

Business Performance Review

Summary Group Income Statement

£ million (continuing operations)	FY22	FY22 Adjusted	FY21	FY21 Adjusted	Change %	Adjusted Change %
Net trading revenue¹	972.3	966.5	837.3	845.2	16%	14%
Net interest on client money	0.8	0.8	0.3	0.3		
Total revenue	973.1	967.3	837.6	845.5	16%	14%
Other operating income and betting duty	6.1	4.6	6.1	6.1		
Net operating income	979.2	971.9	843.7	851.6		
Total operating costs^{2, 3}	(501.9)	(464.9)	(393.4)	(373.8)	28%	24%
Operating profit	477.3	507.0	450.2	477.8	6%	6%
Other net gains/(losses) ⁴	11.1	(2.3)	(0.4)	(0.4)		
Net finance cost ⁵	(11.4)	(10.4)	(3.8)	(3.8)		
Profit before tax	477.0	494.3	446.0	473.6	7%	4%

1 Adjusted excludes £5.8 million foreign-exchange hedging gain associated with the financing of the tastytrade acquisition (FY21: loss of £7.9 million)

2 Operating costs include net credit losses on financial assets

3 Adjusted operating costs excludes £33.7 million of costs and recurring non-cash costs associated with the tastytrade acquisition and integration and £3.3 million relating to the proposed sale of Nadex and Small Exchange (FY21: £19.6m of one-time costs associated with the tastytrade acquisition)

4 Adjusted other net gains / (losses) excludes £9.3 million FV gain on revaluation of Zero Hash Holdings Limited (Zero Hash), and £4.1 million of gains on sale of Small Exchange and disposal of Zero Hash, £2.3 million loss from associate

5 Adjusted excludes £1.0 million of accelerated financing expense associated with the debt issuance

Statutory results

On 1 March 2022 we completed the sale of Nadex and Small Exchange to crypto.com, therefore Nadex is presented as a discontinued operation. Our share of the losses from our minority investment in Small Exchange for the period during which we owned it will continue to be presented within continuing operations.

On a statutory basis, net trading revenue was £972.3 million, up 16% on prior year, reflecting the inclusion of tastytrade revenue from 28 June 2021 following completion.

Revenue performance benefited from the size and quality of the active client base, which now includes 98,000 tastytrade clients, who share a similar demographic profile to those of IG. Total active clients, excluding those from tastytrade, remains significantly larger than the pre-pandemic period.

Statutory operating costs were £501.9 million, 28% higher than FY21, reflecting the inclusion of tastytrade's cost base, and one-off and recurring non-cash costs in relation to the tastytrade acquisition and integration, and costs relating to the sale of Nadex and Small Exchange.

Other net gains of £11.1 million arise from transactions relating to the Group's investments in its associates during the year. The net gains include the Group's share of losses from associates, the movement of the fair value of convertible debt associated with Zero Hash, and gains from sale of holdings in associates.

Net finance costs were £11.4 million, increasing from prior year due to additional debt in the period.

The Group's statutory profit before tax for FY22 was £477.0 million, 7% higher than FY21.

Adjusted results

The following section analyses results from continuing operations on an adjusted basis, which excludes a £5.8 million foreign-exchange gain related to financing of the tastytrade acquisition; £33.7 million of costs relating to the tastytrade acquisition, including £28.0 million of amortisation of acquisition related intangibles; £3.3 million relating to the sale of Nadex and our investment in Small Exchange; £1.0 million of financing costs relating to the new debt issuance; other net gains related to the sale of Small Exchange and disposal of Zero Hash of £4.1 million, and £9.3 million fair value gain on Zero Hash on a convertible note revalued in the period.

Adjusted net trading revenue was £966.5 million, 14% higher than prior year. Excluding tastytrade, which the Group acquired on 28 June 2021, the adjusted net trading revenue was £856.4 million, 1% higher than FY21, reflecting the continued strength of our core business despite less favourable market conditions.

