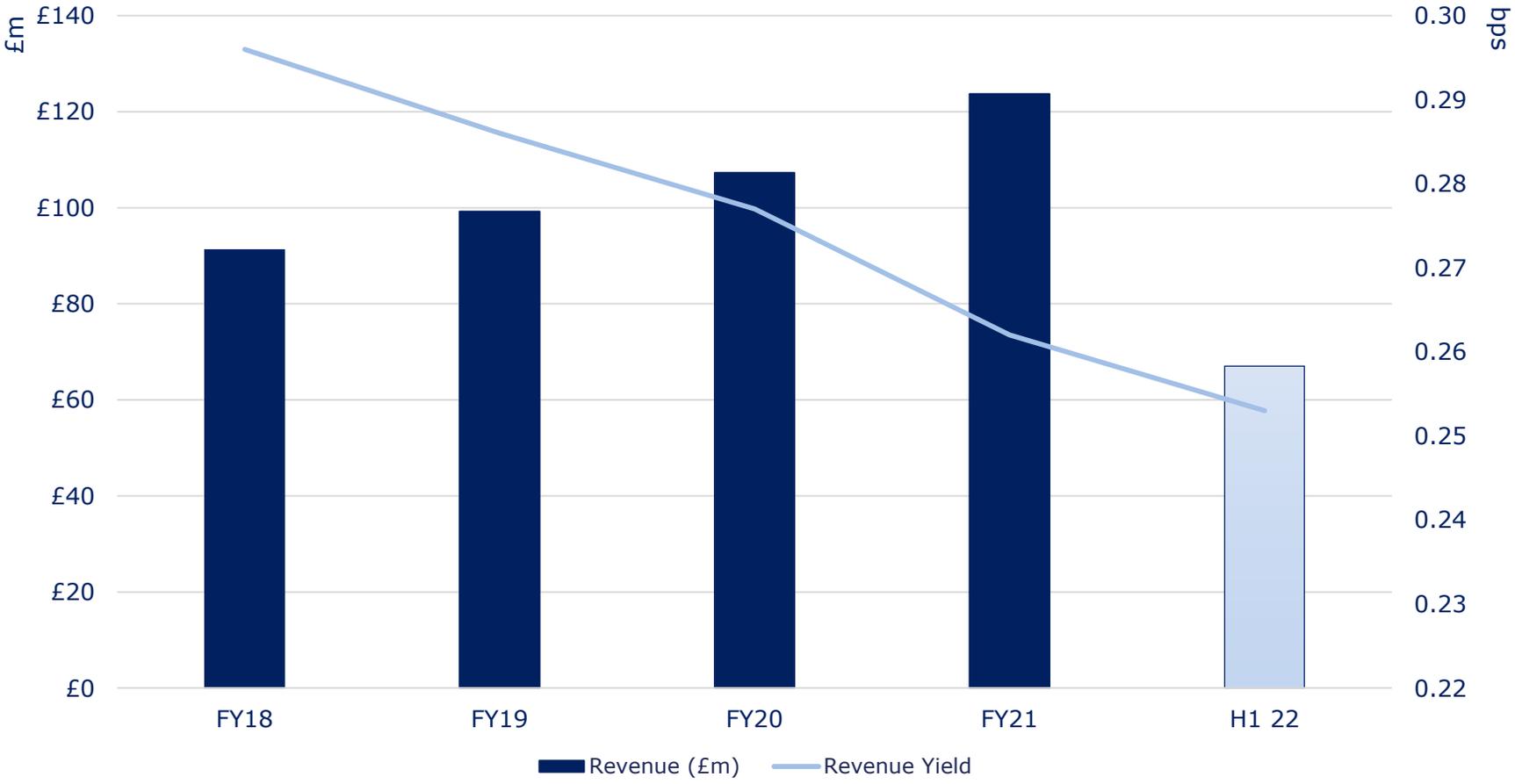
£m	H1 22	H1 21 (Note 1)
<b>Total T4A income</b>	<b>1.7</b>	<b>0.7</b>
Cost of sales	(0.2)	-
<b>Net revenue</b>	<b>1.5</b>	<b>0.7</b>
Staff costs	(2.0)	(0.7)
Other costs	(0.6)	(0.2)
<b>Total T4A expenses</b>	<b>(2.6)</b>	<b>(0.9)</b>
<b>T4A profit/(loss) before tax</b>	<b>(1.1)</b>	<b>(0.2)</b>

- T4A losses for the period were £1.1m
- The prior period only included 2.5 months of T4A reporting
- T4A has grown revenue, excluding the user in the process of terminating their contract, with an increase of 33%

(Note 1) - T4A's H1 21 reporting was for the period post acquisition - 11 January to 31 March 2021

# Group revenue margin decreasing as we reduce fee rates

### Group revenue, and revenue yield



- Group revenue has grown consistently
- The Group revenue yield has decreased over time as we have reduced charges for clients, and grown FUD at the same time

# Group costs increased by 24% - with a full period of T4A costs

£m	H1 2022	H1 2021	Change
Staff costs	23.7	20.3	+17%
Occupancy	1.2	0.4	+200%
Regulatory and professional fees	4.6	3.2	+44%
Non-underlying costs	1.5	1.9	-21%
Other income – tax relief to shareholders	(0.6)	(1.6)	-63%
Other costs	2.3	2.0	+15%
<b>Total Group expenses</b>	<b>32.7</b>	<b>26.2</b>	<b>+25%</b>
Depreciation and amortisation	1.6	1.4	+14%
<b>Total Group costs</b>	<b>34.3</b>	<b>27.6</b>	<b>+24%</b>

- The cost increase is partly driven by T4A costs being for the full 6 month period in H1 22 – versus only 2.5 months in H1 2021
- Staff costs have increased due to increased staff numbers to maintain service standards, software development, and the T4A proposition

