



# Results presentation

Year ended 31 May 2012

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# Disclaimer

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This presentation, prepared by IG Group Holdings plc (the “Company”), may contain forward-looking statements about the IG Group. By their very nature, forward-looking statements involve uncertainties because they relate to events, and depend on circumstances, that will or may occur in the future. If the assumptions on which the Company bases its forward-looking statements change, actual results may differ from those expressed in such statements. The forward-looking statements contained herein reflect knowledge and information available at the date of this presentation and the Company undertakes no obligation to update these forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

Financial tables may contain rounded numbers compared to the Financial Statements.

Unless otherwise stated, all numbers exclude the discontinued Sport business.



# Overview

## IG's market leadership and investment in technology drives strong results

### FY12 performance

- Double-digit growth in revenue, PBT and EPS
- Impact of Q1 volatility
- Continued active client growth and higher average revenue per client
  - Volatility
  - Technology
  - Focus on higher value clients

### Consistent strategy

- Maintain market leadership
- Sustain our investment in technology
- Strengthen our global presence
- Deliver quality service



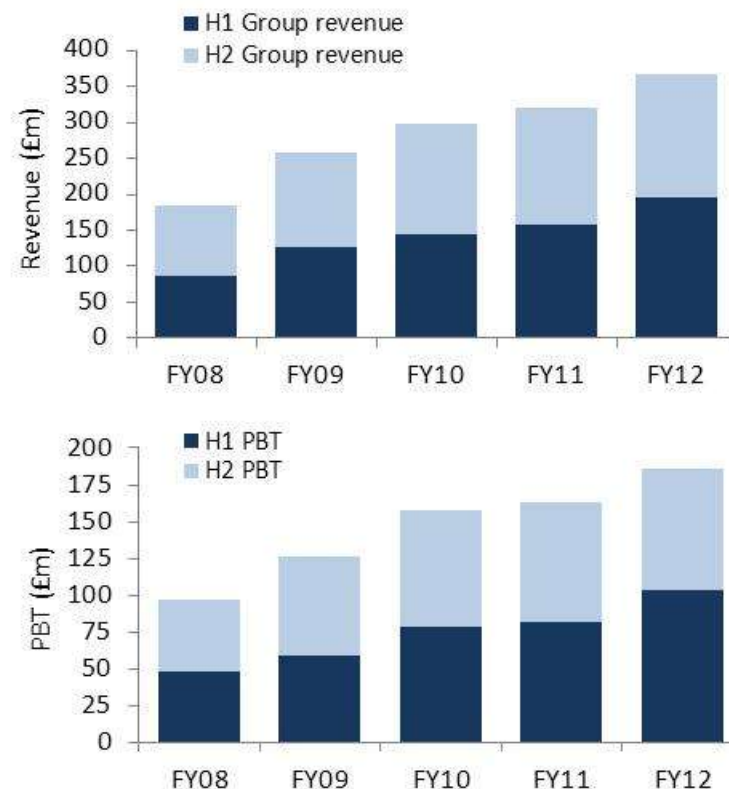
# Business review

# FY12 summary

## FY12 results<sup>1</sup>

- Net trading revenue<sup>1</sup> £366.8m, up 17.3%
- PBT<sup>2</sup> £185.7m, up 13.8%
- Adjusted EPS<sup>2</sup> 37.54p, up 15.3%
  - 37.44p including discontinued operations
- £140.7m cash generated from operations
- Total dividend per share 22.5p, up 12.5%

## 5 year revenue and PBT<sup>3</sup>



- (1) FY12 and FY11 comparatives exclude discontinued Sport operation  
 (2) FY11 Adjusted PBT excludes the amortisation and impairment of goodwill and customer relationships associated with Japan  
 (3) Historic results before FY11 have not been adjusted for discontinued operations



# Income statement

## Revenue and profit growth continues

### Year on year comparison<sup>4</sup>

	FY11		FY12		Yr on Yr growth
	Total	H1	H2	Total	
	£m	£m	£m	£m	
<b>Net trading revenue<sup>1</sup></b>	<b>312.7</b>	<b>195.5</b>	<b>171.3</b>	<b>366.8</b>	<b>17.3%</b>
Betting duty	(3.1)	(5.7)	(3.2)	(8.9)	
Other net operating income	9.0	5.5	5.8	11.3	
Net operating income	318.6	195.3	173.9	369.2	
Operating costs	(145.1)	(86.8)	(86.1)	(172.9)	<b>19.2%</b>
EBITDA	173.5	108.5	87.8	196.3	13.1%
<i>Margin<sup>2</sup></i>	55.5%	55.5%	51.3%	53.5%	
Depreciation and amortisation	(10.3)	(5.5)	(5.3)	(10.8)	
EBIT	163.2	103.0	82.5	185.5	
Net Interest	0.0	0.2	0.0	0.2	
<b>PBT<sup>3</sup></b>	<b>163.2</b>	<b>103.2</b>	<b>82.5</b>	<b>185.7</b>	<b>13.8%</b>
<b><i>Margin<sup>2</sup></i></b>	<b>52.2%</b>	<b>52.8%</b>	<b>48.2%</b>	<b>50.6%</b>	
<b>Diluted EPS (adjusted)<sup>3</sup></b>	<b>32.57p</b>			<b>37.54p</b>	<b>15.3%</b>
Dividend per share	20.00p			22.50p	12.5%

