

Results Presentation



Full year ended 30 September 2022

Summary

<div>Resilient Performance</div> <div><i>Resilient and strongly positive net flows, and growth in revenue and underlying earnings, in a year of volatile markets</i></div>	<div>Investing in the Business</div> <div><i>Continued delivery of planned IT and operational enhancements, with cost guidance remaining unchanged</i></div>	<div>Award Winning Platform</div> <div><i>No 1 UK advised platform with Investment Trends and CoreData for the past 10 years. Continued growth of Transact's market share</i></div>
<div>Compelling Market Opportunity</div> <div><i>Strong market dynamics with platform sector assets expected to grow by 11% p.a. over the next five years⁽¹⁾</i></div>	<div>Time4Advice Next Generation CURO</div> <div><i>Next generation CURO software live in beta mode, with roll out to adviser firms commencing in H2 FY23</i></div>	<div>Outlook</div> <div><i>Resilient business model, and net flows. Pre-planned investment in IT, with enhanced digital-first proposition for advisers</i></div>

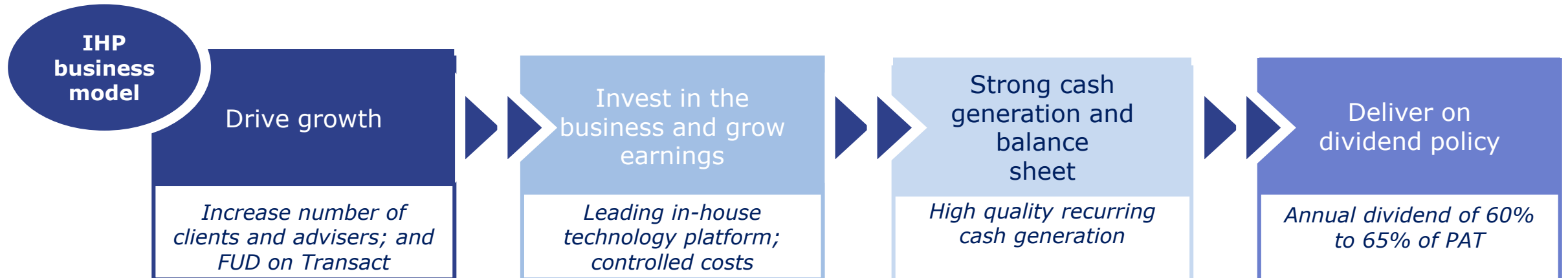
IHP Group – we have a clear strategy and a simple business model

Our aim is to be the number 1 provider of software and services for clients and UK financial advisers

Our strategy is focused:

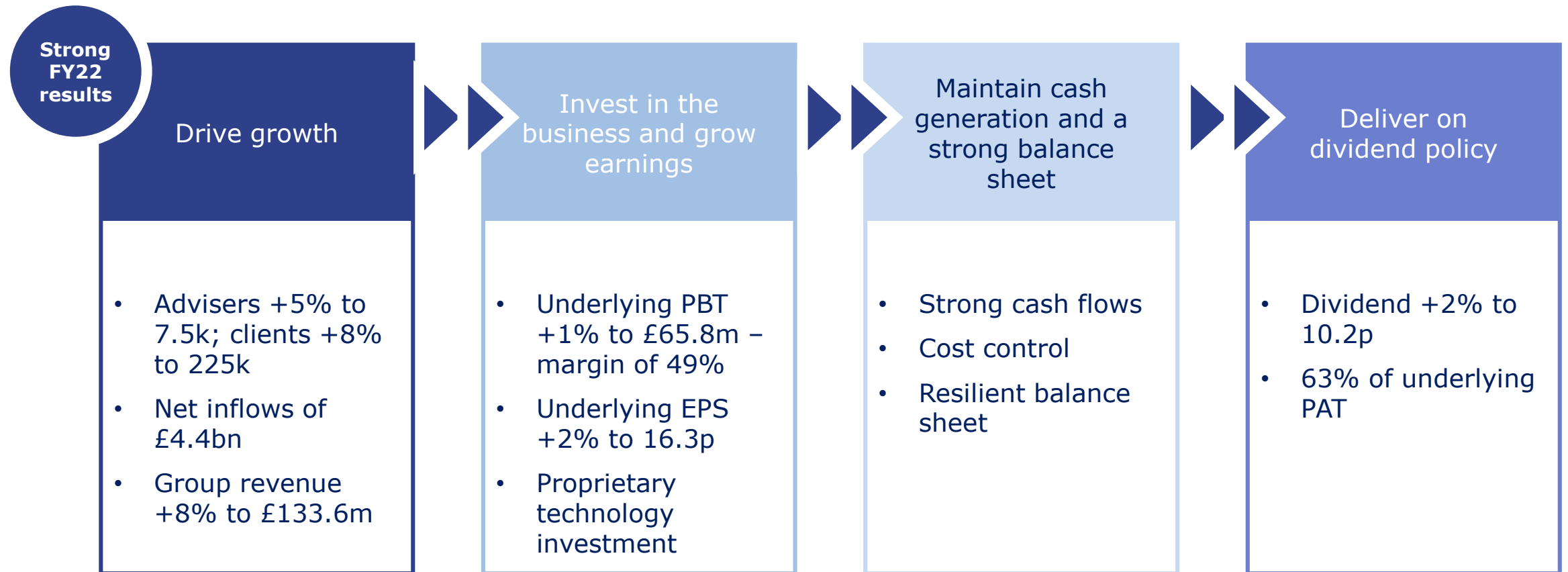
- We make financial planning easier for clients and their UK financial advisers
- We do this by harnessing technology, allied with high quality human service
- We prefer to insource, and so we own and develop our own software:
 - the Transact retail investment platform
 - the Time4Advice (T4A) adviser practice management solution (CURO)

Our model is simple:



IHP Group – our business model delivers growth

Leveraging our leading customer service, technology, and scalable operations to drive business growth



Our award winning service proposition




















The Transact platform:

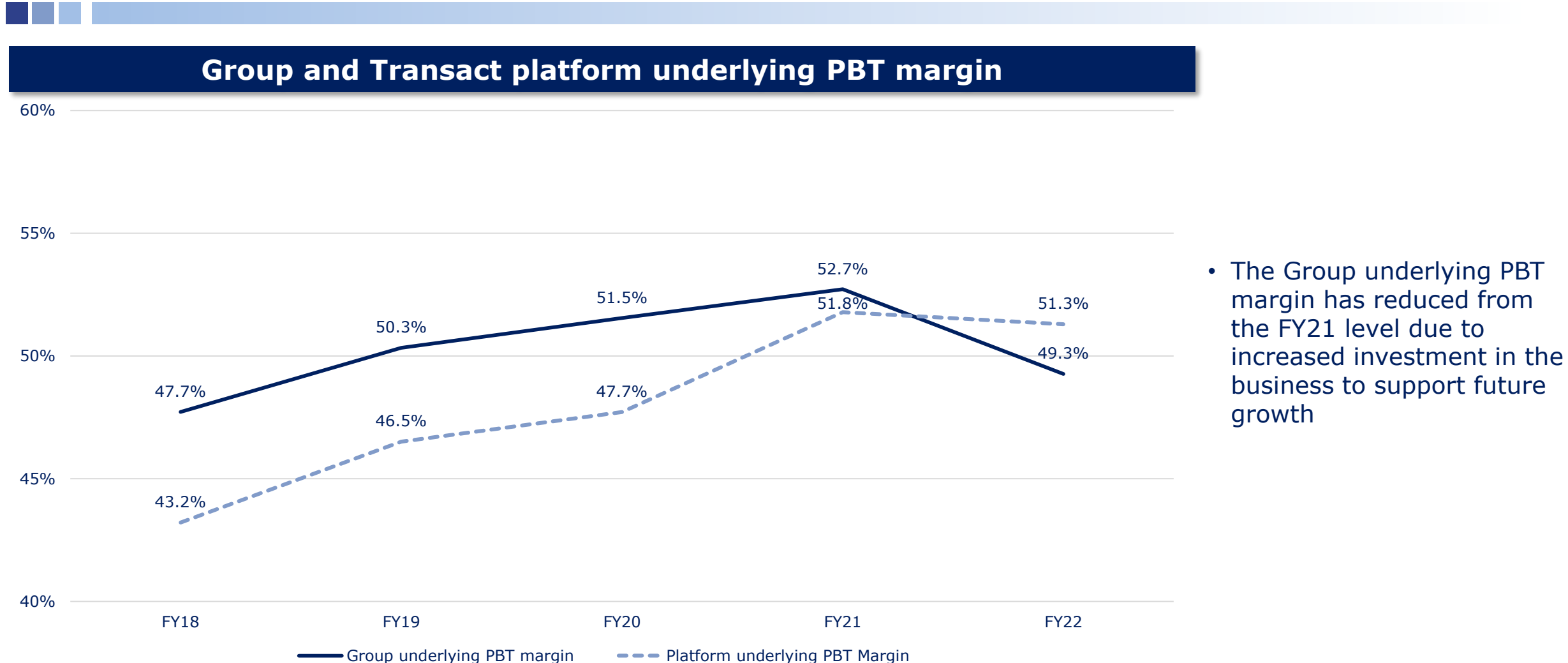
- Received top rating in the UK Investment Trends Adviser Technology & Business Report 2022
- Received the top Net Promotor Score (NPS) out of 18 platforms in the UK Investment Trends Survey 2022
- Won Professional Adviser Best Platform for Advisers (AUM above £25bn) 2022
- Received a Platinum Platform rating by Adviser Asset

