

IG GROUP HOLDINGS PLC

Preliminary results for the twelve months ended 31 May 2019
23 July 2019

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IG Group Holdings plc ("IG", "the Group", "the Company"), a global leader in online trading, today announces results for the twelve months ended 31 May 2019 ("FY19").

Operating and Strategic Summary

- Successful navigation of the ESMA product intervention measures which came into effect during the first quarter of the financial year.
 - In the three quarters of the financial year during which the ESMA measures were in place throughout, 66% of ESMA region revenue was generated from Professional clients.
 - The Group served 6,000 unique ESMA region Professional clients in FY19. The average revenue per ESMA Professional client was nearly £27,000 in the year.
- Continued to recruit and retain a high quality client base.
 - 55% of the Group's global OTC leveraged revenue in FY19 was generated from clients who have been trading with the Company for more than 3 years.
 - The average tenure of the Group's highest value clients in FY19, defined as those clients generating 80% of the Group's revenue, was 4 years and 9 months.
 - The Group has continued to attract new, high quality, OTC leveraged clients with 31,510 clients making their first trade in FY19, contributing £66.8m of revenue in the year.
 - The Group estimates that the lifetime revenue value of the FY19 client cohort will be around £300m.
- Actions taken to deliver a return to revenue growth in FY20.
 - IG Europe, the Group's client facing subsidiary in Germany, has been operational since January 2019 and provides certainty that IG will be able to offer its regulated financial products in all EU member states following the UK's exit from the EU.
 - IG US, the Group's Retail Foreign Exchange Dealer in the USA, launched in January 2019.
 - Spectrum, the Group's EU based MTF, has started operations, with the marketing launch campaign planned to start in September 2019.
 - Updated strategy and new medium-term financial targets announced on 22 May 2019.

Financial Summary

- Net trading revenue £476.9 million (FY18: £569.0 million) – down 16% reflecting the impact of the ESMA measures and the less favourable market conditions throughout FY19, particularly in the second half of the financial year.
- Total operating costs £284.3 million (FY18: £290.1 million) – down 2%.
- Operating profit £192.9 million (FY18: £281.1 million) – down 31%.
- Basic EPS 43.1 pence (FY18: 61.7 pence) – down 30%.

Dividend

As previously guided, the Board is recommending a final dividend of 30.24 pence per share, taking the full year dividend for FY19 to 43.2 pence per share, unchanged from the 43.2 pence per share paid for FY18.

The final dividend, if approved by shareholders, will be paid on 24 October 2019 to those members on the register at the close of business on 27 September 2019.

Outlook

As previously disclosed, the Company expects to return to revenue growth in FY20. The revenue growth is expected to be delivered in the second half of the year as the first quarter of FY19 was only partly impacted by the implementation of the ESMA product intervention measures.

As set out in the strategy update, the Group's operating expenses, excluding variable remuneration, are expected to increase by around £30 million in FY20. This is primarily due to additional investment in prospect acquisition, to continue to promote the IG brand, to grow the size and quality of the client base, and to establish the new businesses in the EU and the USA.

IG will continue to lead the way in the industry. The Company has delivered a profitable and sustainable business for more than 40 years by placing good client outcomes at the heart of everything it does. The Group has articulated its strategy to position the business so that it will continue to deliver for its clients, its shareholders and its other stakeholders, with clear medium-term financial targets.

The Board reiterates that it expects to maintain the 43.2p per share annual dividend until the Group's earnings allow the Company to resume progressive dividends.

June Felix, Chief Executive, commented:

"The Company has made good strategic and operational progress during FY19, taking action to ensure that the business successfully navigated the impact of regulatory change.

We have developed our strategy to position the business so that it will continue to deliver for our clients, our shareholders and our other stakeholders under a more restrictive regulatory environment in the UK and EU. I am excited by the opportunities we have identified, and I am confident that the Company will return to revenue growth in FY20.

IG has experienced significant change over its 45-year history and will continue to do so – driven by an evolving regulatory environment, shifting patterns of wealth, and the continued evolution of financial markets around the world. The Company adheres to the highest regulatory standards, differentiates itself within the industry through its good conduct, and I believe that the business is well positioned to continue to adapt to regulatory change and to thrive in an evolving market.