- Net trading revenue up 17.3%
- Volatility impacted betting duty
  - 2.4% of FY12 revenue (FY11 1.0%)
- FY12 results include exceptional £1.1m lease write back benefit

(1) Net trading revenue excludes interest on segregated client funds and is presented net of introducing broker commissions

(2) Margin based on net trading revenue

(3) FY11 PBT adjusted to exclude the amortisation and impairment of goodwill and customer relationships associated with Japan (£12.5m PBT on a statutory basis)

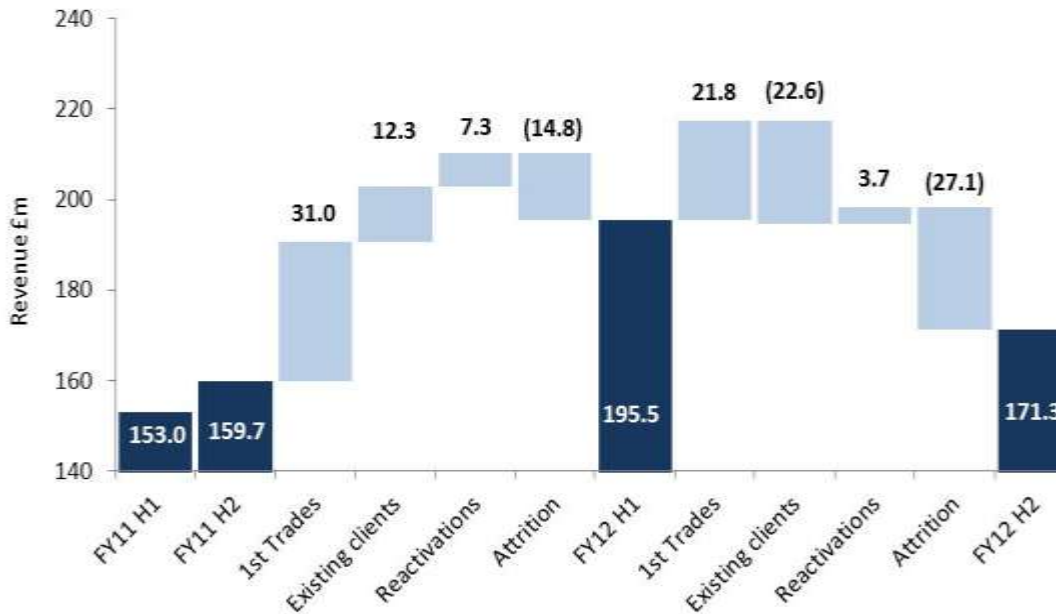
(4) Results exclude the discontinued Sport operation.



# Revenue bridge

Exceptionally strong first half

FY11 to FY12 revenue bridge

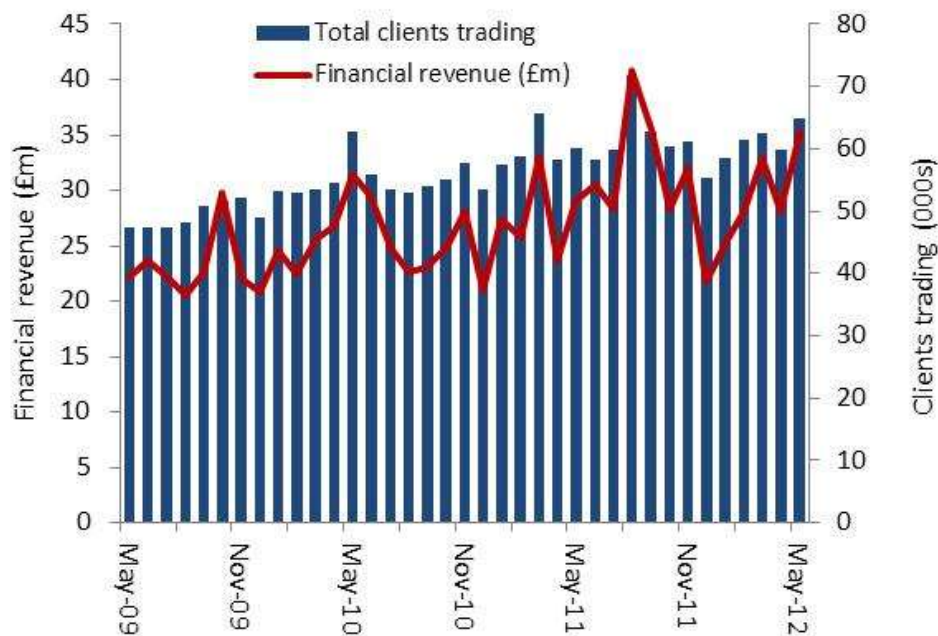


- H1 53% of FY12 revenue
  - Impact of exceptional volatility
- H2 47% of FY12 revenue
  - Q3 “hangover”
  - 7% growth on FY11

# Active clients

FY12 revenue growth exceeded client growth in both H1 and H2

## Monthly revenue and active client trend FY09 to FY12



## Year on year revenue and clients

Revenue (£m)	FY11	FY12	YoY
UK	167.1	191.8	14.7%
Australia	47.6	58.0	21.8%
Europe	57.5	72.2	25.7%
Rest of World	19.9	28.4	42.8%
<b>Total excl Japan</b>	<b>292.1</b>	<b>350.4</b>	<b>19.9%</b>
Japan	20.6	16.4	(20.1%)
<b>Total Financial</b>	<b>312.7</b>	<b>366.8</b>	<b>17.3%</b>
Clients (000s)	FY11	FY12	YoY
UK	71.5	74.9	4.7%
Australia	18.5	20.6	11.5%
Europe	17.6	23.2	31.9%
Rest of World	9.7	11.3	17.3%
<b>Total excl Japan</b>	<b>117.3</b>	<b>130.0</b>	<b>10.9%</b>
Japan	16.3	13.3	(18.6%)
<b>Total Financial</b>	<b>133.6</b>	<b>143.3</b>	<b>7.3%</b>

