



# Results Presentation

Full year ended 30 September 2023

*“Resilient performance and continued growth”*

## Agenda



1. Group highlights

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- 2 Transact performance

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3. Financial update

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4. Guidance and outlook

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- 5 Q&A

## Group highlights

<p>Record high FUD level, and strong net inflows during FY23</p> <p><i>Record high year-end FUD on the platform at £55.0bn, and resilient net flows of £2.7bn</i></p>	<p>Award-winning platform</p> <p><i>The Transact platform won Platform of the Year at the Schroders UK Platform awards 2023 and was named CoreData 'Large Platform' of the year 2023</i></p>	<p>Winning market share in a growing market</p> <p><i>Transact's share of the UK adviser platform market has grown to 10% of FUD</i></p>
<p>Compelling market opportunity</p> <p><i>Strong market dynamics with platform sector assets expected to grow by 11% p.a. over the next five years<sup>(1)</sup></i></p>	<p>A Consumer Duty aligned platform</p> <p><i>The Transact platform provides clients with a high-quality service and value for money on fees, and passes on all client interest earned on client cash balances at a market-leading rate</i></p>	<p>Outlook</p> <p><i>Resilient business model, delivering the digital-first Transact platform proposition with enhanced efficiency and operational leverage</i></p>

(1) Fundscape Q323 November, Realistic Scenario

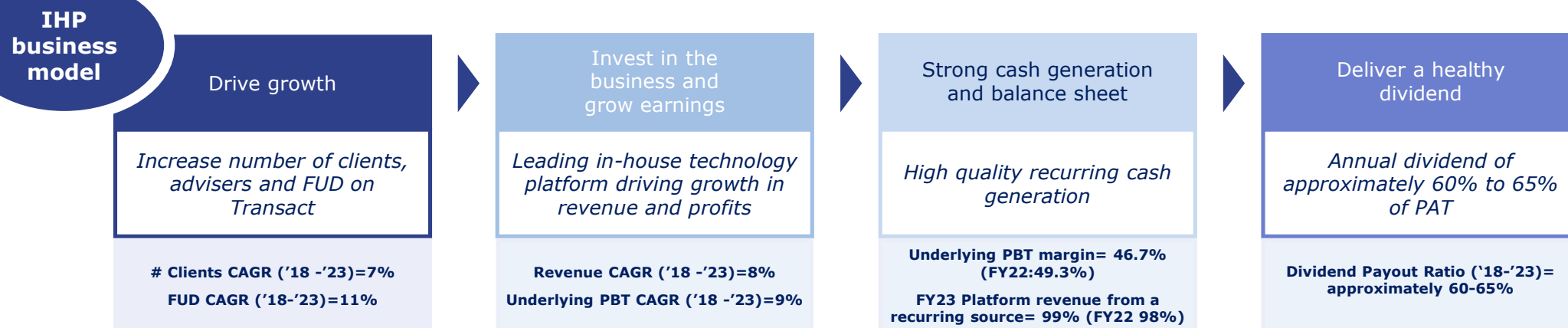
## We remain focused on our clear strategy and business model

**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, with a Consumer Duty aligned adviser platform
- 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 investment platform for clients and advisers
  - the Time4Advice (T4A) adviser practice management solution (CURO)

Our model is simple:



## Our business model is delivering growth



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

FY23  
results

### Drive growth

- Advisers +2% to 7.7k; clients +2% to 230.3k
- Net inflows of £2.7bn
- Group revenue +1% to £134.9m
- Continue to gain market share

### Invest in the business and grow earnings

- Underlying PBT of £63.0m – margin of 46.7%
- Underlying EPS 15.2pps
- Proprietary technology investment to deliver enhanced platform operational leverage

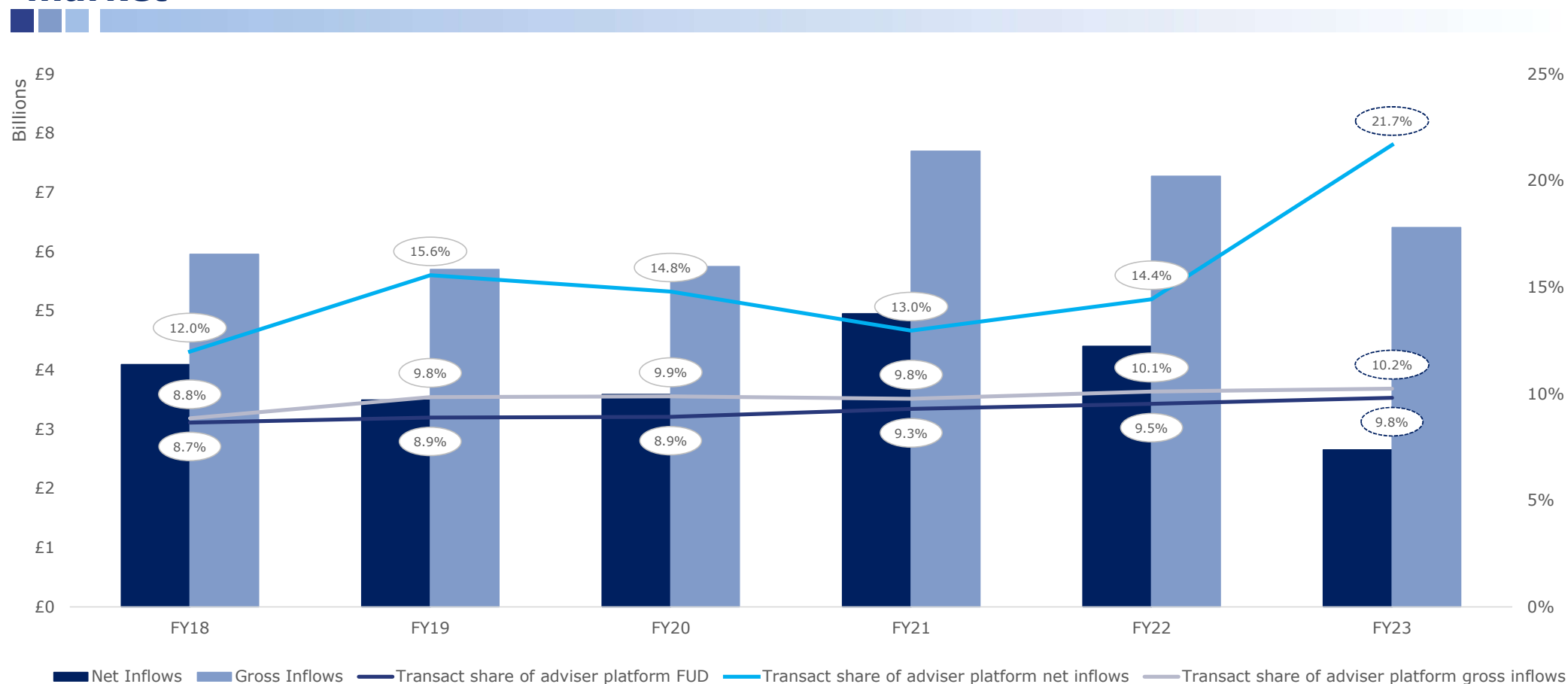
### Maintain cash generation and a strong balance sheet

