

Key Trends Likely to Affect Our Business

Realising the value of forward thinking

We are continually looking externally at key trends in our sector, the industry and in the world more generally, to understand the impact they may have on our business, either to spot an opportunity, or to mitigate a risk. Although there

are many external factors which may impact our business, we have highlighted below the key trends we see, and their potential impact.

Financial markets

Description

Higher volatility tends to generate more opportunities in financial markets, which attracts clients – increasing trading activity and client income. However, at all times we seek to maximise hedging efficiency while staying within our risk appetite, in order to limit volatility of revenues.

During the past couple of years, there have been a number of events which have caused an increase in volatility, from the Covid-19 pandemic, to the ‘meme stock’ short squeeze in January 2021, to the conflict in Ukraine. These led to elevated levels of account applications which put increased demand on our systems and people.

In the wider financial markets, we are now seeing rising interest rates and increasing levels of inflation. These will provide trading opportunities, but may also impact levels of disposable income for our clients.

What does it mean for IG?

Lower volatility could have a negative effect on revenue growth, through lower active client numbers and lower activity per client – both impacted by market conditions. We now serve an active client base which is materially larger than before the pandemic.

We have managed to sustain revenues despite less market volatility in this financial year. Although we believe that we will be able to grow the business over time, a long period of lower volatility may have a negative impact on our revenues. Conversely, events which cause higher levels of volatility in the markets are likely to be beneficial to our revenue.

Structural shift to self-directed trading

Description

With the evolution of technology, and freely accessible online educational content, the online trading industry has seen a shift away from financial advisers and a move towards self-directed trading. Individuals want more control over their finances, and have the knowledge and confidence to be able to do it.

This structural change has been playing out for some years, but has recently been accelerated by the long period of high volatility from the Covid-19 pandemic. The financial markets have never been as interesting to trade, nor as accessible to such a vast potential audience, accelerating this shift towards individuals taking control of their own financial futures.

What does it mean for IG?

Our target market is ambitious, self-directed individuals. We serve hundreds of thousands of those individuals already, and the size of the addressable market is growing. We have a strong reputation as the market leader in OTC derivatives, and are building out offerings in turbos, options and futures, and other areas of the market.

We are able to rely on our cutting-edge technology, our platform reliability, our expertise in risk management and our strong financial foundations to continue to grow and improve as a business, and to attract clients all over the world.

Our business is aimed at active traders, but with the range of support features on our platform, as well as our educational content and our increasing product offering, we are confident that we will be able to attract clients from other platforms as they look to upgrade, as well as those who are newer to the industry.



Sector developments

Description

Across all of our products, we operate in a highly competitive environment. Our competitor set has evolved considerably over the past five years, with our traditional competitors being challenged by new market entrants.

With heightened demand for investing and trading in recent years, we have seen elevated marketing spend from competitors, which has reduced our share of voice in certain markets. However, this spend is primarily focused on the lower value end of the retail trader market.

We remain a market leader in the breadth and depth of our product offering, but as competitors add products we need to respond to maintain this point of differentiation.

What does it mean for IG?

To date, elevated marketing spend from competitors has not impacted our ability to attract and onboard our targeted high-value clients nor to retain our loyal and active existing clients.

To respond to the threat of new entrants, we closely monitor any changes in the competitive landscape through local knowledge and market research. Our sophisticated Search Engine Optimisation techniques ensure we are the first choice for active traders. We put client needs at the heart of everything we do in order to stay ahead.

Leveraged derivative products are not suitable for all individuals. We have rigorous onboarding criteria to ensure that only appropriate clients are able to access our products. Our competitors' actions, including new entrants to the market, may affect the reputation of the industry as a whole.

Our purpose compels us to add new products in addition to OTC derivatives for the wider needs of ambitious, self-directed individuals.

We regularly monitor the financial results and actions of our competitors at executive and Board level.

Technology

Description

We are a fintech business; technology is at the core of what we do. Our technology is constantly evolving and improving, and our success as a business is a testament to being able to stay at the forefront of technological advances.

Predicting the future of technology is hard, but it is likely to impact the way in which we do business, the way we interact with clients, and the way clients trade and interact with their finances.

Clients will continue to demand faster platforms, better execution, more analysis, more tools and an improved user experience.

What does it mean for IG?

Companies that will succeed in the future are those that are able to listen to, understand and respond to their clients and their evolving needs, while remaining at the forefront of technological advances.

We are well positioned to face this ongoing challenge. Almost 40% of our employees work in technology and we have a history of innovation, having built web platforms, mobile apps, risk management models, a pan-European exchange and market makers. We also have a dedicated team tasked with exploring technology future design to ensure what we build is resilient, scalable and cutting-edge. We are confident in our ability to continue to succeed in this area.