



# Results presentation

Six Months ended 30 November 2010

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# Disclaimer

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Financial tables contain un-rounded numbers to ensure consistency with the Financial Statements.

Market share data on slide 19 has been provided by Investment Trends Pty Limited. Contact Mark Johnston; [mark@investmenttrends.com.au](mailto:mark@investmenttrends.com.au) phone: +61 400 841 995 website: [www.investmenttrends.co.uk](http://www.investmenttrends.co.uk)



# Overview

## Business growth despite lower market volatility

### FY11 H1 performance

- Revenue impacted by a period of low and falling volatility
- Business fundamentals strong
  - 14% growth in active clients
  - 25% increase in client balances<sup>1</sup>
- Global presence strengthened through South Africa acquisition
- Impairment related to Japanese business

### Ongoing strategy unchanged

- Maintain market leading positions in existing markets
- Continue to expand IG's global reach
- Maintain technology lead
- Ensure high levels of client service

(1) Nov-10 vs. Nov-09 comparison



# FY11 H1 summary

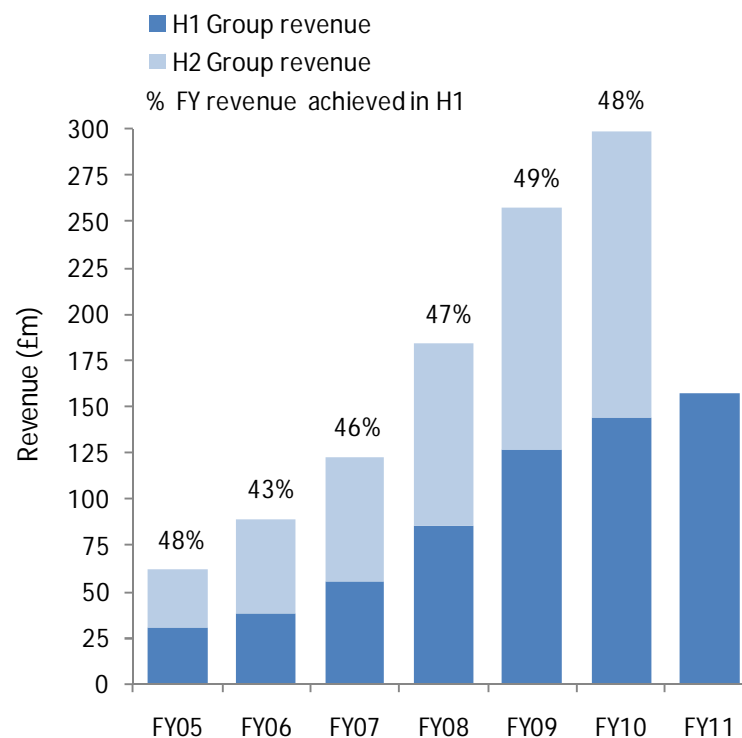
## FY11 H1 results

- Net trading revenue £156.7m, up 9%
- Adjusted PBT<sup>1</sup> £81.6m, up 5%
- Adjusted EPS<sup>1</sup> 16.1p, up 5%
- Interim dividend of 5.25p, up 5%

## Current trading

- Quieter than expected December
- Higher activity levels in January

## Net trading revenue since IPO



(1) Excludes amortisation of intangibles arising on consolidation of FXOnline



# Business review

# Income statement

## Revenue and profit growth continues

### Year on year comparison

	H1 11	H1 10		FY10
	£m	£m		£m
<b>Net trading revenue</b> <sup>1</sup>	156.7	143.8	<b>9%</b>	298.6
Other net operating income	2.6	-0.3		1.2
<b>Net operating income</b>	159.3	143.4		299.7
Operating costs	-72.8	-62.4		-133.8
<b>EBITDA</b>	<b>86.5</b>	<b>81.0</b>	<b>7%</b>	<b>165.9</b>
<i>Margin</i> <sup>2</sup>	<b>55.2%</b>	<b>56.4%</b>		<b>55.6%</b>
Depreciation and amortisation	-4.6	-3.4		-8.6
EBIT	81.9	77.6		157.3
Interest received	-0.3	0.4		0.4
<b>PBT (adjusted)</b> <sup>3</sup>	<b>81.6</b>	<b>78.0</b>	<b>5%</b>	<b>157.6</b>
<i>Margin</i> <sup>2</sup>	<b>52.1%</b>	<b>54.3%</b>		<b>52.8%</b>
Amortisation and impairment of intangibles on consolidation of FXOnline	-150.7	-9.0		-17.3
PBT (statutory)	-69.1	69.0		140.3
<b>Diluted EPS (adjusted)</b> <sup>3</sup>	<b>16.10p</b>	<b>15.28p</b>	<b>5%</b>	<b>30.77p</b>
Dividend per share	5.25p	5.00p		18.50p

- Margins maintained above 50%
- Statutory PBT loss reflects non-cash impairment of FXOnline acquisition
- Proposed interim dividend of 5.25p