- Strong cash flows
- Cost management
- Resilient balance sheet with no debt

### Deliver on dividend policy

- Total dividend for FY23 of 10.2pps

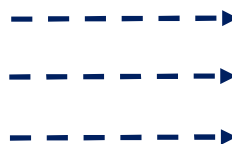
## Transact's growing share of FUD and flows in the UK adviser platform market







## Transact platform digitalisation is enhancing service and efficiency

### FY23

-  Grew online platform functionality
-  Grew number of adviser self-serve options
-  Advanced digitalisation of formerly paper-based forms
-  Hired UK-based Group Chief Technology Officer



### This enhances adviser firm experience and enhances platform efficiency

-  Strong adviser firm uptake of online functionality, and 'Live chat' usage has increased by 25% and completed 'Co-browses' increased by 41% in FY23
-  Transact adviser firm users are typically 'satisfied' or 'very satisfied' with Transact's online functionality, and use TOL daily \*
-  Transact rated top by Advisers for service provided by a large platform (>£10bn) in the Investment Trends Report 2023\*\*
-  Allows our client service team more time to focus on the most value-added tasks for adviser firms and clients

### Beyond FY23 the digitalisation programme will deliver...

- Enhanced Transact platform efficiencies and operational leverage
- Future functionality and operational process developments that are digital-first
- Expanded data interface between the Transact platform, T4A CURO and other external back-office providers and software tools

Source: \*Transact Adviser Survey 2023 72% of respondents are 'satisfied' or 'very satisfied' & 66% of respondents use Transact Online daily \*\*Investment Trends 2023 UK Adviser Technology & Business Report 2023

# Transact performance





## Robust Transact platform performance during FY23

- Record closing FUD £55.0bn (FY22 £50.1bn)
- Average daily FUD for the financial year £53.6bn (FY22 £52.5bn)

### Advisers



**7.7k up 2%** (FY22: 7.5K)

#### Adviser Concentration:

- Low levels of adviser concentration
- Top 125 adviser firms hold less than 50% of platform FUD

### Clients



**230.3k up 2%** (FY22: 224.7K)

#### Average Client Profile :

- £234k portfolio value
- £378k family-linked portfolio value
- Platform average client age of 59

(1) Reduction in client numbers (4.2k) in Q2 FY23 due to an ongoing review of portfolios with small residual balances to improve platform efficiency