Total revenue, which includes interest income, was £967.3m, up 14% on FY21.

Adjusted operating costs from continuing operations were £464.9 million, 24% higher than prior year, reflecting the addition of tastytrade.

Adjusted operating profit from continuing operations was £507.0 million, up 6% on FY21, and profit before tax was £494.3 million 4% higher than prior year.

Net trading revenue performance by product

Adjusted net trading revenue from continuing operations
(£ million)

	FY22	FY21	Change %
OTC derivatives	811.5	798.2	2%
Exchange traded derivatives	121.2	8.3	nm
Stock trading and investments	33.8	38.7	(13%)
Group	966.5	845.2	14%

	Active clients (000)			Revenue per client (£)		
	FY22	FY21	Change %	FY22	FY21	Change %
OTC derivatives	199.8	216.3	(8%)	4,063	3,690	10%
Exchange traded derivatives ¹	104.5	5.4	nm	1,142	913	25%
Stock trading and investments	93.2	89.5	4%	363	432	(16%)
Group²	381.5	291.2	31%			

¹ Exchange traded derivatives revenue per client calculation excludes revenue generated from the Group's market maker on Nadex

² Total Group active clients have been adjusted to remove the clients who are active in more than one product category (multi-product clients) to give a unique client count. In FY22 there were 16,000 multi-product clients, compared with 19,900 in FY21

OTC derivatives

OTC derivatives net trading revenue in FY22 was £811.5 million, 2% higher than FY21. OTC revenue now represents 84% of Group revenue, down from 94% in FY21, consistent with our strategic goal of diversifying our sources of revenue through growth in exchange traded derivatives and stock trading revenues.

OTC active clients were down 8% on FY21 reflecting the moderation in trading activity and reduced levels of new clients onboarded, down 32% from the elevated levels of demand seen in FY21, however remain at levels materially higher than the pre-pandemic period. Average revenue per client however was 10% higher reflecting a change in client mix with less dilution of revenue per client from new clients, as seen in FY21.

UK and EU revenue in FY22 was £431.5 million, 3% higher than in FY21. The impact of a 14% reduction in active clients was offset by a 20% increase in the average revenue per client, the result of a change in the client mix, consistent with other areas of the business.

Japan revenue of £98.5 million was 43% higher than FY21 driven by a 53% increase in active clients as new client acquisition continued to be exceptionally strong in the year. First trades increased 53% as Japan continues to benefit from the increased focus on localisation, brand building, and successful marketing relationships.

Australia revenue of £88.3 million was 26% lower than FY21, reflecting the impact of Australian Securities & Investments Commission (ASIC) regulations, which were introduced in FY21. As a result, the active clients in the period decreased by 28%, although revenue per client increased by 2% due to the change in client mix. Revenue from Australia remains higher than the pre-pandemic period.

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Exchange traded derivatives

Net trading revenue from exchange traded derivatives, excluding Nadex as a discontinued operation, was £121.2 million, and represented 13% of Group revenue (FY21: 1%). tastytrade net trading revenue was £110.1 million, while revenue from Spectrum, the Group's multi-lateral trading facility, was £9.3 million.

With the addition of tastytrade, the number of exchange traded derivatives clients increased to 104,500 (FY21: 5,400), 27% of the total active client base of the Group. First trades increased significantly, reflecting the inclusion of tastytrade.

tastytrade net trading revenue was £110.1 million, up 15% on the prior year on a pro forma basis. Total revenue for tastytrade was £112.0 million, which includes interest income, increasing 16% on a pro forma basis. Active clients reduced by 2%, reflecting some normalisation from the high levels of activity in FY21, which was more than offset by a 17% increase in average revenue per client.

Spectrum revenue of £9.3 million nearly doubled and was 90% higher, driven by a 27% increase in the active client base and a 50% increase in average revenue per client as the client base continues to establish. This year Spectrum welcomed two additional brokers and further growth is expected in FY23 and beyond, as we integrate additional third-party brokers and plan to integrate two tier 1 European banks as product issuers later this year.