I am looking forward to leading the implementation of IG's strategy to deliver sustainable revenue growth and attractive shareholder returns."

Further information

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Analyst presentation

There will be an analyst and investor presentation at 9:30am (UK Time) on Tuesday 23 July 2019 at the IG Group offices, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA. The presentation will discuss client experience and IG's business model in addition to analysis of FY19 performance.

The presentation will also be accessible live via audio webcast at www.iggroup.com. If you wish to listen via conference call, please use the following link https://pres.iggroup.com/ig048/vip_connect. The audio webcast of the presentation and a transcript will be archived at: www.iggroup.com/investors.

Disclaimer - forward-looking statements

This preliminary statement, prepared by IG Group Holdings plc (the "Company"), may contain forward-looking statements about the Company and its subsidiaries (the "Group"). Forward-looking statements involve known and unknown risks and uncertainties because they are beyond the Company's control and are based on current beliefs and expectations about future events. No assurance can be given that such results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update these forward-looking statements. Nothing in this statement should be construed as a profit forecast.

Some numbers and period on period percentages in this statement have been rounded or adjusted to ensure consistency with the financial statements. This may lead to differences between subtotals and the sum of individual numbers as presented.

Acronyms used in this report are as defined in the Group's Annual Report.

About IG

IG empowers informed, decisive, adventurous people to access opportunities in over 16,000 financial markets. With a strong focus on innovation and technology, the company puts client needs at the heart of everything it does.

IG's vision is provide the world's best trading experience. Established in 1974 as the world's first financial derivatives firm, it continued leading the way by launching the world's first online and iPhone trading services.

IG is an award-winning, multi-platform trading company, the world's No.1 provider of CFDs* and a global leader in forex. It provides leveraged services with the option of limited-risk guarantees and offers an execution-only stock trading service in the UK, Australia, Germany, France, Ireland, Austria and the Netherlands. IG has a range of affordable, fully managed investment portfolios, which provide a comprehensive offering to investors and active traders.

It is a member of the FTSE 250, with offices across Europe, including a Swiss bank, Africa, Asia-Pacific, the Middle East and the US, where it offers on-exchange limited risk derivatives via the Nadex brand.

*Based on revenue excluding FX (from half yearly published financial statements, June 2019)

Vision and Strategy

On 22 May 2019 IG provided an update on its strategy and medium-term financial targets. The Group's purpose – to empower informed, decisive, adventurous people to access opportunities in financial markets – has not changed. The Group's values – to Champion the client, Lead the way, and Love what we do – are also unchanged. These values are clear, they match the culture of the people at IG, they are authentic, and they are what defines the Company.

For the purposes of developing and presenting its strategy, IG categorised its existing businesses into two groups: core markets and significant opportunities. The core markets consist of the UK, EU (CFDs), Australia, Singapore and EMEA non-EU. These are large and established markets in which the Group already has a significant presence, with strong market shares, particularly amongst the highest value traders. The significant opportunities represent geographies and client and product segments where the business currently has a presence but where there are opportunities to build on its existing strengths to serve more clients and to deliver significant revenue growth.

The Group's vision is to provide the world's best trading experience.

In pursuit of that vision the Group has made six strategic choices that underpin how the Group operates, and how it intends to continue to deliver value for clients and stakeholders.

- Operate a sustainable business model
- Provide the best client experience
- Win with our technology
- Tailor client propositions
- Broaden our product range
- Extend our geographic reach

IG has experienced significant change over its 45-year history and will continue to do so – driven by an evolving regulatory environment, shifting patterns of wealth, and the continued evolution of financial markets around the world. The Group operates in a regulated environment, and changes in regulations, such as the ESMA product intervention measures which came into effect during FY19, can have a significant impact, in the short term, on the Group's business. In IG's experience, when proportionate regulation has been applied consistently and appropriately, client outcomes have improved, and compliant providers have benefitted over the longer term. The Company adheres to the highest regulatory standards, differentiates itself within the industry through its good conduct, and believes it is well positioned to continue to adapt to regulatory change and to thrive in an evolving market.