Time4Advice:

- Won the Professional Adviser Best Technology Provider 2022

	 <small>Category: Large Platforms (> £12bn FUD)</small>	 <small>Category: Large Platforms (> £10bn FUD)</small>	 <small>Category: Large Platforms (> £100n FUD)</small>
2022			
2021			
2020			
2019			
2018			
2017			
2016			
2015			

Resilient Group underlying PBT margin in a year of volatile asset markets



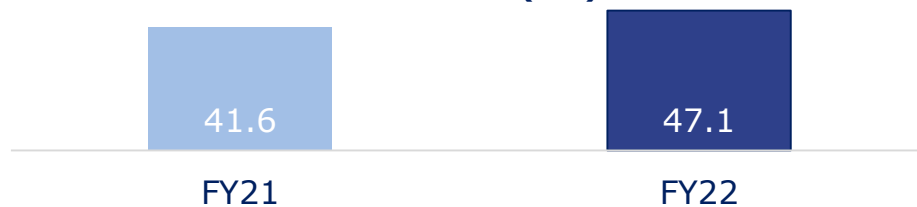
Group costs have been managed, in an inflationary environment



The Group total underlying cost base has increased by 16% : FY22 – £66.2m (FY21: £57.1m)

We reiterate that our cost guidance for FY23 and FY24 is unchanged

Staff Costs (£m)



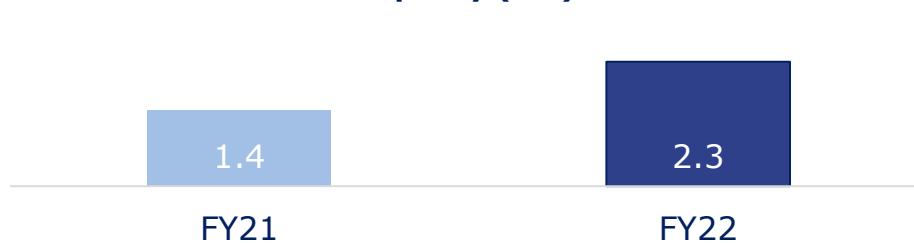
- Staff costs have increased in FY22 due to a staff pay increase in recognition of the cost of living; additional IT staff recruited; and a full year of T4A costs included for the first time

Regulatory and Professional Fees (£m)



- Regulatory and professional fees have increased due to increased regulatory fees, and the use of external support which has been necessary to meet ongoing and incoming regulatory requirements

Occupancy (£m)



- Occupancy costs have increased in FY22 due to the receipt of a backdated rates rebate in FY21. FY22 costs include a £0.3m dilapidations accrual release (considered to be non-underlying)

IHP Group – our operational plan



Investment in IT and software development:

- 15 IT staff have been recruited
- Further IT staff (c. 35) are targeted to be recruited through FY23 – this is built into our cost guidance
- We confirm that after this IT investment is completed we then do not expect material recruitment in these areas in the period to FY27

Planned operational enhancements:

- Fully implement digital-first online self-serve for adviser firms, with core Transact platform straight through processing
- Continue to enhance best in class Transact platform functionality and resilience for advisers and clients
- T4A - roll out next generation CURO, expand sales, and build data interface with Transact

Update on Time4Advice



- Time4Advice is an important strategic development to build out CRM software for adviser firm – this will also have a high quality interface with the Transact platform
- Time4Advice's cloud-based next generation CURO software went live (from 5 December 2022) with an adviser firm for beta testing
- The roll out of next generation CURO to signed up adviser firms will commence during H2 2023
- Signed up adviser firms include large and growing consolidators
- T4A revenue of £3.9m for FY22 (FY21: £2.4m), comprising £3.2m of recurring revenue from adviser firms licensed to use CURO (FY21: £2.1m)
- Costs are being tightly managed
- T4A PBT loss of £1.9m for FY22 – expecting a lower loss for FY23, and delivering profit in FY24 onwards

Other Group developments



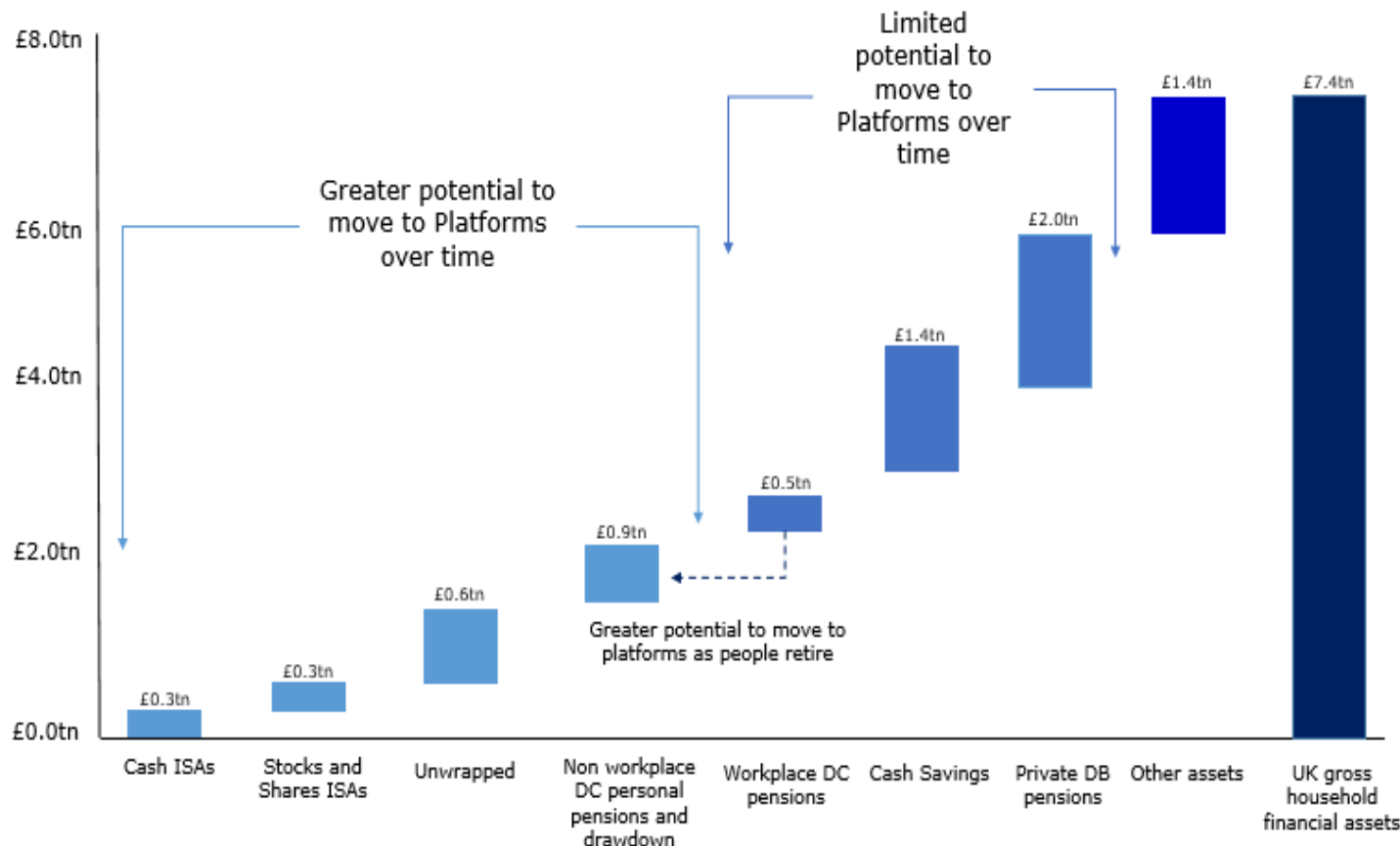
- Senior management additions - UK based Group CTO and Group CRO joining in early 2023; actively recruiting for a Group CFO
- Commenced implementation of a structured environmental plan to achieve carbon net zero by 2050 – with design assistance from Willis Towers Watson
- Supported staff with cost of living – restructured remuneration for all staff – with limited additional cost to the Group
- Enhanced staff engagement across the Group - led by NED Rita Dhut – resulting in various improvements for staff
- Group entity restructure completed in summer 2022