(1) Net trading revenue is net of payments made to introducing brokers

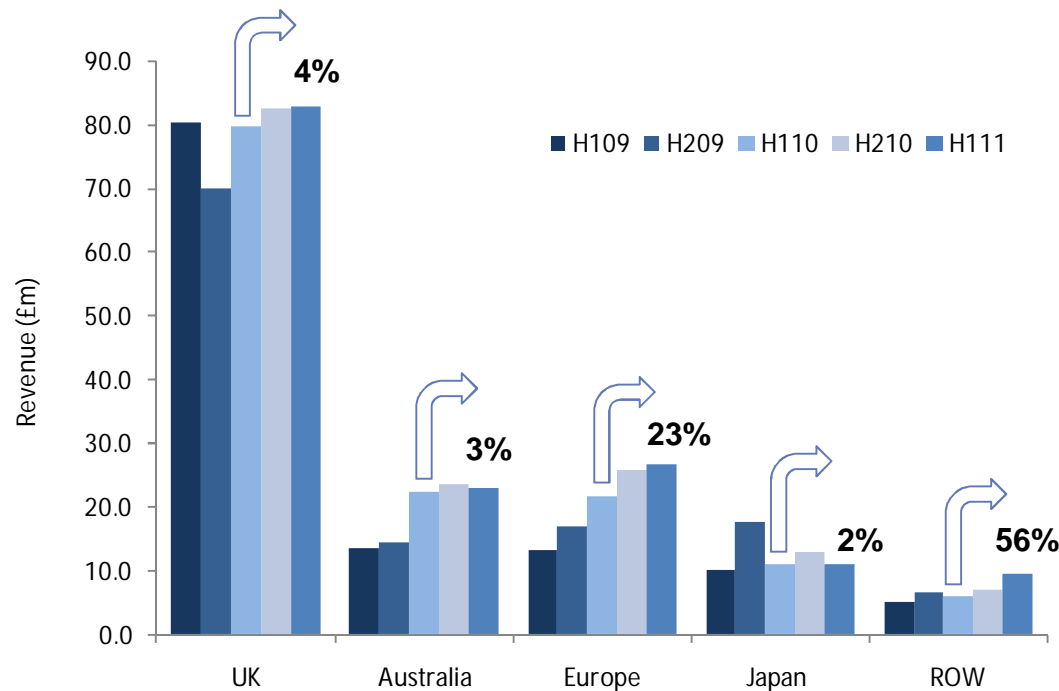
(2) Margin based on net trading revenue

(3) Excludes amortisation of intangibles and impairment on consolidation of FXOnline

# Net trading revenue by region

## Growth against tough comparatives

Year on year comparison: H1 11 vs. H1 10 revenue



- Tough comparatives for UK & Australia in FY10
- Europe
  - Germany step change in revenue
- ROW boosted by addition of South Africa
  - 41% like-for-like growth mainly down to Singapore<sup>1</sup>

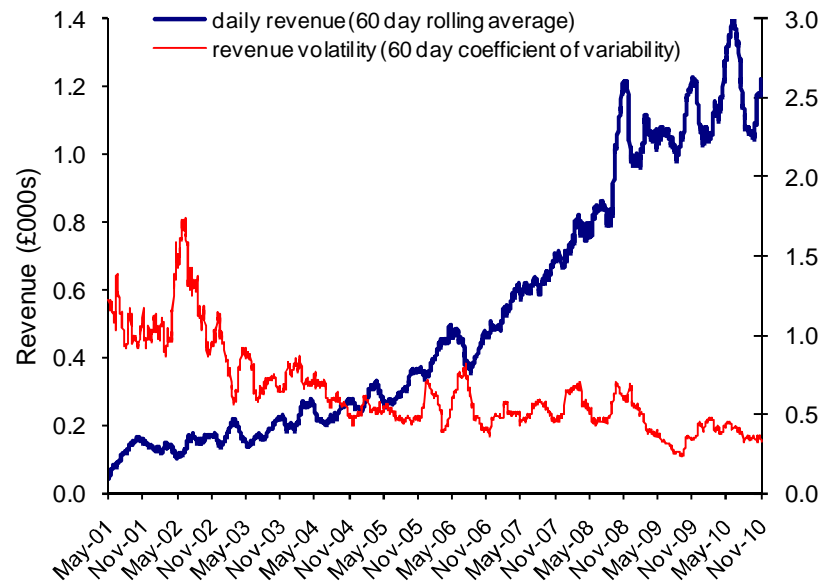
(1) Ideal SA acquired in FY11 H1 and reported in ROW, prior to acquisition IB revenue stated in UK