The Group benefits from the increasing demand for leveraged trading as a result of increasing wealth, growing self-direction and growing interest in international assets, which act as strong tailwinds for the Group. The Group believes that its strategy positions it to maximise the opportunities presented by these tailwinds.

Growth levers

The business has identified four growth levers that will be deployed to drive growth:

- Expanded distribution channels
- A global firm with more local focus
- Segmented target markets
- Multi-product

Core markets

The Group generated revenue in its core markets of the UK, EU (CFDs), Australia, Singapore and EMEA non-EU of £417.4m in FY19.

The demand for OTC leveraged derivatives in these markets is expected to continue to grow. The Group expects to benefit from this underlying market growth and to gain market share through better client segmentation and localisation, focusing on the high value and institutional client segments.

The business regards itself as the natural home for the highest value clients and aims to further develop the size and quality of its client base in these markets – the long-term driver of growth for the business.

Significant opportunities

The significant opportunities represent areas where IG sees itself as well placed to capitalise on its existing strengths to gain significant revenue growth. In FY19, the Group generated £59.5m of revenue in these markets.

EU (new products)

The Group believes that the opportunity for the Group to launch new leveraged trading products in the EU is substantial. Through the launch of the Group's multi lateral trading facility (MTF), Spectrum, the Group is seeking to take a meaningful share of the on-venue turbo market which it has not previously addressed. Spectrum will launch with turbos on equity indices, currencies and commodities and the aim is to expand that product set to include single name equities in the future. The Group expects to attract other brokers to the Spectrum offering.

USA

The combination of the Group's long established retail derivatives exchange, Nadex, with its recently launched OTC FX business, provides IG with a unique product set to promote to the market. The Group believes that as one of four providers, it will capture a significant share of the OTC FX market, through its compelling pricing and client service offer. The Group will also be able to take full advantage of the US leads generated from its DailyFX website.

Japan

The size of the leveraged derivatives market in Japan is significant and IG's share, although improved in FY19 through the launch of new products, remains small. The Group is targeting significant further uplift in market share and revenue through localisation of the product set and an increase in marketing activity. The Group has also invested in new leadership and will seek to develop partnerships with local providers who benefit from a large existing client base.

Emerging markets

The Group is seeking to achieve a step change in its scale, predominantly in Asian markets, where it does not currently have a physical presence, by establishing partnerships with licensed entities. The quality of the Group's product set and technology and the scale of its business make IG an attractive partner in this region. The Group is establishing a local business development presence in this region to facilitate partner relationships, and to investigate opportunities in the leveraged securities market.

Institutional

The Group is bringing a new focus to its Institutional offering by targeting family offices and small hedge funds, utilising the Group's platform capability, range of markets and depth of liquidity to gain market share in this segment. The Group will address these clients with a proposition and product offer tailored around their specific needs.

Medium term financial targets

Through the successful implementation of the Group's strategic plan IG is targeting:

- Revenue growth in its core markets at around 3-5% per annum over the medium term, and;
- An increase in revenue from its significant opportunities markets of £100m, to around £160m in FY22.

Assuming these targets are achieved, the Group's revenue in FY22 will be around 30% higher than in FY19.

Delivery of this targeted revenue growth will require additional investment. Operating expenses, excluding variable remuneration, were £259.6m in FY19, and are expected to increase by around £30m in FY20. This is primarily due to additional investment in prospect acquisition to continue to promote the IG brand, to grow the size and quality of the client base, and to establish the new businesses in the EU and the USA. In subsequent years the Group expects its operating expenses, excluding variable remuneration, to increase at a lower rate than revenue.

Group Performance Review

Overview

The Company made good strategic and operational progress during FY19, taking action to ensure that the business successfully navigated the impact of regulatory change, and positioning the business so that it will continue to deliver for its clients, shareholders and other stakeholders under a more restrictive regulatory environment in the UK and EU.

The Company appointed June Felix as its new CEO on 30 October 2018.