Stock trading and investments

Revenue from stock trading and investments was £33.8 million (FY21: £38.7 million) with assets under administration of £3.3 billion at the period end (31 May 2021: £3.2 billion). In the year, stock trading transaction fees, which were previously netted off against revenue, were reallocated to operating costs, increasing both net trading revenue and costs by £3.0 million. Including this, net trading revenue was down 13%. Active clients increased 4% and average revenue per client reduced by 16% due to both a reduction in trade frequency as market conditions have moderated, and a change in equity mix, with clients trading fewer US equities.

Operating costs

Total adjusted operating costs for FY22 were £464.9 million, 24% higher than FY21 primarily reflecting the acquisition of tastytrade.

Adjusted operating costs from continuing operations

£ million (unless stated)	FY22	FY21	Change %
Fixed remuneration	150.1	127.0	18%
Advertising and marketing	87.1	67.4	29%
Revenue related costs	45.3	28.3	60%
IT, structural market data and comms	35.0	24.4	43%
Regulatory fees	12.9	9.1	41%
Depreciation and amortisation	28.5	24.8	15%
Other costs	48.1	42.1	14%
General bonus	32.6	29.7	10%
Share-based compensation	17.8	11.2	60%
Sales bonuses	7.5	9.8	(23%)
Total operating costs	464.9	373.8	24%
Headcount at period end	2,507	2,067	21%

Fixed remuneration was £150.1 million, an increase of 18%. Group headcount at 31 May 2022 was 2,507, up 21% on 31 May 2021, reflecting the addition of around 200 tastytrade employees, and additional headcount in our technology, operations, risk and compliance functions to add capacity to the larger business and support on key projects.

This increase also reflects some inflationary pay increases, offset by favourable translational foreign-exchange rates compared with the prior year.

Advertising and marketing spend increased by 29% to £87.1 million, reflecting the addition of tastytrade costs.

Revenue related costs are variable items which typically fluctuate with the level of client activity and include trading fees for share dealing and US options and futures, client payment charges, variable market data charges, and provisions for client and counterparty credit losses. In total they were £45.3 million, 60% higher than FY21, reflecting the addition of the tastytrade costs. This also includes the impact of reclassifying £3.0 million of stock trading transaction fees, which in FY21 were reported as an offset to revenue.

IT maintenance, structural market data charges and communications costs were £35.0 million, an increase of 43% on FY21. This reflects additional investment in technology to innovate new platform features, support the larger active client base, and build capacity for future growth as well as the addition of tastytrade costs.

Regulatory fees, which include the Financial Services Compensation Scheme (FSCS) levy were £12.9 million in FY22, 41% higher than FY21. This reflects the increased eligible income of the relevant entities, as well as the addition of tastytrade costs.

Depreciation and amortisation costs increased 15% to £28.5 million reflecting the addition of tastytrade costs.

The charge for the general bonus pool was £32.6 million, up 10% on FY21. This reflects an increase in eligible employees but was offset by a release of prior period accruals.

Share-based compensation costs relate to the share incentive plans for executives and senior management. These costs increased by 60%, reflecting an increased number of participants, and outperformance on internal targets, compared with a prior year charge which was lower due to staff departures in the year.

Sales bonuses decreased by 23% to £7.5 million, reflecting lower commission payments to sales staff for the onboarding and management of their own-sourced high-value clients.

Earnings Per Share

£ million (unless stated)	FY22	FY22 Adjusted	FY21	FY21 Adjusted	Change %	Adjusted Change %
Profit before taxation from continuing operations	477.0	494.3	446.0	473.6	7%	4%
Taxation	(80.9)	(83.8)	(77.4)	(77.4)	5%	8%
Profit after taxation from continuing operations	396.1	410.5	368.6	396.2	7%	4%
Profit after taxation from discontinued operations	107.8	107.8	3.3	3.3	Nm	Nm
Profit after tax for the period	503.9	518.3	371.9	399.5	36%	30%
Weighted average number of shares for the calculation of EPS (millions)	426.3	426.3	369.2	369.2	15%	15%
Basic earnings per share (pence per share)	92.9	96.3	99.8	107.3	(7%)	(10%)

Profit before tax was £477.0 million in FY22, and £494.3 million on an adjusted basis, 4% higher than FY21.