Platform update, and advised market outlook

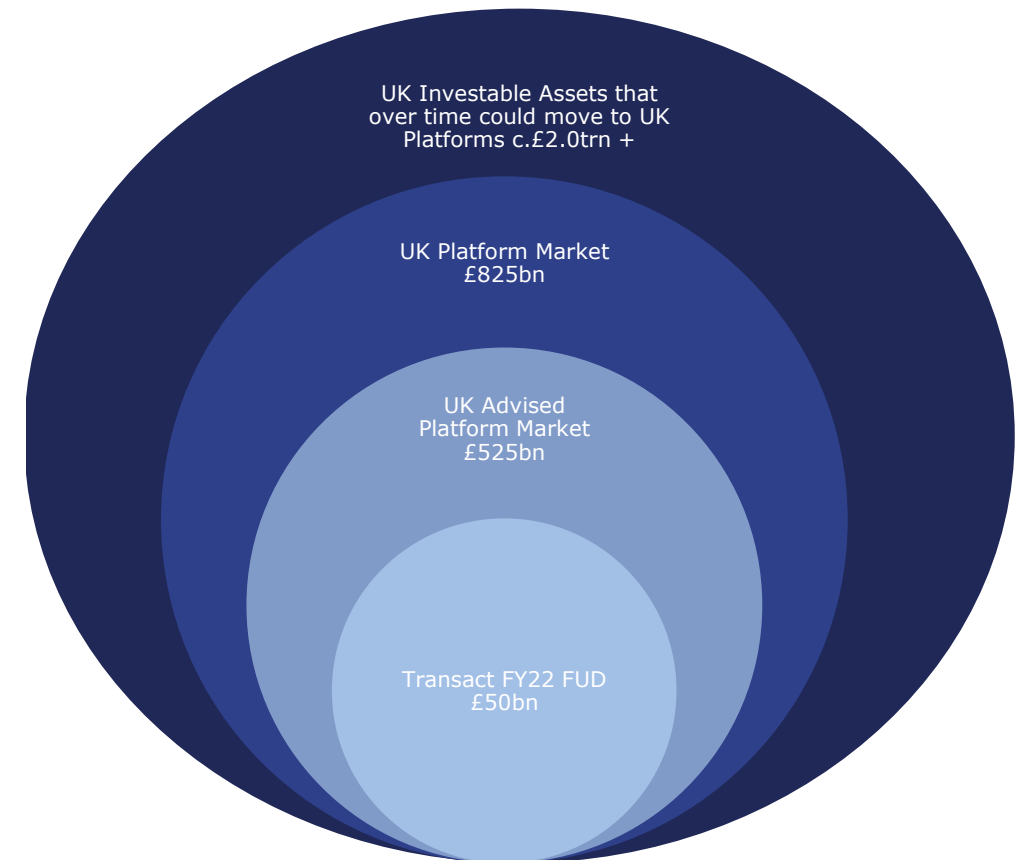


Transact growth opportunity from substantial UK assets off platform

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 pension auto enrolment scheme



Large market with growth opportunities



The UK government encourages long term savings and investment through tax incentive wrappers



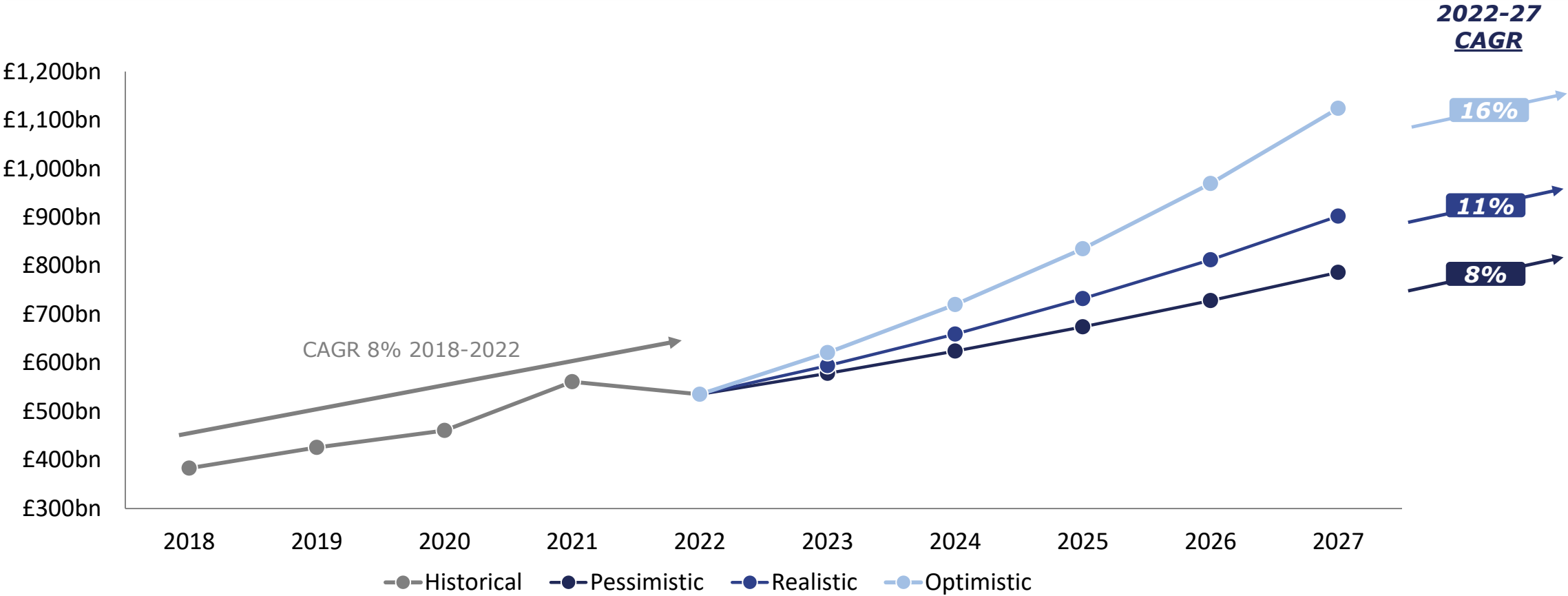
The UK is the fifth largest wealth market in the world and growing

Type of UK tax incentive wrapper	UK profile
Personal Pensions	30.2 million people in the UK have a private pension in accumulation
Workplace Pensions	In 2020 nearly 8/10 employees in the UK were workplace pension members, the figure rising from less than 5/10 in 2012, in response to new 'Auto Enrolment' legislation
Individual Savings Accounts (ISAs)	c.7.9m stocks and shares ISAs
Junior Individual Savings Accounts (JISAs)	c.1.0m JISAs
Lifetime Individual Savings Accounts (LISAs)	c.0.7m LISAs

