FY24 Results transcript

Breon Corcoran (IG Group – CEO)

Good morning and welcome to IG's 2024 full year results presentation. I'm Breon Corcoran, the Chief Executive, I'm known to some of you already. Thank you for taking the time to be with us this morning, and I'm delighted to be speaking to you at my first results presentation as Chief Executive.

I'll kick off with some early impressions of the business before taking you through our 2024 financial results and then finish up by discussing some of our early priorities.

But before that, let me explain why I'm delighted to have joined IG. I've known this business for many, many years. I was a customer as far back as the 90's, and I've respected what they do from a product point of view in particular. But largely today, I'm here because of the opportunity.

IG has solid positioning in large and growing addressable markets and there is much we can do to further unlock our potential.

We do need to get closer to our customers to deliver better products that are tailored to their needs, and we need to do that more quickly. We also can and must drive more efficiency and add scale in the pursuit of stronger growth.

There's considerable enthusiasm across the business to deliver this change and I'm very excited by our potential.

Slide 4

So, I've been here now nearly six months and to date I've spent most of my time speaking with and listening to our colleagues across the business and our clients to understand our strengths and our weaknesses.

Our OTC business still drives nearly three quarters of the total revenue, and we have some relevant scale but there's still opportunities in our core market, to grow that, for example by increasing our geographical coverage across the world.

We have a very loyal, but generally older and wealthier client base. We have a well-established brand and strong risk management and control culture developed over many years. Over the past ten years, our bad debt rate has averaged under 1% of trading revenue.

The business is highly cash generative, and we've a very strong balance sheet.

In summary, this is a solid platform but there is considerable work to do, in particular on our technology stack and culture which I will touch upon later.

Slide 5

I've mentioned the backdrops and the large markets, but we operate in an industry exposed to strong structural growth drivers. Our success will be dictated by how well we position the business to capitalise on these.

- Technology and content are improving access to financial markets.

- The range of tradable instruments is rapidly evolving – for example, derivatives are constantly being listed on new underlyings and digital asset classes, though nascent are growing rapidly.
- Wealth is moving between generations. Younger generations are likely to be more tech savvy and will take greater control of their own finances as state pension support is understood to be less valuable to them.
- Growing wealth per capita in emerging markets also presents IG with an opportunity to expand our global footprint.

These trends are supporting long-term growth across our over-the-counter and exchange-traded products.

Slide 6

So, we operate in large target addressable markets.

We're the global over-the-counter market leader but our penetration of the revenue pool is relatively small at 9%. Establishing a physical presence and a brand presence in more countries will improve our positioning to tap into this opportunity.

The global B2C exchange-traded futures and options revenues opportunities in the United States, in the UK, in Europe, Australia and Singapore alone is similar to the OTC opportunity globally. Our penetration of that revenue pool is probably less than 3%.

In stock trading and investments, our offering is very limited and we're only scratching the surface of the opportunity. And there are synergies that come from being in multiple product verticals across this industry.

Slide 7

This is a fast-paced industry and to win in this environment we need to get closer to our client needs and deliver relevant product at pace.

The OTC business is characterised by a small number of global players with relative scale, but the industry is otherwise highly fragmented, potentially providing opportunities for consolidation.

New entrants pose constant risk of disruption, highlighting the importance of agility. For example, there is the growth in the emerging B2B2C providers, ranging from electronic market makers to competitors providing liquidity to other retail facing businesses.

The exchange traded derivatives market is dominated by large players with broad product ranges, typically based in the United States and challengers such as us need clear differentiation.

tastytrade does give us relevance in the largest retail trading market in the world – particularly in the active trader segment.

In the stock trading and investments, scale and brand affinity create significant barriers to entry, but competition and regulation is increasing the pricing pressure on incumbents. So, this is an industry of considerable change.

Slide 8

In addition to that, regulation will be a constant feature of the industry landscape and we support the efforts of regulators to raise standards.

We've demonstrated an ability to adapt to change and grow our business throughout periods of regulatory change and we'll continue to adapt and broaden our product range within regulatory frameworks.