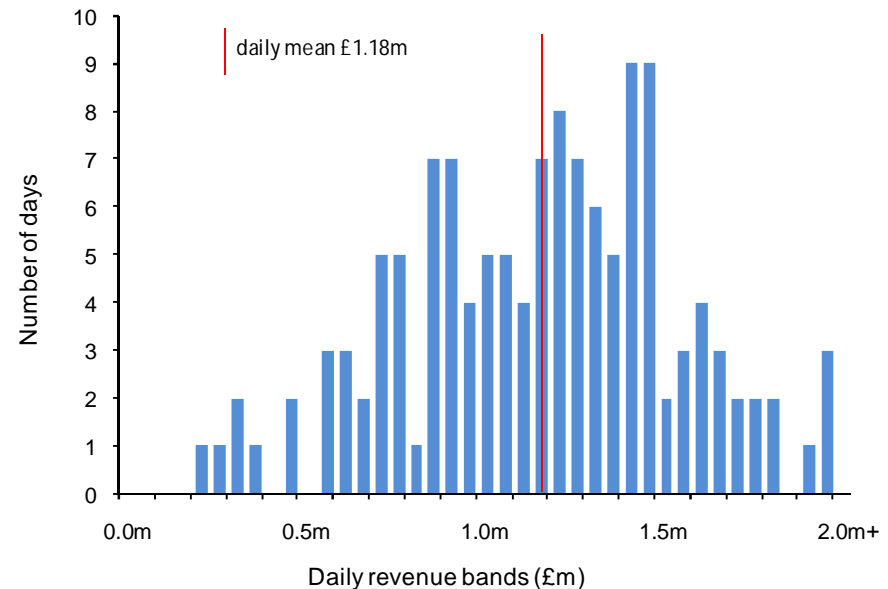
# Volatility of trading revenues

## Trading revenue volatility remains low

### Daily trading revenue volatility



### Distribution of H1 11 daily trading revenue



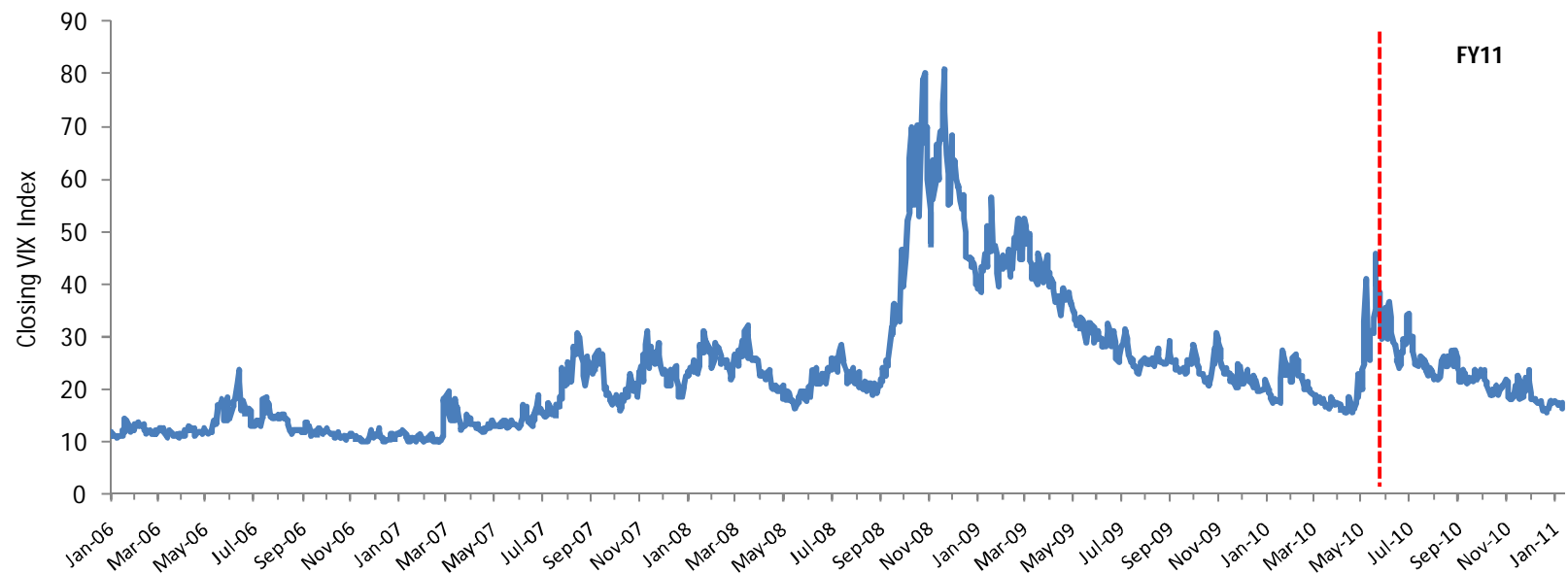
- Volatility of revenue remains in a tight range
- No loss making day since 26th May 2008