Forecast adviser platform market growth

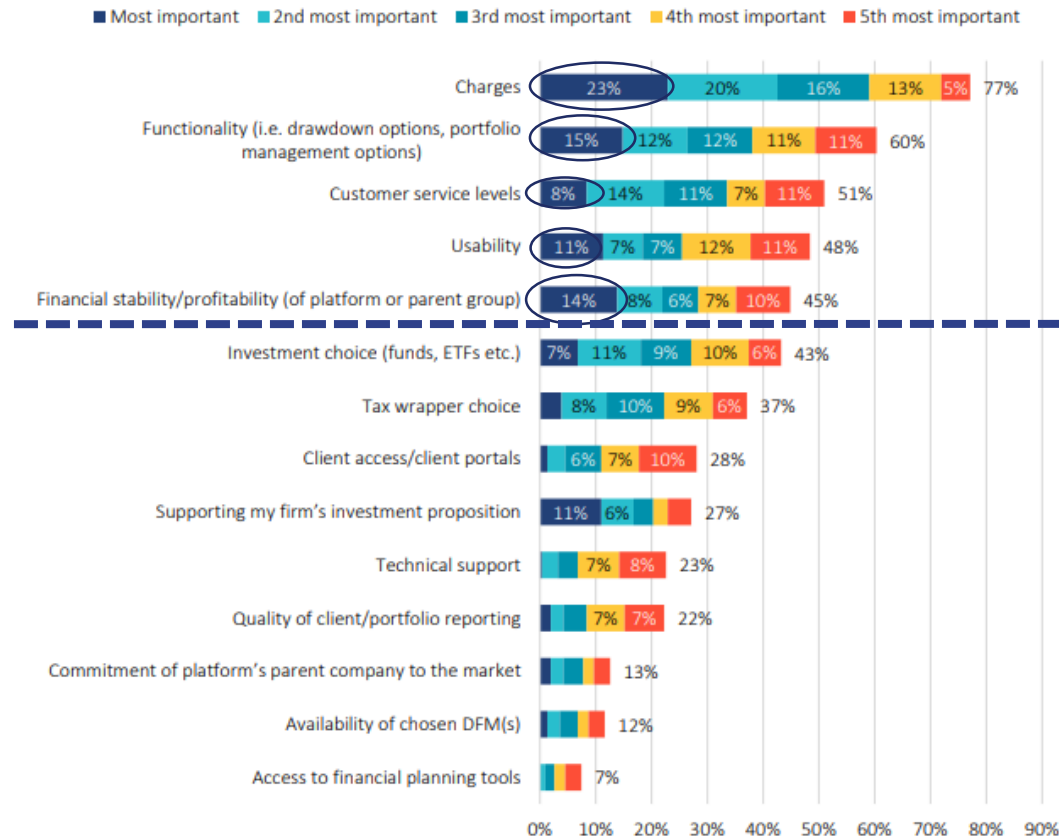


Adviser platform assets – forecast by Fundscape



Transact continues to meet financial adviser needs

What are the most important factors advisers consider when choosing a platform?



Source: Platform UK adviser Platform Selection August 2022

1	Customer Service Levels	<ul style="list-style-type: none"> Transact was consistently ranked in the top 3 platforms in the 19 service categories of the Investment Trends Adviser Technology Report 2022
2	Functionality	<ul style="list-style-type: none"> Transact ranked 1st for 'Functionality' in the CoreData Investment Platform Study 2022
3	Usability	<ul style="list-style-type: none"> Transact was ranked 2nd for usability in Platform Issue 52 August 2022
4	Financial Stability	<ul style="list-style-type: none"> Transact is part of the IHP Group, and maintains a strong regulatory capital position, with zero balance sheet debt
5	Charges	<ul style="list-style-type: none"> Transact has reduced its charges in a responsible way over time

Source: Investment Trends Adviser Technology Report – May 2022 & CoreData Investment Platform Study 2022 & Platform UK Adviser Platform Guide – August 2022 (>£20bn assets)

Transact has developed its digital-first capabilities to support adviser needs for online platform functionality



The development of a new 'adviser support team' to help advisers when they use Transact Online, through the use of live chat and co-browse functionality



We have been increasing 'Self Serve' functionality for advisers on the platform and continued to develop guided applications

FY22

- Live chat usage increased 141%
- Co-browse requests are up 53%







FY22

- 91% of Transactions were placed via Transact Online in Q4 FY22
- 66% of advisers now have over 80% Transact Online usage
- Creates efficiencies for both advisers and the platform

The depth and breadth of our proposition and functionality has been recognised by NextWealth, through our 'Digital Process Champion' status

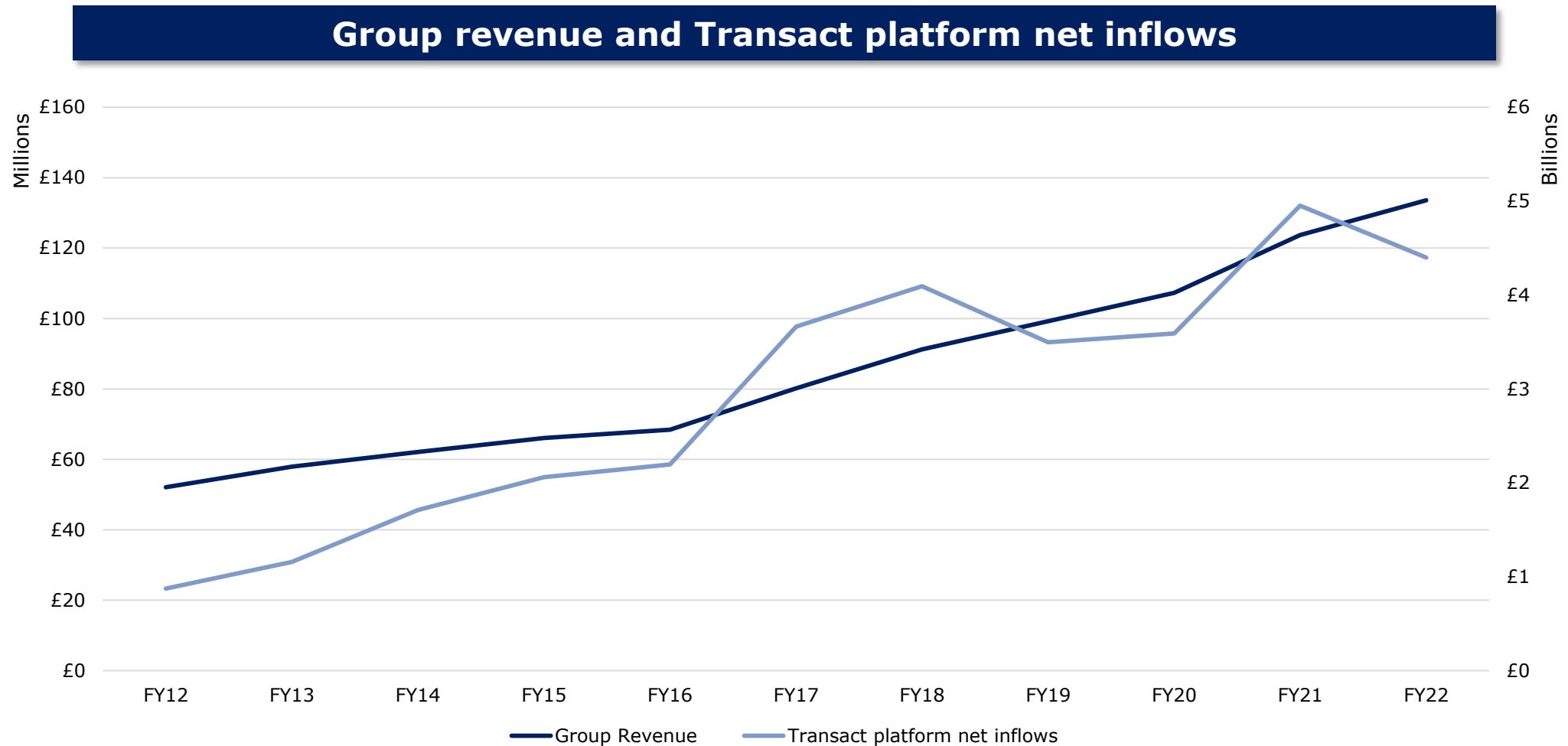
Transact is a top 3 platform in the UK advised market