# Group staff numbers increased by 8%



	31 March 22	31 March 21	Change
Software development and IT infrastructure	117	123	-5%
Operational and support activities	419	381	+10%
<b>Staff (excluding T4A)</b>	<b>536</b>	<b>504</b>	<b>+6%</b>
T4A staff	67	54	+24%
<b>Total IHP Group staff</b>	<b>604</b>	<b>557</b>	<b>+8%</b>

- Platform (excl T4A) staff numbers increased to ensure high service standards
- Software development and IT staff decreased late in the period due to attrition - we are actively recruiting and onboarding replacement and additional staff
- T4A staff numbers increased in line with projections

# Group reported PBT margin of 47%, underlying PBT margin of 50%

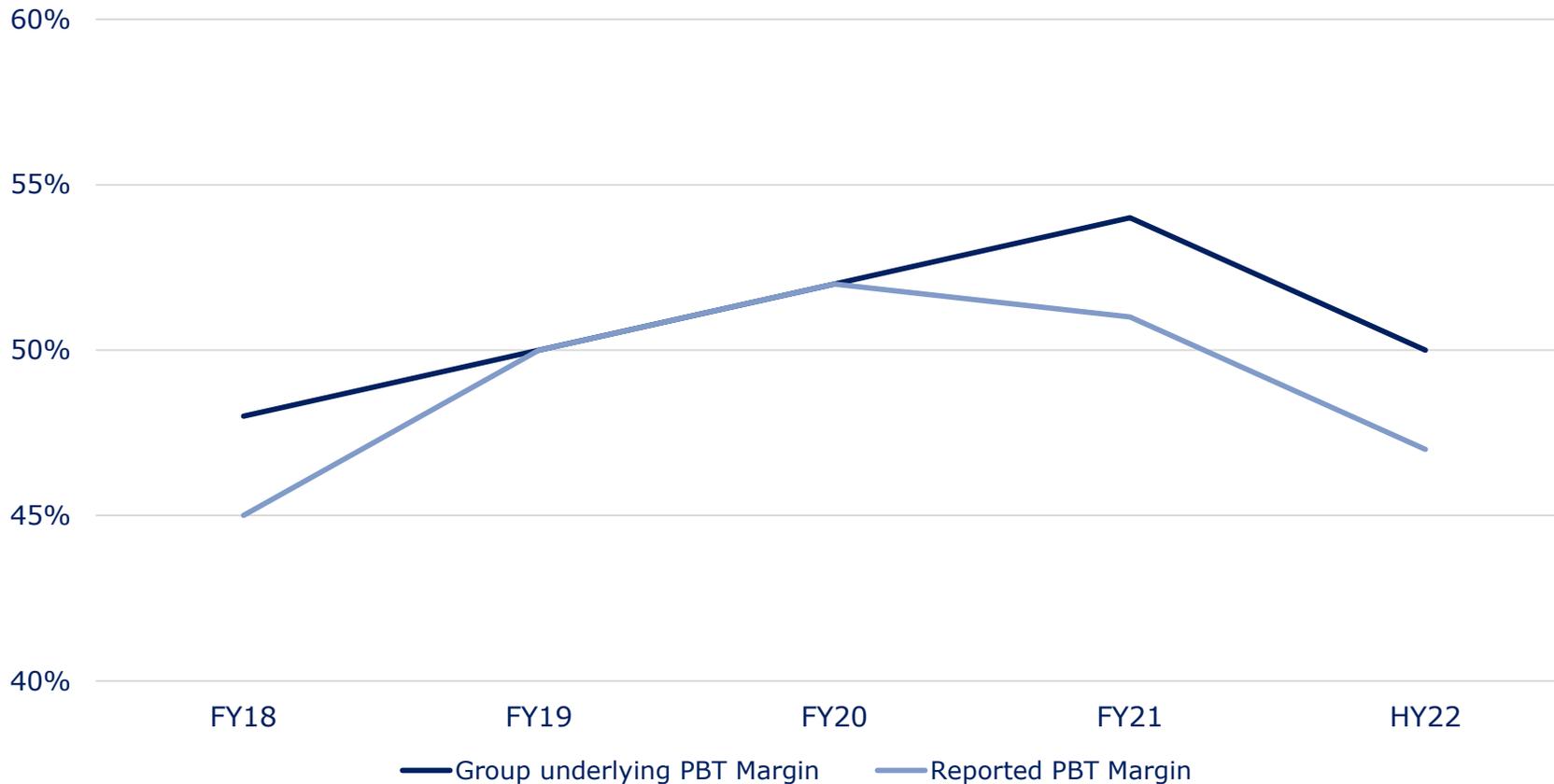


£m	IHP Group H1 22	IHP Group H1 21
<b>Revenue</b>	<b>67.0</b>	<b>59.4</b>
Amortisation of deferred income liability	-	3.8
Cost of sales	(0.9)	(0.6)
<b>Gross profit</b>	<b>66.1</b>	<b>62.6</b>
Operating expenses	(32.9)	(25.7)
Amortisation of deferred acquisition costs	-	(3.8)
Non underlying expenses	(1.5)	(1.9)
<b>Total expenses</b>	<b>(34.4)</b>	<b>(31.4)</b>
<b>Reported Group PBT</b>	<b>31.7</b>	<b>31.2</b>
Reported Group PBT margin	47%	52%
<b>Underlying Group PBT</b>	<b>33.2</b>	<b>33.1</b>
Underlying Group PBT margin	50%	56%

- Group reported PBT for the period includes non underlying expenses of £1.5m – which is deferred post combination remuneration payable for T4A
- The Group underlying profit margin (excluding these £1.5m costs) is 50%.