Current areas of regulatory focus include:

- Implementation of Consumer Duty in the UK, which is focused on price and value for customers, including the treatment of interest on client money.
- Regulators around the world remain focused on consumer protection measures. For example, in July last year, the CNMV in Spain introduced a ban on advertising of CFDs to retail investors; the Financial Markets Authority of New Zealand is currently consulting on potential retail CFD leverage restrictions and there has been ongoing monitoring of knockout products in Japan for several years.
- Crypto regulation continues to change rapidly.
- And in the United States, the SEC has been consulting on payment for order flow for several years but there's nothing currently new to report on this matter. Payment for order flow was <4% of Group total revenue last year.

Slide 9

So, to summarise, I benefit, and we benefit from the great work that happened, and is happening at IG but there are areas for improvement.

My initial three priorities are on improving our product, changing our culture and enhancing efficiency:

- Our product and UX needs to be more responsive to client needs. We need to ship new products and features more quickly and constantly evolve our offering in response to consumer demand, which is fickle and fast changing.
- We're also developing our culture to get closer to the customer and focus on accelerating growth.
- And finally, we must focus on enhancing efficiency. Expense growth has exceeded revenue growth in recent years and our cost to serve remains high.

Embedding these changes will take time, but there's an appetite for change in the business, and a willingness to move quickly and achieve more.

Slide 10

So, moving to the financial performance in the year.

As a reminder, all figures are presented on an adjusted basis, which excludes certain one-off items and non-cash costs in both the current and prior year periods. These adjustments match our prior disclosure and for completeness, we've included a reconciliation with non-IFRS performance measures in the appendix.

Slide 11

We've delivered resilient results in a period of considerable corporate change.

Group trading revenue was down 10% in the period when the average level of the VIX was down much more than that. Total revenue declined 3% supported by higher interest income on cash balances which held up well.

Costs were better controlled and helped us to defend profit margins.

Turning to capital, following a review from our principal regulator, the Group minimum regulatory capital requirement was reduced about 40% late last year.

We've increased the total dividend per share and repurchased over 58 million shares in the past 24 months, over 13% of our share count.

As I'll discuss in more detail later, we've also made changes to our organisational model to enhance efficiency.

Slide 12

So, on this slide, we summarise Group financial performance in the year.

Total revenue was just under £1 billion, down 3% on the prior year, but our second highest year in the Group's history.

PBT was £456 million, down 7% on the prior year and the PBT margin was 46%.

We returned £423 million of capital during the year, equivalent to 120% of adjusted profit after tax, through a combination of dividends and share buybacks.

We've increased the dividend per share, in line with our commitment to maintain a progressive and sustainable ordinary dividend, and today we've announced a new buyback of £150 million which will be completed by the end of January 2025, subject to share price performance and other demands on capital.

Slide 13

Turning to the P&L, trading revenue was lower than in the prior year reflecting soft market conditions and a strong comparative.

Interest income increased significantly, driven by higher policy rates in most of the countries in which we operate.

Cost growth moderated in the period, increasing 4% on last year, supported by efficiency measures put in place in the period.

Net finance income rose year on year, reflecting higher interest on our own cash balances while finance costs remain largely fixed.

The effective tax rate for the Group of 23% increased on the prior year level of 19%, driven by the higher UK corporation tax rate. The tax rate for the full year was slightly lower than reported in the first half reflecting the geographical mix of profits in the period and standard tax incentives.

Earnings per share was down year-on-year due to the lower profit after tax, partly offset by the lower share count.

We'll now look at trading revenue in more detail.

Slide 14

Market volatility was significantly lower in the period against a strong prior year comparative.

In the OTC business, this weighed on client trading volumes and revenue per client was down 8%.

Client income conversion for the full year was at the mid-point of our typical range in the mid-70s.

Despite the slower market backdrop, active client numbers held up relatively well reflecting continued high level of engagement on our platforms.

Our exchange traded derivatives and stock trading businesses substantially outperformed the drop in market volatility, highlighting the benefit of diversification.

Slide 15

So, IG continues to be the largest provider of OTC derivatives by revenue globally, but our market leadership position has weakened in recent years, as evidenced by the declining primary account share in several geographies.

In the UK, for example, our share of primary accounts has declined 8 percentage points since 2018 and in Singapore it's down four points to 11%.

We must move faster to recapture lost market share and to extend our leadership position.

Slide 16

I've spent considerable time with our colleagues at tastytrade, our US options, futures and equities business, and I've been impressed by what I've seen – the newer technology stack and the culture support faster product velocity.

tastytrade delivered a record performance in the year. Total revenue has increased 23% to $252 million reflecting 10% growth in trading revenue and 53% growth in interest income.

