



IG Group Holdings plc

Q3 Revenue Update

Thursday, 22nd March 2018

Peter Hetherington, Chief Executive Officer

Morning everyone. Welcome to IG's Q3 revenue update. The clue's in the title, this is a revenue update rather than anything else in particular. If we did have any other changes which changed our previous guidance we would of course have put them in there with regards to costs and so forth.

Trading revenue was strong, as everyone knows, up 30% on the same period in the prior year to £153m, which was a good result.

We are pleased in particular by the change in revenue per client amongst the leveraged trading clients, which represents our long-term push to have fewer better clients, which appears to be working its way through.

You will all also have noticed the 11% of revenue which came from clients trading cryptocurrency during the period, which was up from 1% in the previous quarter. We do highlight the fact that it has slowed markedly since the end of January.

The final point I'd make before handing this over to questions is that we are expecting an announcement from ESMA soon, as we put in the results, after their short call to evidence which they did in January.

And I'll now hand this over to questions.

Q&A session

Question 1

Alistair Ross, Investec

Just a quick one from me. In terms of the professional client base that is now elected to be professional, how is that process going, a process that you sort of started in November last year?

Peter Hetherington

The process is going exactly as we expected and exactly as we talked about to everyone when we did our January update. If it had not been going as expected in either direction we would have updated as part of this update.

Question 2

Paul McGinnis, Shore Capital

A couple of quick ones. Just on the point on crypto could you give us your thoughts on why things would have slowed down in particular since the end of January?

And just with respect to the ESMA announcement, have you got any reason in terms of the nature of enquiries to believe that the outcome will be anything other than what was in the original proposals back in December?

Peter Hetherington

I'll take the crypto one first. The crypto mania I think peaked as we approached Christmas, and then if you look at the interest from clients it has fallen away pretty markedly since then. I think whichever measure you track, whether it's the price of crypto or whether it's the volume of searches on the internet for crypto trading terms, or any other combination, I think you'd say that the wave has, to a large degree, passed in terms of client interest. And whilst the price of crypto is still volatile by any normal standard it's a tiny fraction of the volatility that you were seeing in the so-called asset class in the period around Christmas and in January.

So, I'd just say it's stopped moving anything like as much, although it's still moving a lot, and client interest has fallen away a great deal both from informed and less-informed clients, and as a result the amount that people are trading on the asset class has fallen very considerably since the end of January.

That's not to say it will never restart but I think absent the price of crypto changing a great deal, probably up, it's not going to be massively significant for the foreseeable. So that's the crypto answer.

On the ESMA answer no, we are not giving any update whatsoever as to whether or not we believe the proposals have changed in any material way.

Question 3

Ian Wright, Autonomous Research

Thanks for taking my question. I had just one please on the performance of the business excluding crypto currency. And if I adjust your leverage OTC revenue for the 11% you mentioned came from cryptocurrency, and then look at your average revenue per user on that basis ex-crypto, it's much closer to what you reported in the first couple of quarters of the year. And I wondered if you were surprised by that given that the VIX for example is up 40%, average daily volatility 3Q on 2Q, whether you would have expected to have seen a bigger improvement in revenue per user ex that crypto peak?

Maybe if you could give us a few of your thoughts around that please that would be of interest? Thank you.

Peter Hetherington

I'll give you two if I may. First one is that it's a bit harsh to fully sub out the impact of crypto because clients have a finite amount of money on their accounts, and if they're choosing to deploy their deposits in trading crypto and if they're choosing to engage with the subject and research and analyse crypto and do everything else that takes away their ability to do something else and to trade another asset class, whether that's because of financial constraints or whether that's because of time or interest constraints.

So, my personal view is that it's wrong to assume that all of the crypto revenue would be substituted for something else, but it's also wrong to assume that none of the crypto revenue would be substituted to anything else. And a fair answer would be take somewhere in the middle and assume that that transferred. And I can't help you, because it's a complete guess as what percentage of it you might sub out. But I think the simple arithmetic let's ignore crypto is a bit harsh if I'm being honest.

The second question was around if you do sub out all the crypto, which we've just discussed, would it be fair to say that the performance wasn't that great. Given the first caveat it's difficult. The second thing I'd say is yes, we did get some volatility in the main equity markets in the period for sure, but it was a relatively sustained quite violent burst, a relatively short burst is what I'm trying to say, rather than a sustained amount of interest across the period. And like any other internalising brokerage type model we'd have much preferred a lower level for a longer period, rather than the very short concentrated burst that we had.

Does that answer your question in any way?

Ian Wright

It does thank you, yes. That's very helpful. Thank you.

Question 4

Alistair Ross, Investec

Just a quick one on ESMA's call for evidence; can you give us a bit of flavour as to how that's going and what you've seen through that process?

Obviously at the last set of results you gave us a bit of a flavour for that. It seems like they're inundated with responses as far as I can tell. I don't know if you've got anything to add?

Peter Hetherington

Very, very little Alistair. The only thing I would say is the Board of Supervisors, which is the head of all of the national competent authorities, so the head of the FCA, the head of BaFIN, and the head of AMF etc. are meeting today and tomorrow, and that is the first time that they have met as a group since the call for evidence ended. And they are the decision making body for any changes to the regulation and the use of product intervention powers. And honestly that's as far as I can go.

Question 5

Mark Thomas, Hardman & Co

I was just wondering if you could give any indication as to those new customers that came on perhaps just trading through cryptos initially what proportion are now trading other asset classes?

Peter Hetherington

I'll just repeat the question because it was quite muffled. I think the question was – please correct me if I'm wrong, Mark – of the clients who came in purely to trade crypto what proportion of those have now moved on to trading anything else? I'm going to throw this one at Paul, if he doesn't mind.

Paul Mainwaring, Chief Financial Officer

I do mind given that I don't actually have the answer to that particular question. What I do know, looking at the stats here, that the number of people who came in, new clients who traded for the first time in the quarter, who traded crypto for the first time was a little higher than the 11% of revenue that came from crypto in the quarter. So, a little more than the 11% of our first trade people who came in who traded crypto for the first time. I don't know how many of those then went on to trade in other asset classes. I would imagine most of them.

Peter Hetherington

As would I.

Operator

Peter, we have no further questions. I'll hand the presentation back to you.

Concluding comments: Peter Hetherington

I'll just wrap it up then guys. Thank you very much for your time. We'll be sending an update at some point.

Liz Scorer

And I'm available all day if anyone has any further questions. That's Liz Scorer; you should all have my details.

Peter Hetherington

Thank you all very much.