The FY22 effective tax rate (ETR) was 17.0% based on profit before tax from continuing operations and 17.0% based on adjusted profit before taxation (FY21: 16.3%). The ETR is lower than the main rate of corporation tax of 19% in the UK, where the majority of the Group's profits are taxed, primarily as a result of standard UK tax incentives and adjustments to prior year estimates. The ETR for FY23 is anticipated to be approximately 19% on an adjusted basis. The ETR is dependent on a mix of factors including taxable profit by geography, tax rates levied in those geographies and the availability and use of taxable losses. The future ETR may also be impacted by changes in our business activities, client composition and regulatory status, which could affect our exemption from the UK Bank Corporation Tax surcharge.

Profit after tax was 36% higher than FY21 and 30% higher on an adjusted basis. Basic EPS was 7% lower than FY21 and 10% lower on an adjusted basis. This is primarily a result of the additional 61 million shares issued by the Group as part of the consideration to acquire tastytrade.

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Dividend

A proposed final dividend of 31.24 pence per share will be paid on 20 October 2022 to those shareholders on the register at the close of business on 23 September 2022. This would represent a total FY22 dividend paid of 44.2 pence per share (FY21: 43.2 pence per share).

Summary Group Balance Sheet

The balance sheet is presented on a management basis which reflects the Group's use of alternative performance measures to monitor its financial position, with particular focus on own funds and liquid assets which are deployed to meet the Group's liquidity requirements. These alternative performance measures are reconciled to the corresponding UK adopted IAS balances in the appendix.

£ million	31 May 2022	31 May 2021	Change %
Goodwill	604.7	107.3	468%
Intangible assets	292.1	32.7	793%
Property, plant and equipment ¹	16.7	17.4	(4%)
Operating lease net assets	(2.0)	(1.9)	5%
Investments in associates	14.8	–	nm
Fixed assets	926.3	155.5	495%
Own cash	1,245.9	655.2	89%
Issued debt/long-term bank borrowings ²	(299.2)	(100.0)	199%
Client funds held on balance sheet ³	(520.9)	(354.3)	47%
Amounts due from brokers	657.1	710.6	(7%)
Own funds in client money	64.2	60.9	5%
Liquid assets threshold requirement/Liquid asset buffer	106.7	86.1	23%
Own funds	1,253.8	1,058.5	18%
Working capital	(82.5)	(86.4)	(5%)
Net current assets held for sale	0.4	–	nm
Tax payable	(20.5)	(6.4)	220%
Net deferred tax (liability)/asset	(49.7)	12.1	511%
Net assets	2,027.8	1133.3	79%

1 Excludes right-of-use assets

2 Excludes capitalised fees

3 Includes turbo warrants

The Group has recognised a £770.8 million increase in fixed assets during the period, primarily as a result of the acquisition of tastytrade, which completed on 28 June 2021.

The Group has assessed the impact of climate risk on the balance sheet and have concluded that there is no material impact on the financial position of the Group for the year ended 31 May 2022.

Liquidity

The Group maintains a strong liquidity position, ensuring that it has sufficient liquidity under both normal circumstances and stressed conditions to meet its working capital and other liquidity requirements, which include broker margin requirements, the regulatory and working capital needs of its subsidiaries, and the funding of adequate buffers in client money accounts.

The Group's available liquidity comprises assets that are available at short notice to meet additional liquidity requirements, which are typically increases in broker margin. The Group's liquid assets increased by £561.1 million during the period, compared to a smaller £164.1 million increase for liquidity requirements comprising broker margin, overseas cash balances, own funds in client money and assets held to satisfy the liquid assets threshold requirement.

