

IHP Group quarterly update – Q3 of FY 2022

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IHP Group quarterly update - Q3 of financial year 2022

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Headlines

- Our gross inflows for the quarter were £1.7bn and our net inflows over the same period were £1.0bn. Furthermore, our gross inflows and net inflows for the financial year to date remain ahead of the prior year comparative. This is a solid performance, considering the economic and market headwinds in 2022.
- The average daily funds under direction ('FUD') for the quarter was £51.9bn, this was lower than both Q1 and Q2 of financial year 2022, due to the adverse impact of market movements.
- The rate at which new clients and advisers are joining the platform remains consistently strong and provides a solid basis for ongoing platform growth.
- In this quarterly update we also provide cost guidance, including further information on the phasing of the investment in additional IT and software development staff that we announced at our FY22 half year reporting.

	Quarter ended 30 June 2022	Quarter ended 30 June 2021	Financial year to date 30 June 2022	Financial year to date 30 June 2021
	£m	£m	£m	£m
Opening FUD	53,500	46,929	52,112	41,093
Inflows	1,703	1,994	5,770	5,728
Outflows	-703	-657	-2,089	-2,084
Net Flows	1,000	1,337	3,681	3,644
Market movements	-4,152	2,112	-5,321	5,744
Other movements ⁽¹⁾	-48	-68	-172	-171
Closing FUD	50,300	50,310	50,300	50,310
Average daily FUD for the period	51,889	48,677	52,655	45,698

Notes:

(1) Includes fees, taxes and investment income.

Alex Scott, Chief Executive Officer, commented:

I am pleased to report a robust quarter of inflows on to our platform. Net inflows were £1.0bn in spite of a difficult economic and market environment. Outflows remained broadly in line with previous quarters.

The net inflows on to the platform, together with strong and consistent rates of new clients joining the platform (17,949 added to date in FY22, compared to 17,942 for the comparative period in FY21), and newly registered advisers (546 added to date in FY22, compared to 522 for the comparative period in FY21), is testament to the strength of the investment platform offering.

Platform FUD at the end of the third quarter had reduced to £50.3bn as a result of continuing macro-economic and geo-political events impacting both stock and bond markets. This has had a corresponding impact on our core platform revenue.

We announced in our HY22 reporting that we would be increasing investment in IT and software development. We now provide guidance on the previously announced 50 IT and software development staff to be recruited in FY22 and FY23 mainly in relation to the Transact platform.

- This investment in IT and software development will deliver enhancements to our proprietary investment platform and back office software - with enhanced functionality for UK clients and their advisers. Furthermore, this investment will enable us to implement enhanced straight through processing of our operational activities, meaning that we improve our operational efficiencies and the cost effective scalability of our investment platform. This will reduce the additional operational staff required to service additional clients and advisers from FY25.
- With recruitment made to date we expect a total Group staff cost increase of 16% for the full financial year 2022 (excluding T4A post combination remuneration), compared to the prior year (FY21 total Group staff costs: £41.6m). We expect a similar level of percentage increase of total Group staff costs for financial year 2023. Total Group staff costs are then expected to increase by 9% in FY24. This guidance includes the expected impact of continuing higher wage inflation.
- We confirm that after these IT and software development staff have been recruited, we then do not expect any material levels of recruitment in these areas in the period to end of FY27.

We also provide guidance on the other key areas of Group costs:

- We received a significant one-off business rate rebate in FY21. Allowing additionally for a significant increase in energy costs we expect occupancy costs to increase by 72% for the full financial year 2022 compared to the prior year (FY21: £1.4m). In FY23 we expect occupancy costs to increase by 5%.
- Regulatory and professional fees are expected to increase by 28% for the full financial year 2022, compared to the prior year (FY21: £7.6m). This is driven by an increase in regulatory fees, and an increase in professional fees to support our ongoing regulatory requirements as a growing business. We then expect these costs to increase by a single digit percentage in FY23.
- Other costs are expected to increase by 24% for the full financial year 2022 compared to the prior year (FY21: £3.9m). This is driven by an increase of sales and marketing activity in the

period since lockdown restrictions were significantly reduced, and due to an increase in IT equipment that has been expensed. We then expect these costs to increase by 14% in FY23.

The Transact platform rate of net inflows, and the rate of addition of new clients and advisers, gives me every confidence that there is a strong pipeline for future platform growth. Additionally, the software and system enhancements that we are making to the Transact platform mean that we will continue to provide the premier advised platform service in the UK.

T4A's development of the new CURO 365 software is progressing well, and remains on target to be released for beta testing with a major adviser firm client later this year.

The demand for financial advice is as strong as ever. There are significant opportunities for the IHP Group in the growing advised market in which we operate. Therefore, as we have done for over 20 years, we will continue to support UK clients and their financial advisers. I believe it is our combination of in-house proprietary technology, best in class service standards, and resilient and efficient infrastructure, which makes our business model unique and means we are well placed to lead in this sector. I look forward to delivering value for our key stakeholders through the enhancements that we will implement.

Historical flow and FUD data by quarter

	Q4 FY20 £m	Q1 FY21 £m	Q2 FY21 £m	Q3 FY21 £m	Q4 FY21 £m	Q1 FY22 £m	Q2 FY22 £m	Q3 FY22 £m
Opening FUD	39,711	41,093	44,824	46,929	50,310	52,112	54,539	53,500
Inflows	1,291	1,581	2,153	1,994	1,967	1,976	2,092	1,703
Outflows	-560	-741	-686	-657	-660	-688	-697	-703
Net Flows	731	840	1,467	1,337	1,307	1,288	1,395	1,000
Market movements	690	2,938	694	2,112	553	1,207	-2,376	-4,152
Other movements ⁽¹⁾	-39	-47	-56	-68	-59	-68	-58	-48
Closing FUD	41,093	44,824	46,929	50,310	52,112	54,539	53,500	50,300
Average daily FUD for the period	40,607	42,905	45,873	48,677	51,647	53,514	52,551	51,889

Notes:

(1) Includes fees, taxes and investment income.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF EU REGULATION 596/2014 (WHICH FORMS PART OF DOMESTIC UK LAW PURSUANT TO THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("EUWA")) ("UK MAR")

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