



IG Group

Trading Update

Tuesday 22nd September 2015

Christopher Hill, Chief Financial Officer

Good morning everyone. I'm joined today by Tim Howkins, CEO, Peter Hetherington, COO and incoming interim CEO, and Kieran McKinney, Head of Investor Relations.

I'll take you quickly through the financial performance in the quarter. You can see the detail in the statement we put out this morning. And Tim will go through any points of note in the broader business delivery. We're only one quarter in, so we'll keep our comments brief. After this Tim, Peter and I will take any questions.

It was a good quarter by any measure. Revenue was ahead by 24% at £106m. Client numbers were significantly ahead in every region. And revenue per client was pretty stable across the main geographic areas.

Revenue at £106m is a record Q1, 6% higher than the previous record in FY12, so very pleasing. But I do want to project some balance into this. The 24% year-on-year uplift is flattered greatly by the fact that Q1 in FY15 was the weakest quarter of last year by some way; some 14% behind the second lowest quarter.

A few specifics are worth drawing out. Group active client numbers are back up at the inflated level we saw in extreme volatility of Q1 of FY12. Client numbers are ahead in every country. I'm also particularly pleased with the level of new client recruitment. This grew through 2015 and we have pretty much maintained that performance in Q1, over 50% ahead of Q1 last year.

Clients traded pretty well throughout most of the period, right up to the end of August, when the succession of down days made it tough. So this will be reflected in higher betting duty in the period.

And the trends that we talked about in July have continued through the first quarter. Clients are trading more often in smaller size. This appears to be a response to increased volatility, or at least the expectation of greater intraday movements. Clients can then achieve the same results with a smaller stake.

We are also seeing a smaller proportion of trades being held overnight i.e. more trades being opened and closed in a day. Perhaps this is a risk mitigant avoiding the gapping risk of closed markets.

There is no new guidance on the cost side.

In summary then, as we say in the statement, it is undoubtedly a good start, but it is far too early to draw any conclusions for the year as a whole.

With that I'll hand over to Tim.

Tim Howkins, Chief Executive Officer

Thanks Chris. Good morning everybody. This will be the last results update that I give as CEO, and I'm obviously very pleased that it's indicative of a business in excellent health.

As Chris has said, the financial results really speak for themselves and, though it's only one quarter, they do position us well for the Full Year.

The strategic initiatives we're pursuing are all about reaching more potential clients, and then converting more of those into trading clients and maximising the lifetime value of those client relationships.

I'm pleased that the client numbers in this quarter are significantly ahead of every quarter in the last year, including the record quarter in Q2.

In seeking to increase the number of new clients we're looking at the conversion process, all the way from first click to the beginning of the application form, through each stage of the application process, to opening account, funding and trading. And seeking to maximise first clicks and then minimise dropout rates at each stage. Equally importantly, maintaining our high compliance standards throughout the process. This work is still at a relatively early stage, but there's already a noticeable positive impact.

Stockbroking rollout continues to go well. We currently have over five and a half thousand funded stockbroking accounts, with the vast majority of these having traded, and around 20% of those going on to use our leverage products. In the last quarter we extended stockbroking to Germany and Austria, and we're looking to add at least two more countries in the current financial year.

Our Swiss office is coming up to its first anniversary, and it's performed well throughout its first year. It's at least in line with the average of our previous European openings.

Dubai is up and running. We received our licence in early June, just before Ramadan and the holiday season, so we had a very soft launch then, and then the full launch a couple of weeks ago. It's very early days, but I'm pleased with the response that we've seen even prior to our full marketing and media launch this month.

During this financial year Peter and team will also seek to launch an ETF portfolio product in partnership with Blackrock. This will extend the product range we can offer to new or existing clients, and make IG increasingly relevant to sophisticated investors, as well as the global leader for active traders.

In conclusion then, a strong start to the year, and particularly pleasing is that this is driven by strong growth in client numbers, with that growth driven by strong account opening and first trades. These are key lead indicators for the trajectory of the business going forward.

So, with that I'll hand back to the operator, Tanya, to open up for questions.

Q&A Session

Question 1

Justin Bates, Liberum

Good morning gents and thanks for the comments. I'm conscious that you're managing expectations in terms of this just being Q1, but could you make a comment about September thus far and how you see September and possibly, given where the VIX is, moving into October?

Christopher Hill

We haven't said anything more about September, other than what Tim just said, it was a strong start. We specifically haven't made a comment about this period. The context of what we've put out is look, we've had a very good quarter. Normally you'd expect to have just over 20% of the revenue in the first quarter, that's if you look back historically. Clearly that would have put us in the high 90s. We're clearly we're not there; we've got quite a lot in the bag for the first quarter. But I think trying to forecast anything out for the rest of this year is not the right thing to do. I'm not expecting to see consensus moves today.

Having said that, if trading was poor I think we would have made a reference to it. But I'm certainly not intending for anybody to change their numbers for the Full Year after one particular quarter.

Justin Bates

Understood, thank you. Could you just touch on what you think the reasons behind the strong growth in the clients trading for the first time, up 50%?

Peter Hetherington

I think really there are three factors at play here, and it's quite difficult to work out which of them is how important. So the three factors are: online marketing and how it's going and how we're optimising it. The second factor is the conversion process, which Tim talked about in his update. And I think it's worth saying within the conversion process improvements there are literally hundreds of micro improvements, and then a series of macro improvements or larger improvements. And it's kind of a rolling process, so it's not a project where you can say it starts at this point and finishes at this point, it is just an ongoing thing. The third factor is interest in the markets and volatility; all of the factors which have made the last quarter active generally in the financial markets. Now all three of those factors play together into given you a really strong growth in the number of people trading for the first time. But I don't think I'm brave enough to try and attribute a percentage to each of them.

Question 2

Simon Gergel, Allianz Global Investors

I just wondered if you could give an update on Nadex and how it's been trading in Q1? And any colour on the number of clients please?

Peter Hetherington

Nadex continues to perform relatively well. As everyone knows, it's been a very long-term strategic project for the Group, and has been quite challenging over a number of years.

We're very pleased with the rate of client acquisition and the progress of Nadex, but we're not going to break out any numbers separately at this stage.

Question 3

Alistair Ross, Investec

Just a quick one from me. Regarding your app I understand it was withdrawn in July, August. What exactly are you doing there? And when are you going to roll out a new app or mobile product?

Peter Hetherington

You're right we did remove one of our apps from the App Store. We have a full suite of apps across every single operating system, and we've been experimenting with different apps to see how we can improve the conversion process. We felt we'd got all the learnings we were going to from that particular app, and we've rolled the improvements now, or we're in the process of rolling those improvements into our main app, and that process will continue over time. We intend to launch other apps as we go forward. And we don't see it as just one app per operating system but a suite of apps.

Christopher Hill

Thank you everybody.