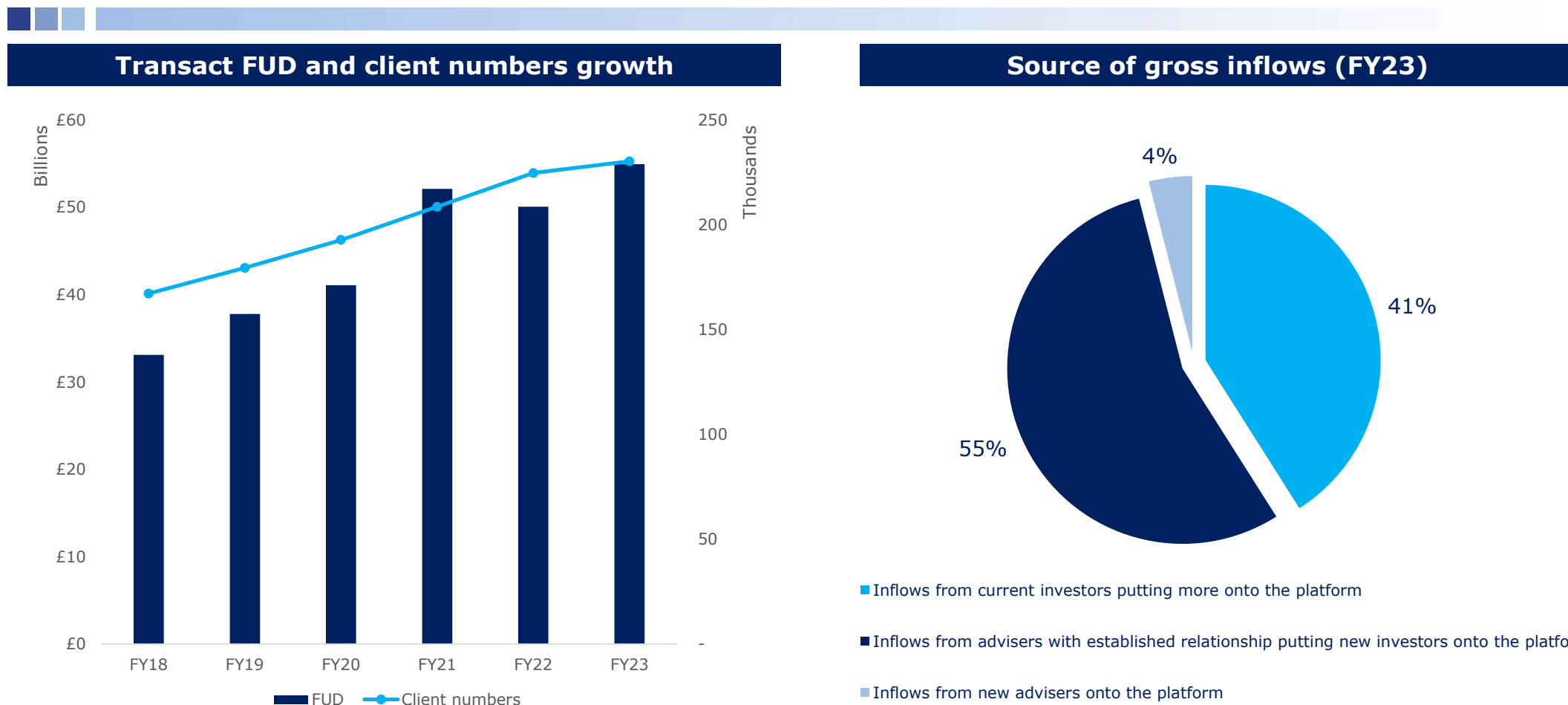
## Transact had the 2nd highest net inflows across adviser platforms in FY23



Adviser platforms with highest net inflows in FY23		
1	True Potential	£3.7bn
<b>2</b>	<b>Transact</b>	<b>£2.7bn</b>
3	Aviva	£2.6bn
4	AJ Bell	£1.9bn
5	Quilter	£1.6bn









- Transact's growth in FUD, clients and advisers is wholly organic
- Transact is growing market share of adviser platform FUD and net inflows

## Resilient growth of the Transact platform



(1) Reduction in client numbers (4.2k) in Q2 FY23 due to an ongoing review (to improve platform efficiency) of portfolios with small residual balances













## The Transact platform has grown to be one of the largest adviser platforms in the UK

	Platform	FUD as at 30.09.23	Percentage of adviser market FUD	Technology Provider
1	Quilter	£69.7bn	12%	
2	Abrdn	£68.5bn	12%	
<b>3</b>	<b>Transact</b>	<b>£55.0bn</b>	<b>10%</b>	<b>Proprietary</b>
4	Aegon	£48.7bn	9%	
5	AJ Bell Investcentre	£48.2bn	9%	
6	Fidelity	£46.8bn	8%	
7	Nucleus	£43.8bn	8%	
8	Aviva	£41.6bn	7%	
9	Scottish Widows	£27.6bn	5%	
10	True Potential	£25.3bn	5%	Proprietary

- Our award-winning service and Consumer Duty aligned proposition has helped us become one of the largest adviser platforms in the UK
- Our proprietary technology is a key differentiator as we continue to grow market share
- Our size enables us to benefit from economies of scale – delivering a Group underlying PBT margin of 47% in FY23

## Transact's award-winning service proposition

- Maintained the title of 'Best Large Platform' - CoreData 2023\*
- Schroders Platform of the Year 2023
- Schroders Leading Platform for Discretionary Management 2023
- Platform – highest satisfaction rating from primary users (91%)\*\*

	Investment Trends (>£25bn FUD)***	CORE DATA research Category: Large Platform (>£30bn FUD)
2023		
2022		
2021		
2020		
2019		
2018		

\*\*\*Transact has derived platform size using Fundscape data

CoreData 2023 Overall average Score – Large Platform functionality		
Rank	Platforms	Score
1 <sup>st</sup>	Transact	8.4
2 <sup>nd</sup>	Abrdn (Wrap and Elevate)	8.1
3 <sup>rd</sup>	Quilter	8.0
4 <sup>th</sup>	Fidelity Adviser Solutions	8.0
5 <sup>th</sup>	Nucleus Financial Platforms group (James Hay Online and Nucleus Wrap)	7.9
6 <sup>th</sup>	Aviva	7.7
7 <sup>th</sup>	AJ Bell	7.0
8 <sup>th</sup>	Embark	6.7

Source: \*Investment Trends 2023 UK Adviser Technology & Business Report 2023 & CoreData UK Investment Platform Study 2023 & \*\*Platform UK Adviser Platform Selection Guide – August 2023 assets