# Resilient Group PBT margin over time

## Group underlying PBT margin and Group reported PBT margin

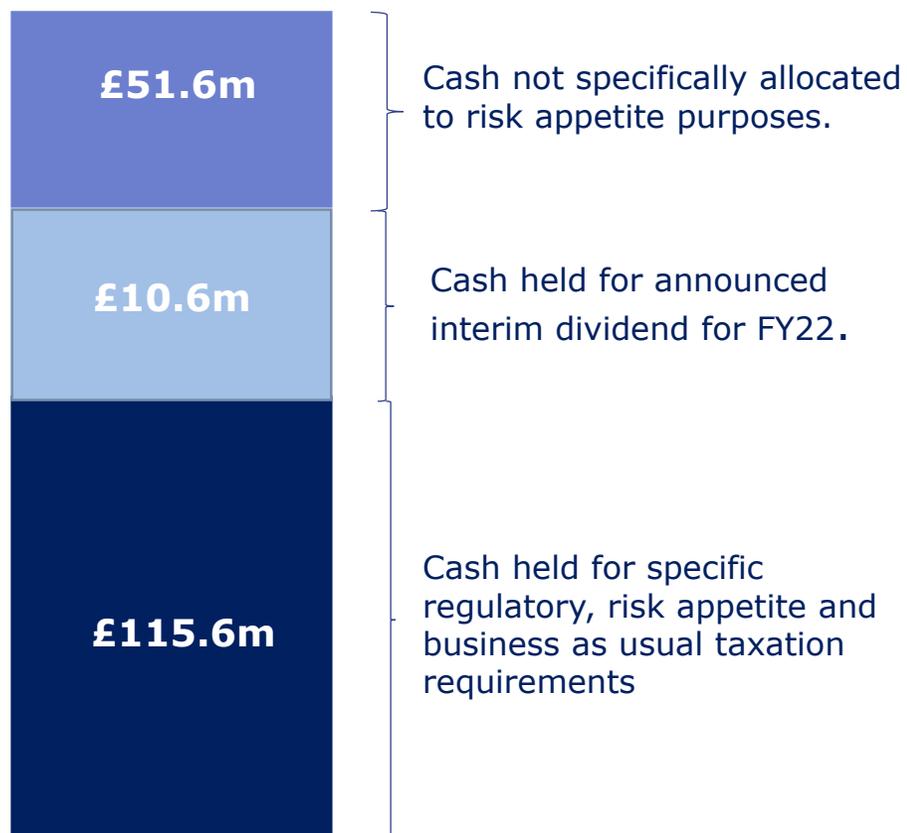


- The reported Group PBT margin for H1 22 is at a level of 47%
- Since FY20 the reported Group PBT margin has reduced due to the new investment in T4A, and continued investment in Transact
- On an underlying basis the Group PBT margin for H1 22 is at 50%

# Strong cash reserves

**Consolidated cash balance on  
the IHP balance sheet as at  
31 March 2022**

£m



- Cash balances are held at regulated subsidiary entities as well as at the IHP level
- We hold £115.6m of cash to support specific regulatory, risk appetite, and BAU taxation requirements
- There is approximately £51.6m of cash on the consolidated balance sheet which is above the regulatory, risk appetite, and taxation requirements



# Consistent delivery of dividends

Dividend	FY22	FY21	FY20
<b>Per share</b>			
Ordinary – first interim	3.2 pence	3.0 pence	2.7 pence
Ordinary – second interim	<i>Not yet announced</i>	7.0 pence	5.6 pence
Total dividend	<i>Not yet announced</i>	10.0 pence	8.3 pence
First interim dividend growth compared to PY first interim dividend	+7%	+11%	+4%

- We announced a first interim dividend for FY22 of 3.2p
- This is a 7% increase on the first interim dividend for FY21

## Transact platform

- The general economic outlook has deteriorated from the start of the year, including increased inflationary pressures
- Geo political events and world stock market levels impact our FUD
- These factors will impact platform revenue, and expenses, during FY22
- We are in a strong financial position and will manage our cost base – whilst investing in additional staff to maintain service standards and enhance software development