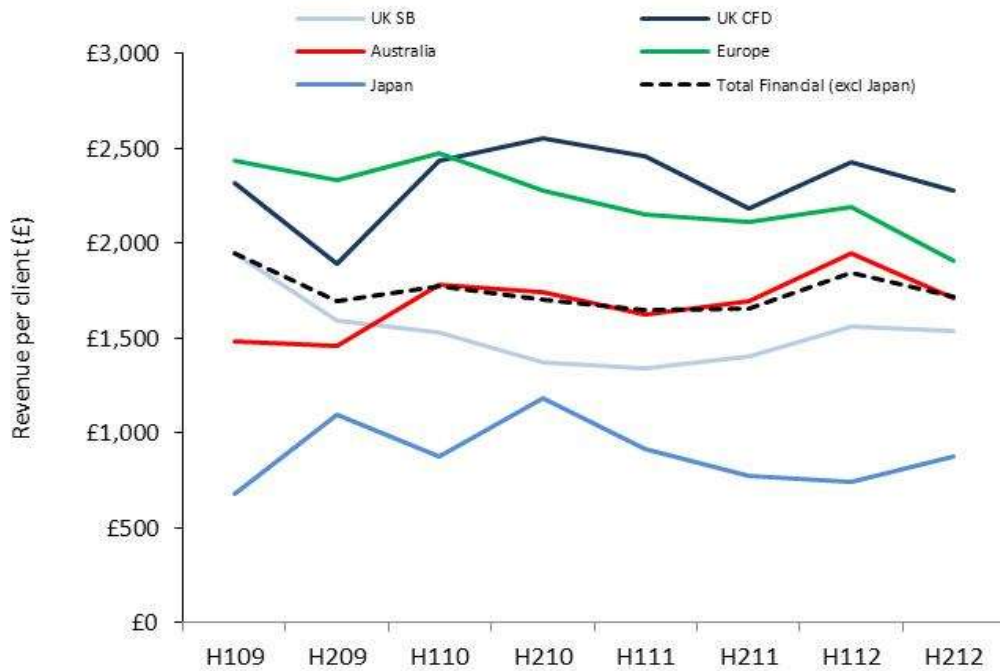




# Trading revenue per client

## Revenue per client is converging

### Half yearly revenue by client FY09 to FY12<sup>1</sup>



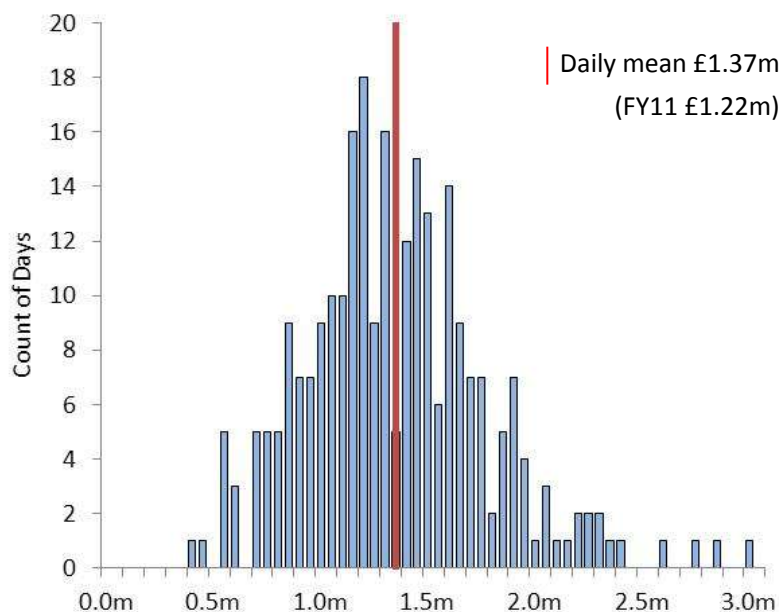
- Focus on quality of clients
- FY12 H2 revenue per client above FY11 H2 level

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

# Volatility of trading days

Daily trading distribution returned to normal profile in FY12 H2

Distribution of FY12 daily trading revenue



Daily trading revenue volatility



- FY12 H2 daily mean £1.32m (H1 £1.45m)