## The Transact platform continues to meet adviser needs

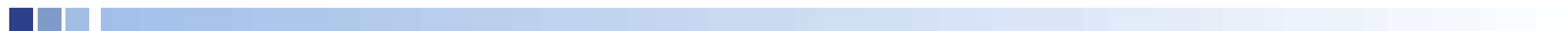


### Key factors for adviser firms choosing a platform – according to Platforum research

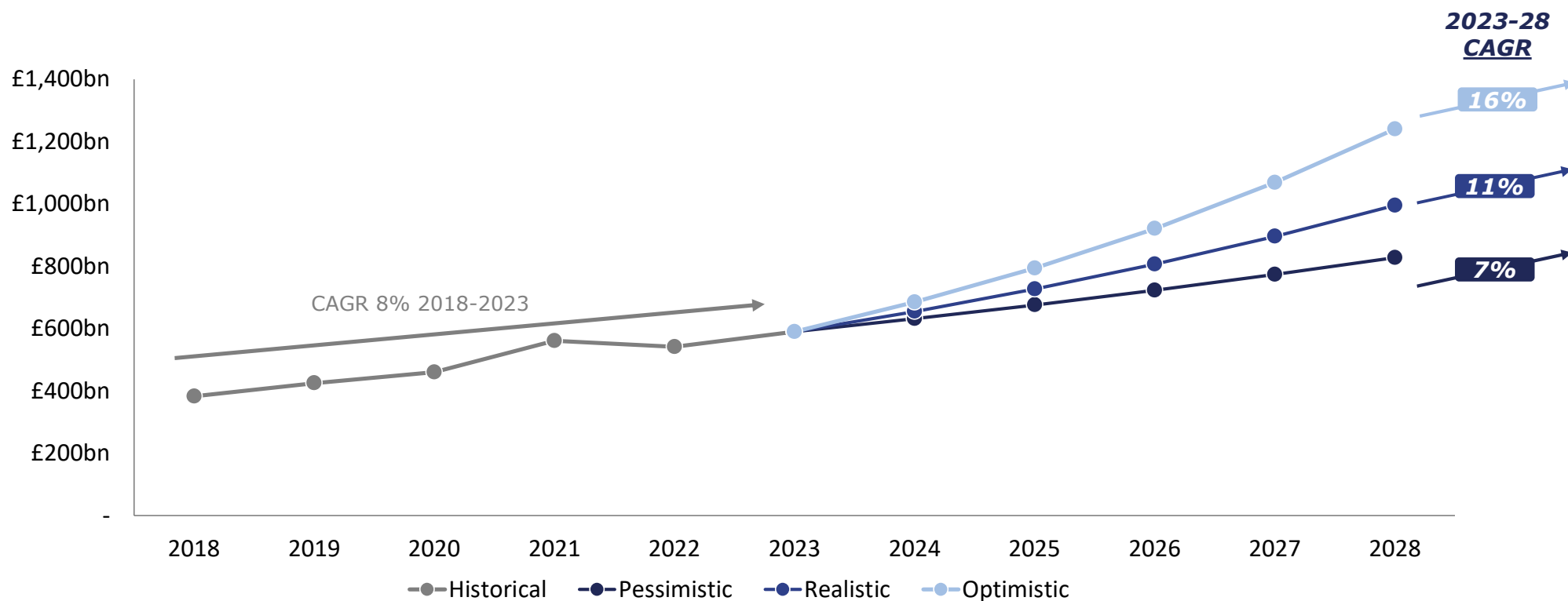
Customer service levels	<ul style="list-style-type: none"> <li>• Transact rated top by Advisers for service provided by a large platform (&gt;£10bn) in the Investment Trends Report 2023</li> </ul>
Functionality	<ul style="list-style-type: none"> <li>• Transact ranked 1<sup>st</sup> for 'Functionality' out of the 'Large' platforms (&gt;£30bn) in the CoreData Investment Platform Study 2023</li> </ul>
Charges	<ul style="list-style-type: none"> <li>• The Transact platform provides a Consumer Duty aligned value for money proposition through its high-class service and platform technology. All client cash interest is paid onto clients</li> </ul>
Usability	<ul style="list-style-type: none"> <li>• Transact was ranked 1<sup>st</sup> for 'General usability' in Platforum Issue 55 August 2023</li> </ul>
Supporting my firm's proposition	<ul style="list-style-type: none"> <li>• Transact was ranked 1<sup>st</sup> for 'Choice of funds and tax wrappers' in Platforum Issue 55 August 2023</li> </ul>

Source: Investment Trends Adviser 2023 UK Adviser Technology & Business Report & CoreData UK Investment Platform Study 2023 & Platforum UK Adviser Platform Guide – August 2023 (>£25bn assets)

**We are gaining market share, in a market with solid growth forecasts**



### Adviser platform assets – forecast by Fundscape



## A Consumer Duty aligned platform



### Treatment of client cash interest

- Market leading interest rate earned on client cash is fully paid onto clients - interest rate paid on pooled client cash (instant access) for September 2023 was 4.9%
- Client cash is actively managed using 7 highly rated UK banks
- 7% of total Transact platform FUD is held by clients as cash

### Fair value

- Clear charging model and value for money pricing structure
- Initiatives undertaken to close extremely low value portfolios

### Products and Services

- One of the largest range of wrappers in the platform market
- Leading range of third-party DIMs (>120 DIMs, >1,000 models)
- Simplified literature and communications to clients