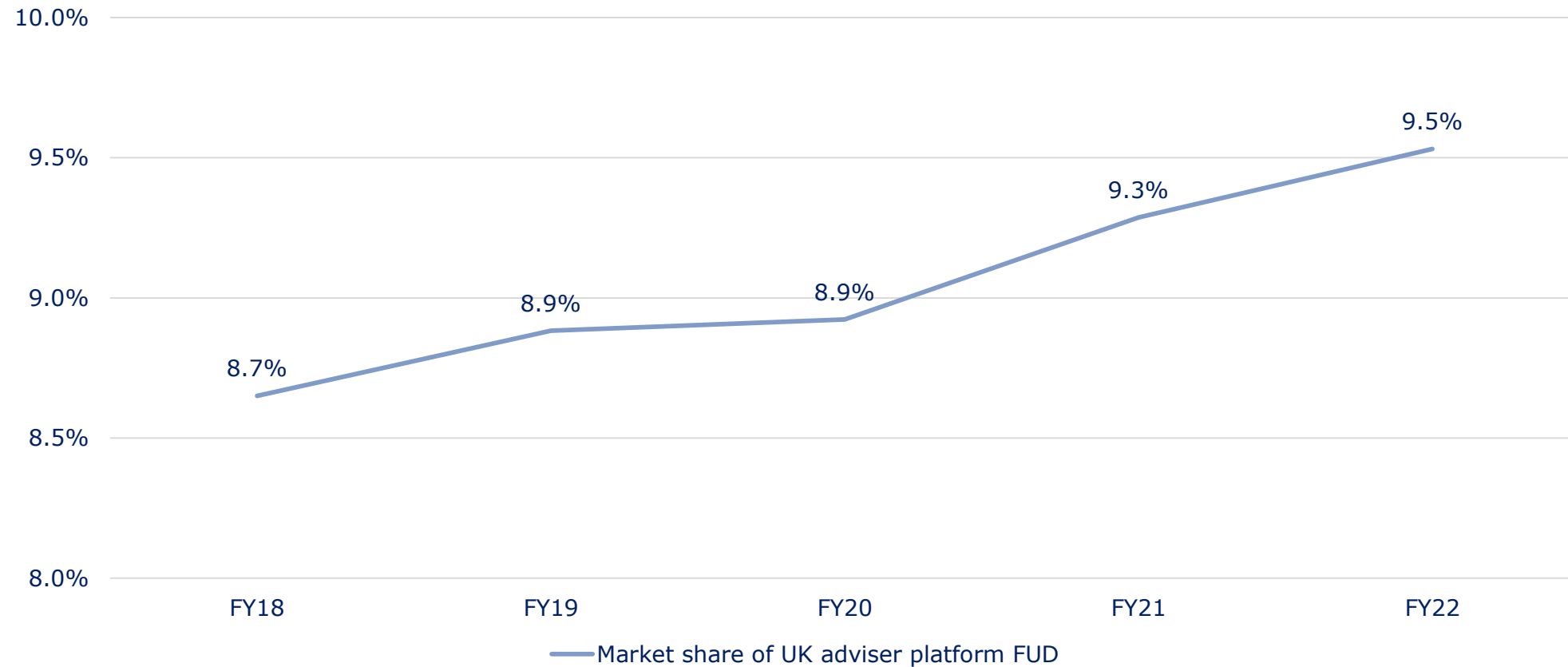
	Platform	FY22 Advised Net Inflows	Technology Provider
1	True Potential	£5.1bn	Proprietary
2	Aviva	£4.7bn	
3	Transact	£4.4bn	Proprietary
4	AJ Bell Investcentre	£3.3bn	
5	Fidelity	£2.8bn	
6	Quilter	£2.7bn	
7	Abrdn	£2.6bn	
8	Advance by Embark	£1.5bn	
9	7IM	£1.0bn	Proprietary
10	Morningstar (formerly Praemium)	£0.6bn	Proprietary

	Platform	FUD as at 30.09.22	Percentage of advised market FUD
1	Abrdn	£66.9bn	13%
2	Quilter	£64.6bn	12%
3	Transact	£50.1bn	10%
4	Aegon (ARC & Cofunds)	£48.2bn	9%
5	AJ Bell Investcentre	£44.8bn	9%
6	Fidelity	£43.9bn	8%
7	Aviva	£37.6bn	7%
8	Advance by Embark	£26.1bn	5%
9	James Hay	£25.6bn	5%
10	True Potential	£20.7bn	4%