# Market volatility

H1 11 impacted by declining volatility

VIX index historical trend – last 5 years



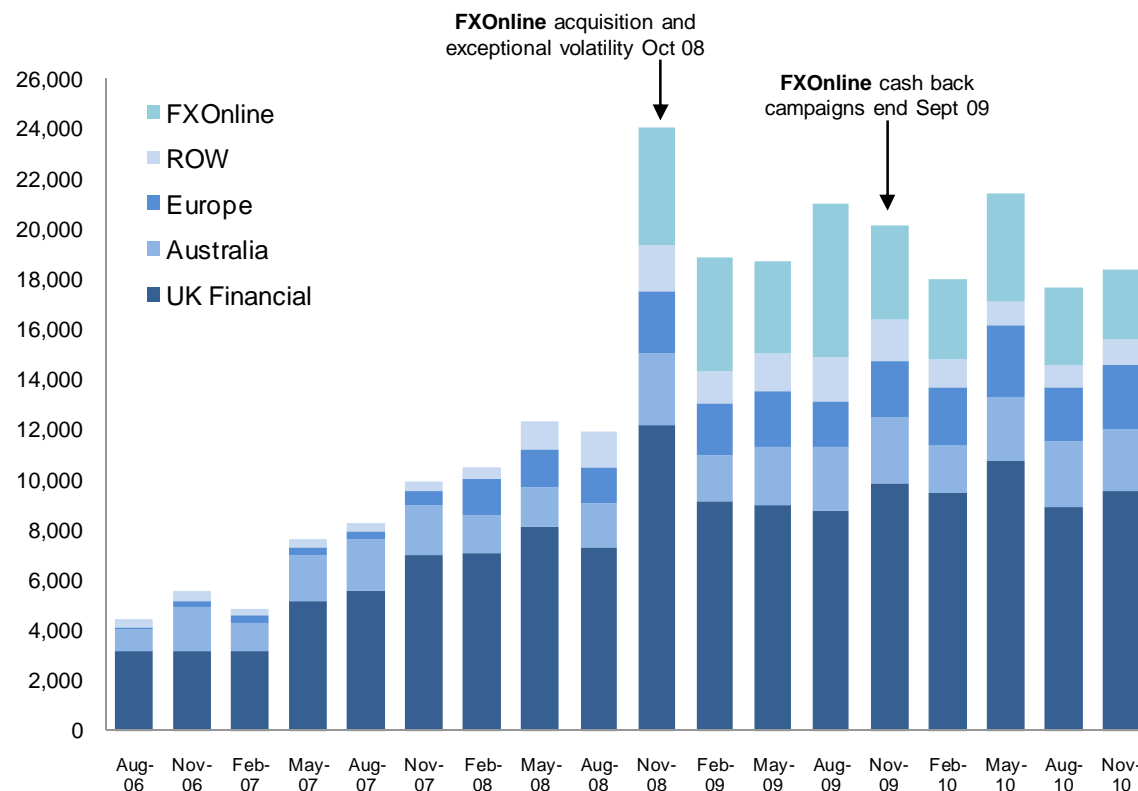
- Volatility falling for much of the period
- Uptick in volatility in November short-lived
- 3 ½ year VIX low in December 2010



# Client recruitment

## Account opening remains a key lead indicator

### Quarterly account opening



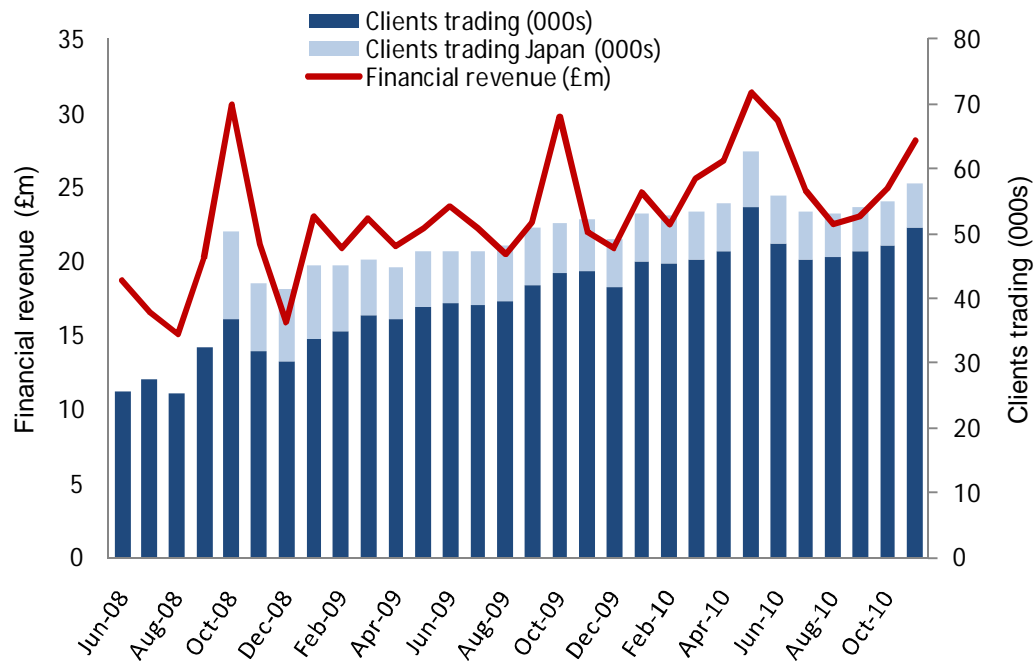
- 36k new H1 11 financial accounts opened
- 12% down year on year (4% down excl Japan)



