Charlie Rozes, Chief Financial Officer and Acting Chief Executive Officer

Good morning and welcome to our 2023 full year results presentation. I'm Charlie Rozes, the CFO and Acting CEO of the Group. As we announced previously, June Felix is unable to join us today as she's taking a short period of medical leave. We wish her a quick recovery and look forward to having her back soon.
Today, I'll be taking you through our results for the year, in which we delivered a fourth consecutive year of record total revenue and achieved further progress on our strategic objectives. I'll start with my overall reflections on FY23 and discuss the success we've had in executing our strategy. I'll then move on to our financial performance and future expectations for the business. Then at the end, we'll open up the line for questions.

On this slide we're showing the financial highlights for Group performance in FY23.
Total Group revenue, including interest income, was just over £1 billion, which was up 6% on the prior year and another record for IG.

Profit before tax was £490.5 million, broadly flat on the prior year, at a 48% profit margin, which was at the high end of our FY23 guidance.

We returned £363 million of capital during the year, equivalent to nearly 90% of our FY23 earnings, 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, and larger, share buyback of £250 million. These reflect our confidence in the outlook, comfortable headroom over regulatory capital needs, and a strong liquidity position.

FY23 represented another year of successful execution of our strategy in what was a very different and challenging macro environment with recessionary fears and higher levels of inflation dampening consumer confidence and economic outlooks. However, we're excited to say that we've achieved a fourth consecutive year of record total revenue and the business is now more than <u>double</u> the size that it was back in FY19, when we launched the strategy.

We've proven that the substantial growth of the business in the past few years is sustainable and we can grow revenues over time, across a wide range of market conditions. We remained disciplined around cost management while investing steadily and consistently for growth, and still delivering healthy profit margins. Alongside our careful focus on costs, we've also been disciplined around capital allocation, as we mark the 1st anniversary of the announcement of our allocation framework.

We've invested organically for the future growth of the business, while delivering a high profit margin. On top of this, we've returned significant capital to shareholders through our dividend and our share buyback programme.

As we've said previously, we're changing the definition of what IG is, and the value we bring to clients, by building a wider range of businesses. Simply put, we're the home of active traders, worldwide.

Looking at other stakeholders, we continued to lead our sector in the field of corporate citizenship and set the standard for others. In line with our pledge to donate 1% of our post-tax profits to charitable causes, we've announced a further donation of £4 million with a focus on empowerment through education. We've also made further progress in supporting client welfare, by deploying proprietary technology and AI to ensure suitability and also detect possible client vulnerability. Providing the best, and most comprehensive, trading experience for our clients is our number one goal.

Moving on now to look at strategic progress in the year. I'll start with some updates on the US and OTC, followed by interest income. I'll then talk a bit about three important aspects of our business, which are innovation, our clients, and regulation, before coming onto the Group financials.

A few years ago, in FY19, we launched our strategy to expand and diversify the Group by both product and geography, directly leveraging our well-established strengths in trading and trading products, technology, and risk management. This strategy has also diversified our regulatory risk profile, which I'll talk more about shortly.

Across the top of this slide, we're showing the revenue mix by product, and across the bottom, split by geography.

Starting with revenue by product, we've grown the proportion of non-OTC revenue from 5 to 21%, a significant improvement over a four-year period, supported by the acquisition of tastytrade, and the growth of our European listed derivatives business from Spectrum. This is particularly notable given that our OTC business grew by over 75% during that same period.

Moving on to look at revenue a different way, by geography, in FY19 we already had some reasonable diversification, with significant revenue generated in the APAC region. However, we were still heavily reliant on our UK market, which generated 42% of revenue at the time.

Fast forward to today, and our geographical split looks much more balanced. The UK now comprises a third of our revenue, despite having grown more than 50% over that same period, reflecting the more rapid organic and inorganic growth of our US business. The US is a key market for further investment and expansion, where despite our terrific progress, we still see significant opportunity to capture greater share of the US market.

Sticking with the US, over the past two years, we've achieved solid growth in the region. Tastytrade, our US options and futures business, has been a key driver, although we cannot overlook the great contribution of our leveraged FX business, which has also rapidly gained market share. In that business, we're now the third largest retail foreign exchange dealer in the US, overtaking Interactive Brokers and Schwab.

A significant attraction of the US is the size and growth of the overall market itself. There are over 150 million Americans who own equities, and 14 million active traders, all of whom are now part of our addressable market. Over 80% of all options traders started with equity trading and investing. This funnel is driving the growth of the options market, as we can see from the chart on the right-hand side of this slide. Growth has continued long after the pandemic and through the moderation of volatility, reflecting structural drivers which we believe will support growth in the coming years.