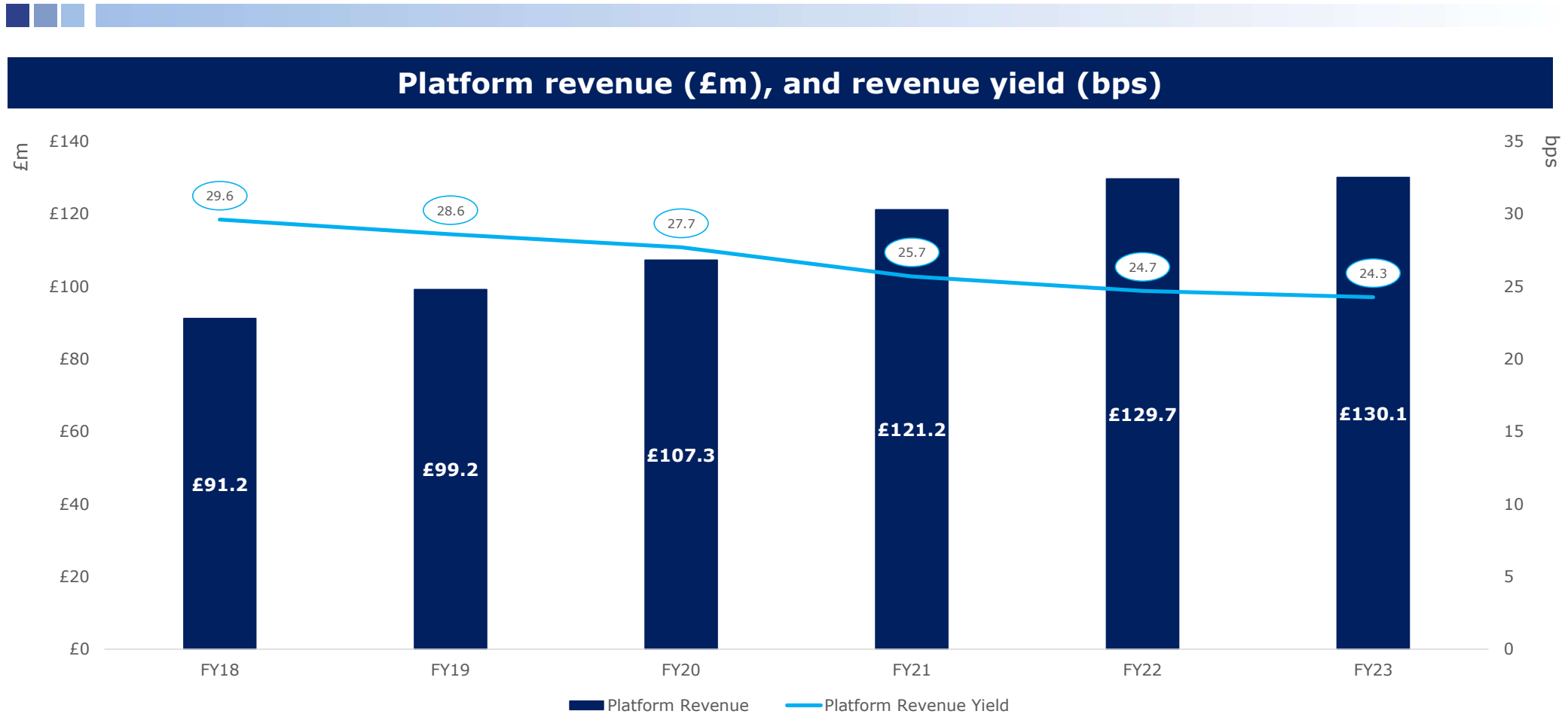
# Financial update



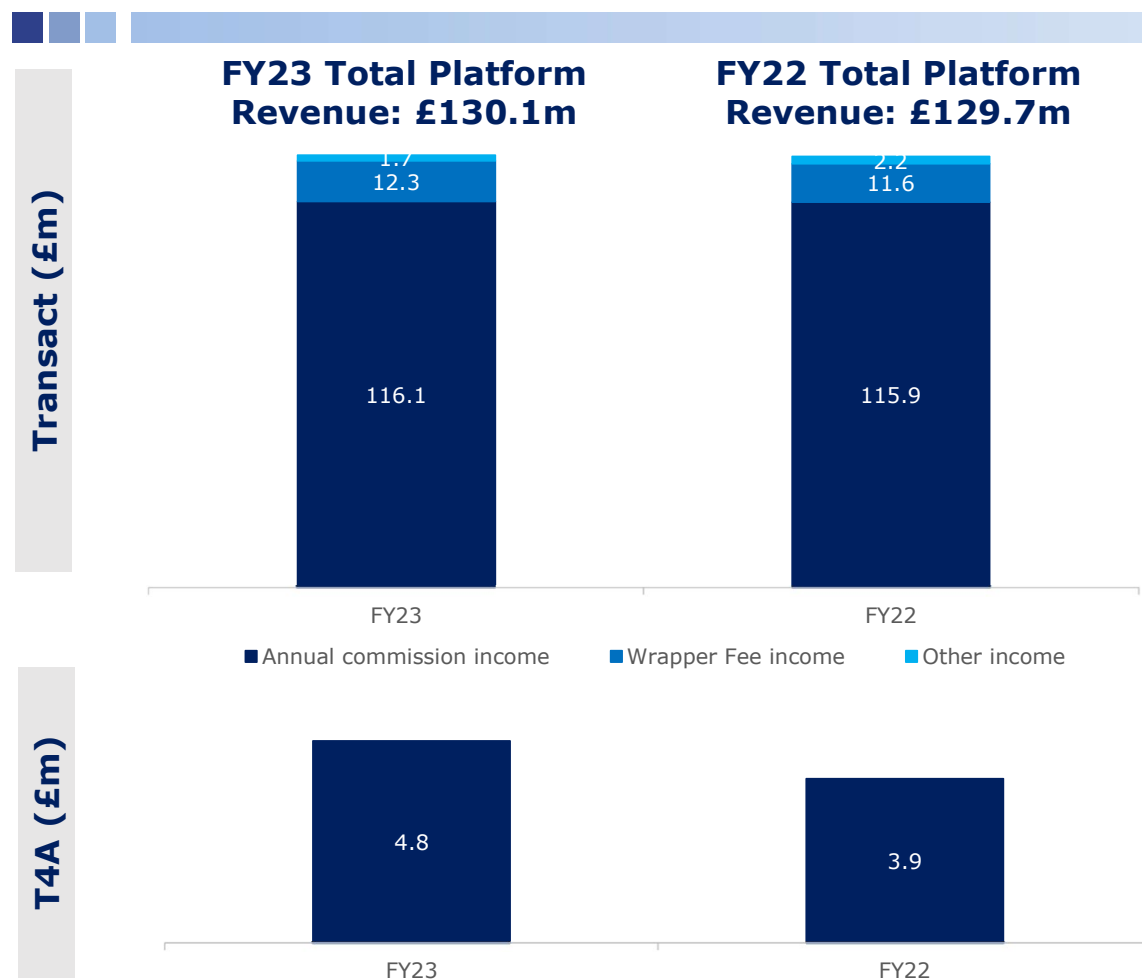
## Financial headlines FY23

£m	IHP Group FY 23	IHP Group FY 22	
<b>Group revenue (£m)</b>	<b>134.9</b>	<b>133.6</b>	
<b>Underlying Group PBT (£m)</b>	<b>63.0</b>	<b>65.8</b>	<ul style="list-style-type: none"> <li>The underlying Group PBT for FY23 has declined as a result of: <ul style="list-style-type: none"> <li>planned investment in the Transact platform digitalisation programme</li> <li>inflationary cost pressures</li> </ul> </li> </ul>
<i>Underlying Group PBT margin</i>	<i>46.7%</i>	<i>49.3%</i>	
<b>Underlying Group earnings per share (pence)</b>	<b>15.2</b>	<b>16.3</b>	<ul style="list-style-type: none"> <li>FY23 underlying result is after adjusting for non-underlying expenses of £0.4m</li> </ul>
<b>IFRS reported Group PBT (£m)</b>	<b>62.6</b>	<b>54.3</b>	
<b>IFRS reported Group earnings per share (pence)</b>	<b>15.1</b>	<b>13.3</b>	

## Platform revenue continues to grow, with moderate revenue yield decreases from our pricing initiatives



## Consistent Group revenue performance



### Transact platform revenue includes a mix of:

- Recurring annual commission (dependent on average FUD levels)
- Wrapper fees (fixed £ charge, dependent on the number of wrappers)
- Other income including buy commission

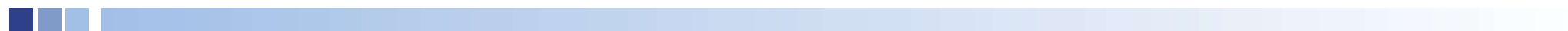
Platform revenue for FY23 includes the impact of the following:

- Buy commission reductions in March 2022 & 2023
- Annual commission reduction in July 2022
- No increase in fixed fees in a high inflationary environment