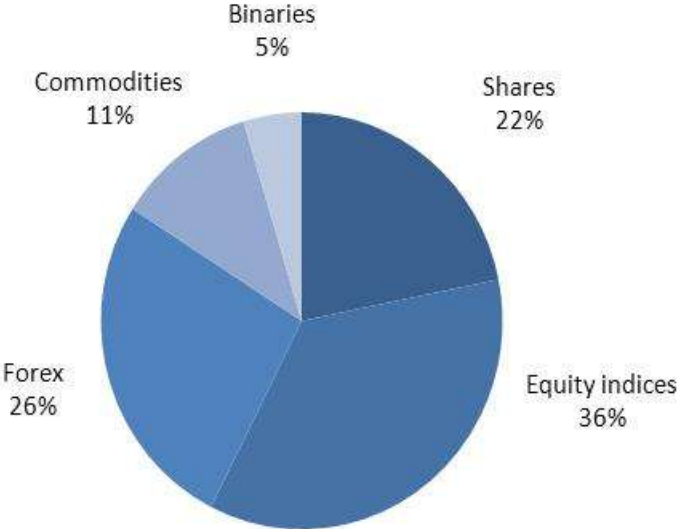


# Product mix

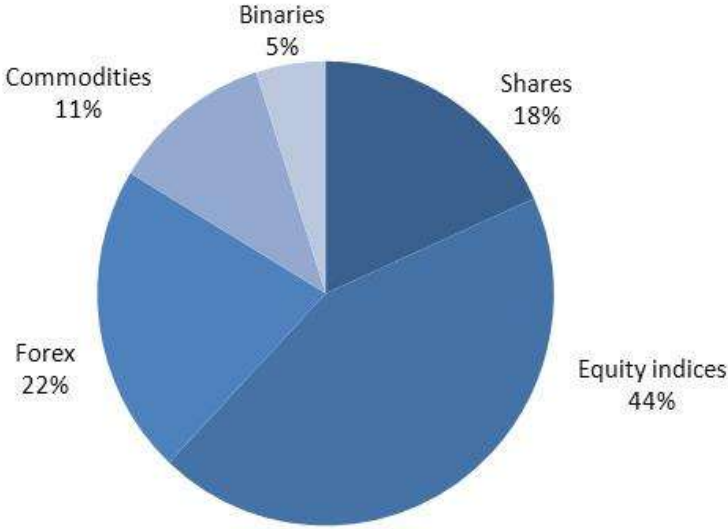
Higher equity indices revenue compared to shares and FX in FY12

Financial revenue by product FY11 to FY12

FY11 Financial revenue £312.7m



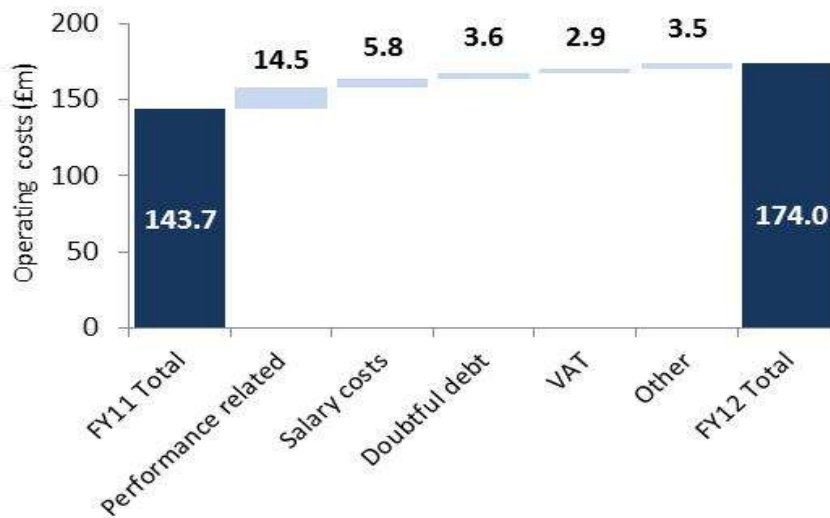
FY12 Financial revenue £366.8m



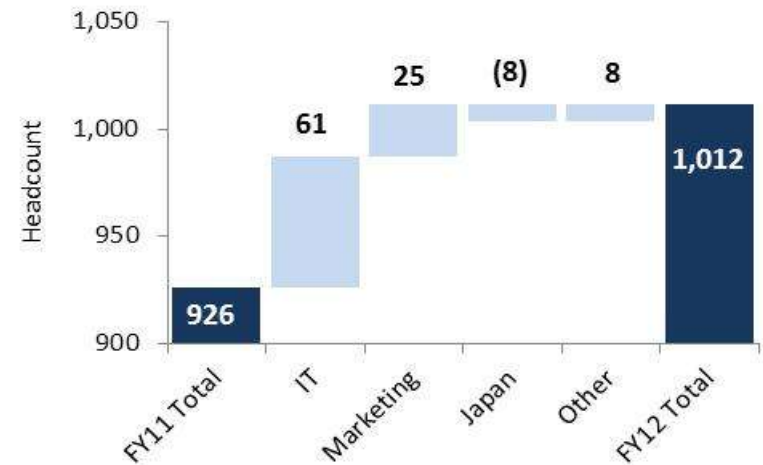
# Cost bridge

## Continued investment in the business

### FY11 to FY12 operating costs<sup>1</sup> bridge



### FY11 to FY12 headcount bridge



- Headcount related costs key drivers of cost growth. Investment in IT and Marketing
- Movement in bad debts reflects higher recoveries in FY11
- £2.0m prior period VAT recovery charge
- £1.1m onerous lease credit