Two years ago, we completed the acquisition of tastytrade, something we felt was a bold move and highlighted our determination to drive the strategy inorganically for the right opportunity, alongside our organic efforts. Since the acquisition, tastytrade revenues have grown 48%, driven most recently by a significant increase in interest income. We've successfully brought our businesses together, and shared expertise which will drive future growth across the whole Group. We're collaborating and innovating more than ever. We're creating world class content through tastylive. Our combined businesses makes us the home of the active trader not just in the US, but around the world.

This past year, we laid a lot of the foundation for future growth at tastytrade. We strengthened our US leadership team by appointing a new chief executive and a new chief marketing officer. Both bring a breadth of retail, trading, and fintech experience and will catalyse growth. We've upgraded our US marketing capabilities, bringing them closer to one of the traditional strengths of IG. We now have in place a fully developed, data-driven marketing programme, to optimise returns on our marketing spend.

In our second half, we launched tasty's first national brand campaign. Maximising the effectiveness of this will take time, but early indications are positive, with search volumes more than doubling since the launch. Evidence of the success of our marketing campaigns and platform upgrades can be seen on the two charts shown here on the right-hand side. The first chart shows the total client equity in our brokerage accounts, including free cash which generates interest income, and the value of open positions. The growth shows the steady progress we've made in attracting more high-value active traders to the platform. The second chart shows how our options market share in the US has grown through the recent period. These are early signs of the effectiveness of our growth strategy and give us confidence in the outlook for tastytrade.

We'll now move over to our world-class OTC derivatives business, which has been the cornerstone of the Group for nearly 50 years. We're the global leader here, having been a pioneer and innovator in leveraged derivatives.

The OTC business has delivered consistent and reliable performance throughout a variety of market backdrops. Our clients in this segment are generally more sophisticated and enjoy trading across all market conditions and across 19,000 markets available on this platform. We've proven over multiple decades that the OTC business does not simply rely on volatility to perform.

The key reason for this sustained performance is our loyal and high value client base, which is different to other platforms in the OTC space. As you can see from the chart on the left, a significant portion of our OTC revenue is generated from clients who've been with us for over a year. We're not reliant on acquiring vast numbers of new clients each year to replace those who have stopped trading within a few weeks or months. These loyal, long-term traders are the reason our OTC business has seen a sustainable step change in revenue over the past few years.

On the right-hand side, we've shown several of the global markets in which we operate. In some geographies we're the market leader, and therefore expect to grow at a steady rate through a mix of modest market share gains and overall market growth. And in the regions where we're not currently a market leader, we see a higher growth potential and aim to grow at a faster rate, benefitting from our global scale and competitive advantages.

Now while we often talk about new products and geographies, expanding and maximising the range of revenue drivers for the Group is also an objective of the strategy. As interest rates have risen, interest income is now a larger component of our revenue. Interest on client money alone made up 8% of our total revenue in the year. This was zero percent last year. Interest income adds a further, valuable, revenue stream to the Group and supports an increasingly diversified top line.

There are three areas where this is relevant: revenue generated from US client funds, from international client funds, and our own corporate cash. We anticipate that interest income will continue to grow across all three areas in FY24 reflecting the annualisation of recent rate hikes and strong client and corporate cash balances. In the US, since the second quarter of the year we've been running a very successful series of marketing campaigns specifically designed to attract large balance accounts enabling us to capitalise on higher rates. This increased the average initial funding balance of new tasty clients by 80% during the year.

Due to the geographic spread of the international balances, the amount of interest income which we expect to earn will be dependent on interest rates around the world. However, the largest pool of client balances is in the UK, therefore UK base rates will have the greatest correlation with interest earned.

Interest on our corporate funds has also become much more meaningful in the year. This is reported in the net financing line in the P&L, which is below operating profit, but included in PBT.

Looking back over our history, we can see how these multiple revenue streams have evolved. We've been innovating at IG since the business was founded. We created the leveraged product category and took it global. The build of the Spectrum platform is a great example of the innovative culture at IG, and how we're able to develop new products and solutions to meet client needs. Our history is full of other examples like this.

Innovation is in our DNA, and we have a continual investment stream to evaluate and fund incubator ideas for the future, which will bring new streams of revenue. We have a large pipeline of ideas, some of which we've launched and will continue to invest and grow, such as the Bad Trader app from tasty, the Spectrum European exchange, and leveraged FX in the US, and others which remain in development, and we'll discuss more about in the future. This has been one of the keys of our continued growth over the past decades.