£ million	31 May 2022	31 May 2021	Change %
Own cash	1,245.9	655.2	90%
Amounts due from brokers	657.1	710.6	(8%)
Own funds in client money	64.2	60.9	5%
Liquid assets threshold requirement/Liquid asset buffer	106.7	86.1	23%
Liquid assets	2,073.9	1,512.8	37%
Broker margin requirement	(629.5)	(590.9)	7%
Cash balances in non-UK subsidiaries	(342.9)	(248.0)	38%
Own funds in client money	(64.2)	(60.9)	5%
Available liquidity	1,037.3	613.0	69%
of which:			
Held to meet regulatory liquidity requirements	106.7	86.1	24%
Dividend due	134.8	130.4	3%

The Group's own cash balance of £1,245.9 million has increased by £590.7 million driven by a £199.2 million increase in third party debt, £166.6 million increase in client funds held on balance sheet and £53.5 million decrease in amounts at brokers. The Group measures the strength of its balance sheet using its 'own funds' balance which is a broader and more stable measure of the Group's liquidity position than cash. The Group's own funds position is explained in the next section.

Amounts due from brokers comprises cash and UK Government securities held on account by the Group's hedging counterparties, the valuation of open derivative positions and the valuation of physical cryptocurrency assets. During FY22 and driven by the ongoing high frequency and mix of client trading activity, the Group experienced record levels of broker margin, with a maximum margin requirement of £774.7 million in November 2021.

Own funds in client money represents the Group's own cash held in segregated client funds in accordance with regulatory requirements, including the UK's FCA Client Asset Sourcebook (CASS) rules. This increased by £3.3 million to £64.2 million, as a result of trading conditions on the last day of the month.

The Group holds a combination of UK Government securities and cash to meet its regulatory liquidity requirements, which have increased during the period. From 1 January 2022, the liquid asset buffer requirement that the Group had been subject to has been replaced by a new regime within the Investment Firms Prudential Regime rules. This includes a basic liquid assets requirement and a liquid assets threshold requirement, which can be met with a broader range of assets. As at 31 May 2022, this requirement was £106.7 million, 24% higher than the liquid assets buffer requirement at 31 May 2021.

The increase in liquidity requirements was primarily driven by an increase in funds in non-UK entities. The Group regularly repatriates cash from its overseas subsidiaries and for liquidity management and planning purposes, the Group conservatively excludes cash held by subsidiaries outside the UK from available liquidity. The amount of cash held in entities outside the UK was £342.9 million as at 31 May 2022 (31 May 2021: £248.0 million), £94.9 million higher than as at 31 May 2021, due to increased overseas cash requirements arising from the acquisition of tastytrade and increased client funds recognised on balance sheet in overseas entities, along with additional funds held in the US to settle tax payable following the sale of Nadex and Small Exchange.

In addition to the cash recognised on the balance sheet, as at 31 May 2022, the Group held £2,577.9 million (31 May 2021: £2,710.3 million) of client money in segregated bank accounts, which are not recognised on the Group's balance sheet. These funds are held separately from the Group's own cash balances and are excluded from the Group's liquid assets.

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Own Funds

Own funds include liquid assets, less debt and client funds on its balance sheet. As at 31 May 2022, the Group had a cash balance of £1,245.9 million (31 May 2021: £655.2 million) compared with an own funds balance of £1,253.8 million (31 May 2021: £1,058.5 million).

£ million	31 May 2022	31 May 2021	Change %
Liquid assets	2,073.9	1,512.8	37%
Client funds on balance sheet	(520.9)	(354.3)	47%
Issued debt/Long-term borrowings	(299.2)	(100.0)	199%
Own funds	1,253.8	1,058.5	18%

Client funds on balance sheet are funds which are deposited with the Group's Swiss banking subsidiary, IG Bank SA, and client funds held by other subsidiaries which are not subject to the same legal or regulatory protections as client money held off balance sheet, including funds held by the Group under title-transfer collateral arrangements.