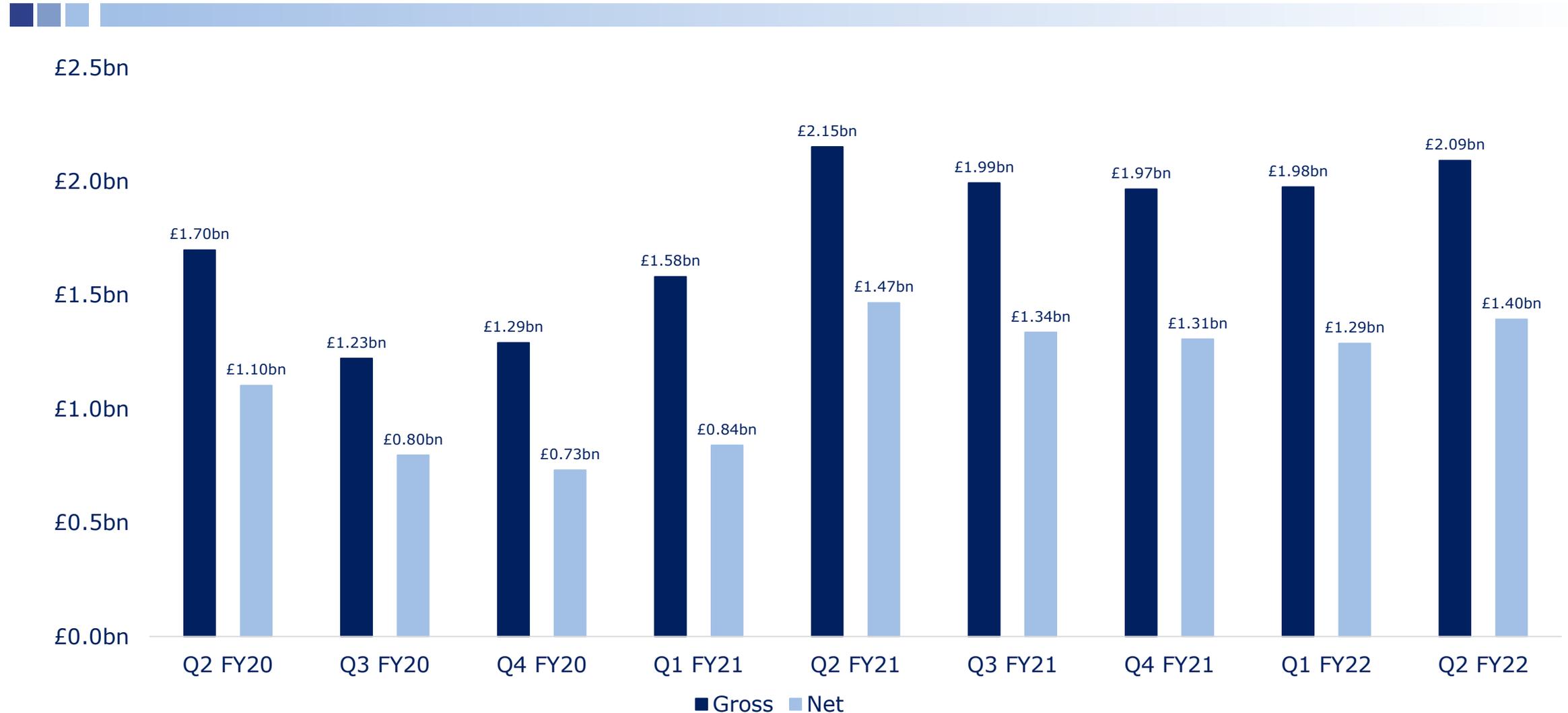
## T4A

- T4A is projected to make a loss before tax of £2.0m in FY22, and then a reduced loss in FY23
- After this time T4A is projected to make a profit on a stand alone basis
- The CURO 365 software is scheduled for initial release by the end of the year

# **Business update on Transact and T4A**



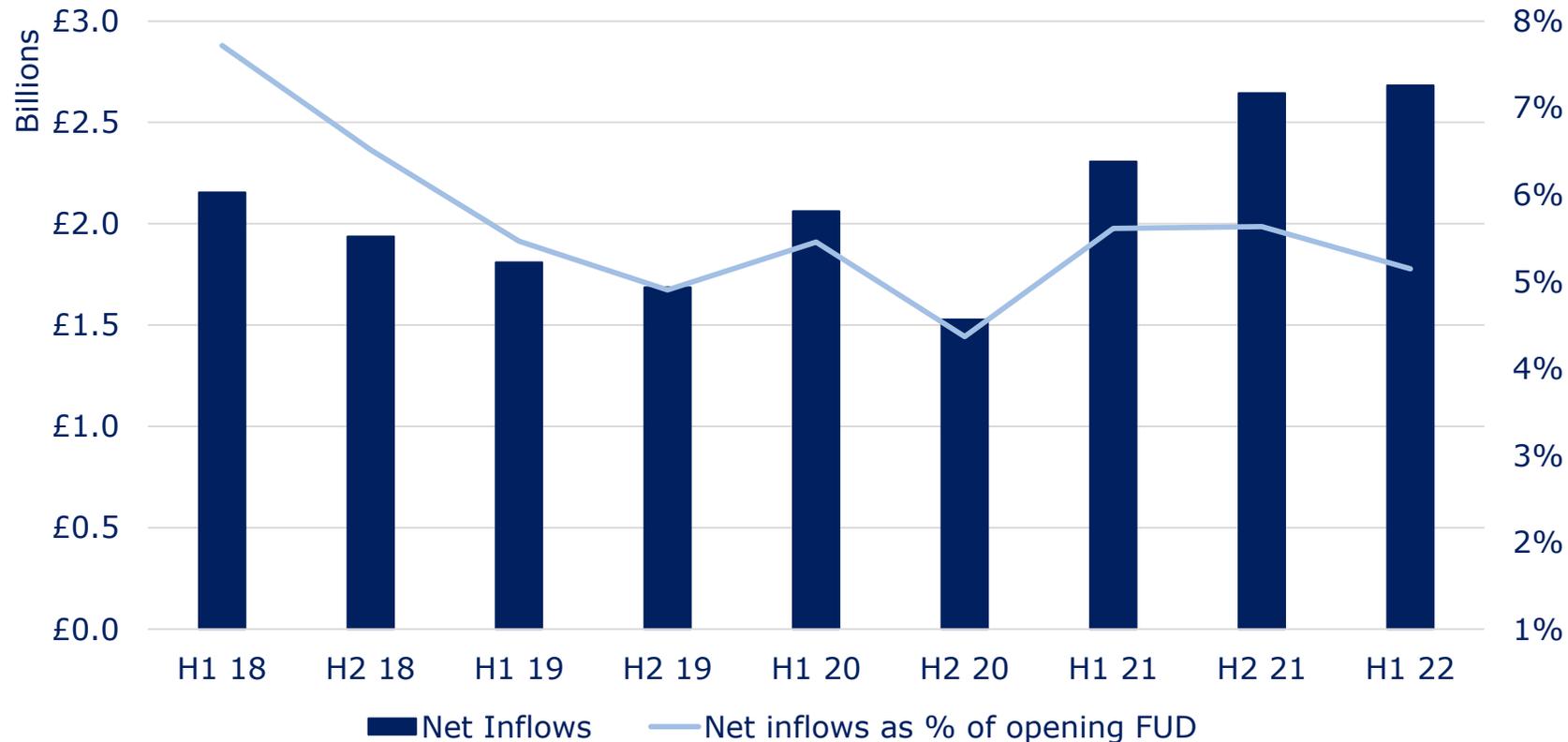
# Transact's H1 22 net inflows (£2.7bn) increased by 16% compared to H1 21