Throughout our history of innovation, we've always kept one thing at the front of our mind: our clients. They're at the heart of the strategy. Our clients are typically very active, self-directed traders. They may trade 10, 15, or 20 times per day. This is a daily pursuit for many of them, a challenge in which they welcome the opportunity to learn and trade the financial markets.

Client tenure and high retention rates reflect the depth of our relationship. This in turn is the biggest driver of revenue. The majority of our revenue is generated by clients who've been with us for over 3 years. To gain access to our more sophisticated leveraged products, all applicants must pass certain income thresholds and demonstrate trading knowledge and experience. This means that when they gain access to our platform, they're more likely to remain with us.

We're often asked how we're able to attract these higher quality clients to our platform?

Well, we've built a very strong brand and reputation, built up over nearly 50 years. Prospective clients know that we're reliable and offer superior trade execution, across a breadth of asset classes. We're able to do this because of our industry leading scale. Our product range is vast. We offer a wide variety of underlying markets to trade, around 19,000. And rather than being an execution-only venue, we provide the full client experience, with engaging content, insightful charts and tooling, and a high-touch personal client service. And this satisfaction is shown in the survey responses we receive, with 83% of clients highly rating IG as a trading provider.

The quality of our client base and innovative culture leaves us well placed in a competitive and highly regulated market. Regulation is omnipresent. It has always been here, and always will be. Our growth over the past 15 years has been exceptionally strong, compounding at double digits per year. We do not see regulation as a headwind, but as an important feature of our industry, and we support the efforts of regulators to drive up standards as appropriate. It ensures that traders are informed and protected from businesses who may not have their interests at heart and helps underpin the sector for the long term.

There are several reasons we've managed to grow through the continuous and wide range of regulatory changes, as shown here.

First, our client segmentation focuses on ambitious, self-directed traders, with relevant experience and risk appetite. We do not target less experienced customers who may trade on a more leisurely basis.

Second, our business model aligns our interests with our clients. We truly want our clients to trade well and develop their understanding of our products and the financial markets to be long-term traders.

Third, we have a very open approach with the regulators we deal with globally. We're the market leader in many countries around the world, and welcome open and honest two-way communication with regulators to improve outcomes for all stakeholders.

Finally, we have an agile business model and a deep pool of resources available to quickly adapt our technology, products or marketing as regulatory frameworks change.
Over time, we've proven our ability to grow our business and serve our clients in this ever-present regulatory landscape and are confident that we can continue to do so in the future.

Now that we've covered off our strategic progress, I'll take you through our results for the FY23 financial year. First, I'd like to clarify a few points on the presentation of the figures. We sold Nadex in the first half of FY22, and the results today are presented on a continuing operations basis, as they were for the full year, last year. Additionally, 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, in relation to: acquisitions, disposals, and the FY22 debt refinancing. These adjustments match our prior disclosure and for completeness, we've included a reconciliation of non-IFRS performance measures in the appendix.

And now onto the income statement. Net trading revenue of £941.8 million was down only 3% on the record level reported in the prior year, modestly outperforming a 6% decline in active clients and demonstrating the resilience of our business and our high-quality client base.

Total revenue was up 6%, boosted by the significant growth in interest income, which increased to £80.8 million in the year. There was also some benefit in the reported outturn from favourable translational FX.

Total operating costs were up 16%, largely reflecting the annualisation of our cost run rate in the second half of last year, which was as expected and guided, with some inflationary pressures and adverse translational FX due to the weaker Sterling.

I should add that we also had an additional month of tasty costs in the year versus FY22 and our 1% charitable donation. We've also continued to invest in the business to drive organic growth and we've done this at the top end of our Group margin guidance.

Working through the rest of the P&L, net finance income in the year was £14 million. In previous periods this was a net cost, however rising interest rates have substantially increased the revenue generated on our own corporate funds, more than offsetting the fixed costs of our debt securities.

The effective tax rate of 19.2%, more than 200 basis points higher than the prior year, was driven by the increase in the UK corporate tax rate in April, as well as the benefit of standard UK tax incentives and some other adjustments in FY22. Despite this, earnings per share was down less than 2% reflecting share buybacks executed in the period.

Overall, this is another really good outturn considering the more difficult market and economic backdrop year over year. But now having revenues that are becoming more diverse, by product, geography, and type, serves the Group well.

So, in summary, a strong result for the year, and further evidence that our business model delivers in a variety of market conditions.

