IG Group
Interim Management Statement

Tuesday 18th March 2014

<u>Tim Howkins - Chief Executive</u>

Thanks Chris. Good morning everybody. I'm here with Chris Hill our CFO and with Kieran McKinney our Head of Investor Relations. We are actually in our Dusseldorf office today so I apologise in advance if there is any background noise.

As I say in the Statement, there is a lot of work still going on on the long-term projects which we are working on to reposition the business as the default way to trade the financial markets. Really no update on those. They are on track to the sort of timetables we were talking about a couple of months ago. I think these results are really just about the numbers which I think to a large extent are self-explanatory. It is a good strong set of results, another quarter well ahead of the previous year. And for me I think what is pleasing is the shape of the revenue with good levels of growth from established businesses and continuing signs of a strong pick-up across Europe.

With that I will hand over to Chris to go through the numbers in a bit more detail.

<u>Christopher Hill - Chief Financial Officer</u>

Thanks Tim and good morning everybody. As Tim said, our sense was that, given the record Q4 last year, the outside world would read more into this single quarter than really perhaps people should. So I think it was important to get a good Q3 under our belts.

The revenue was £96.7 million, that is 9% ahead of last year. And I guess the patterns that we saw are not that surprising. In the UK average revenue per client was well ahead and active client numbers were down. This is something you have seen for the last few quarters as the management actions last year, to deliberately de-emphasise very low activity clients, continues to feed through. I would expect these client numbers to continue to show a year-on-year decline for the next few quarters before ultimately stabilising and beginning to grow again. Importantly we are already beginning to see this stabilisation when we look at sequential quarter-on-quarter movements.

Australia was a reasonable performance in what's traditionally its weakest quarter, as Christmas and the summer season combine. And as Tim has indicated, Europe was encouraging with particular strength in Germany and France. The combination of the growth in client numbers and average revenue per client, produced revenue that was ahead by 19%. The rest of the world was behind. And as we say in the Statement, Singapore and Japan were a bit weak year-on-year. Asian currency volatility has undoubtedly been very low this year. And as you know this is the main asset type in APAC. Japan did show encouraging strength in binaries following the regulatory clarification that we saw in December.

So where does this leave us? It is always difficult to forecast the top line over any short time period, but we make revenue consensus for the full year £378 million and this Q3 result undoubtedly keeps us on track for that.

On the operating costs front, we continue to run below our own forecasts. The announcement a week or so ago from the FSCS that they no longer expect to apply an interim levy, saves around £2 million, but also hiring is a bit slower than we would have hoped. So neither of these changes are things that you can take into next year, but they do help the bottom line in FY14. And that means the current forecast for operating costs this year is again lower, meaning an outturn of below £175 million, pre-D&A. Given the lower current runrate in costs, it is important to emphasise that the investment phase we are currently in will continue and in fact we expect it to ramp up into next year as we position IG for the next phase.

With that I will hand it back to the operator and Tim and I will be happy to take your questions.

Question and Answer Session

Question 1

Hugo Mills, Citigroup
Hi guys, morning. Just a couple of points of clarification. Are you able to give a bit more colour on an asset class basis, so what has been driving the performance across the different regions?

Answer: Christopher Hill
Morning Hugo. Yes a couple of things. The first one I did point out in my commentary was FX. FX overall down year-on-year by just over £4 million. And when you look at where that's coming from, you have got £1 million of that coming from Australia, £1 million coming from Japan and £1 million coming from Singapore. So very clearly lower volatility, and declining volatility over the last year is impacting us on FX, particularly in Asia Pac. Shares performed very well, up £3 million nearly £3.5 million, most of that is coming through in the UK. Futures, again up about £5 million and that is more evenly spread. Australia is up just £1.4 million and Europe just a couple of million. And the rest of the world has got some growth there too. And then binaries is growing pretty strongly everywhere. UK, Europe, Japan have all got some growth there.

Further question
And just a couple of quick things. On investment, your investment commentary. Is that just a phasing thing or have you had a sort of rethink about the level of investment you want to put in and if you have, where that's changed?

Answer: Christopher Hill
No it has not. There is no rethink and as Tim I think makes the point, all of the strategic initiatives that we have talked about, they will continue to roll out. There is no significant update on any of those in this IMS. It is a trading update, all those things we told you about are continuing to roll through. And the plans that we have in terms of the investment into the business, into mobile, Switzerland, share trading, all of those things continue as we have planned.

The challenge is really with the rate of hiring, and where that has consistently lagged has really been in the IT area. And there are a couple of things. From an infrastructure point of view we are up against the banks and they are all hiring. And then in the mobile space, mobile is clearly a hot topic for everybody right now. And the dynamic is, you always have a relatively high level of employee turnover in IT and when you are looking to expand you have also got a level of recruitment that you want to drive up. And that has been disappointing I think. We have been wanting that to come through stronger than it has. But we want that resource, we want to put that resource in the business and we want to continue to invest. So I don't think. You know, that slowdown in hiring has an impact on this year, but into next year we want to put that investment in.

Hugo Mills
Okay, thank you very much.

Question 2

Richard Taylor, Barclays
Morning, a couple of questions please. Firstly on Nadex. Have you signed up any new partners there in the quarter or is that still organic client adds?

And secondly, can you give us an indication on the change in active clients, what those numbers would be? I am guessing the UK is the most important here, if you stripped out the sort of de-emphasis of certain clients. Would you be in growth if you stripped that fact out? And the same applies for the other territories as well. Thanks.

Answer: Tim Howkins
Morning Richard. On Nadex the numbers you are seeing for this quarter are all organic. We are very close to signing our first broker, we are also very close to getting a couple of market makers live on Nadex, but neither of those impacts on this quarter.

Further Answer: Christopher Hill
Your question on client numbers, I think overall if you stripped out what is going on between the lower value client cohorts and the higher value cohorts we are seeing overall growth by maybe 1% or 2% in terms of those clients in the higher ranges - that is where the growth is coming through, and the drop-off is all exactly as we explained before in the lower cohorts. That impact is very much driven by the UK. Obviously in Europe you have got client growth that is coming through quite strongly.

Richard Taylor
Great, thanks very much.

Question 3

Andrew Saks, Leaprate
Hello, just a quick question about the platform investment. Last year IG went in to MT4. Was that intended to increase the overseas market share away from Britain, away from the spread betting side of things? And what was the result of that, you know the investment versus the actual result of it?

Answer:
We are continually investing in our platforms, particularly in mobile. That benefits all of our markets. It is not about a geographic shift.

Andrew Saks
Okay, great, thank you very much.

Tim Howkins
Okay, thank you all for listening this morning. We were thankfully free of interruptions here in Dusseldorf. As always Chris and I will be available for the rest of the day, as will Kieran if anybody has got any questions. Thank you

End of Presentation