# Transact platform - strong and consistent net inflows

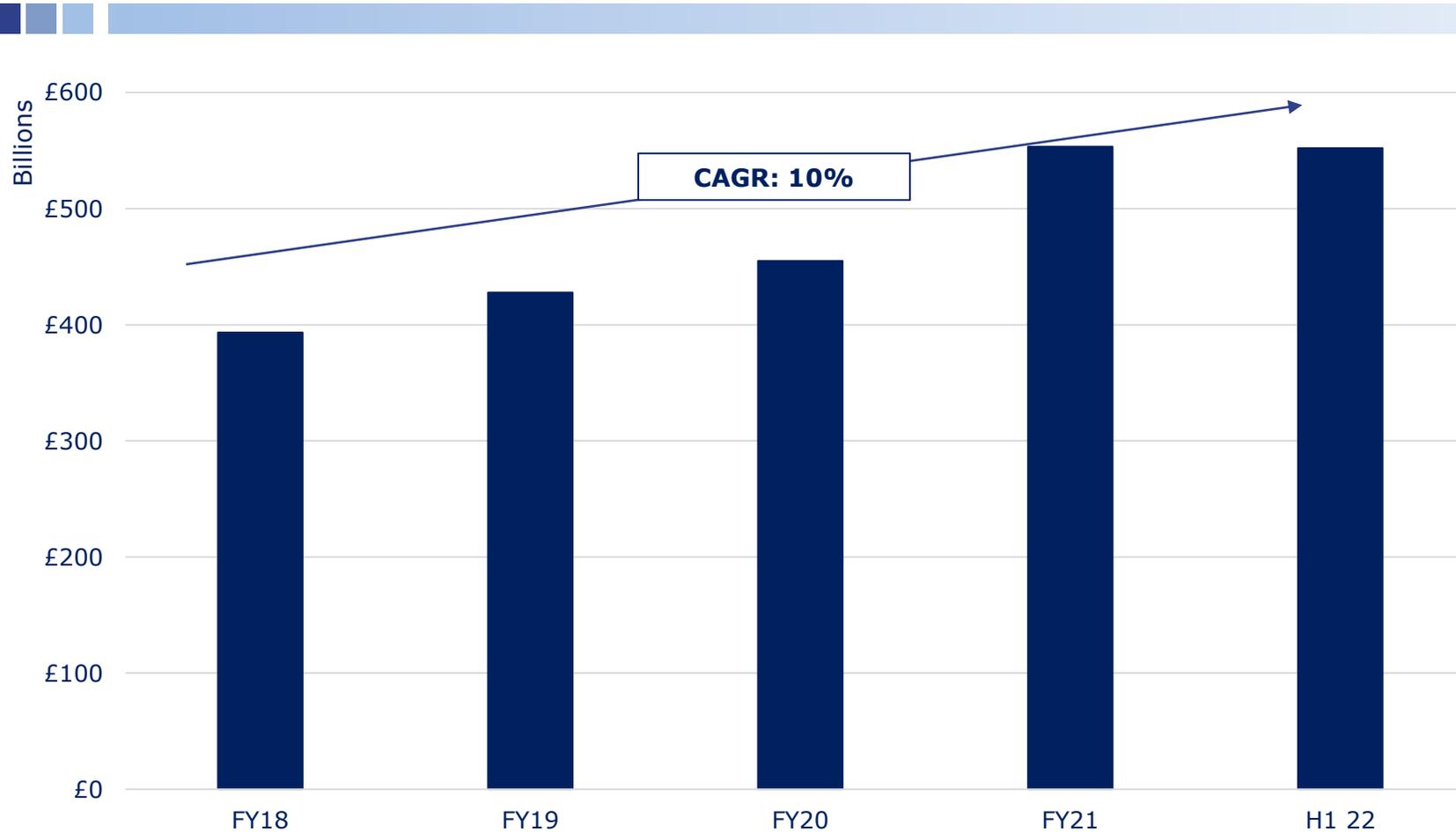


Half year net inflows to the Transact platform as a percentage of opening FUD for each half year



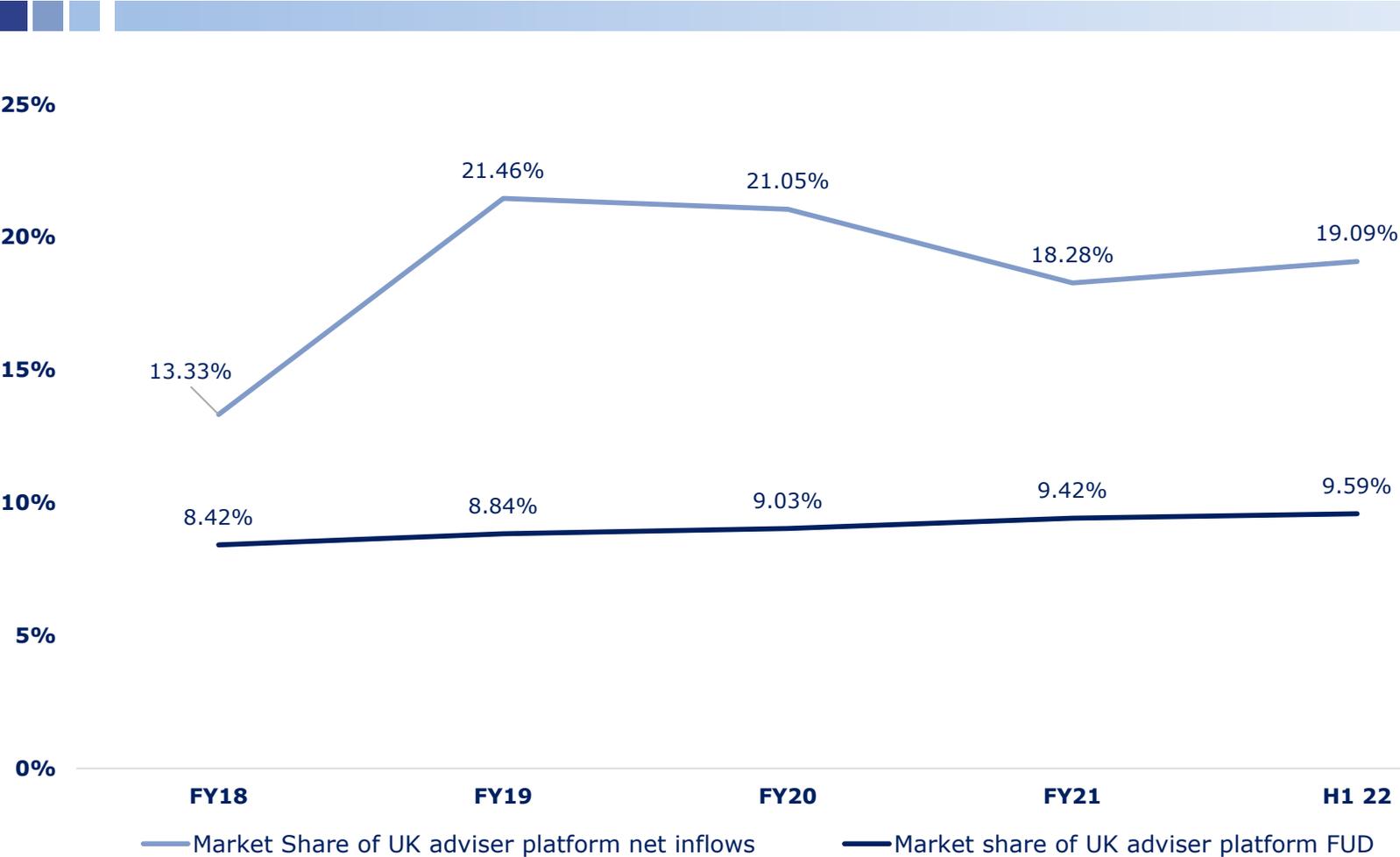
- We have delivered strong and consistent net inflows to the platform
- Our net inflows as a % of opening FUD remains above 5% for the first half of financial year 2022