# Active clients

## Revenue growth reflects growth in active client numbers

### Monthly revenue and active clients trend FY09-FY11



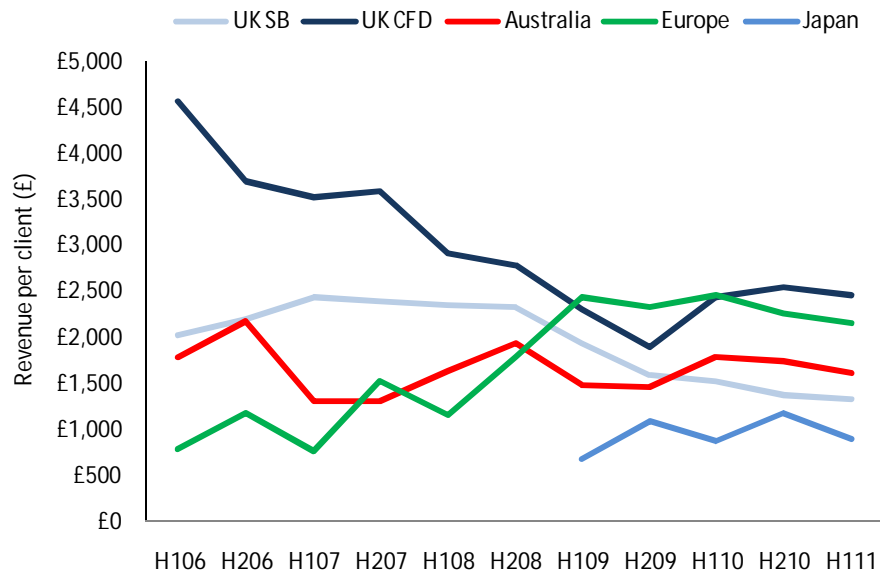
- In H1, Financial revenue increased by 9%
  - Active clients increased by 14% (17% excl Japan)
  - Revenue per client fell by 5% (7% excl Japan)



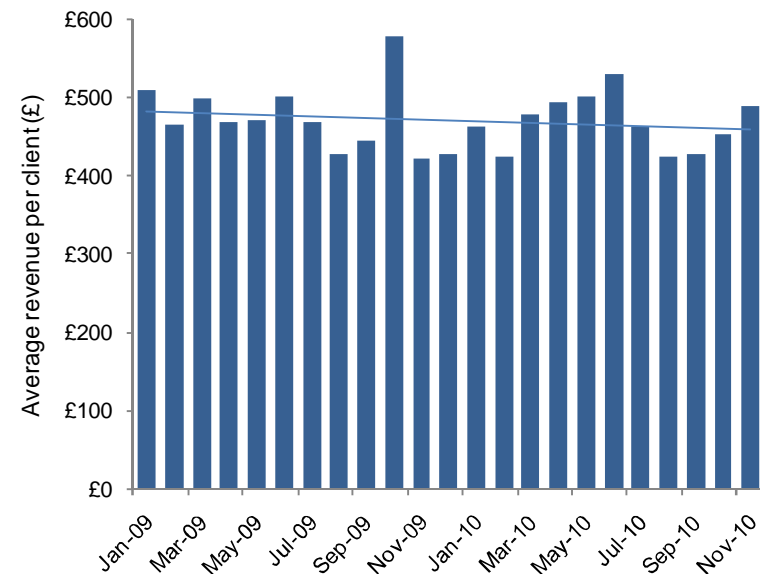
# Trading revenue per client

## Revenue per client impacted by falling volatility

Half yearly revenue by client FY09 to FY11<sup>1</sup>



Monthly revenue per client 2009-2010



(1) Unique clients trading in each half year (Financial only)



# Cost base

## Remuneration and marketing make up 75% of cost base

### Year on year comparison

	<b>FY11 H1</b>	<b>H1</b>	<b>FY10 H2</b>	<b>Total</b>
	£000	£000	£000	£000
Salaries	27,090	21,737	23,202	44,939
Bonus	8,892	9,942	12,391	22,333
LTIP/SIP	2,098	1,577	3,205	4,782
Advertising and marketing	16,774	12,768	14,529	27,297
IT, Market Data and Communications	6,347	6,140	5,645	11,785
Premises related costs	4,240	3,206	3,463	6,669
Legal, Professional & Regulatory Fees	2,895	2,796	3,187	5,983
Staff related and recruitment costs	1,963	1,277	1,853	3,130
Doubtful debts charge / credit	-1,410	63	-1,127	-1,064
Other overheads	3,235	2,276	1,230	3,506
<b>Ongoing operating costs</b>	<b>72,124</b>	<b>61,782</b>	<b>67,576</b>	<b>129,360</b>
Exceptional property costs <sup>1</sup>	651	609	3,813	4,422
<b>Total operating costs</b>	<b>72,775</b>	<b>62,391</b>	<b>71,389</b>	<b>133,782</b>

- Ongoing operating costs up 17% year on year
- H1 11 average headcount up 16% from prior year
- 85% of cost increase relates to additional investment in marketing and headcount

(1) FY10 total exceptional property charge of £4.9m included £0.5m accelerated depreciation excluded from operating costs

# Own cash and working capital

Working capital surplus allows the business to keep growing

## Year on year comparison

	H1 11 £m	H1 10 £m	FY 10 £m
<b>Available liquidity</b>			
Cash and cash equivalents	765.4	566.5	678.6
less segregated client funds	-660.8	-503.3	-550.5
<b>Own cash and title transfer funds</b>	<b>104.6</b>	<b>63.1</b>	<b>128.1</b>
Amount due from brokers	221.3	220.2	203.7
<b>Available cash resources</b>	<b>325.9</b>	<b>283.4</b>	<b>331.8</b>
Broker margin requirement	-223.6	-171.8	-154.7
<b>Net available cash</b>	<b>102.3</b>	<b>111.6</b>	<b>177.1</b>
Title transfer funds	-57.3	-84.3	-62.3
<b>Own cash available</b>	<b>45.0</b>	<b>27.3</b>	<b>114.8</b>
Of which dividend declared	19.0	18.0	48.8