The Group issued £300 million of investment-grade, 7-year senior unsecured bonds as part of a comprehensive debt refinancing exercise. The majority of the proceeds were used to repay £250 million, short-dated term loans and following the refinancing exercise, total available credit facilities have risen from £375 million as at 31 May 2021, to £600 million as at 31 May 2022, with the potential to rise to £700 million if the new revolving credit facility is increased in size. The £300 million committed revolving credit facility was undrawn at 31 May 2022 (31 May 2021: undrawn).

Own Funds Flow

Own funds of the Group have increased by £195.3 million during the period, predominantly as a result of own funds generated from operations and the sale of Nadex and Small Exchange, which offset the consideration paid to acquire tastytrade and the dividends paid by the Group.

£ million	FY22	FY21
Own funds generated from operations	536.5	505.8
as % of operating profit	112%	111%
Taxes paid	(99.2)	(83.0)
Net own funds generated from operations	437.3	422.8
Net interest and fees paid	(13.2)	(4.8)
Capital expenditure and capitalised development costs	(17.5)	(16.0)
Net own funds movement from acquisitions and disposals of subsidiaries and investments in associates	(14.7)	-
Purchase of own shares held in employee benefit trusts	(6.7)	(0.2)
Pre-dividend increase in own funds	385.2	401.8
Dividends paid	(186.2)	(159.7)
Increase in own funds	199.0	242.1
Own funds at start of the period	1,058.5	832.5
Increase in own funds	199.0	242.1
Impact of movement in exchange rates	(3.7)	(16.1)
Own funds at the end of period	1,253.8	1,058.5

The Group's own funds generated from operations of £536.5 million, £30.7 million higher than in FY21. These funds were reduced by comparatively higher taxes paid driven by the sale of Nadex and Small Exchange, and the own funds used to acquire tastytrade which were partially offset by the net own funds generated from sale of Nadex and Small Exchange.

The Group recognised an increased own funds outflow to acquire shares in the employee benefit trust, as shares in the market were used to satisfy vesting awards rather than the issue of new shares.

The Group also recognised an increased dividend outflow during the year following the issue of 61 million shares to acquire tastytrade.

Regulatory Capital

The Group is supervised on a consolidated basis by the FCA in the UK, which requires it to hold sufficient regulatory capital at both Group and individual entity levels to cover risk exposures, valued according to applicable rules, and any additional regulatory financial obligations imposed.

Shareholders' funds comprise share capital, share premium, retained earnings and other reserves, and as at 31 May 2022 totalled £2,027.8 million (31 May 2021: £1,133.3 million). The Group's regulatory capital resources are an adjusted measure of shareholders' funds, and as at 31 May 2022 totalled £1,025.6 million (31 May 2021: £860.7 million), taking into account FY22 profits which are included in the regulatory capital calculation following approval from the FCA.

£ million	31 May 2022	31 May 2021
Shareholders' funds	2,027.8	1,133.3
Less foreseeable/declared dividends	(134.8)	(130.4)
Less goodwill and intangible assets	(833.7)	(140.0)
Less Deferred tax assets and significant investments in financial sector entities	(32.3)	–
Less adjustment for prudent valuation	(1.4)	(2.2)
Regulatory capital resources	1,025.6	860.7
Total requirement – £ million	497.4	491.1
Capital headroom – £ million	528.2	369.6

From 1 January 2022 the Group is subject to the Investment Firms Prudential Regime, which has changed the basis of calculation of the Group's regulatory capital. During the transitional period, the regulatory capital requirement remains broadly unchanged.

The Group's regulatory capital resources as at 31 May 2022 were £1,025.6 million (31 May 2021: £860.7 million) and the capital requirement as at 31 May 2022 was £497.4 million (31 May 2021: £491.1 million). This translates to a capital headroom of £528.2 million (31 May 2021: £369.6 million), demonstrating the Group's solid capital base and the minimal impact of the change in regulatory rules.