The ESMA product intervention measures came into effect during the first quarter of the Group's financial year (Q1 FY19). The prohibition on offering binary options to Retail clients became effective from 2 July 2018, and the restrictions relating to the provision of CFDs to Retail clients were effective from 1 August 2018. The actions taken by the Group in preparation for these regulatory changes, particularly the launch of the online process to enable its sophisticated clients who meet the required criteria to apply to become categorised as a Professional client, have resulted in the Company successfully navigating the introduction of the ESMA measures.

In the last three quarters of FY19, when the ESMA measures were in effect throughout, 66% of the Group's OTC leveraged revenue in the ESMA region was generated from Professional clients. The average revenue generated from Retail clients in the ESMA region has fallen by over 40% since the measures were introduced.

The Group's net trading revenue in FY19 was £476.9m, 16% lower than the £569.0m in FY18. Revenue generated from clients in the ESMA region in FY19 was 26% lower than in FY18, with 2% growth in revenue from clients in the Group's businesses in the rest of the world. Both these figures are underlying changes, adjusting for the around 1,600 clients who previously contracted with a UK entity who are now trading with an entity outside the ESMA region.

IG's track record of sustainable revenue growth over the medium and long term has been delivered through growth in the size and quality of its active client base. Revenue in any period is impacted by the level of financial market volatility, and the extent to which clients identify opportunities to trade. Market conditions throughout FY19, and particularly in the second half of the financial year, were much less favourable overall than in FY18, which was a record year for the Group. In the periods in FY19 when market conditions were more favourable and when the Group's high quality and loyal client base identified and took advantage of the increased opportunities to trade, the Group's revenue, which is driven by client transaction fees, responded favourably.

Operating costs excluding variable remuneration were £259.6m, 2% higher than in the prior year, with total operating costs of £284.3m, 2% lower than in the prior year due to the lower level of variable remuneration. Operating profit of £192.9m was 31% lower than in the prior year, with the operating profit margin at 40.4%.

Basic earnings per share for the year were 43.1 pence, 30% lower than the prior year. The Board is recommending a final dividend of 30.24 pence per share, taking the full year dividend to 43.2 pence per share. The Board reiterates that the Company expects to maintain the annual dividend at 43.2p per share until the Group's earnings allow the Company to resume progressive dividends.

Business Developments

OTC leveraged derivatives

IG's business model ensures that its interests as a business are aligned with the interests of its clients, which sets it apart from most other companies in the industry. The Company believes that its culture of acting in clients' best interests, providing excellent client service, offering risk management tools, education and training resources, its innovative platform, and the quality of trade execution, are key differentiators. This creates a sustainable business, with industry leading client tenure and client value metrics.

The Group's OTC leveraged derivatives business served 129,700 unique clients in FY19, with an average revenue per client of £3,503. 55% of the Group's OTC leveraged revenue was generated from clients who have been trading with the Company for more than three years, and 85% of the revenue was generated from clients who have been trading with the business for more than a year. The average tenure of the Group's highest value clients in FY19, defined as those clients generating 80% of the Group's revenue, was 4 years and 9 months.

IG has continued to attract new, high quality, OTC leveraged clients, with 31,510 clients making their first trade in FY19, contributing £66.8m of revenue. Each client cohort that the Company recruits has an enduring value for IG generating revenue for many years. The Group estimates that the lifetime revenue value of the FY19 client cohort will be around £300m.

To reinforce the Group's position as the natural home for the highest value clients, further enhancements to the product and service offer for these clients were made during the second half of the financial year. Our high value clients are now able to access Real Vision, a premium content video service which provides exclusive insight and analysis from a range of world leading experts in finance. The business also introduced a volume-based rebate scheme to facilitate retention and to incentivise clients to transition a greater share of their trading to IG.

During H1 FY19 IG Europe (IGE), the Group's client facing subsidiary in Germany, received its licence from BaFin and has been operational since January 2019. The vast majority of the EU (excluding UK) resident client base has been migrated to this entity, which provides certainty that IG will be able to offer its regulated financial products in all EU member states following the UK's exit from the EU. In addition to offering a range of OTC trading products to Retail and Professional clients, IGE will also act as a broker to clients trading turbo warrants on Spectrum, the Group's EU based MTF.