Shifting now to look at net trading revenue a bit more closely, here we show the revenue, active clients, and revenue per client, by product. OTC derivatives net trading revenue of £782 million softened 4% on the prior year reflecting some moderation in overall client numbers, as volatility tailed off in the second half. We did, however, see a small uptick in the average revenue per client as our high value clients traded more.

Exchange-traded derivatives revenue was £137.1 million, up 13%, and included £120.9 million of US options and futures revenue, and £15.7 million from European products. Active clients reduced 12%, in line with the trends reported at the half year due to more challenging market conditions in the period. Spectrum's active client base, however, remained stable which was encouraging to see.

Revenue per client was materially higher in both the US and Europe, driven by an increase in trading from our most active clients.

Stock trading and investments revenue was £22.7 million, down 33%, as trading volumes declined, in line with trends seen in the wider market. Active client numbers and assets, however, were broadly in line with the prior period, and still materially higher than pre-pandemic.

And now onto operating costs. At a headline level, total operating costs increased 16% on the prior year, and there were several factors driving this. The preceding year only included 11 months of tasty costs given the date of the acquisition and this year, of course, we have the full 12 months. In FY23, we also have the full £4 million accrual for the charitable donation, which was equivalent to 1% of last year's profits.

We've had significant translational FX headwinds across the period due to weaker Sterling, adding around £16 million in the year as well as facing inflationary pressures around the world.

Fixed remuneration increased due to the annualisation of headcount added in the second half of last year, further growth in headcount during the year, and one-off measures that we've taken to help our staff with cost-of-living pressures.

We continued to invest in technology throughout the year to further enhance all of our trading platforms and support incubator projects.

Looking forward, we maintain that a PBT margin of the mid-to-high 40s is sustainable for the Group over time, allowing a good balance between careful cost management set against our ongoing investment programmes. We keep a close watch on profit margins and in FY24 will continue to look for opportunities to achieve even greater cost efficiency.

Our consistently strong profit and cash generation, combined with disciplined capital allocation in line with our framework, puts us in a position of excellent balance sheet strength and gives us strategic optionality. An important aspect of our business model is that profits are realised in cash almost immediately. Our profit after tax therefore goes directly to the accumulation of capital and liquidity in every period. Regulatory capital headroom remained very healthy at £499 million.

Our available liquidity, by which we mean free cash above what is needed to meet broker margin requirements and any overseas regulatory requirements, was £793 million. This balance sheet strength underpins our ability to offer the best client execution across the widest breadth of underlying markets, while maintaining our risk management disciplines, investing for future growth, and enabling us to deliver Regular and Additional Distributions to shareholders. IG has a long history of prudent financial management, and the financial fundamentals of capital and liquidity remain in a strong position.

We announced our capital allocation framework in July last year, and we've deployed capital in line with this framework. We're targeting annual, regular distributions of around 50% of adjusted profit after tax and progressive annual growth in dividend per share, and consequently we've increased our full year dividend to 45.2 pence.

While we'll consider acquisitions as part of our growth strategy, we'll be very disciplined in assessing such opportunities against our strategic priorities. Currently our focus remains on delivering organic growth, which is the basis for our medium-term guidance.

During the year we announced £200 million of share buybacks and executed over 175 million of that in FY23. Having reviewed our current regulatory capital headroom after the investments and other allocations that I've just described, we've today announced a new and larger, share buyback programme of £250 million, to begin following the completion of our existing programme. We expect the new programme to be substantially completed in the current financial year. This demonstrates the Board's commitment to releasing surplus capital to shareholders, in the form of additional distributions, which we described in the framework.

The medium-term total revenue guidance that we set back in FY21 is unchanged. We expect to grow our Core Markets+ portfolio at a rate of 5-7% over the medium term and our High Potential Markets portfolio at 25-30% over the medium term.

Moving onto interest, we maintain our guidance on US interest income. We expect to generate around $4 million annually per 25 basis point increase in the Fed Funds rate. For non-US interest and net finance income, we expect higher income in FY24 than in FY23 reflecting the annualisation effect of interest rate increases last year and further projected increases in FY24.

Our margin guidance also remains unchanged, that we'd anticipate to have an adjusted PBT margin of around the mid-to-high 40s over the medium term. To achieve this in FY24, we'd expect the rate of cost growth to taper from what we reported in FY23. We keep a close watch on profit margins and in FY24 will continue to look for opportunities to achieve even greater cost efficiency.

On tax, we'd expect our effective tax rate to increase next year to around 24%, in line with the increase in the UK corporate tax rate which took effect in April. Lastly, on share count, we'd expect this to continue to decrease as we conclude our existing share buyback programme and start a new one.