(1) Excluding exceptional costs

# Cost base

## Remuneration and Marketing comprise 71% of costs

### Year on year comparison<sup>1</sup>

	FY11	FY12		Total £m	Yr on Yr change %
	Total £m	H1 £m	H2 £m		
Salaries	(53.9)	(29.3)	(30.4)	(59.7)	
Advertising and marketing	(31.3)	(15.4)	(15.7)	(31.1)	
IT, Market Data and Communications	(12.6)	(6.4)	(6.3)	(12.7)	
Premises related costs	(9.1)	(5.5)	(4.9)	(10.4)	
Regulatory Fees	(5.8)	(2.6)	(3.7)	(6.3)	
Doubtful debts (charge)/credit	2.3	(1.3)	0.0	(1.3)	
VAT	(5.7)	(2.5)	(6.1)	(8.6)	
Other overheads	(9.2)	(4.8)	(6.2)	(11.0)	
<b>Costs before performance related payments</b>	<b>(125.3)</b>	<b>(67.8)</b>	<b>(73.3)</b>	<b>(141.1)</b>	
Bonus	(14.2)	(15.8)	(12.1)	(27.9)	
LTIP/SIP	(4.2)	(3.2)	(1.8)	(5.0)	
<b>Ongoing operating costs</b>	<b>(143.7)</b>	<b>(86.8)</b>	<b>(87.2)</b>	<b>(174.0)</b>	<b>21.1%</b>
Exceptional items <sup>2</sup>	(1.4)	0.0	1.1	1.1	
<b>Total operating costs</b>	<b>(145.1)</b>	<b>(86.8)</b>	<b>(86.1)</b>	<b>(172.9)</b>	<b>19.2%</b>

- Total ongoing costs up 21.1%
- Investment in marketing and IT headcount flows through to FY13

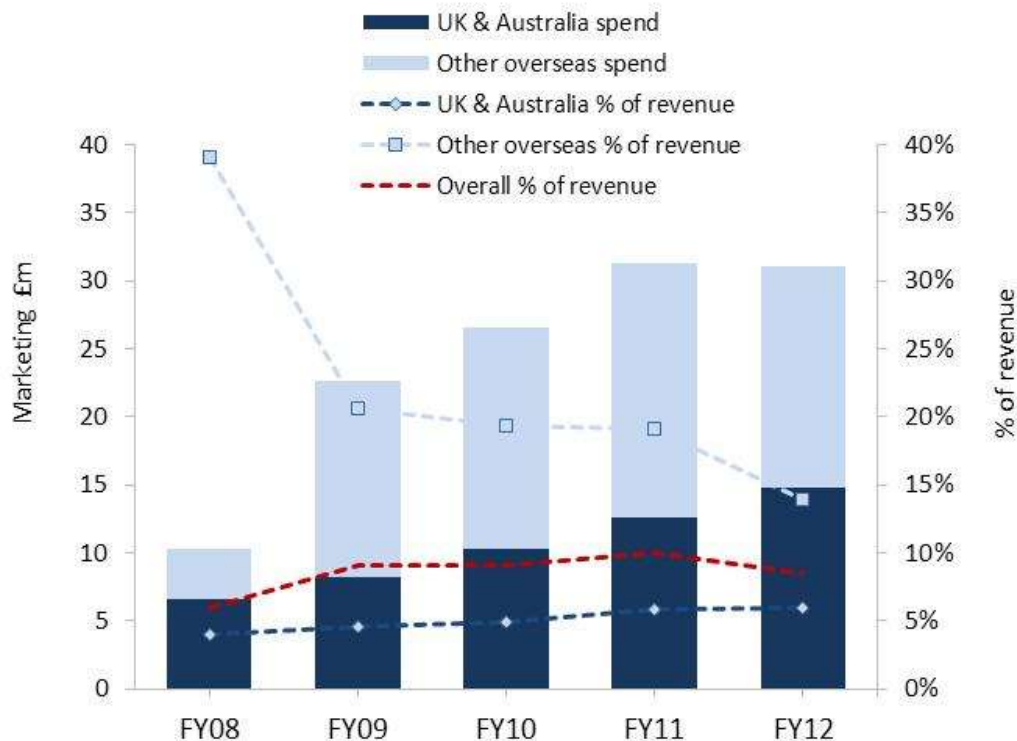
(1) Excludes discontinued operations

(2) Office move related exceptional costs

# Marketing spend profile

Growing investment reflects growth in overseas markets

## Marketing spend trend FY08 to FY12



- Spend at a consistent percentage of revenue in UK and Australia
- Percentage of revenue spent on new offices declines as markets become more established

# Operating cash flow

## Business is highly cash generative

### Year on year comparison

	FY11	FY12
	£m	£m
<b>Operating activities</b>		
Profit before tax <sup>1</sup>	163.0	185.3
Depreciation and amortisation	10.9	10.8
Other cash and non-cash adjustments	6.3	2.1
Income taxes paid	(43.5)	(57.5)
<b>Own funds generated from operations</b>	<b>136.7</b>	<b>140.7</b>
Movement in working capital	1.1	21.9
Outflow from investing and financing activities:		
Dividends	(67.7)	(73.9)
Capital investment	(27.6)	(9.4)
<b>Increase in own funds</b>	<b>42.5</b>	<b>79.3</b>
Own funds at 1 June	268.5	309.2
Exchange gains on own funds	(1.7)	(0.3)
<b>Own funds at 31 May</b>	<b>309.2</b>	<b>388.2</b>

- £140.7m generated from operations after tax
- Own funds increased by £79.0m (25.5%) after dividends and capital investment