Total client equity reached a new high of $5.1bn at the period end supported by higher market levels and net asset transfers into tastytrade. Net client assets transferred to tastytrade from competitors reached a record $509 million in the year, up from $163 million in 2023.

Last month, we launched tastytrade in the UK, under the IG brand, substantially broadening our product range in this market. We're applying for regulatory licences to launch the tasty offering in several other countries.

Slide 17

Going down the P&L, we'll now look at costs in the year.

Adjusted costs increased 4%, were much better controlled relative to prior year levels – reflecting the implementation of efficiency measures put in place in October.

Increases in fixed rem reflected higher average headcount in 2024 along with severance costs associated for senior leavers.

Higher revenue-related costs reflect a £15.5 million bad debt charge of which £10.5 million was incurred in the first half and £5 million in the second half of last year.

Bad debt was driven by credit losses resulting from positions that several professional clients had to two suspended stocks in the period. We don't expect further charges relating to this matter and we'll aim to the recover the losses in line with our standard credit risk management practices.

Advertising and marketing spend declined as acquisition spend was scaled back, in line with lower market demand.

Technology maintenance, structural market data charges, and communication costs increased 21% on FY23, reflecting cyber security enhancements, continued deployment of our cloud strategy, inflationary pressures on contract renewals and projects to support future growth and new products.

D&A includes amortisation of the Small Exchange assets and an additional £8 million impairment of DailyFX which we took the decision to close in the period.

Higher legal and professional fees were driven by ongoing litigation and external IT services supporting enhancements to our technology.

Slide 18

For completeness, on this slide we've outlined live or recently settled litigation.

Along with several competitors, including CMC, Plus500 and IC Markets, we're currently defending a class action matter in Australia. The essence of the allegations is that CFDs were unsuitable for retail clients and providers misrepresented the risks associated with those products.

We've filed our defence and denied the allegations. The matter is in the early stages of discovery, which should be completed towards the end of the current calendar year, or early next year. If the matter reaches trial, it is unlikely to do so before late calendar 2026.

Credit and market risks have been well managed within our Board approved risk appetite, but we will continue to enhance controls to achieve greater efficiency.

We have ongoing focus on modernising our technology stack which is necessary to enhance product velocity.

Slide 19

We now take a look at the Group's regulatory capital position.

In September, we announced that our minimum Group regulatory capital requirement was reduced by about 40%, following a detailed review by the UK regulator.

At year end, we had £638 million of surplus capital over our minimum Group requirement of £299 million. When assessing surplus capital available for distribution or acquisitions, we apply stress tests and management buffers over minimum requirements.

At the end of the year, £30 million was still left to be executed on the current share buyback programme, which was deducted from capital resources, in line with regulatory guidance.

Slide 20

This slide will be familiar to you but turning to our capital allocation in the year.

We've increased the full year dividend by a penny per share, in line with our policy.

M&A may be necessary to accelerate delivery of our strategy and we will be disciplined in assessing such opportunities.

And during the year we spent £244 million buying back our own shares.

Having reviewed our regulatory capital headroom, we've today announced a share buyback programme of £150 million, to be executed in the first six months of this financial year. That allows us to get shares out of the market faster than our last tranche but also to retain flexibility for other uses of capital.

Slide 21

And lastly, turning to guidance for FY25.

We expect total revenue and adjusted PBT to be in line with current market expectations which can be found in the investor relations section of our website.

We expect the group tax rate to be approximately 24% and the new buyback programme to start in the coming weeks.

Slide 22

So, looking forward in terms of initial priorities.

Slide 23

Here is a standard flywheel, and we show what we must do to win.

Our priorities are to invest in product and UX, deliver it quickly and improve customer acquisition and retention to accelerate revenue growth.

At the same time, we're seeking opportunities to enhance efficiency with the opportunity of delivering higher operating leverage, through lowering our cost of serve.

In summary, we're focused on customer relevance in the pursuit of scale to drive faster growth. Doing this will take time but there is huge potential and a real desire across the organisation to move faster and achieve more.

Slide 24

In terms of initial priorities.

We must build better product, and get closer to our customers, understand better what they want and adapt our offerings as their needs change.

We do have work to do on culture. We must put the client at the centre of everything we do and increase pace across the organisation.

We're empowering our people to focus on outcomes that have greater commercial impact and giving them the resources to do that.