IG US, the Group's new USA subsidiary received approval during H1 FY19 to become a member of the National Futures Association (NFA), and to operate as a Retail Foreign Exchange Dealer (RFED). The business launched in January 2019, and the Company believes that its retail FX offer in the US will be able to compete successfully in what is currently a limited competitive market with only three other providers. IG has the added benefit of the lead generation provided by the DailyFX website, which has over 1.5m unique visitors each month.

The business has continued to develop innovative new OTC products. In October 2018, IG launched its Knockout Option product in Japan, which has been very popular, generating record account opening levels for IG in Japan and creating significant internet search volumes. A new, limited risk, options product was introduced in the EU market in FY19, broadening the range of OTC products that European clients can trade.

Exchange traded derivatives

The Group's exchange traded derivatives (ETD) businesses serve clients in those markets where there is a significant demand for exchange traded derivative instruments in addition to, or instead of, OTC derivatives.

The on-exchange derivatives trading market in Europe is considerably larger than the OTC market, and the Group is seeking to provide clients who prefer trading in this way with access to a better product and service than is currently available. Spectrum has started operations and the Group will commence its marketing campaign for Spectrum in September 2019 following the traditionally quiet European summer period. The Group will offer its own leveraged securities on Spectrum in the form of turbo warrants. These products are limited risk by nature, making the offering suitable for less experienced clients.

The Group is confident that it can make further inroads into the US ETD market, where the Company has been established for several years with its Nadex offering. Nadex provides its members with an accessible alternative to futures and options trading, on a wide range of underlying markets. In FY19 the Nadex business has continued its evolution with a significant increase in average revenue per client, reflecting the move towards a more sophisticated client base.

Stock trading and investments

The Group's stock trading offering is focused on serving the needs of active equity traders and helps to retain existing OTC leveraged clients as well as providing an acquisition channel to attract new active traders to the Group for whom leveraged trading products may be appropriate. During FY19 the Company introduced a custody fee on its stock trading accounts.

The Group acquired 13,500 new stock trading clients during the year, taking the total number of active stock trading clients to 37,925. Multi-product clients (who trade both OTC leveraged products and also hold stocks in a stock trading or investment account) at the end of the year was 6,555. Multi-product clients are more valuable and trade for longer than the average single product client.

Regulatory Developments

The CFD industry needs to be regulated to reduce the risk of poor conduct by firms and poor client outcomes. IG is the world's leading provider of CFDs, and the Company adheres to the highest regulatory standards. Leveraged derivative instruments are not appropriate for everyone, and through its focus on ensuring that its marketing and advertising targets an appropriate audience, IG seeks to only accept clients who understand our products and the risks involved. The Company's long held view is that robust supervision around who the product is marketed to, and which applicants are accepted as clients, remains the most significant measure to drive improved client outcomes.

Over three quarters of the Group's revenue is generated in jurisdictions where regulators have taken action to protect Retail clients through, amongst other measures, restrictions on the leverage that can be offered. Leverage restrictions are not new to the industry. IG has operated successfully for many years in jurisdictions, such as Singapore, where leverage restrictions are in place. The decision by ESMA to impose product intervention measures in the UK and EU to address concerns around poor conduct and to improve client outcomes has introduced leverage restrictions into IG's biggest markets.

The Australian regulator, ASIC, is expected to open a consultation process regarding potential measures they may seek to apply to the CFD industry. The Group expects that any measures ASIC chooses to implement, which are expected to include leverage restrictions, will apply to Retail clients only and will exclude clients who elect to be categorised as a Wholesale client.

In April 2019 following a request from the Chinese State Administration of Foreign Exchange, ASIC asked all its licensed providers of CFDs to prevent Chinese nationals from trading through their platforms. IG ceased accepting new trades from Chinese resident clients in June 2019 and all accounts of Chinese resident clients in Australia will be closed by the end of July 2019. Chinese resident clients contracted to IG's Australian entity generated revenue of £2.7m in FY19.