### T4A:

- T4A generated FY23 revenue of £4.8m, an increase of 23% from FY22 (FY22: £3.9m)
- Comprising £4.0m of recurring revenue from adviser firms licensed to use CURO (FY22: £3.2m)
- License fee paying users of CURO up 22% from FY22 to 2.8k (FY22: 2.3k)

## Costs managed in line with expectations

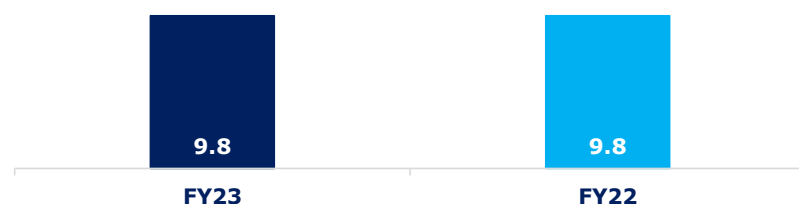


**Staff Costs (£m)**



- Staff costs have increased in FY23 due to the planned increase in total average staff headcount, staff pay increases in recognition of the cost of living, and a salary/bonus restructure in October 2022
- Recruitment of IT and software professionals advancing despite competitive IT recruitment market

**Regulatory and Professional Fees (£m)**



- Regulatory and professional fees have remained flat year on year

**Occupancy (£m)**



- A modest increase in occupancy costs due to accounting for office lease extensions

## Healthy Group liquidity position and cash generation

Group liquidity position (£m)		As at 30.09.23	Dividend			
			FY23	FY22	FY21	
<b>Total Group consolidated cash</b>		<b>177.9</b>	<b>Per share</b>			
Total Group cash held for: regulatory requirements; risk appetites; foreseeable dividend; and business as usual taxation requirements		150.8	Ordinary – first interim	3.2 pence	3.2 pence	3.0 pence
Group cash not specifically allocated to risk appetite purposes		27.1	Ordinary – second interim	7.0 pence	7.0 pence	7.0 pence
			Total dividend	10.2 pence	10.2 pence	10.0 pence

- FY23 second interim dividend of 7.0 pence per ordinary share, resulting in a total dividend for FY23 of 10.2 pence per share