And finally, we're seeking opportunities to reduce cost to serve and increase efficiency.

Slide 25

Turning now to our existing product offering and geographical coverage.

We have a broad OTC product range and global reach, although we have work to do to cover off some product and capability gaps. Our B2B2C offering requires investment and there is much we can do to broaden our OTC business around the world.

tastytrade does provide us with a footprint in one of the world's largest retail exchange derivatives markets and there's more we can do to take that offering to other countries around the world, in response to customer demand.

And as I Said earlier, our stock trading offering requires work, but currently comprises tastytrade in the US and IG's platform in the UK, Australia and the UAE.

Our crypto offering around the world is very limited.

Slide 26

One of my initial priorities has been to implement a new organisational structure to enhance client centricity and increase P&L ownership and accountability through the business.

We now have four distinct, decentralised divisions – arranged geographically:

- The UK
- Asia and the Pacific markets and the Middle East – including Japan, Singapore, Australia, and UAE
- International – covering Continental Europe, South Africa, and Emerging Markets
- And finally, the Americas

Each region has been given, and continues to receive dedicated marketing, technology and product engineering resources to deliver product aligned to local customer needs.

Slide 27

And turning to the leadership team, we've got a good mix of deep domain knowledge and new perspectives.

I'd like to welcome Jody Dunn and Sarah Gore Langton to the Executive Committee, both long-standing members of the team here.

Adam Wheelwright, our CTO has been with IG for just over a year and has been focused on changing working practices to accelerate product development and to improve our technology stack.

We have a highly experienced commercial team leading our four geographical divisions and we're making very good progress on the CFO search that you know is in progress.

And finally on my own behalf, and on the part of the Board, I'd like to record my thanks to Charlie for the job he's done at IG over the last 4 years as CFO, and more recently as Acting CEO.

Slide 28

And turning to cost efficiency, costs have grown faster than revenues in recent years which is unsustainable.

The business put in place an operational improvement programme in October of last year and this has started to reduce headcount.

We've also made progress changing our headcount location footprint to optimise the way we're using our global centres of excellence in Poland, India and South Africa. Increasingly we talk of cost to serve as an important metric in the business.

Slide 29

So, in summary to conclude, we've got a solid platform for growth.

We operate with a supportive industry backdrop with strong structural growth drivers and large addressable market opportunities.

I've got three initial priorities - product velocity, culture and efficiency.

We've a lot of work to do to unlock our potential, and doing so will take time, but I remain very excited about the opportunity.

I'll leave it there in terms of slides, but I'm very happy to take questions, initially from people in the room and then we'll open to the phone line.

Q&A

<u>Ian White (Autonomous)</u>
Three questions from my side please. First of all, maybe you could just say a little bit more about the desire for increased product dynamism in the leveraged OTC business, specifically. I guess two subparts to that; first, how could that be done without significant investment in the technology i.e. over and above existing spending plans?
And secondly, what are the areas you think where maybe the lack of velocity or dynamism has sort of cost the group over the last few years, where has IG missed out basically relative to competitors.
So that's questions one and two, and then just finally on the M&A point, what capabilities would you look for in a potential acquisition? You've talked a bit about some of the product gaps there, but are there specific things on technology or geographical presence for example, that would be attractive to you?

<u>Breon Corcoran (IG Group - CEO)</u>
Thank you Ian. To take the M&A question first. I think there are clear product gaps and I reference back to the slide that we used a few minutes ago, and I think there are also geographical gaps.

I think M&A, should primarily address either a product or geographical gap first, but obviously I'm not prepared to be drawn on specifics on that.
On the product dynamism as you put it, in the OTC product in particular, we have a very mature product that is very well designed to target experienced users, but in addressing the needs of the heavy users we have, obfuscated or complicated the product in unnecessary ways. Our charging, for example, can be simplified and improved. Some of the basic UX and conversion funnel can be simplified and improved. You referenced US versus competitors, some of the focus on efficiency and consistency, while well intended and with some merit, has meant that we have underperformed in local markets where we've been late with payment options or slow in introducing best practice in terms of local conversion or KYC processes for instance.

So, I think by disaggregating away from a central product-led organisation to one that's more decentralized and more client centric, we will have a more educated view on what customers need and how competitors are serving them. And we will be able to make more local prioritization decisions closer to the customer rather than feeding things back to the mothership here in London, where there was an almost impossible task of juggling literally a global priority list, which slowed the organization down and meant we were less responsive to customer needs.