Group revenue and net inflows over time

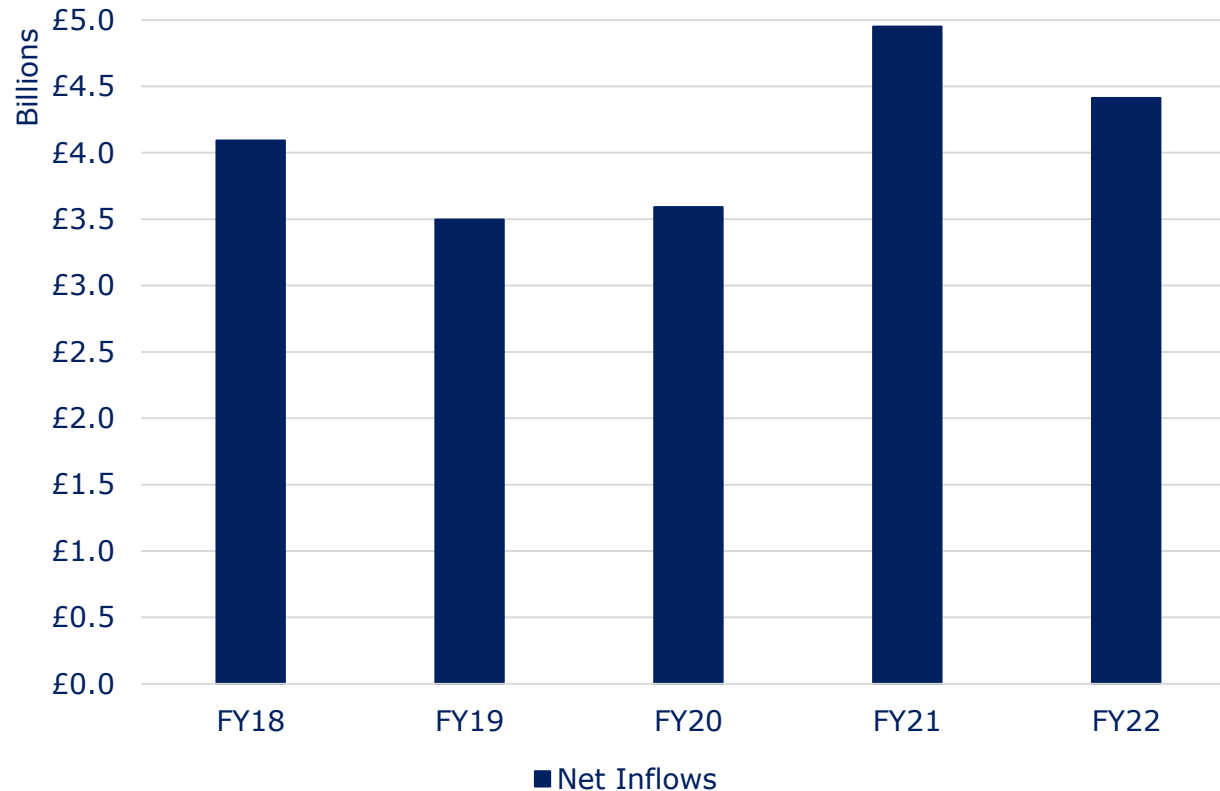


Transact platform – robust market share in a growing advised market

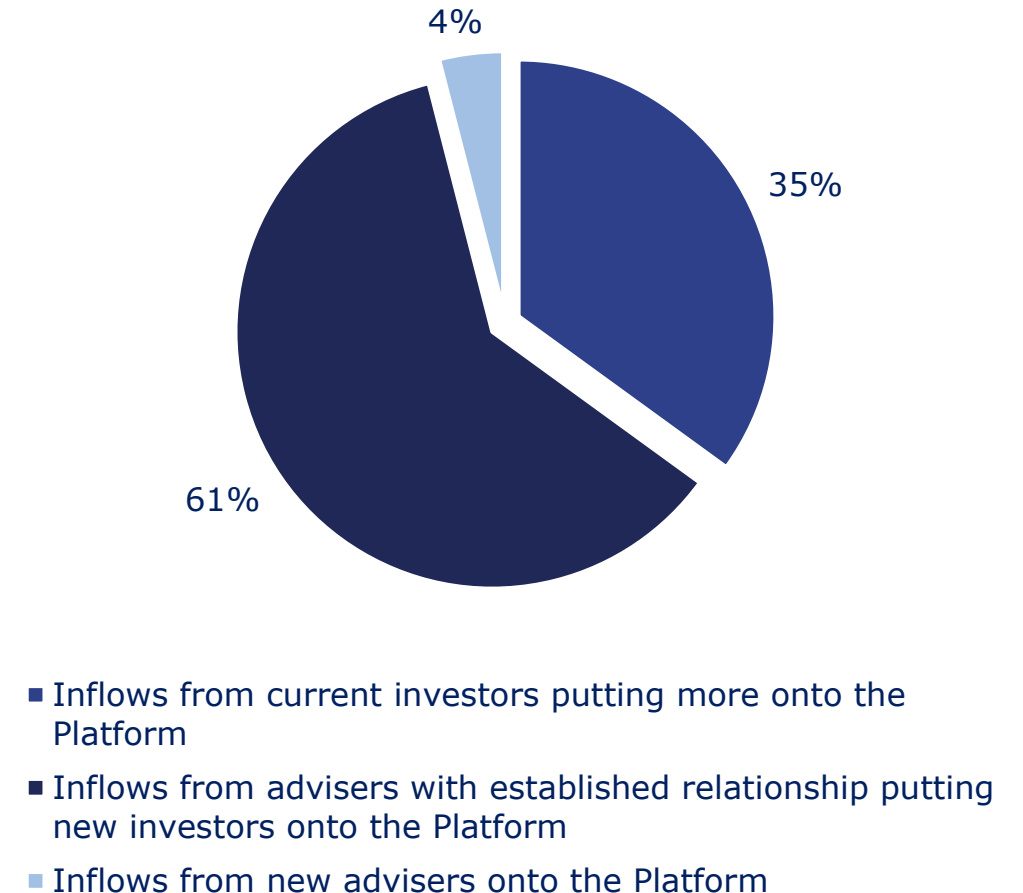


Transact platform - resilient inflows

This was our 2nd highest year ever for net inflows, despite the volatility in asset markets



Sources of gross inflows (FY22)



Transact Platform update for FY22

- **Average daily FUD for the year £52.5bn (FY21 £47.2bn)**
 - **Closing FUD £50.1bn (FY21 £52.1bn)**
- **Launched the Transact-Blackrock Model Portfolio Service**

Advisers



7.5k up 5% (FY21: 7.2K)

Adviser Concentration:

- Over 4k advisers hold more than £500k on the platform
- 50% of platform FUD is made up from 134 firms

Clients



224.7k up 8% (FY21: 209K)

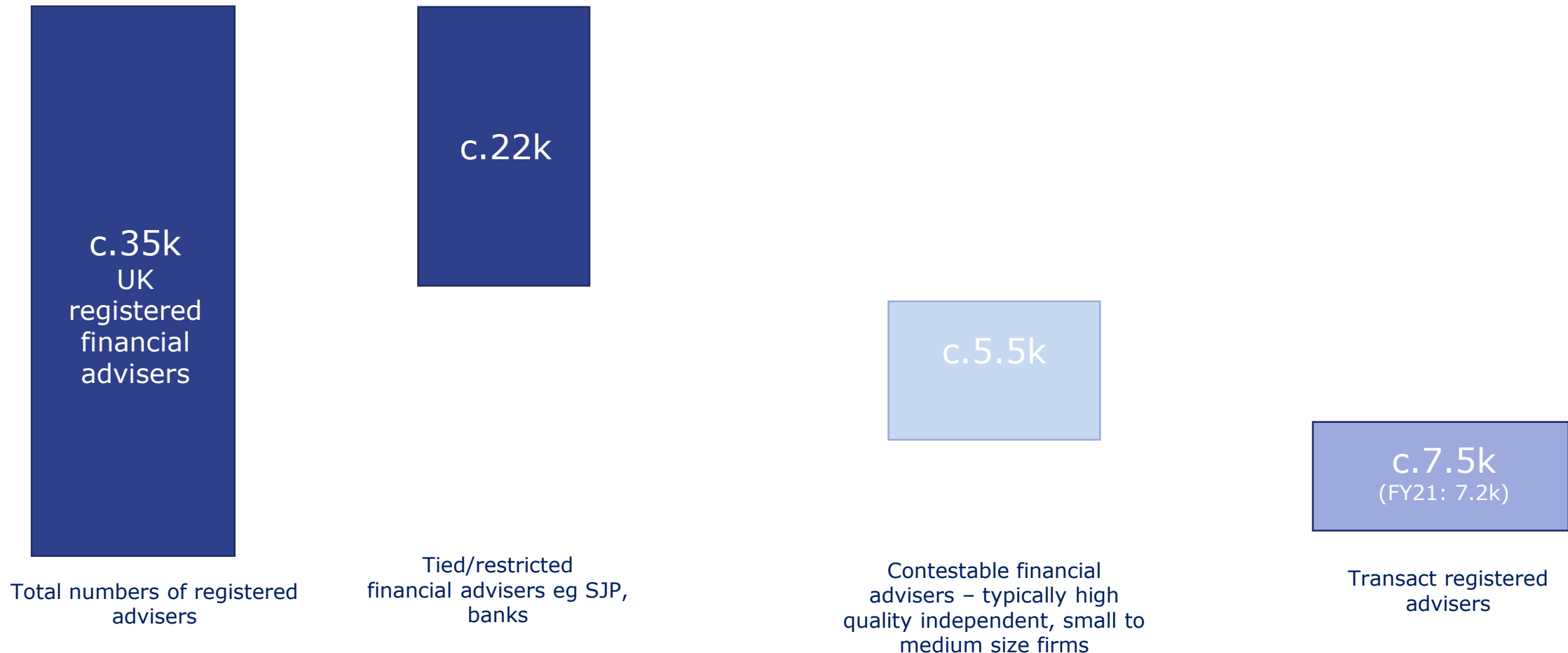
Average Client Profile :

- £223k portfolio value
- £351k family linked portfolio value
- 97% Retention rate (FY21: 96%)

We continue to increase the number of registered advisers on Transact, whilst also gaining greater 'share of adviser wallet'



There are c.35k registered financial advisers in the UK – we estimate c.13k is contestable