Over the next two slides, we'll cover the reasons that we're confident in our portfolio revenue guidance. High Potential Markets has delivered a revenue CAGR at the top end of our guidance range since FY21. There are many reasons that we're confident this will continue. For context, this growth will mainly be driven by tasty and leveraged FX in the US, which are growing market share, in a growing market. We expect material upside from the launch of tasty's first national brand campaign, which will carry on through FY24.

This year also sees two major US competitors undergoing platform consolidations. The inevitable disruption gives us a unique opportunity to attract switchers to join the club and become tastytraders. Interest income will be another key driver of growth in the short term, but also a sustainable revenue stream going forwards. We've also announced a number of major upgrades and enhancements to the tasty platform to set a new standard and ensure functionality that is market-leading and continues to meet our clients' and potential clients' demand for cutting-edge trading tools. Our recent upgrade of tasty's mobile and web-based trading platforms means that we have the newest system in the market that is built on modern and scalable technology.

Lastly, the opportunity to expand tasty's business internationally, leveraging IG's global presence, is still largely untapped. tasty already has a significant client base outside the US and we plan to build on that. We're already in the process of designing and building interfaces and processes for IG clients to trade US options and futures via the tastytrade platform, so watch this space.

Rounding out the other HiPo businesses, on the OTC side, our US foreign exchange platform continues to deliver exceptional growth, taking market share and closing the gap on the market leaders. And of course outside the US, Spectrum is starting to deliver strong results and there is still a huge opportunity ahead: onboarding SocGen and Unicredit as issuers on the exchange is just the first step.

For Core Markets+, our revenue outlook will be achieved with growth in our OTC business through a number of levers.

In regions where we remain underweight, such as Japan and emerging markets, we expect to see faster rates of growth as we increase our market share.

We're also investing in new technology to maximise the cost efficiency of our hedging programme and improve client income retention.

Furthermore, we're continuously investing in product innovation and delivering a best-in-class client experience which have always been hallmarks of IG and the foundations of our success over many decades. We would also expect to see an increasing benefit from interest income in our Core Markets+ portfolio moving into FY24, which will drive further growth in the year.

Finally, we anticipate total client attrition to decrease as our client base becomes more tenured. In FY23, 59% of our OTC revenue was generated by clients who have been with us for more than 3 years, up from 49% a year before, a trend which will serve us well over the medium term.

So to summarise FY23 as we see it. We've delivered a good operational performance: a fourth consecutive, record year of total revenue, combined with diligent cost management to deliver a high PBT margin. Our high-quality, active client base continues to deliver a sustainable revenue stream. We continue to deliver on our diversification strategy with 21% of total revenue now coming from outside our core OTC business.

In the year, we returned £363 million of capital to shareholders, though dividends and share buybacks. And, in line with our capital allocation policy we've announced an increased dividend and a new and larger share buyback programme of £250 million.

Lastly, we've maintained all of our earlier guidance points for the medium term. So, overall, we're in an excellent place to continue the delivery of our strategy, and we remain very excited about the future. Thank you very much, and I now welcome your questions.

Kim Bergoe – Numis

Good morning Charlie, thanks for the presentation.

Three questions from me if I may, the first one is on net interest income, and how we should be looking at that going forward, I think we've got a pretty clear guidance and sensitivity too on the US side, but non-US, how should we be thinking about that and what is potentially the opportunity here? And I will just take the two other questions before handing over. The second question is, you are saying on your margin and specifically on your cost, you mentioned that a couple of times but there might be opportunities to do something on the cost side here. What could you say more specifically about that in terms of products or geographies or cost type? Where might we see that impact and where is the potential the greatest? And then third question, tastytrade obviously very good at customer engagement and using social media. Obviously IG Group is giving a lot to tasty, what about the other way, could you maybe give us some examples where the rest of the Group can learn something from the way tasty is doing something? Thank you.

Charlie Rozes, Chief Financial Officer and Acting Chief Executive Officer

Sure, thanks a lot for those Kim. Let me just come through each one of these. So, on net interest income, as you say, I think we've maintained the guidance that we had before on the US side, should we see any movement in the Fed Funds rate, so hopefully that's clear. I think looking across the rest of the portfolios as we've said. The balances outside the US are held in different currencies and in different locations, so it's a bit harder to give a similar type of gearing ratio I suppose. I think what I would say is if you look at the fourth quarter for us, we had about £30 million of interest income and that would obviously represent probably some level of stability in the rate cycle at that point, obviously all else being equal, you could probably look to that for a sense of what the annualisation might look like and what we would expect to see across the whole of FY24. Again, an awful lot can change with that, but I would probably point you to the Q4 outturn as probably being the most recent indicator of what that might be on the go forward to your question. Hopefully that's helpful.