So, I think what should happen is we will make better educated, faster choices. We will take more frequent product bets to address customer needs. That should result in better traction with customers, which should lead to more revenue growth. And as we generate more revenue from that, we will redeploy that into building more products and more marketing to get onto this kind of virtual circle that was also in the slides. M&A, we'll talk about as and when we get there. I hope that’s helpful.

<u>Richard Stuber (Deutsche Numis)</u>
Thanks Breon, it’s just really the question in terms of your lessons you learned from your previous career in terms of betting/gaming, is there anything from that industry you think would be very relevant and you could do better here in particular in terms of things like marketing efficiencies, in terms of personalization and anything you can sort of take from that?

<u>Breon Corcoran (IG Group - CEO)</u>
Well I hope we all learn from the mistakes we made elsewhere. We spend a very modest amount of money on marketing and in many ways underspend on marketing relative to some of our competitors.

I think the brand here is very well established. There's a question as to whether a brand with our strong heritage and sense of legacy is the optimal positioning at a time like this when customers are seeing newer brands that are maybe more product led and maybe distinguish on different variables. But I think also, I worked in payments for many years and that was a global business where we had to make trade-offs between scale efficiency and customer relevance. And there is real value and being closer to your customers because ultimately we're also competing with local champions rather than just global players.

So, customer centricity, understanding localization, obsession about local conversion and they are things that I think any e-commerce business like this has to take very, very seriously.

Ben Bathurst (RBC)
I've got a couple questions if I may, starting with costs. As you mentioned, the company is on a bit of a role of growing cost more quickly than revenues. What's your view on the appropriateness of the overall cost base of the business and think there could be scope to extend the operational improvement programme announced in October?

And then secondly on tasty. What's your assessment of the investment that's been placed into tasty to improve the brand and the recognition there? And do you think there's evidence of return on that investment and is the intention at this stage to continue to invest there?

Breon Corcoran (IG Group - CEO)
Okay, so in terms of efficiency, so the Company talked about a particular focus on efficiency, I think in October of last year. That's largely been executed, it was framed as a multi-year project that was somewhat one-off in nature. I think it probably needs to be more deeply embedded in the culture and there's real merit in trying to run this business lean and make a virtue of relative frugality.
So we are moving to more of a mindset about cost to serve and an ongoing commitment to efficiency. But to your question in particular, I think over the next few years the question should be can we show customer relevance, and can we show accelerated revenue growth, rather than can we show operating efficiency. We could run this company more leanly tomorrow, but I think the opportunity demands that we invest in technology and people and marketing to see how fast we can grow it first. And I think that's the balance for the next couple of years.

On your second question, in terms of tasty, that's relevant to tasty, but I think it will be relevant to the other divisions over time. tasty has grown well last year. Yes, it benefits a lot from interest income, but I am quite excited by the way that they have got customer funds to transfer into the platform, but you know effectively we will run some kind of competitive marketplace internally for capital and businesses that can produce returns off marketing or product or talent should get more capital rather than ones that can't grow.

So tasty, I'm very excited by the business. It's a not insignificant part of the reason I came here. I think there's more we can do there. So, we continue to invest there with growing confidence both in terms of marketing and people and tech. We think there's room to grow that business. It's still a relatively small business in the market it operates.

Martin Price (IG Group – Head of IR)
We've got one that's come in via the webcast, so two questions from the web, Breon. First, could you provide an update on plans to take tasty to other international markets? And secondly, before you joined, there was talk of a new stock trading offering. Could you provide an update on that too please?

Breon Corcoran (IG Group - CEO)
So tasty went live in the UK, branded as tasty at IG, about three weeks ago. I'm reasonably happy with the progress so far because there is some friction, so customers in the UK, including all customers in the UK, with long standing customers in the UK, because this is effectively a product offered from a different jurisdiction, there is incremental friction in terms of signing up for to trade, exchange traded options in the United States. So, we're working out removing that friction as best we can, but I'm delighted it's live and the product from start to finish went live as quickly as anything we've done in years. And this is the first material product launch in the UK in many years.

There is a plan to roll out tasty and other markets in which we're licensed, and we are separately receiving inbound from other markets where people would like to license the tasty product or a white-label version of the tasty product. Predicting regulatory approval is infamously hard, so we will talk about that as in when it goes, but we are working on a number of jurisdictions to roll out tasty as soon as we can.