# The adviser platform market continues to grow strongly



- The adviser platform market continues to grow strongly
- Total FUD for the market is well over £500bn
- The adviser platform market is expected to continue to grow at a similar rate over the medium term

# Transact continues to have a strong share of net inflows to the adviser platform market



- Transact’s share of the adviser platform market continues to grow
- We are particularly pleased that our share of net inflows to the adviser platform market has been consistently strong

Source: Internally derived using Fundscape and Platforum data

# Ranking of gross and net inflows for H1 2022 for adviser platforms



## TOP 5 ADVISER PLATFORMS BY GROSS INFLOWS H1 22

Quilter	£4.64bn
Abrdn	£4.50bn
Aviva	£4.10bn
<b>Transact</b>	<b>£4.07bn</b>
Fidelity	£3.56bn

## TOP 5 ADVISER PLATFORMS BY NET INFLOWS H1 22

Aviva	£2.82bn
<b>Transact</b>	<b>£2.68bn</b>
True Potential	£2.56bn
Abrdn	£1.95bn
Quilter	£1.85bn

# Ranking of gross and net inflows for Q2 2022 for adviser platforms



## TOP 5 ADVISER PLATFORMS BY GROSS INFLOWS Q2 FY22

Quilter	£2.34bn
Abrdn	£2.27bn
<b>Transact</b>	<b>£2.10bn</b>
Aviva	£2.00bn
Fidelity	£1.80bn

## TOP 5 ADVISER PLATFORMS BY NET INFLOWS Q2 FY22

<b>Transact</b>	<b>£1.39bn</b>
Aviva	£1.38bn
True Potential	£1.20bn
Quilter	£1.00bn
Abrdn	£0.92bn

# Analysis of inflows to the Transact platform

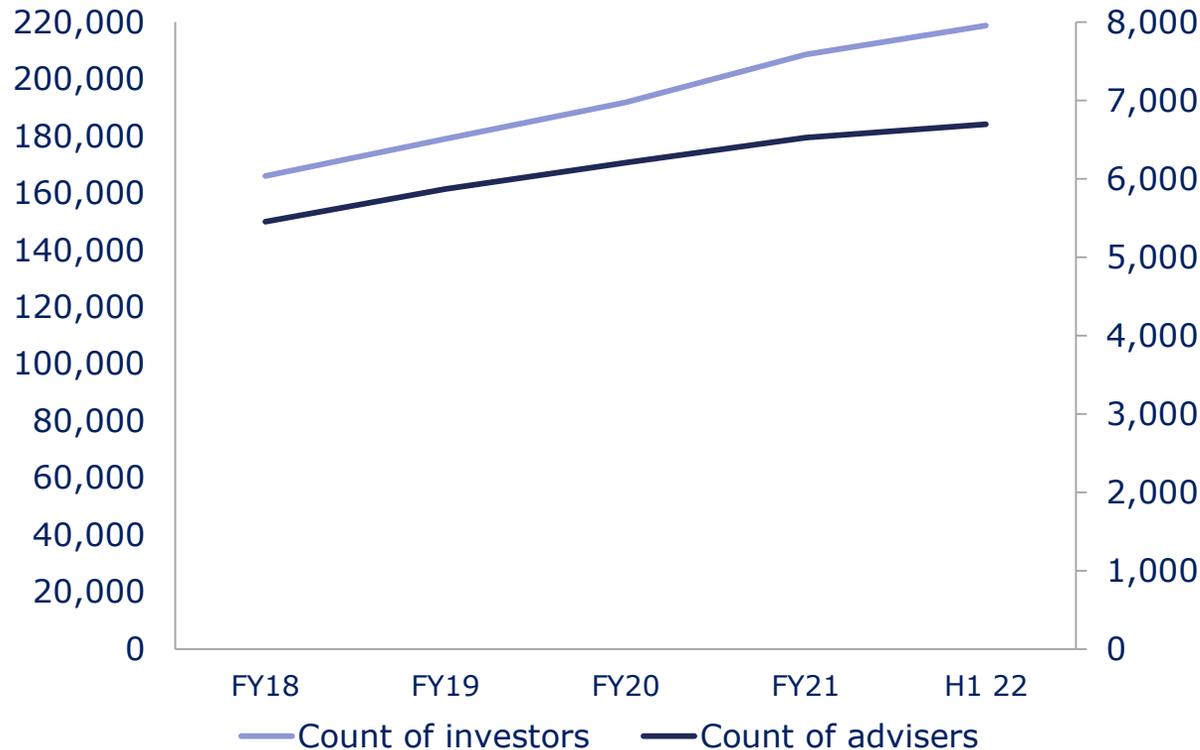


## **Gross inflows to the Transact platform during H1 FY22 comprised the following:**

- Inflows from existing advisers (i.e. registered and using the platform prior to H1 22) bringing new clients who put cash or investments onto the Platform: 61%
- Inflows from existing clients (i.e. clients on the platform prior to H1 22): 36%
- Inflows from new advisers (i.e. advisers who first registered with the platform during H1 22) bringing new clients who put cash or investments onto the Platform: 3%