On question about costs, what I would say there is, as you know, technology is at the core of IG. It permeates everything that we do, and we have technology deployed successfully across many parts of the Group. When I talk about further opportunities for cost efficiency, what comes to mind for us is what are the areas that we can further automate our business. That's important to us because it can give us the dual benefit of a cost advantage, cost efficiency, but then it also give us scalability, so as the business grows, as you have seen over the past few years, if we have particularly intense periods of client trading, the business can grow quite dramatically on quite short notice. So areas where we can automate is where we're thinking of. One example of that might be client self-service, so where there's areas where we can enable clients to look after some of the basic types of transactions that they might look to do as opposed to picking up the telephone to us, or sending an email, or something like that, so areas where we can enable that, not just in the UK but around the world, I think will get us to a better place. So again, I think we've got technology deployed quite successfully across quite a number of parts of the Group, but we do think there are opportunities for us to do more with that.

Now in your question, you had brought that up off the back of margin guidance. Some of the ideas that we have are already reflected in there, so we've got some execution that we need to do. But should we find ourselves with some other ideas, some big ideas, where we could do more than we have in mind, then we would re-visit that guidance at a suitable time.

Your last question was around tasty I believe and what are example of where, correct me if I'm wrong Kim, where tasty has had an impact or an influence on the wider IG Group, is that right?

Kim Bergoe – Numis

Yes, and just sort of generally one where also, the rest of IG Group can learn something from tasty if you will, because obviously they're very good at using social media and getting that customer engagement and I saw that recently here at a presentation in London and they're obviously very good at that, so anything that you can take, or the rest of the Group can take from that?

Charlie Rozes, Chief Financial Officer and Acting Chief Executive Officer

I would say the one area that we've done some learnings on the IG side is probably around being more experimental I guess. The incubator programme that I referred to in my remarks is probably a good example of that. I think IG does have an excellent history of innovation, but probably more recently tasty have highlighted to us the importance of having small scale, experimental-type projects and activity, things that we can incubate. They may or may not work, but we now have, I would say a more formalised programme as a result of looking at some of the practices that tasty have had, and so again I referred to a few of them today with the BadTrader app, what we have done with tastycrypto, we've reacquired the Small Exchange, we have that in our incubator program, to see if we can do some interesting things with that. But these are things that we haven't mortgaged the Group around, but they're areas where we've got funding, we've got resources, we've got some really good ideas, and can we bring those to light as quickly as we can, and if they don't work, then we shut them down and move on. And if they do have some legs to them, then we can put further resources behind them and grow, so I would say that renewing our culture of innovation, moving quicker, moving faster, taking some risks on a smaller scale, I would say that's probably the thing that comes to mind for me. So I hope that helps.

Kim Bergoe – Numis

It certainly does, thank you very much.

Ben Bathurst – RBC

[Poor connection – questions responded to later in the session]

Richard Taylor – Barclays

Morning, hopefully you can hear me. I've got three questions please, firstly on Japan. Revenue was flat-ish on last year and down in H2. Obviously an area of strong historical growth, anything to call out there, other than market conditions? And do you think that market has plateaued, or is it still an important area of growth? Secondly, some of your big markets in Core Markets+, UK, Australia, actives are down. I realise you do have tough comps, but could you talk us through your additions versus churn here, and how that informs your overall guidance for Core Markets+ of 5-7%. Are you adding enough clients to offset the churn effectively? And finally, a quick one, can you just explain in a bit more detail about what improved hedging efficiency means please? Thanks very much.

Charlie Rozes, Chief Financial Officer and Acting Chief Executive Officer

Yes, so let me come onto each one of these. So on the first one, on Japan, I was actually out there about a month ago, and I was encouraged by what I saw, my first trip over there since I joined IG. The business in the second half of the year, as you say, the breakneck pace of growth came off a bit. Most of that was attributable to what we saw in the third quarter which I think, as you would know, across most of the OTC businesses in our Q3, we had a softer quarter, pretty much across the piece, and Japan was no exception to that. However, in the fourth quarter, and then continuing on to now, the business has resumed its march to growth, so I don't think there is anything there that has either changed our appetite or our confidence in the business, it just had a relatively short period of some soft trading. One of the other realities there too is because of the success we've had in the market, we have attracted a lot more attention now, we are picking up more competitive pressure there than we did before. We see that as a high-class issue though and one with our offering; a unique product set, great customer service etcetera, we can compete with anybody over there. And yes, we absolutely would expect the business to continue to grow as we've seen before, so I don't think there's anything there other than a bit of a soft Q3.