And the second question was about the cash equities product that was teased I suppose, back in January of this year. The company has been working on an upgrade to its cash equity product with an intention to roll that out on a global basis. That project is more or less stalled at the moment. We're looking at doing it in a slightly different way. We were working with the third party. We probably will do some more of the work internally, so it is important to us to improve our cash equities offer. Some 20-something percent of our CFD customers in the UK also trade cash equities, so I think it's important we continue to improve our cash equities offer. But the way that we positioned that back in January is probably not the way it's going to play out over the coming months.

Vivek Raja (Shore Capital)
Hi, good morning Breon. I think some of my questions have been asked, but I thought I would just try in terms of tastytrade rollout, appreciate you've said where IG is already licenced. I just wonder if you could perhaps give a hint as to which markets you think are most ripe for tastytrade, where you think the market opportunity is most appetising to you, let's put it that way?

I also wanted to understand the efficiency drive, there seems to be a tension here. To some extent you're decentralising the business to a geographical spread to give more autonomy to the regions, I certainly understand that so the local customers demand is better tailored to, but how do you square that with efficiencies as that would seem to be more cost intensive. Those were my questions, thanks.

Breon Corcoran (IG Group - CEO)
I think 3 points on the tasty rollout. There are many, many markets in which the tasty product we believe the tasty products is relevant and attractive. In some, but not all, of those markets, we already have licenses and relationships with regulators and we're in conversation with regulators. In specific markets that I'm not going to name, but in specific markets were in conversation with regulators that have been in some cases for six months. But predicting that regulatory approval, and how quickly that might occur is, as I said, infamously hard and not a great use of our time.

And then lastly, there are inbound requests from brokerage businesses around the world who are excited by tasty's offer and specifically the user-friendly way in which it gives access to US exchange-traded product. And it may be the case that having now proven we can distribute tasty through a third-party platform, specifically the IG brand, that we will consider doing that with other markets as well. We will give full disclosure as and when something is live or nearly live, but predicting the choreography of that is just impossibly hard. There continues, and I have to stress this, there continues to be, these are regulated products and there continues to be friction by rolling out products from one geography under the regulatory framework of another geography. So, this is slow, complicated and often a little bit more painful for customers than you might imagine it at first cut.

On the second question about efficiency, you're right, there's a slight disconnect between an obsession about a cost to serve and efficiency, and I think the best way I can explain what's happening is that there was a well-intentioned talk about efficiency in the past as something we should do, because off the back of COVID, as revenue growth had slowed post COVID, but cost growth remain quite high, there was a need for cost cutting. What we're trying to do now is just be much more disciplined about how we spend and yes, we accept that we're baking in some inefficiency with the decentralized model. So, I fully accept that that's baking in some inefficiency, but that inefficiency is rationalized in the pursuit of customer relevance, faster product velocity in the hope of accelerating revenue growth.

If we can't drive revenue growth, I believe we will, but if we can't drive revenue growth and we fail to do that over the coming quarters or a couple of years then I think there's still potential to run this business more leanly. But if we choose to go the other direction and take out costs now, it becomes a one-way door. It becomes effectively a binary choice where if we take out our costs now and under-invest now, at a time when there's still considerable global opportunity, we won't get the opportunity to do that later.

So with purpose, we're putting money into product and people and brand and marketing, in a more decentralized way, acknowledging that that's slightly inefficient now, but if we deliver revenue growth from that, we feel we'll be able to redeploy that incremental return with more confidence and grow this business faster, be more relevant to customers, make it bigger and make it a stronger business.

Martin Price (IG Group – Head of IR)
We've had a couple more come in over the web Breon, so Haley Tam at UBS has asked on slide 25 featuring the Harvey Balls, it looks like there's some white space there, so is there anything we can share at this point on prioritizing opportunities?

Second question is just a follow up on investment needs and how are we thinking about operating margin guidance in the medium term at this point.

<u>Breon Corcoran (IG Group - CEO)</u>
So, slide 25, which is the, what do you call them?

<u>Martin Price (IG Group – Head of IR)</u>

I think they're called Harvey Balls.