Financial update



Group revenue has grown 8% in FY22



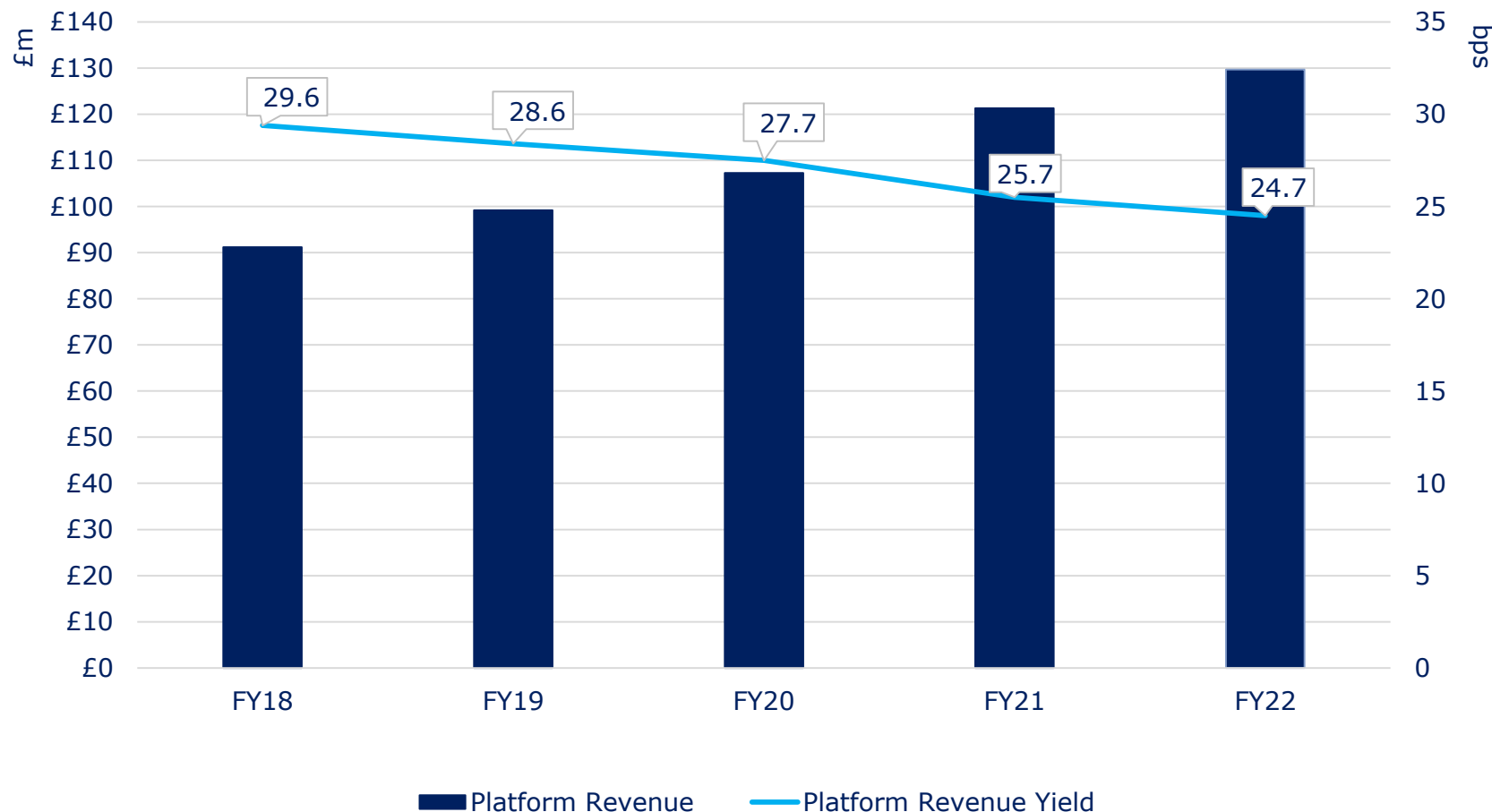
£m	IHP Group FY 22	IHP Group FY 21	+/- % change
Group revenue (£m)	133.6	123.7	+8%
Underlying Group PBT (£m)	65.8	65.2	+1%
<i>Underlying Group PBT margin</i>	<i>49.3%</i>	<i>52.7%</i>	
Underlying Group earnings per share (pence)	16.3	16.0	+2%
Reported Group PBT (£m)	54.3	63.6	-15%

- Underlying PBT for FY21 now includes the FY21 VAT charge on software costs (£1.7m). This was paid in September 2022, but considered to be an underlying cost for that period

Platform revenue has consistently grown, with moderate revenue yield decreases from price cuts

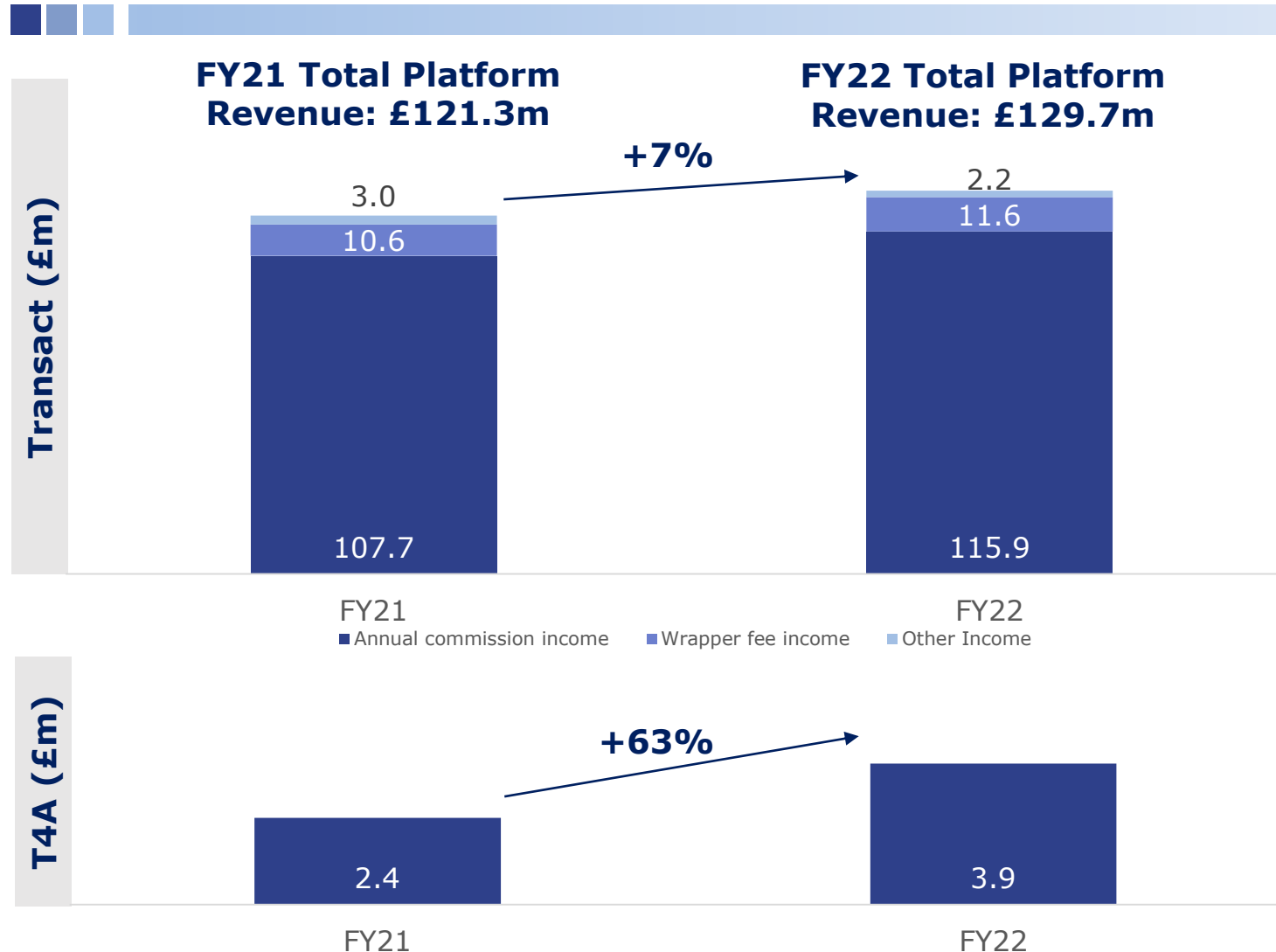


Platform revenue (£m), and revenue yield (bps)



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

Group revenue analysis



Platform revenue includes a mix of:

- recurring annual commission (dependent on FUD levels)
- wrapper fees (fixed £ charge, dependent on the number of wrappers)
- other income including buy commission

Platform revenue for FY22 includes the impact of the following price cuts in FY22:

- Annual commission reduction in July 2022
- Buy commission reduction in March 2022

T4A:

- T4A generated FY22 revenue of £3.9m (FY21: £2.4m)
- Comprising £3.2m of recurring revenue from adviser firms licensed to use CURO (FY21: £2.1m)

Staff numbers



	30 September 22	30 September 21	Change
Software development and IT infrastructure	131	118	+13
Operational and support activities	389	395	-6
Staff (excluding T4A)	520	513	+7
T4A staff	72	63	+9
Total IHP Group staff	592	576	+16

- At H1 22 we had 117 software development and IT infrastructure staff
- Over the period we have added a total of 15 software development and IT infrastructure staff – across the Transact platform, and T4A