# Guidance and outlook



## Financial guidance for FY24 remains unchanged



	FY24
<b>Platform revenue</b>	<ul style="list-style-type: none"> <li>Platform buy commission, and wrapper fee for JISAs, will be removed from March 2024 – total annualised cost of £600k to revenue</li> </ul>
<b>Staff costs</b>	<ul style="list-style-type: none"> <li>Expected to be a c.12% increase on FY23, primarily driven by the increase in headcount to deliver platform digitalisation (FY23:£53.9m)</li> </ul>
<b>Regulatory and professional fees</b>	<ul style="list-style-type: none"> <li>Expected to be a c.12% increase on FY23 (FY23:£9.8m), driven by expected regulatory fee increases and inflationary professional fee increases</li> </ul>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>Expected to be a minimal % increase on FY23 (FY23:£2.8m)</li> </ul>
<b>Non-underlying expenses</b>	<ul style="list-style-type: none"> <li>Expected to be c.£2.3m in FY24 – primarily post combination remuneration for the acquisition of T4A</li> </ul>
<b>Time4Advice - PBT</b>	<ul style="list-style-type: none"> <li>Narrowing PBT loss for FY24</li> </ul>

Outlook beyond FY24
<ul style="list-style-type: none"> <li>Platform digitalisation programme will be well advanced, delivering enhanced operational efficiency</li> <li>Significant moderation in cost growth rates</li> <li>Platform pricing will continue to be kept under review</li> </ul>



## Summary



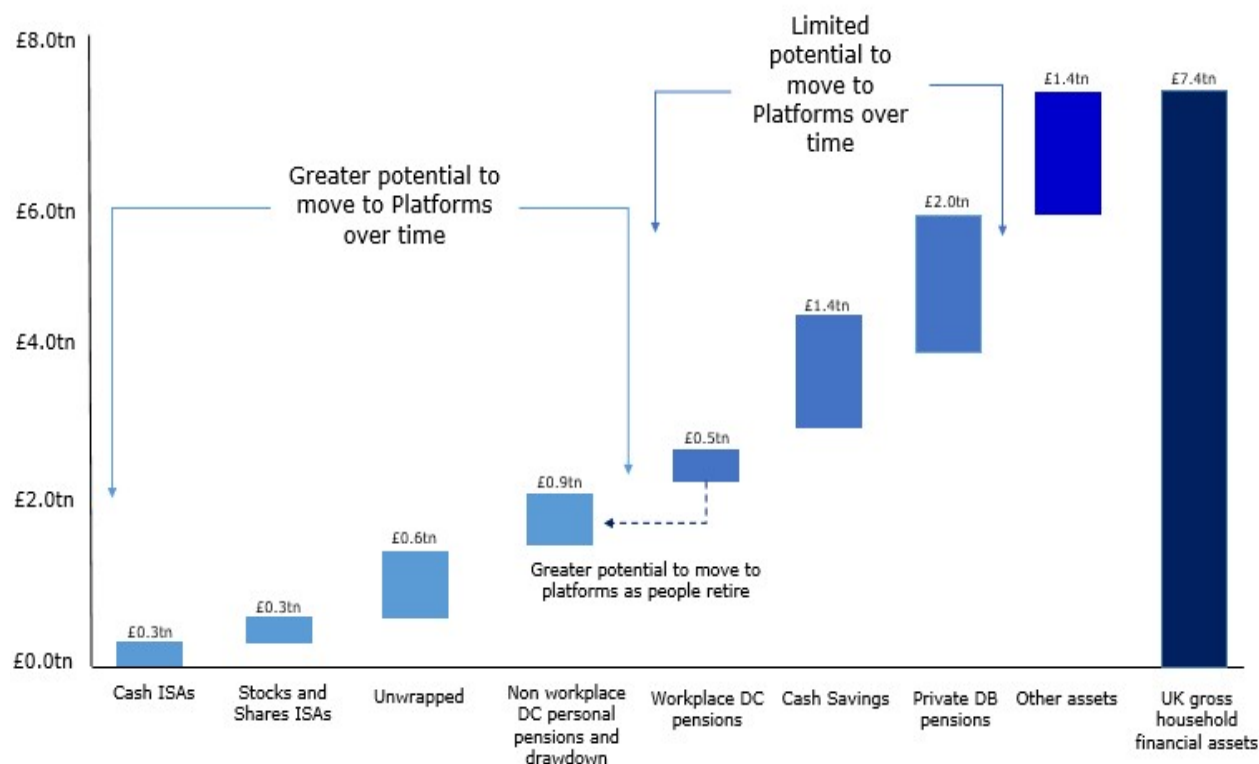
-  **Resilient performance in volatile markets**
-  **Award-winning proposition driving growth in market share**
-  **A Consumer Duty aligned platform**
-  **Transact digitalisation driving improved service and operational efficiency**