Breon Corcoran (IG Group - CEO)
Thank you, it's a real team effort today. There is white space and I think it's important to recognize that and we're very strong over-the-counter. But we have an interesting geographical and regulatory footprint with product gaps, and I think we would like to fill some of those in thoughtfully overtime where we can find attractive acquisitions that make this a stronger business. I referenced earlier, we believe there are synergies in offering multiple products, within a regulatory vertical, within a regulatory geography. But prioritising though, we are doing outbound in the pursuit of thoughtful, addressing the gaps, but M&A, the timing of these things is imprecise, and we will keep you briefed as and when we have more to say on that.

On the second question, which was?

Martin Price (IG Group – Head of IR)
Second question is just on our thoughts on medium term margin and guidance.

Breon Corcoran (IG Group - CEO)
Sorry margin and guidance. So, we've reaffirmed consensus for this year explicitly and implicitly, we're comfortable with the consensus numbers for FY26. I've said now a couple of times that we are going to pursue product and customer centric growth in the pursuit of faster revenue growth and that will be more obsessive about that than evidencing operating margin expansion.

So, we're not taking operating margins down, but I'm not feeling any enormous urgency to show operating margin expansion in the short term. We would much rather see if this business can further build on its potential both brand, product and regulatory.

Martin Price (IG Group – Head of IR)
Thanks, Breon, no further questions via the web and it doesn't look like we've got any on the line, so I'll pass back to you for any closing comments.

Breon Corcoran (IG Group - CEO)
Any other question the room please? Ian. Just shout.

Ian White (Autonomous)
Maybe just a few follow ups if that's okay? Just in terms of the IG Group model historically today, that's being kind of a high touch model, particularly for the most valuable users, likened to an investment bank sales trader, and that's helped to attract and retain the most valuable clients. Do you see the Group moving away from that to any significant degree in terms of being leaner and more efficient? So that's question one.

Secondly, you talked about developing the stock trading offering. Is that with a view to making it more relevant to active traders, and getting a bigger share of stock trading business from IG's existing clients or do you see the group moving into a sort of savings and investments type market, away from the active trader client base?

And just lastly on capital, obviously noting the comments that you've made around M&A. But why is £638 million the correct level of capital surplus for a business where the capital requirements are broadly stable since the IFPR rebasing, that level of surplus is more than double the actual gross capital requirement itself, so thoughts on those three things please?

Breon Corcoran (IG Group - CEO)
Yeah, so I agree Ian, a lot of value has been created through, in your words, the high touch relationship with experienced, often high frequency, high value traders, in the past. I think that's a core capability we have. But I think we also need to broaden our footprint and I think you can go from the kind of our core heritage in that space to your next question, the kind of active trader audience without going particularly mass market or without going to the very retail. I mean retail in a mass market rather than a regulatory sense way.

So, I think you can go from high touch white-glove service for our very experienced traders to an active trader and I think those active traders are also trading other underlying, so not just CFD's, but also trading cash, in some cases trading crypto assets or other assets as well. And I think rather than just an OTC offer, we expect that they would have demand for futures and options as provided, or as will be provided by tasty and indeed a cash equities product that just needs to evolve faster than it has in the past. We will learn as we go and we will learn a lot over the next 12 months, I'd hope.

On the capital allocation issue, I take your point. I'm very excited by the evidence of confidence that was expressed by the regulator when they reduced our capital requirements in September of last year and the business is in a very strong place right now. We have, you'll note increased the buyback and the rate at which that both the quantum and the rate at which that's happening. We have also talked about M&A may be attractive or may be necessary to close some product gaps.

So, I think for this point in time, given that I'm not yet here six months and in advance of a new CFO announcement that with that we hope to make in the coming months. We felt that the buyback, the increase in dividend and providing comfort around consensus, but the buyback and the increase in the dividend goes to showing some discipline about capital structure and I would expect we'll have that conversation in more detail over the coming quarters.

Martin Price (IG Group – Head of IR)
There's nothing further on the webcast Breon, so I suggest we hand back to you for closing remarks.

Breon Corcoran (IG Group - CEO)
Thank you, Martin. So just finally to thank you all for joining us today, either online or in the room. I'm very excited by the opportunity ahead of us. There is work to do and there is time and investment required to do that, but I think the macro backdrop is very encouraging. We're very happy to follow up. We've got a busy few days with investor meetings existing and potential investors. We're very happy to follow up on detail, either me directly or some of the guys here who've helped me prepare. I'm much better prepared than I may look and that's a credit to Martin and his colleagues. Thank you for joining us.