(1) Inclusive of discontinued operations for cash flow purposes

# Own cash and working capital

## Working capital supports business growth

### Year on year comparison

	FY11 £m	FY12 £m
<b>Available liquidity</b>		
Own cash and title transfer funds	124.5	228.2
Amount due from brokers	267.8	207.0
Less other amounts (from) / to clients	(11.6)	12.9
<b>Available cash resources</b>	<b>380.7</b>	<b>448.1</b>
Title transfer funds	(71.5)	(59.9)
<b>Own funds at 31 May</b>	<b>309.2</b>	<b>388.2</b>
Broker margin requirement	(217.3)	(195.9)
<b>Net own cash available</b>	<b>91.9</b>	<b>192.3</b>
Of which dividend declared	53.1	60.8

- Net own cash available increased to £192.3m
  - £100.4m higher than FY11
  - £40.9m higher than FY12 H1
- Broker margin requirement can fluctuate rapidly according to market conditions
  - Recent peak broker margin requirement has been £296m



# Regulatory capital

## Importance of a strong regulatory capital position

### Year on year comparison

	FY11 £m	FY12 £m
<b>Regulatory capital</b>		
Total Tier 1,2 & 3 capital	380.1	448.7
Intangible assets (adjusted)	(115.3)	(115.4)
Investment in own shares	(1.2)	(1.5)
<b>Total capital resources</b>	<b>263.6</b>	<b>331.8</b>
Total (1)		
<b>Capital resources requirement - Pillar 1</b>	<b>89.6</b>	<b>100.4</b>
Total (2)		
<b>Surplus regulatory capital (1-2)</b>	<b>174.0</b>	<b>231.4</b>
less proposed dividend	(53.1)	(60.8)
<b>Total</b>	<b>120.9</b>	<b>170.6</b>

- 26% increase in total capital resources from prior year
- Regulatory capital surplus up 33%
- Supports business growth
- Buffer against market uncertainty
- Positive differentiation vs. competition

# Regulatory overview

## An evolving regulatory environment

- Proactive engagement with regulators and industry bodies
  - We promote protection for clients
- Majority of regulatory changes are likely to have limited impact on the business, e.g.
  - IG to be regulated by the new FCA body following the split of the FSA
  - European Commission has issued draft legislation to amend MIFID<sup>1</sup>
  - ASIC has introduced a number of Australian client protection measures
  - From August, new stamp duty on a limited number of stocks in France (CFD dealing exempt)
- Some regulatory change may impact the business more negatively, e.g.
  - MAS consultation paper proposes Singapore OTC changes including reducing leverage on some FX contracts

(1) *Markets in Financial Instruments Directive ('MIFID')*

CEO update

# Overview

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## Sustainable growth

- Continuing growth from UK and Australia
- Strong growth from newer offices
- Growth and market leadership underpinned by technology investment
- Focus on quality of clients and revenue per client

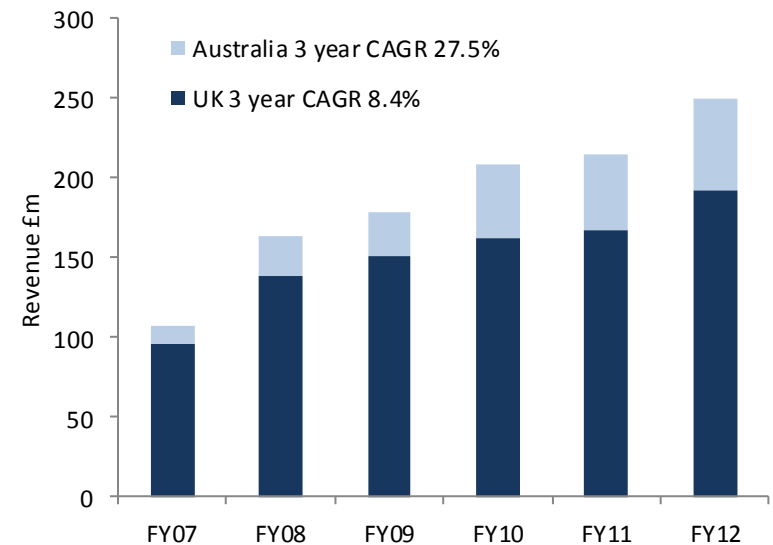
# Growth in established markets continues

## IG continues to grow in our most mature offices

### FY12 trading

- Year on year FY12 growth
  - UK 15%
  - Australia 22%
- Initiatives to help drive revenue per client
  - Change of client acceptance criteria
  - Personalised service to larger clients
  - Continuing end-to-end automation of dealing
  - Speeding up of price delivery and order acceptance
- Challenging comparatives for established markets in FY13

### Revenue growth FY07 to FY12



# Newer markets overview

## Strong growth but tougher conditions in Germany

### Year on year revenue and client growth

	Revenue	Clients
Italy	25%	28%
France	25%	26%
Germany	15%	25%
Spain	24%	33%
Portugal	52%	46%
Sweden	60%	72%
<b>Total Europe<sup>1</sup></b>	<b>26%</b>	<b>32%</b>
Singapore	49%	14%
South Africa	46%	48%
<b>Total newer markets</b>	<b>31%</b>	<b>28%</b>

- Trading more subdued in Q3 and much of Q4
- Mixed European profile
  - Germany faces more competition and less positive economic sentiment
  - Italy and Spain regained growth path after challenging FY11