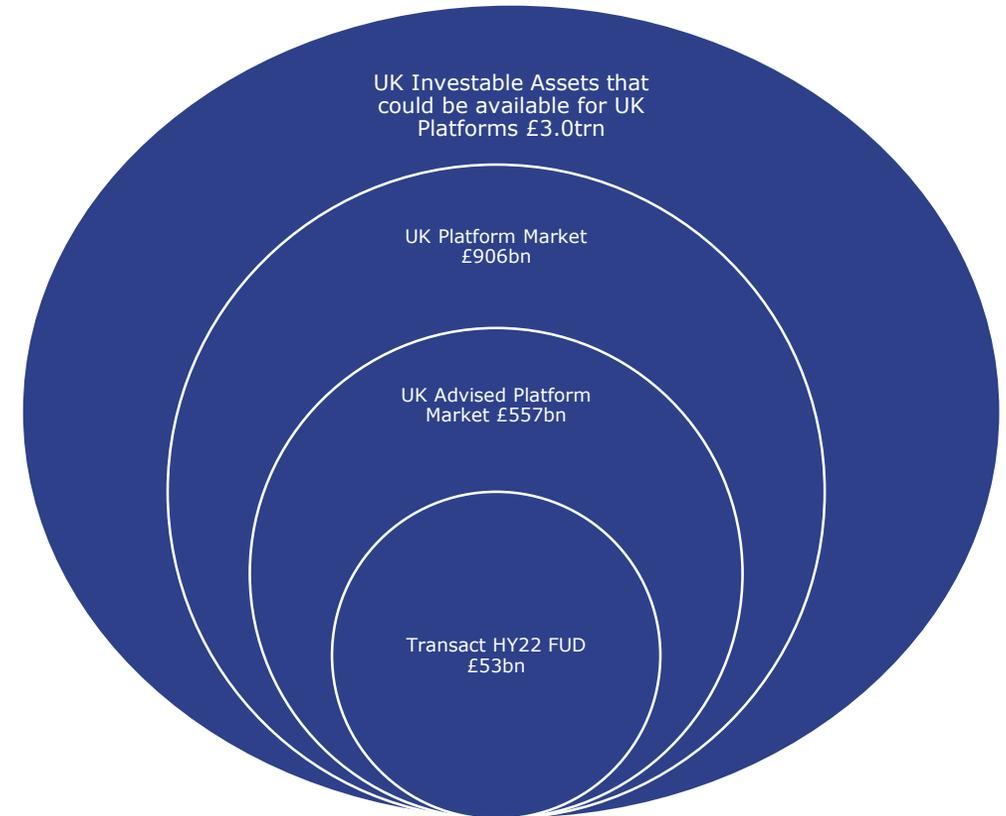
# Growing client base and addressable market

Increasing client and adviser numbers



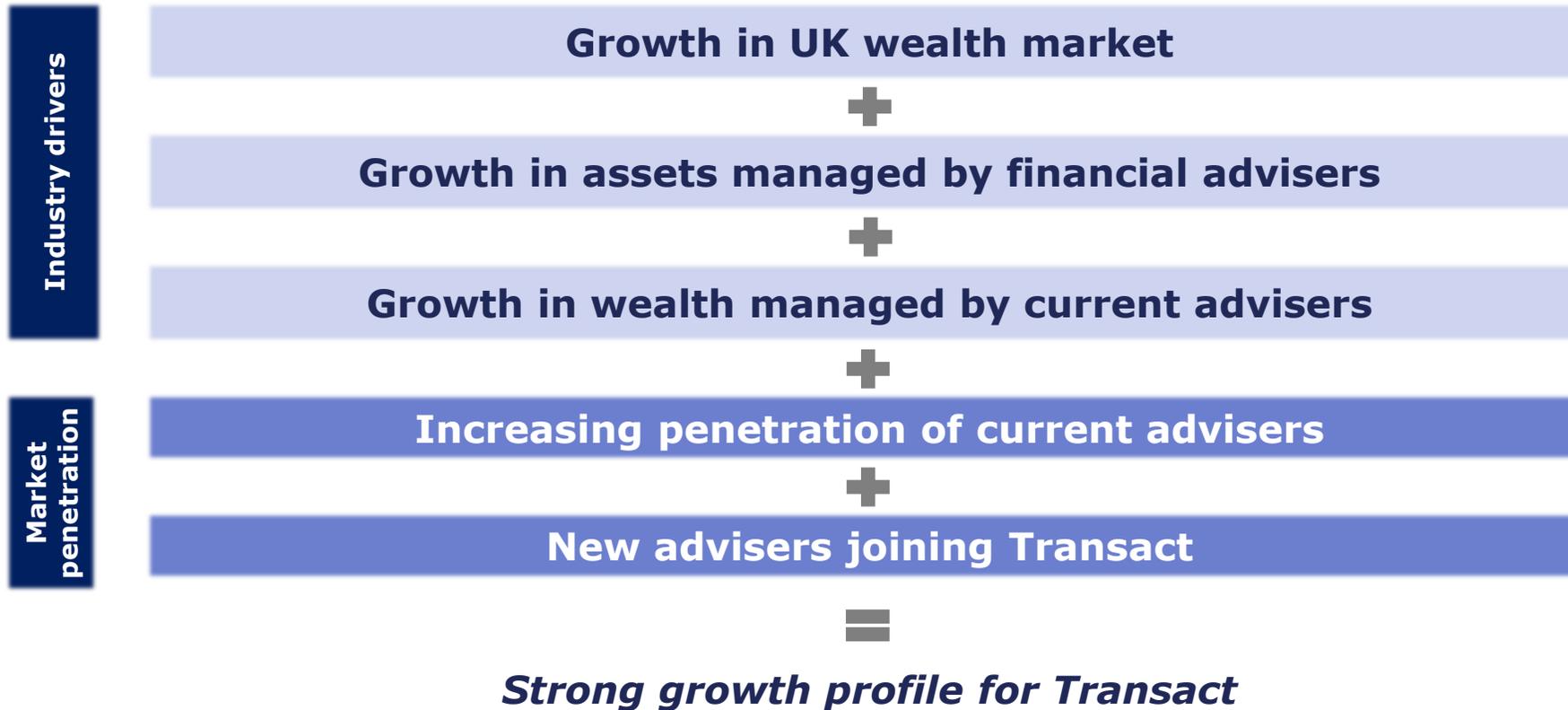
- Client numbers – 219k (up 9% from H1 21)
- Registered advisers – 7k (up 5% from H1 21)