Now in terms of your question about some of the larger Core Markets+ businesses and how do we grow those. These are businesses where we do have top market shares, we would expect nonetheless for those businesses to be able to grow at least incrementally. We've been able to do that successfully previously and are confident that we can do that going forward. You had said Australia in there, Australia actually grew year over year, so just to call that out. But no, I think the share that we have in those markets, we typically have brand recognition, we've got market presence, those types of things beget further business and further success.

And then your last question, was it on hedging?

Richard Taylor – Barclays

Yeh, I just think one of the points you had on Core Markets+ was increased hedging efficiency, maybe it's a small point, but I was just trying to understand why you've made that decision, are you risking more to gain more? Just the thought process there and the potential risks associated with it?

Charlie Rozes, Chief Financial Officer and Acting Chief Executive Officer

So, the market risk appetite for the Group around our hedging programme remains the same as it was before. The hedging programme is a cost to us. We are always looking for ways to manage that cost and to hedge as efficiently as we can. On this call we are often asked what the client income retention rate was for the year, it was 76% this year against the OTC business, that was on par with last year and well above what it was two years prior to that when we were in the high 60s. Some of the things we are looking at there to try to manage our hedging costs, we're looking at the proportion of hedging that we do passively, trying to optimise pricing where we can, particularly on large trades which can be more expensive for us to hedge. SO it's a combination of things and we're just trying to be as efficient as we can with that programme, and we do expect to see some benefit from the activities that we're undertaking now and that we've undertaken recently.

Richard Taylor – Barclays

Very good, thank you very much.

Portia Patel – Canaccord

Morning, thank you for taking my question. I just wanted to return to net interest income please, so specifically the non-US balances. I just picked up that the delta between the IG gross interest rate earned and bank base rates looked greater on the non-US balances than the US deltas to the fed funds rate, so just hoped you could remind me why that is, and also wondered if there was anything that you're exploring either strategically, or regulatory changes that could result in investing non-US client cash more efficiently, and therefore derive greater benefit from higher rates? Thank you.

Charlie Rozes, Chief Financial Officer and Acting Chief Executive Officer

Both of these being related, I think, as you know, the client funds that we have outside of the US frequently sit in segregated funds at banks across the UK, across Europe with different institutions. The pricing that we receive on those does vary. I think for those banks, the funds sitting in segregated balances aren't necessarily attractive for them, they don't attract particularly high pricing, but I would say we do the best we can to manage that. We're obviously mindful of concentration limits and the like with counterparties, but I'm not aware of anything on the regulatory front that suddenly would allow us or enable us to do something maybe beyond what we are doing today. We do have a relatively small amount of client funds on our balance sheet, and again, we manage those quite carefully. But the dynamic between net interest income that we see outside the US and in the US are just two very different things given the structure and the arrangements that we have in the US market, where we're not dependent on the banking system itself because we are working with our clearing third party, whereas outside the US we are completely bank dependent. So in some ways I suppose it's comparing apples and oranges, and we have a different set of levers to use on each side.

Portia Patel – Canaccord

Okay, thank you

Vivek Raja – Shore Capital

Hi, good morning, thanks for taking my question and thanks for the presentation. There's three things I wanted to explore please. The first one is whether you could provide any comments on trading since the year end, obviously you've had June and into July since then. I also wondered, I didn't follow all the numbers you talked about in terms of client cohorts, but could you just spend a little time talking about that? I think you said 59% of revenue in the OTC business comes from clients that have been around for three years or more. I just wondered if you could explain how that longer dated cohort of clients has evolved and how much of the revenue it now comprises as I think that's quite important in terms of underpin to the core business in terms of revenue expectations. And then the last thing, I think you said 76% client income retention in FY23 if you could just confirm that, and I just wondered what sort of efficiency in terms of hedging you could do, and where that number might get to? Thanks.

Charlie Rozes, Chief Financial Officer and Acting Chief Executive Officer

Sure, so let me start with the first one. So, in terms of Q1, we haven't said anything in here about that, but the context I would give you though is probably the second half of FY23. We had quite different market conditions in Q3 versus Q4. Q3 as I said was a softer quarter generally across the board, that then recovered in Q4. So yeah, I'd say that ebb and flow has carried into the first part of this year, you know between what we've seen in June, what we're seeing thus far in July, so I would just probably reference back to the kind of that ebb and flow that we experienced in the second-half of this year because at the moment it's carried in the start of this year.