### Europe client and revenue trend FY07 to FY12



(1) Including Netherlands, which launched in May-2011

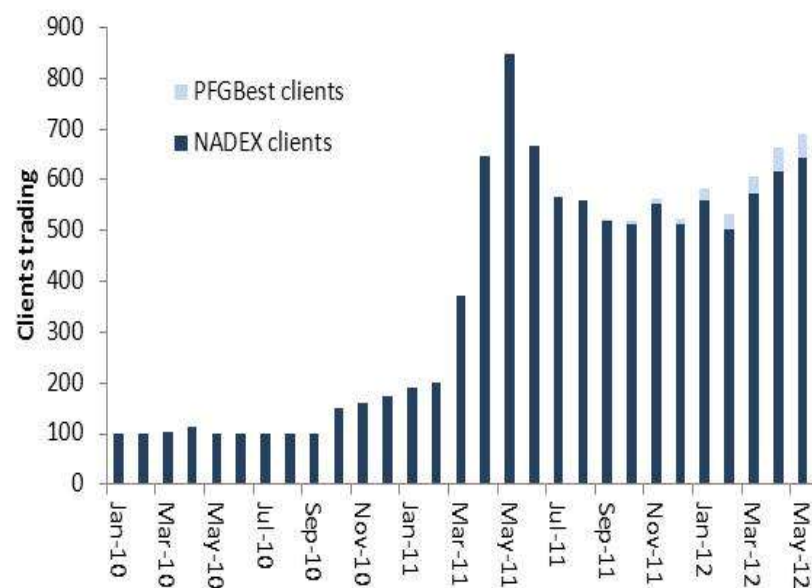
# Nadex

## Remains a long-term opportunity

### Current trading

- Growth in clients driven by new marketing campaigns
- PFG Best relationship disappointing
- Focus on B to C opportunities through
  - Step-up in marketing spend
  - New local marketing resource
  - New branding
- Platform enhancements
  - Mobile
  - Charts
- FY12 H2 revenue \$0.7m

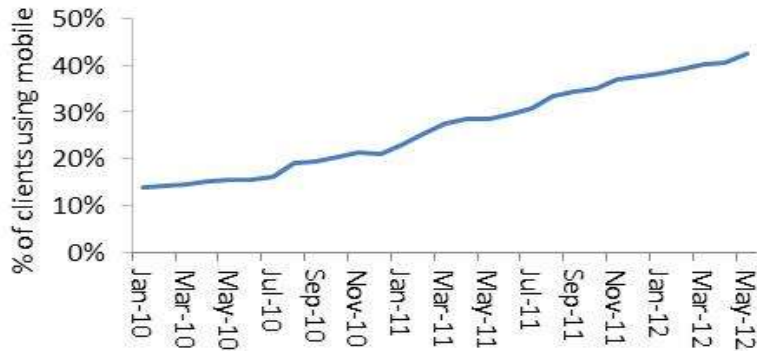
### Active clients



# Investment in technology: mobile

## IG has the scale to invest in multiple technologies

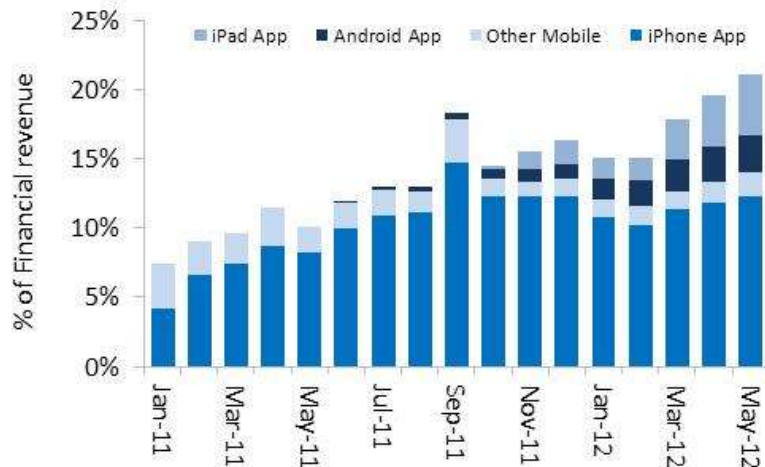
### % of clients using mobile



### Mobile headlines

- Over 40% of clients use mobile
- Over 20% of revenue and transactions
- 6k clients solely trade mobile
- Over 20% of mobile revenue from iPad App
- Future development will continue to replicate PureDeal features and make greater use of push technology

### Composition of mobile revenue 2011 to 2012





# Investment in technology: Insight

Insight is popular with our clients

## Key initiatives

- Insight is a research tool integrated within our trading platform
- Provides live market data, streaming news and current trading sentiment
- FY12 launch in UK, Australia and Singapore
  - c 50% of active clients use Insight each month
  - 25 page views per user each week
- FY13 developments
  - Global roll-out
  - Continuing development in response to user feedback



# Summary

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Well positioned for continued growth but with challenging comparatives this year

- Strong performance in FY12 (including good Q4)
- More subdued start to FY13
- Competitive position is strong
- Long term growth driven by
  - continued expansion of our geographic reach
  - on-going investment in marketing and technology