Group liquidity position, and dividends

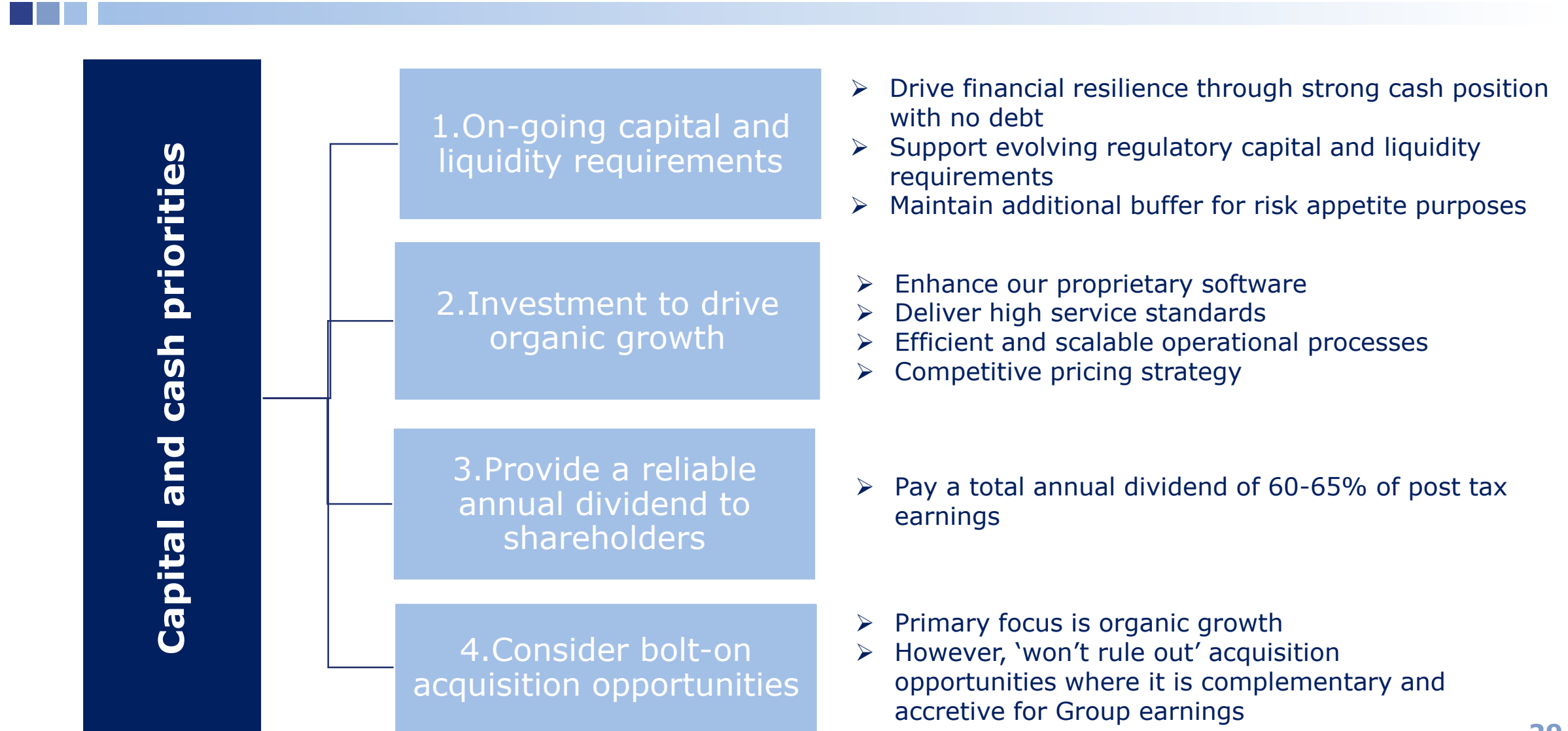


Group liquidity position (£m)	FY22
Total Group consolidated cash	183.0
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Total Group cash held for: regulatory requirements; risk appetites; foreseeable dividend; and business as usual taxation requirements	149.4
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Group cash not specifically allocated to risk appetite purposes	33.6

Dividend	FY22	FY21	FY20
Per share			
Ordinary – first interim	3.2 pence	3.0 pence	2.7 pence
Ordinary – second interim	7.0 pence	7.0 pence	5.6 pence
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Total dividend	10.2 pence	10.0 pence	8.3 pence
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Dividend Growth	+2%	+20%	+6%

- Group cash position and regulatory/risk appetites affected by: VAT payments to HMRC; and evolving regulatory requirements including the impact of solvency calculations under Solvency II, and the continued embed of FCA Investment rules (IFPR)
- Future considerations: review of Solvency II (affecting ILUK), which we currently expect to be net solvency positive if implemented by the BOE/PRA

Group capital and cash allocation approach



Guidance



Financial guidance - cost guidance for FY23 and FY24 remains unchanged (as issued in July 2022)



	FY23	FY24
Staff costs	Expected to be a c.18% increase on FY22 (£47.1m)	Expected to be a c.9% increase on FY23.
Regulatory and professional fees	Expected to be a c.8% increase on FY22 (£9.8m)	Expected to be a single digit % increase on FY23
Occupancy	Expected to be a c.9% increase on FY22 (£2.3m)	Expected to be a single digit % increase on FY23
VAT on software	The VAT cost guidance remains unchanged (as issued in September 2022) - expected to be £2.4m for FY23	

	FY23	FY24
Platform revenue	Platform Buy Commission threshold will be reduced from £200k to £100k in March 2023 (annualised cost of c.£750k). With a long term outlook to remove this fee Due to the impact of markets, and our already announced investment in IT and software development, we will maintain all other platform pricing at current levels	
Net interest income on corporate cash held	Rising yield (in line with SONIA less bank margin) on corporate cash held (FY22: £183m)	
Time4Advice - PBT	Narrowing PBT loss for FY23	PBT positive for FY24

To summarise



- Resilient performance
- Investing in the business
- Award winning Transact platform
- Compelling market opportunity
- Time4Advice Next Generation CURO
- Outlook

Q&A



Appendices

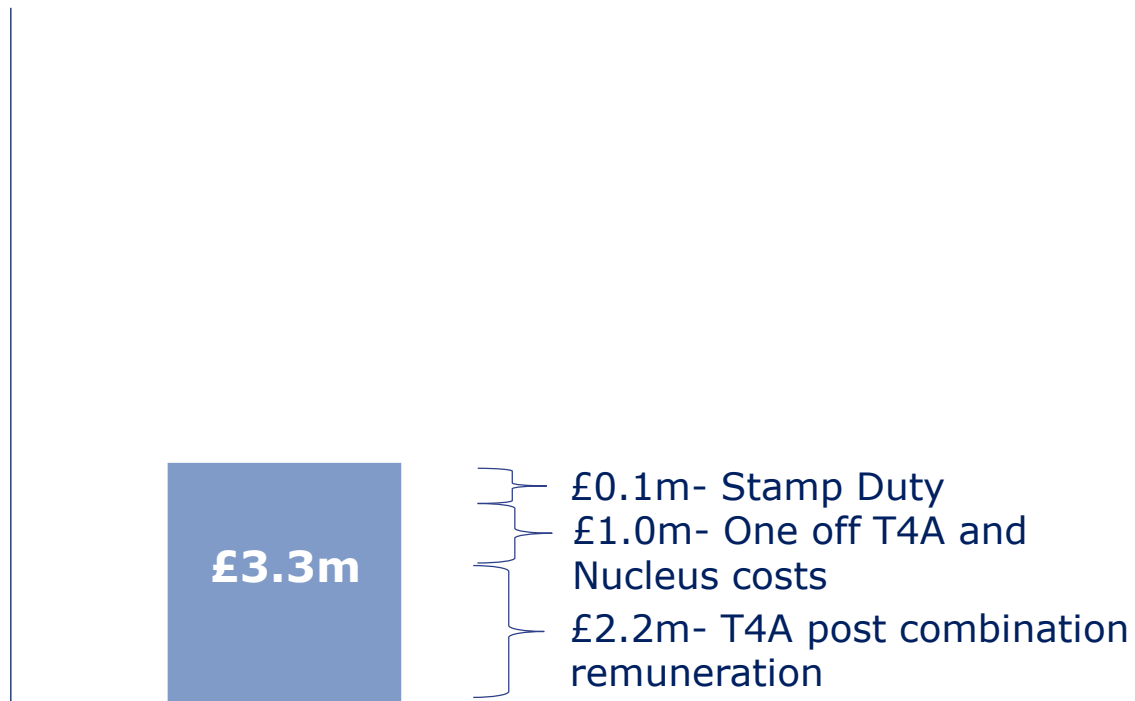


Appendix A - Analysis of non-underlying costs in FY22, and FY21



FY21 Non-underlying costs

£m



FY22 Non-underlying costs

£m