In terms of the client cohorts and looking at an analysis of the tenure or the age of a client relationship and how that drives revenue. And as we say in there, generally speaking, our longer tenured clients, those cohorts of clients tend to drive the majority of revenue.

Younger clients, clients for whom the relationship is maybe just within its first year or second year historically tend to not drive actually a lot of revenue as they come onto the platform, you're learning their way around, they're developing trading philosophies and trading approaches. They're in their early days, but it's once they get out they become more confident traders probably more knowledgeable, at that point they tend to drive more revenue. The statistic that we gave was that concentration of revenue rose actually in the past year from 49% in the prior year for that cohort to 59% to what it is that we talked about in the script. Now I think the reason for that is because in those more tenured cohorts, you have the likelihood of more intense trading, more frequent trading occurring when clients see those opportunities in the market.

So if you look at the active client base overall, revenue per client was actually up because those clients and often the more tenured clients who are trading, they trade more frequently in some of these markets than they might otherwise.

And then your last question just on client income retention, I think it was similar to what Richard had asked about that. The hedging programme that we run is at a cost to us. We're always looking for ways to hedge as efficiently as we can into the markets. Our market risk appetite hasn't changed. So, we're looking for things that we can do operationally around the amount of passive hedging that we do, how much price optimization and price optimization technology can we deploy, particularly around as I had said to Richard, larger trades that can be more difficult for us, more expensive for us to hedge.

So there's a combination of things that we'll be looking to. I think the outturn that we're seeing right now around 76%, we don't target a specific percentage. I mean that conversion rate is the way we think of it, a bi-product of our activity, but that sort of range or number, which is up from what it was several years ago, feels like a sensible place to be, mid-70s, maybe high-70s depending on conditions.

Vivek Raja – Shore Capital

Thank you very much.

Charlie Rozes, Chief Financial Officer and Acting Chief Executive Officer

Great, thanks for that. We've got a question or two here, so I've got one actually from Ben. So, the question is at tasty, what revenue impact do you expect from the national brand campaign and platform consolidation in the short term? Thanks for that, Ben. It's a good question. In one of the slides towards the end of the presentation where we talked about High Potential Markets we put in there, what we called some of the building blocks around HiPo, but around tasty specifically. And when we look at those, the ones that you've highlighted here, the national brand campaign, you know some of the switcher opportunity that we think will arise from some of the major platform consolidation happening in the US. Yes, those will be short term opportunities for us. I think the other one that I would add to that list would be what we've seen around interest income. We would expect the annualization of what we saw in FY23 to carry into FY24.

But if I look at the things that could really drive the business in the short term beyond that, it is the brand campaign that's now been running for several months. We expect that to run throughout the coming year. That will raise and it is raising brand awareness as to what is tasty and what is it that we do. When we look at the amount of activity we're seeing in terms of web traffic, people that are landing on the pages, navigating through the site, etcetera. Those are all things moving in the direction that we'd like to see.

And then again the platform consolidation, we do believe there will be clients on other platforms who are disenchanted by the experience that they have that will create opportunities for us to pick up switchers, traders who want to be in a trading community on a platform that was built by traders. So again, we see those as opportunities. The one that I would add and it was touched on in here briefly though, its probably more over the medium term is the international opportunity. In this past year about a third of all new tasty accounts were opened up from outside of the US, they were from abroad. And that tells us, continues to tell us, that there is demand for the US options and futures market out there. We are advancing some work now. We've been working on it to try to open up more access to the international opportunity for tasty. But I would say that's probably one more over the medium term.

And then there's another question on capital. You've got £500 million of regulatory capital headroom at year end, which will presumably come down over FY24 as a result of the buyback. Do you have an idea of the minimum level of capital buffer that you're comfortable with and should we be expecting the headroom to trend down towards that level overtime?

It's a good question, it was obviously one that that came up last year when we when we launched the capital framework. As a result of the buyback that we've announced today, if you will, separate to anything else, the headroom would come down but obviously we will be replenishing that headroom with the earnings that we would expect to generate over the coming year. On all of this will be guided by our allocation framework, which of course starts with the regulatory capital requirements that we have. We haven't given any specific guidance on what is the amount of headroom that we're targeting. But I would say, as I described in here, I would say that £500 million feels comfortable, but probably would just leave it at that for right now. We will maintain a healthy balance sheet, a strong balance sheet, we'll maintain prudent levels but not excessive levels of headroom and where we stand today, I'm comfortable with it where it stands right now.

I think that's it then. Thank you very much everybody, no more questions. We thank you for your support and talk to you soon.