# Q&A

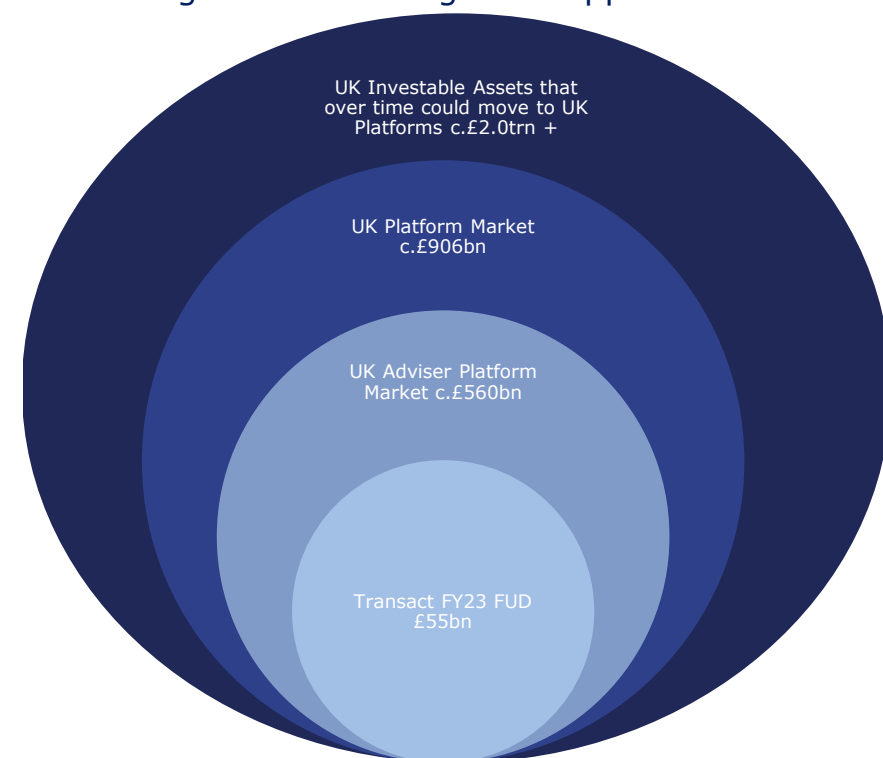


## Appendix 1- Transact growth opportunity from substantial UK assets off platform

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

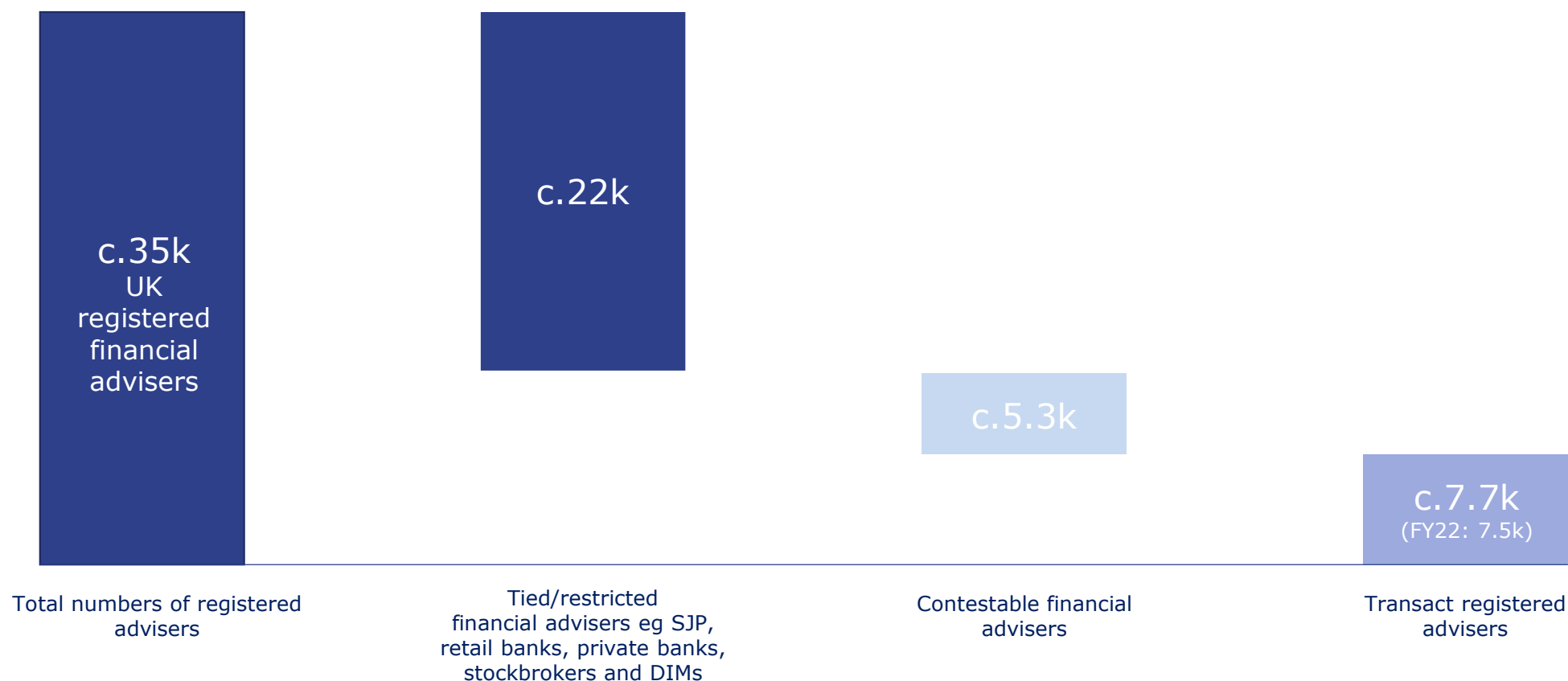


Source: Company research & Fundscape Q323 November

## Appendix 2- 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



## Appendix 3- Progress in creating a more sustainable business



### Responsible business

- The Group is committed to achieving net zero in the decade leading up to 2050
- Working with external consultants Brite Green to develop environmental sustainability plans and improve the quality of data collection on our emissions across the Group
- Signed up to the Women in Finance Charter



### Our People

- 94% satisfaction rate for employee well-being
- 93% agreement that our values are aligned to the way we do business
- During Mental Health Awareness Week 2023 we opened a new well-being suite at our Clement's Lane office. We also ran a series of workshops and webinars to engage employees on a range of mental health issues



### Community

- We jointly sponsored an adviser organised 'Rock for Ukraine' event in London, raising money for Ukraine charities
- The Group has partnered with Kingston University to provide finance students from diverse backgrounds with the opportunity to complete work experience at our London office

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