- Broker margin requirement increasing in line with growth in the shares book
- Own cash available at 30<sup>th</sup> Nov £45m



# Regulatory capital

## Strong regulatory capital position

### Year on year comparison

	H1 11 £m	H1 10 £m
<b>Regulatory capital</b>		
Tier 1,2 & 3 capital	338.6	396.9
Intangible assets (adjusted)	-117.3	-243.9
Investment in own shares	-1.3	-1.0
<b>Total capital resources (1)</b>	<b>220.1</b>	<b>173.7</b>
<b>Capital resources requirement - Pillar 1</b>		
Total (2)	75.1	53.5
<b>Surplus regulatory capital (1-2)</b>	<b>145.0</b>	<b>120.2</b>
less proposed dividend	-19.0	-18.0
<b>Total</b>	<b>126.0</b>	<b>102.2</b>

- Regulatory capital resources up £46m
- Regulatory capital surplus up £25m

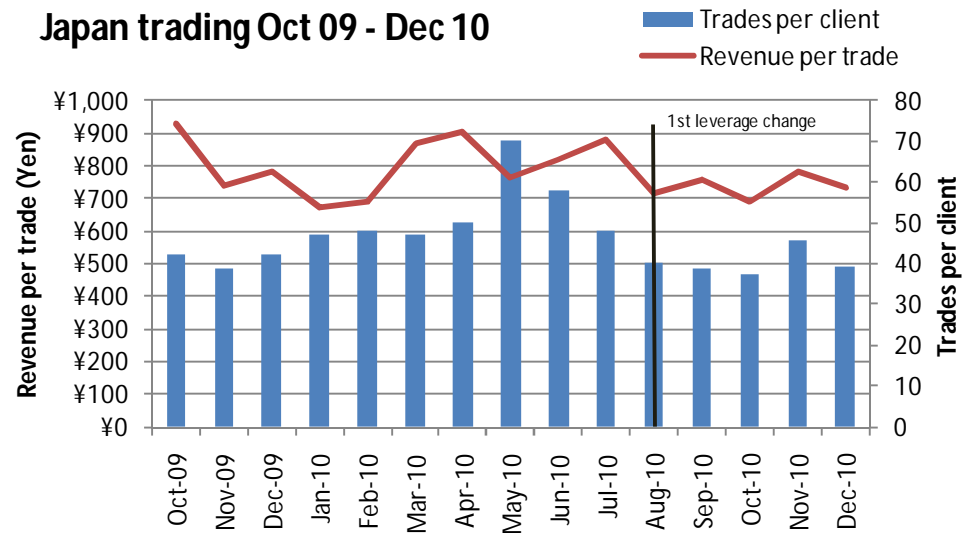


Strategy update

# FXOnline

## Unfavourable regulatory environment impacts Japan

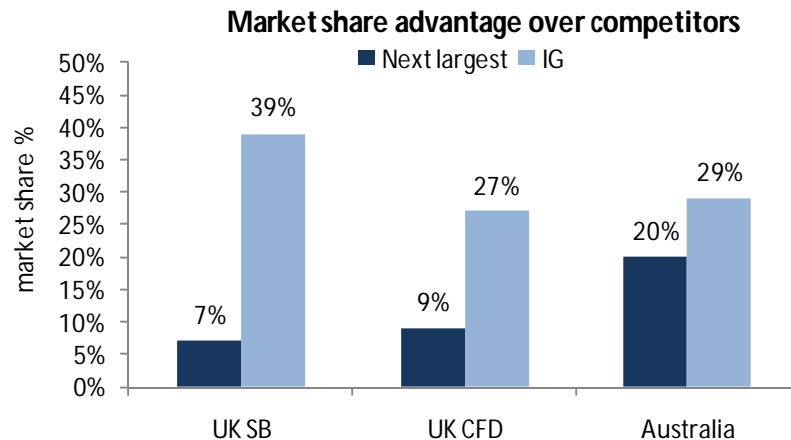
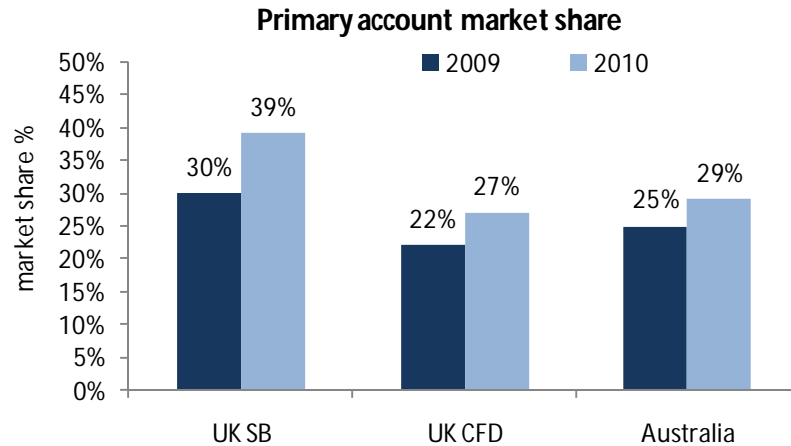
- First two stages of leverage restriction now in place
- Impairment review undertaken
  - £123m goodwill and £20m customer relations non-cash write off
- Cost base restructuring being implemented<sup>1</sup>