# Appendices

# Appendix: Trading revenue per client

## Half-year analysis FY06 to FY12<sup>1</sup>

Net trading revenue (£m)	H1 06	H2 06	H1 07	H2 07	H1 08	H2 08	H1 09	H2 09	H1 10	H2 10	H1 11	H2 11	H1 12	H2 12
UK SB	24.0	31.6	33.6	36.6	48.0	56.2	63.4	54.6	55.8	55.1	56.2	61.5	74.8	66.4
UK CFD	6.6	8.7	10.7	15.2	17.6	16.0	16.9	15.6	24.1	27.6	26.7	22.8	27.3	23.3
Australia	3.5	5.4	4.8	6.5	11.1	13.9	13.4	14.5	22.2	23.5	22.9	24.7	32.7	25.2
Europe	0.1	0.3	0.3	1.2	1.9	5.4	13.3	16.9	21.7	25.7	26.7	30.8	37.8	34.5
Japan	0.0	0.0	0.0	0.0	0.0	0.0	10.2	17.8	10.9	13.0	11.1	9.5	8.4	8.1
ROW	0.0	0.0	0.2	0.6	0.9	1.5	5.1	6.7	6.0	7.0	9.4	10.5	14.5	13.9
<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>	<b>159.7</b>	<b>195.5</b>	<b>171.3</b>

Number of Clients	H1 06	H2 06	H1 07	H2 07	H1 08	H2 08	H1 09	H2 09	H1 10	H2 10	H1 11	H2 11	H1 12	H2 12
UK SB	11,908	14,322	13,767	15,273	20,487	24,082	32,593	34,251	36,554	40,140	41,935	43,743	47,948	43,272
UK CFD	1,456	2,348	3,033	4,238	5,996	5,713	7,310	8,252	9,877	10,809	10,841	10,452	11,234	10,217
Australia	1,977	2,475	3,673	4,960	6,808	7,118	9,054	9,960	12,474	13,445	14,061	14,590	16,814	14,774
Europe	148	278	427	764	1,607	3,035	5,436	7,249	8,792	11,292	12,428	14,568	17,210	18,035
Japan							15,064	16,253	12,441	10,978	12,211	12,267	11,246	9,287
ROW	1	29	304	545	1,023	1,393	3,124	4,242	5,668	6,052	6,759	7,601	8,283	8,823
<b>Financial Total</b>	<b>15,490</b>	<b>19,452</b>	<b>21,204</b>	<b>25,780</b>	<b>35,921</b>	<b>41,341</b>	<b>72,581</b>	<b>80,207</b>	<b>85,806</b>	<b>92,716</b>	<b>98,235</b>	<b>103,221</b>	<b>112,735</b>	<b>104,408</b>

Income per Client (£)	H1 06	H2 06	H1 07	H2 07	H1 08	H2 08	H1 09	H2 09	H1 10	H2 10	H1 11	H2 11	H1 12	H2 12
UK SB	£2,019	£2,206	£2,443	£2,398	£2,344	£2,335	£1,947	£1,594	£1,528	£1,372	£1,340	£1,405	£1,561	£1,534
UK CFD	£4,564	£3,695	£3,519	£3,595	£2,929	£2,796	£2,317	£1,889	£2,436	£2,553	£2,462	£2,182	£2,429	£2,280
Australia	£1,781	£2,178	£1,313	£1,310	£1,636	£1,952	£1,484	£1,457	£1,780	£1,745	£1,627	£1,695	£1,947	£1,707
Europe	£783	£1,176	£760	£1,530	£1,162	£1,790	£2,438	£2,334	£2,472	£2,276	£2,149	£2,111	£2,194	£1,910
Japan							£675	£1,092	£879	£1,185	£911	£773	£743	£872
ROW	£0	£392	£772	£1,051	£842	£1,084	£1,621	£1,574	£1,063	£1,159	£1,391	£1,378	£1,749	£1,576
<b>Financial Total</b>	<b>£2,216</b>	<b>£2,365</b>	<b>£2,344</b>	<b>£2,331</b>	<b>£2,212</b>	<b>£2,250</b>	<b>£1,685</b>	<b>£1,571</b>	<b>£1,641</b>	<b>£1,638</b>	<b>£1,557</b>	<b>£1,547</b>	<b>£1,734</b>	<b>£1,641</b>

(1) Clients trading in a six month period



# Appendix: Client trading activity

## Client period to period trading activity

### Full year and half year trends 2007 to 2012

Total IG Financial clients excl Japan	FY07	FY08	FY09	FY10	FY11	FY12
New accounts	23,785	42,693	61,538	63,757	60,631	60,968
First trades (in period)	15,809	29,211	44,291	46,612	44,803	45,292
Implied conversion rate (%)	66%	68%	72%	73%	74%	74%
Total active clients (in period)	34,483	56,291	88,336	103,338	117,252	130,006
Clients trading from prior period	18,674	27,080	44,045	56,726	72,449	84,714
Clients trading from prior period (%)	76%	79%	78%	64%	70%	72%

Total IG Financial clients excl Japan	FY07		FY08		FY09		FY10		FY11		FY12	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
New accounts	10,648	13,137	19,012	23,681	31,916	29,622	31,655	32,102	30,338	30,293	32,213	28,755
First trades (in period)	7,063	8,746	13,378	15,833	22,194	22,097	23,064	23,548	22,686	22,117	24,330	20,962
Implied conversion rate (%)	66%	67%	70%	67%	70%	75%	73%	73%	75%	73%	76%	73%
Total active clients (in period)	21,204	25,780	35,921	41,341	57,517	63,954	73,365	81,738	86,024	90,954	101,489	95,121
Clients trading from prior period	14,141	17,034	22,543	25,508	35,323	41,857	50,301	58,190	63,338	68,837	77,159	74,159
Clients trading from prior period (%)	73%	80%	87%	71%	85%	73%	79%	79%	77%	80%	85%	73%



