

## Key Trends Likely to Affect Our Business

# Seeing further, thinking smarter

### Financial markets

#### What's the trend?

Changing market conditions generate a variety of opportunities to trade, which may be more or less attractive to existing and new clients and therefore impact levels of new client onboarding and trading activity.

Over the past few years we have seen increased market volatility from the Covid-19 pandemic, the conflict in Ukraine, and challenges facing several regional banks in the US. We've experienced elevated levels of account applications and trading activity during these events.

More recently, we have experienced rising interest rates and inflation which have also

provided trading opportunities but may also impact levels of disposable income and the propensity to trade of our clients.

#### What does it mean for us?

In general, our ambitious, active clients find opportunities to trade in a wide range of market conditions. However, lower volatility could have a negative effect on revenue growth, through lower active client numbers, lower rates of client acquisition and reduced activity per client

Conversely, events which cause higher levels of volatility across a range of financial markets are likely to increase our revenue.

We continue to evaluate key trends in our industry and in the wider world, to understand the impact they may have on our business, either to spot opportunities, or to mitigate risk. We've highlighted below the main trends and what they mean for our business.

### Structural shift to self-directed trading and investing

#### What's the trend?

With the evolution of technology and freely accessible educational content, the financial markets have never been as accessible to such a vast potential audience. The online trading industry has seen a shift away from financial advisers and a move towards self-directed trading and investing. 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 and was accelerated by the long period of high volatility from the Covid-19 pandemic.

#### What does it mean for us?

Our target market is ambitious, self-directed individuals. We serve hundreds of thousands of clients like this 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 rely on our cutting-edge technology, platform reliability, risk management expertise 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 newcomers to the industry.



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MARKET CAMPAIGN IN JAPAN

## Key Trends Likely to Affect Our Business continued

### Sector developments

#### What's the trend?

We operate in a highly competitive and evolving market environment, with new market entrants constantly challenging traditional players.

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. This spend has been primarily focused on the lower value end of the retail trader market.

We remain an undisputed market leader in the breadth and depth of our product offering, but we know we must continue to work hard to differentiate as competitors add new products.

#### What does it mean for us?

To date, elevated competitor marketing spend 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 monitor changes in the competitive landscape through local knowledge and market research. We are continually innovating to keep up with sector developments and anticipate the needs of our clients. 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 so that we stay ahead.

We recognise that leveraged derivative products are not suitable for all individuals and 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.

### Interest rate movements

#### What's the trend?

During the financial year, we saw elevated inflation and significant increases in interest rates across the globe. Following 15 years of historically low interest rates, this has had significant implications for our revenue and for our clients.

#### What does it mean for us?

Increasing interest rates have both a direct and indirect impact on our business. The direct impact is on the cash balances we hold on behalf of our clients and our corporate cash. We have a strong net cash position, so rising interest rates mean that we earn additional income on these balances. Interest on client balances is recognised within total revenue, driving the top line of the business, whereas interest on corporate balances is recognised within finance income.

The indirect impact is seen in the trading opportunities that changing interest rate expectations can present, as well as the change in inflation, which is correlated with interest rates. Our clients are active traders who seek trading opportunities, which can often be created by macroeconomic events. However, higher inflation reduces disposable income and can impair consumer confidence, which may lower trading activity and reduce new client acquisition.



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