

11 June 2013

IG GROUP HOLDINGS PLC  
Trading Statement for the year ending 31 May 2013

IG Group Holdings plc (“IG or the Group”) today issues the following Trading Statement for the financial year ended 31 May 2013.

- Fourth quarter revenue expected to be 8% ahead of prior year
- Stronger H2 revenue and one-off items of £4m positively impact Profit Before Tax
- Online strategy rationalised following acquisition of domain name IG.com
- Increase in investment planned in FY14 to drive future growth

IG expects to report trading revenue of £104.3m for the final quarter of the year, 8% ahead of the same quarter last year (Q4 2012: £96.2m), giving £361.9m for the full year, 1% behind the prior full year. The table below shows the geographical split of revenue and changes in active client numbers and revenue per client for the full year.

Trading revenue by region	FY revenue			FY KPI	
	FY13 £m	FY12 £m	Change	Active clients	Revenue per client
UK	184.6	191.8	(4%)	(9%)	6%
Australia	56.4	58.0	(3%)	(8%)	6%
Europe	70.9	72.2	(2%)	6%	(8%)
Rest of World	32.2	28.4	13%	19%	(5%)
Total excluding Japan	344.1	350.4	(2%)	(4%)	2%
Japan	17.8	16.4	9%	(19%)	33%
<b>Total</b>	<b>361.9</b>	<b>366.8</b>	<b>(1%)</b>	<b>(5%)</b>	<b>4%</b>

In the final quarter of the year, although April provided the largest year-on-year uplift, both April and May were strong revenue months as clients responded to a number of separate market events including the Cyprus bail-in, a significant fall in Gold prices, continuing strength in the global equity markets and movements in the Yen and the Nikkei, driven by Bank of Japan intervention.

The table below shows the geographical split of revenue and changes in active client numbers and revenue per client for the fourth quarter.

Trading revenue by region	Q4 revenue			Q4 KPI	
	FY13 £m	FY12 £m	Change	Active clients	Revenue per client
UK	52.5	50.3	4%	(7%)	12%
Australia	15.9	14.0	14%	2%	12%
Europe	20.7	19.6	6%	8%	(2%)
Rest of World	9.4	8.2	15%	24%	(7%)
Total excluding Japan	98.5	92.1	7%	0%	7%
Japan	5.8	4.1	41%	(24%)	83%
<b>Total Financial</b>	<b>104.3</b>	<b>96.2</b>	<b>8%</b>	<b>(2%)</b>	<b>10%</b>

The strong fourth quarter was a continuation of the shift experienced at the start of the second half when better market conditions began to produce more trading opportunities for clients. Trading patterns were also similar to the third quarter, with the year-on-year uplift in revenue driven primarily by higher average revenue per client in the more mature markets of the UK and Australia and by active client growth in the Europe and the Rest of the World. Revenue for the second half of the year was ahead by 13% at £192.9m (2012: £171.3m).

The Group expects profit before tax (PBT) to be ahead of the prior year, with the majority of the revenue increase in the second half and lower operating costs flowing through to PBT. Operating costs benefitted from the actions taken by management to slow down investment in the middle of the year in response to weak revenue through the first half, and lower than average employee variable compensation, as, even following a very strong second half, full year revenue fell short of the expectations at the start of the year. Reported PBT for the second half will reflect a positive impact of around £4m from one-off items in the fourth quarter. The main element of this £4m relates to IG's successful defence in the legal case arising from the insolvency of Echelon Wealth Management. In March the case was found in favour of IG. Subsequently the plaintiffs chose not to appeal and have paid a substantial contribution to the legal costs incurred by IG.

### **Business Developments**

In Japan the regulator has clarified its position on binary options. New rules will prevent the offering of very short term contracts and those which can only run to expiry. These types of contract are not currently offered by IG, but do constitute the principle forms of binary offered by a large number of competitors. However a new requirement for a client knowledge assessment, in the form of an online test, is likely to make the recruitment of new binary clients more difficult than at present.

In Europe, following on from the launch of an office in Dublin in January, IG opened an office in Oslo in April. Although the population of Norway is only around five million, it ranks in the top five in the world for GDP per capita. In France recent market research revealed a mixed picture. Although IG's share\* of the CFD market here was down by two percentage points to 22%, encouragingly the CFD trading market grew by 22% in the 12 months to March 2013.

Capital expenditure in the year was higher than the historic run-rate, as IG invested in a suite of domain names, including IG.com and a series of local domain names, such as IG.co.uk and IG.de which will feed into IG.com. The acquisition of these domain names is another important step in IG's global brand positioning and further enhances the Group's online marketing strategy. IG expects this to increase the quantity and value of the web traffic it receives and to deliver operational efficiencies and financial benefits through improved search engine ranking and more cost effective pay per click marketing. In addition the Group also acquired software to support the growth of its US business, Nadex. The total of these investments was approximately £5m.

### **Outlook**

Following the reduction in operating costs in 2013, IG expects these to rise in 2014. The primary drivers here are the resetting of employee variable compensation into the new financial year, the impact of inflation on people costs, an increase in the FSCS levy and additional investment in growing the business. This investment will focus on specific initiatives aimed at enhancing the

*\* Share of primary accounts, as stated by Investment Trends February 2013 France contracts for difference & foreign exchange report (released May 2013)*

Group's offerings for active traders and further geographic expansion to drive long term revenue and profit growth. It is not anticipated that this investment will deliver any significant revenue benefit in the current year. IG's ongoing investment in technology and brand, coupled with its market leadership and strong financial position leave it well positioned for the future growth in its global markets.

Today there will be a conference call for analysts and investors at 8.30am (UK time). The call can be accessed by dialling +44(0)20 3427 1910 and using the passcode 6708067. A replay of the conference call will be available for a period of 14 days after the event by dialling +44 (0)20 7111 1244 and using passcode 5641120.

The results for the year ended 31 May 2013 will be announced on Tuesday 23 July 2013. There will be a presentation for analysts at 9.30am (UK time) at the Group's offices at Cannon Bridge House, Dowgate Hill, London EC4R 2YA. Analysts wishing to attend the presentation should contact Laura Ewart at [laura.ewart@fticonsulting.com](mailto:laura.ewart@fticonsulting.com) or on 020 7269 7243

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*(1) References in this statement to "revenue" refer to net trading revenue, which is trading revenue excluding interest on segregated client funds and is net of introducing broker commissions.*

*(2) References in this statement to active clients are to the number of clients trading during the period referred to and references to average revenue per client are to revenue for the period referred to divided by the number of active clients in that period.*