The leverage restrictions currently in place for FX for Retail clients in Singapore will, with effect from 8 October 2019, tighten from 50:1 to 20:1. The FX margin for accredited, expert and institutional investors will remain at 2%. This change is not expected to materially impact the Group's revenue.

The Group's focus on serving sophisticated and knowledgeable clients means that the business is well placed to adapt and thrive in a stricter regulatory environment. In IG's experience, when proportionate regulation has been applied consistently and appropriately, client outcomes have improved, and compliant providers have benefitted over the longer term.

The ESMA product intervention measures came into force during the first quarter of the Company's financial year. The prohibition on offering binary options to Retail clients became effective from 2 July 2018, and the restrictions relating to the provision of CFDs to Retail clients were effective from 1 August 2018. The restrictions relating to CFDs are outlined below:

- Leverage limits on the opening of a position by a Retail client from 30:1 to 2:1, which vary according to the volatility of the underlying asset:
 - 30:1 for major currency pairs;
 - 20:1 for non-major currency pairs, gold and major equity indices;
 - 10:1 for commodities other than gold and non-major equity indices;
 - 5:1 for individual equities and other reference values;
 - 2:1 for cryptocurrencies;
- A margin close-out rule on a per account basis;
- Negative balance protection on a per account basis;
- A restriction on the incentives offered to trade CFDs;
- A standardised risk warning.

ESMA does not currently have the power to make these measures permanent and it is the responsibility of each National Competent Authority (NCA) to supervise and create policies within their own jurisdiction. To date, 24 NCAs across the EU have implemented the same or equivalent ban on binary options to Retail clients, and 17 have implemented measures relating to CFDs which are entirely or very closely aligned with the temporary ESMA measures. This includes

BaFin in Germany, CNMV in Spain, Consob in Italy, AMF in France and most recently the FCA in the UK published its policy statement on 1 July 2019 setting out its final measures restricting how CFDs are sold to Retail clients.

On 3 July 2019 the FCA issued its consultation on the sale, marketing and distribution to Retail clients of derivatives that reference unregulated transferrable cryptoassets by firms acting in, or from, the UK. Revenue from UK Retail clients trading cryptocurrency derivatives was £2.6m in FY19.

Outlook

As previously disclosed, the Company expects to return to revenue growth in FY20. The revenue growth is expected to be delivered in the second half of the year as the first quarter of FY19 was only partly impacted by the implementation of the ESMA product intervention measures.

As set out in the strategy update, the Group's operating expenses, excluding variable remuneration, are expected to increase by around £30 million in FY20. This is primarily due to additional investment in prospect acquisition to continue to promote the IG brand, to grow the size and quality of the client base, and to establish the new businesses in the EU and the USA.

IG will continue to lead the way in the industry. The Company has delivered a profitable and sustainable business for more than 40 years by placing good client outcomes at the heart of everything it does. The Group has articulated its strategy to position the business so that it will continue to deliver for its clients, its shareholders and its other stakeholders, with clear medium-term financial targets.

The Board reiterates that it expects to maintain the 43.2p per share annual dividend until the Group's earnings allow the Company to resume progressive dividends.

Operating and Financial Review

Summary Group Income Statement

	FY19	FY18	Change
	£m	£m	%
Net trading revenue	476.9	569.0	(16%)
Net interest on client money	6.3	4.5	
Betting duty and FTT	(7.9)	(5.1)	
Other operating income	1.9	2.8	
Net operating income	477.2	571.2	(16%)
Operating expenses	(259.6)	(254.2)	
Variable remuneration	(24.7)	(35.9)	
Total operating costs	(284.3)	(290.1)	(2%)
Operating profit	192.9	281.1	(31%)
Net finance income / (cost)	1.4	(0.3)	
Profit before taxation	194.3	280.8	(31%)
Taxation	(36.0)	(54.4)	
Profit for the period	158.3	226.4	(30%)
Basic earnings per share	43.1p	61.7p	