<sup>(1)</sup> In accordance with IFRS, the impairment assessment excludes the cashflow benefit of planned cost reductions

# UK and Australia market share update

## Market share<sup>1</sup> growth continues



- Market lead extended in UK and Australia
  - Clear market leader
- Competing on price, technology and service
- Market size compared to 2009:
  - UK market
    - UK SB flat at 83k
    - UK CFD up at 40% at 25k
  - Australia market
    - 39k at May 10 up 22% year on year

(1) Market share of primary accounts (i.e. percentage of respondents stating IG is their main SB/CFD provider) as reported in  
 – “Investment Trends October 2010 UK Spread Betting and CFD report” (published January 2011)  
 – “Investment Trends May 2010 Australia CFD Report (published July 2010)



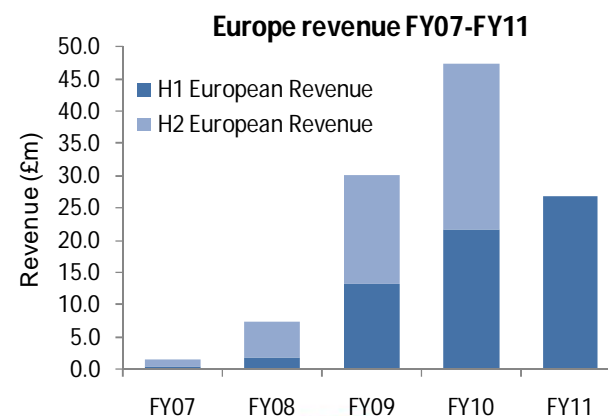
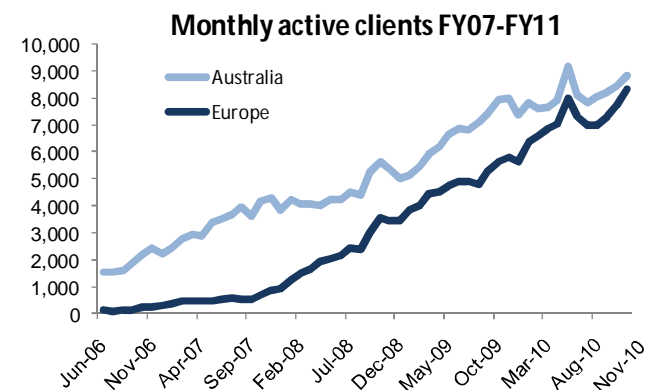
# Europe

## Europe still in early stages of development

### H1 11 headlines

- Growth story continues
  - revenue growth 23%
  - active clients up 41%
- Step-change in Germany
  - 56% year on year revenue growth
- France 18% revenue growth
- Challenging economies in Iberia and Italy but still seeing growth
- Sweden in profit

### Trend



# US update

## Sign up of PFGBEST to Nadex is an important milestone

- Nadex (North American Derivatives Exchange) offers options on forex, equity indices and commodities
- Regulatory environment benefits Nadex long term
- Steady growth in Nadex volumes
- PFGBEST has become a member of Nadex
  - Expected to begin offering its clients access to Nadex within the next three months
  - Joint marketing campaign planned

SOMETHING  
**BIG** IS COMING.

CAN YOU GUESS?

Here's a few hints:

1. This new trade expresses simple yes/no propositions.
2. The contract size is always \$100.
3. Your maximum risk on a trade is always known in advance.
4. You can never be called upon for extra funds or margin.

Think you know? Tell us.

NAME

EMAIL

IDEA

I have no idea, but I want to learn more!!! Sign me up for the VIP list to learn more and be notified when this trade is available on BESTDirect!

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# Mobile

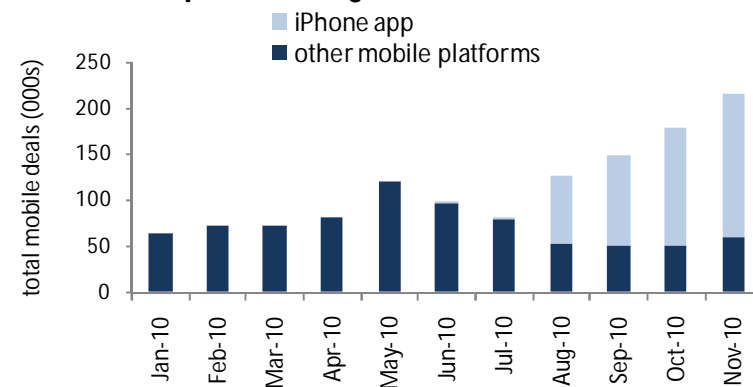
## IG has the scale to invest in multiple technologies

### Developments

- Progress to date
  - iPhone trading platform launched in 2009
  - iPhone app for UK SB launched Jul-10
  - UK CFD version launched Dec-10
  - BlackBerry app for UK SB launched Jan-11
- Planned developments
  - Global rollout of iPhone and BlackBerry apps
  - Apps for Android and Windows Phone 7 devices
  - Continuous enhancement of user experience

