

## Chief Financial Officer's Statement

# Another year of record performance



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**Charles A Rozes**

Chief Financial Officer

I am delighted to report another year of record revenue and profits, against a challenging comparative which included the peaks of pandemic-related market volatility. Total revenue from continuing operations was £973.1 million, up 16% (FY21: £837.6 million). Excluding the foreign exchange gain associated with the financing of the tastytrade acquisition, adjusted total revenue was £967.3 million, up 14%. Excluding tastytrade, adjusted total revenue was still up 1%. This outstanding performance is reflective of the high-quality client base of ambitious, active traders that we are able to attract, and the excellent client service and educational resources and support that we provide in order to retain them. We reiterate our medium-term guidance for total revenue of 5-7% in Core Markets+ and 25-30% in the High Potential Markets segments.

We continue to practice good cost management, while also ensuring that we invest steadily and appropriately in our businesses and functions. We recognise technology as a key asset, in which we continually invest to innovate and increase resilience, security, and capacity. Over the last few years, for example, we have invested approximately £125 million in these areas, demonstrating our ability to continually invest and stay at the forefront of technology trends.

During the year, we incurred some one-off and non-cash recurring items. These were related to the tastytrade transaction, the sale of Nadex and Small Exchange, the debt refinancing and the revaluation of the Zero Hash convertible note. Excluding these items, our adjusted profit before tax margin for FY22 was 51% (FY21: 56%).



Profit before tax for the year was up 7% to £477.0 million (FY21: £446.0 million). On an adjusted basis, profit before tax was £494.3 million, up 4% on prior year (FY21: £473.6 million). The adjusted effective tax rate was 17.0%, driven by standard UK tax incentives and adjustments to prior year estimates. Our profit after tax for the year was £396.1 million, or £410.5 million on an adjusted basis, up 4%. Including profit from discontinued operations, profit for the period was £503.9 million, up 36%. Basic earnings per share from continuing operations was 92.9 pence (FY21: 99.8 pence), or 96.3 pence on an adjusted basis (FY21: 107.3 pence), down due to the shares issued for the tastytrade acquisition.

We are a highly cash-generative business, able to convert our OTC derivatives revenue to cash on the same day. The conversion rate of operating profit to own funds remains consistently above 100%.

During the year, we have seen some significant balance sheet movements, with our goodwill and intangibles balances increasing due to the tastytrade acquisition. Own funds increased due to profits made during the year, the sale of Nadex and Small Exchange, offset by the cash consideration paid for tastytrade.

Regulatory capital and liquidity remained very strong through the period, bolstered by our inaugural public debt issuance of £300 million of investment-grade, 7-year senior unsecured notes and the increased size of our committed revolving credit facility, which is now a £300 million facility. The debt capital markets issuance in November 2021 attracted strong investor demand, and provided longer-term financing through 2028.

Our new RCF further expands our on-demand available liquidity to support our strategic growth plans.

The Group's broker margin requirement in support of our risk management program at year end was £629.5 million, and reached a peak during the year of £774.7 million in comparison to a year end requirement of £590.9 million and peak requirement of £683.3 million in FY21. As a result of our record profits, strong cash conversion, as well as purchases and disposals during the year, own funds at 31 May 2022 were £1,253.8 million, up from £1,058.5 million at 31 May 2021.

Our record profits and comprehensive risk management programme further strengthened our capital resources. In January 2022, we adopted a new regulatory capital framework, the Investment Firms Prudential Regime (IFPR). For an initial transitory period, our regulatory capital requirement remains at a fixed amount of £497.4 million. At 31 May 2022 our regulatory capital resources were £1,025.6 million, up from £860.7 million at 31 May 2021. This translates to a headroom above the regulatory capital requirement of £528.2 million, including all profits from FY22, though prior to the execution of the share buyback programme.

During the year, the Board conducted a number of discussions around our uses of capital. The outcome of these discussions is set out in our new capital allocation framework. The framework provides the right balance for all our stakeholders, ensuring there is sufficient ability for investment in the Company, as well as returns for our shareholders. In line with the capital allocation framework, the Board has approved a final dividend of 31.24 pence, which would result in a full-year

dividend of 44.2 pence per share, an increase of 1 pence from our FY21 dividend of 43.2 pence per share.

Given our current strong financial position following three consecutive record years of revenues and profits, we have also announced a share buyback programme of up to £150 million. We would expect this to be substantially completed within FY23.

We have reconfirmed our medium-term total revenue guidance of 5-7% in the Core Markets+ and 25-30% in the High Potential Markets portfolio and remain confident in achieving this guidance. We anticipate a profit before tax margin just above the mid-40s in FY23, and then increasing slightly over the medium term to the high-40s, which we see as the sustainable margin for the Group. We anticipate an effective tax rate in FY23 of around 19%, and then increasing beyond FY23 to be closer to the forecasted UK Corporate Tax rates.

In summary, another year of record revenue performance puts us in a very strong financial position as we execute our strategy to become a more diversified business.

**Charles A Rozes**  
Chief Financial Officer  
20 July 2022