Large market with growth opportunities



- Significant growth opportunities - with assets coming to advisers from: savings, consolidation of pensions and ISAs from other providers, inheritance, and pension accumulation including under the Government required auto enrolment scheme

# Summary: Transact enjoys a strong growth profile



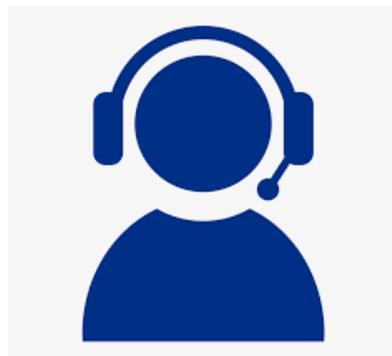
# Continued technological and operational improvements to meet client needs

Platform investment continued throughout H1 22, making further enhancements that benefit the client and adviser online experience

We expect that adviser users will continue to move 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 encourage 'Self Serve' for adviser firm staff to enhance operational efficiency for both us and adviser firms



We launched 'Guided Applications', which enables online applications for a new portfolio and for a variety of wrappers including GIAs, pensions and ISAs



We have added an expected deposits then buys functionality. This makes our processes, and those of the adviser firms, more efficient

# Transact is consistently rated top for service



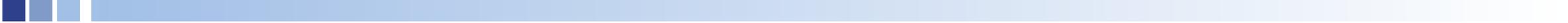
## **Investment Trends UK Adviser Technology & Business Report 2022**

- Transact was rated the top platform in the UK Investment Trends Adviser Technology & Business Report 2022
- In this year's study, Transact is rated first for overall satisfaction, portfolio management/transaction tools, technical support/resources and for range of tax wrappers and products
- Transact also once again obtained the highest advocacy rating from its adviser relationships, with the top net promoter score
- This is the 13<sup>th</sup> year running that Transact has been rated top for overall satisfaction
- The study is one of the most comprehensive undertaken and is based on the views of 1,346 UK advisory professionals. The fieldwork for this independent research was undertaken in March 2022

## **Transact won Professional Adviser Best Platform for Advisers (AUM above £25bn) 2022**

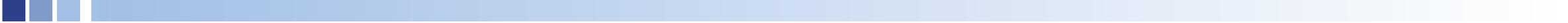
**The Transact platform was also awarded a Platinum Platform rating by Adviser Asset**

# Regulatory developments



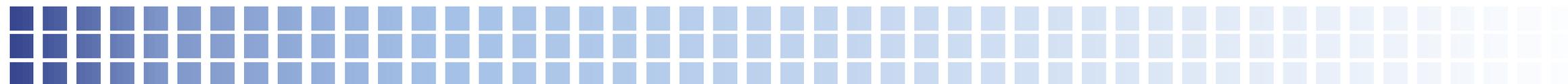
- The FCA's Consumer Duty – it will be applicable to both our investment firm (IFAL) and our life insurance firm (ILUK). This will set higher expectations for the standards of care that firms provide to consumers – with a specific focus on ensuring that consumers avoid harm
- Operational resilience – this continues to be a focus for both the FCA and PRA. There is now a 3 year implementation period for the enhancement and embedding of operational resilience mapping, effectiveness and testing
- Frauds and scams – there is a strong emphasis from the FCA on mitigating the risk that consumers are subject to frauds and scams. This includes enhanced anti fraud processes and controls, and enhanced risk warnings to customers engaging in specific types of transfers out
- Investment firm - prudential regulatory rules – the new IFPR rules are applicable to IFAL. We fully meet these prudential rules and will continue to monitor capital requirements as the rules embed
- Life insurance firm – prudential regulatory rules – the review of Solvency II rules is applicable to ILUK. We will provide information as required and will monitor the expected changes to solvency requirements

# T4A update

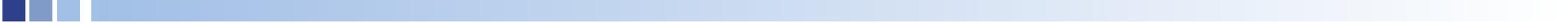


- Finalising the development of the new (cloud based) CURO 365 back office software for advisers
- There have been headwinds for development due to some developers based in Ukraine, and required changes to ensure the safe and efficient transfer of data to Microsoft's Power Platform
- User acceptance testing to be completed over the summer, with CURO 365 on track for initial release by the end of the year
- Enhancing operational processes to improve on boarding of new customers, and enhanced service provision for established customers
- Solid pipeline of customers (adviser firms) who will, or have shown a strong interest to, sign up to the new CURO 365 software
- Time4Advice won the Professional Adviser Best Technology Provider 2022 - chosen by an independent panel including financial advisers

# Group developments



# Group developments



- ESG developments – we have engaged an external firm (Willis Towers Watson) to give us guidance on how we can improve our environmental impact
- We expect the specific environmental plan to be finalised by the end of the year, at which point we will provide further information
- Group Governance - we are also reviewing our Group governance arrangements to ensure that they are as effective as possible. Again, we expect this review to be completed by the end of the year, at which point we will provide further information
- Operational and software developments – we continue to invest in our software development and operational processes for both Transact and T4A. This investment will deliver operational efficiencies as we grow, and enhanced operational resilience

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