### Growing importance of mobility

#### UK Spreadbetting mobile deals in 2010



- iPhone app now the biggest mobile channel
- c20% of UK SB logons via the iPhone app
- 28,000 downloads to date



# Summary

## IG is positioned to deliver continuing growth

- Low and falling volatility have reduced client activity levels in the period
- Continued strong growth in client numbers
- Competitive position is strong
  - Technological investment is a key competitive differentiator
- Mixed trading since period end

# Appendices

# Geographical margin analysis

## Breakdown of FY11 H1 segment EBITDA

Six months ended 30 November 2010	UK £000	Australia £000	Europe £000	Japan £000	Rest of World £000	Central £000	Total £000
Segment net trading revenue	86,588	22,873	26,710	11,125	9,404	-	156,700
Interest income on segregated client funds	-	-	-	-	-	4,045	4,045
<b>Revenue from external customers</b>	<b>86,588</b>	<b>22,873</b>	<b>26,710</b>	<b>11,125</b>	<b>9,404</b>	<b>4,045</b>	<b>160,745</b>
Interest expense on segregated client funds	-	-	-	-	-	-123	-123
Betting duty	-1,326	-	-	-	-	-	-1,326
<b>Net operating income</b>	<b>85,262</b>	<b>22,873</b>	<b>26,710</b>	<b>11,125</b>	<b>9,404</b>	<b>3,922</b>	<b>159,296</b>
<b>Segment contribution</b>	<b>72,316</b>	<b>17,749</b>	<b>15,742</b>	<b>3,995</b>	<b>5,005</b>	<b>-28,286</b>	<b>86,521</b>
Allocation of central costs <sup>1</sup>	-15,629	-4,129	-4,822	-2,008	-1,698	28,286	-
<b>Segment EBITDA</b>	<b>56,687</b>	<b>13,620</b>	<b>10,920</b>	<b>1,987</b>	<b>3,307</b>	<b>-</b>	<b>86,521</b>
<b>Margin %</b>	<b>65.5%</b>	<b>59.5%</b>	<b>40.9%</b>	<b>17.9%</b>	<b>35.2%</b>	<b>-</b>	<b>55.2%</b>



(1) Central costs allocation based on trading revenue

# Trading revenue per client - financial business

## Half-year analysis FY06 – FY11<sup>1</sup>

Turnover (£m)	H106	H206	H107	H207	H108	H208	H109	H209	H110	H210	H111
UK SB	24.0	31.6	33.6	36.6	48.0	56.2	63.4	54.6	55.8	55.1	56.2
UK CFD	6.6	8.7	10.7	15.2	17.6	16.0	16.9	15.6	24.1	27.6	26.7
UK Total	30.7	40.3	44.3	51.9	65.6	72.2	80.4	70.2	79.9	82.7	82.9
Australia	3.5	5.4	4.8	6.5	11.1	13.9	13.4	14.5	22.2	23.5	22.9
Europe	0.1	0.3	0.3	1.2	1.9	5.4	13.3	16.9	21.7	25.7	26.7
Japan	0.0	0.0	0.0	0.0	0.0	0.0	10.2	17.8	10.9	13.0	11.1
ROW	0.0	0.0	0.2	0.6	0.9	1.5	5.1	6.7	6.0	7.0	9.4
<b>Financial Total</b>	<b>34.3</b>	<b>46.0</b>	<b>49.7</b>	<b>60.1</b>	<b>79.4</b>	<b>93.0</b>	<b>122.3</b>	<b>126.0</b>	<b>140.8</b>	<b>151.8</b>	<b>153.0</b>
Number of Clients	H106	H206	H107	H207	H108	H208	H109	H209	H110	H210	H111
UK SB	11,908	14,322	13,767	15,273	20,487	24,082	32,593	34,251	36,554	40,140	41,935
UK CFD	1,456	2,348	3,033	4,238	5,996	5,713	7,310	8,252	9,877	10,809	10,841
Australia	1,977	2,475	3,673	4,960	6,808	7,118	9,054	9,960	12,474	13,445	14,061
Europe	148	278	427	764	1,607	3,035	5,436	7,249	8,792	11,292	12,428
Japan	-	-	-	-	-	-	15,064	16,253	12,441	10,978	12,211
ROW	1	29	304	545	1,023	1,393	3,124	4,242	5,668	6,052	6,759
Income per Client (£)	H106	H206	H107	H207	H108	H208	H109	H209	H110	H210	H111
UK SB	2,019	2,206	2,443	2,398	2,344	2,335	1,947	1,594	1,528	1,372	1,340
UK CFD	4,564	3,695	3,519	3,595	2,929	2,796	2,317	1,889	2,436	2,553	2,462
Australia	1,781	2,178	1,313	1,310	1,636	1,952	1,484	1,457	1,780	1,745	1,627
Europe	783	1,176	760	1,530	1,162	1,790	2,438	2,334	2,472	2,276	2,149
Japan	-	-	-	-	-	-	675	1,092	879	1,185	911
ROW	0	392	772	1,051	842	1,084	1,621	1,574	1,063	1,159	1,391

(1) Clients trading in a six month period