Net trading revenue by geography

	FY19	FY18	Change
	£m	£m	%
UK	200.0	260.8	(23%)
EU	68.2	117.3	(42%)
EMEA ex EU	43.7	36.8	19%
Australia	70.0	69.5	1%
Singapore	41.0	40.1	2%
Japan	19.4	15.0	29%
Emerging markets	17.6	12.9	36%
USA	17.0	16.6	2%
Group	476.9	569.0	(16%)

Overview

The Group's net trading revenue in FY19 was £476.9 million, 16% lower than in FY18, reflecting the impact in the UK and EU segments of the introduction of the ESMA product intervention measures during the first quarter of the financial year, and the lower levels of volatility and financial market activity through much of FY19 compared with the previous year, particularly in the second half, which impacted the revenue across all geographic segments.

Net operating income in FY19 of £477.2 million was 16% lower than in FY18, in line with the reduction in net trading revenue.

Operating expenses (excluding variable remuneration) increased by 2% to £259.6 million. Variable remuneration reduced by over 31%, and total operating costs of £284.3 million were 2% lower than in FY18.

Operating profit in the year was £192.9 million, 31% lower than in FY18, with an operating profit margin of 40.4% (FY18: 49.4%).

The Group's effective tax rate for FY19 is 18.5%, 0.9% points lower than in FY18, and profit after tax of £158.3 million, and earnings per share of 43.1p were both 30% lower than in FY18.

Net Trading Revenue

Net trading revenue by product

	Revenue (£m)		Change %
	FY19	FY18	
OTC leveraged	454.2	548.4	(17%)
Exchange traded derivatives	16.8	16.6	1%
Stock trading and investments	5.9	4.0	48%
Group	476.9	569.0	(16%)

Revenue drivers by product

	Active Clients (000s)			Revenue per client (£)		
	FY19	FY18	Change %	FY19	FY18	Change %
OTC leveraged	129.7	144.6	(10%)	3,503	3,794	(8%)
Exchange traded derivatives	17.5	22.0	(20%)	958	756	27%
Stock trading and investments	37.9	35.5	7%	155	113	37%
Multi-product clients	(6.6)	(6.9)	(4%)			
Group	178.5	195.2	(9%)			

The Group's net trading revenue reflects the transaction fees (spread, commission and funding) paid by clients for the trading service offered by the business ("client income"), net of the Group's external hedging costs, and net of clients' trading profits and losses and hedging profits and losses.

The Group's business model is designed to give clients the best trading and execution experience available, and under the model clients receive more favourable execution than the business is able to achieve in external hedging.

As a result, the Group's net trading revenue will always be lower than the client income. In FY19, net trading revenue was equal to 74% of client income (FY18: 73%).

In FY19 the Group generated 95% of its revenue from OTC leveraged derivatives. OTC leveraged revenue in the year was £454.2 million, 17% lower than in the prior year, with the number of active OTC leveraged clients 10% lower and with the average revenue per client down by 8%. The previous year, FY18, was a record for IG. The reduction in revenue in FY19 reflects the less favourable market conditions during the year, particularly in the second half, and the impact of the ESMA product intervention measures which have restricted the revenue generated from Retail clients in the UK and EU.

The £454.2 million of OTC leveraged revenue includes £66.8m (15%) generated from the 31,510 clients who traded with IG for the first time in FY19. This is in line with the 15% of OTC leveraged revenue generated by the 39,179 new

clients in FY18. The FY19 new client cohort generated, on average, £2,120 of revenue, compared with the £2,140 of average revenue from new clients in FY18, demonstrating that the Group has maintained the quality of its new clients.

Each client cohort generates revenue for the Group for many years. In FY19, 55% of the OTC leveraged revenue was generated from clients who have been trading with IG for more than three years (FY18: 52%). The average tenure of the Group's highest value clients in FY19, defined as those who generated 80% of the Group's revenue, was 4 years and 9 months. The Group expects the average revenue value of a new OTC client to be around £8,000 during the first five years of trading with IG, with an estimated lifetime client value of around £10,000. The Group estimates the lifetime value of the FY19 client cohort to be around £300m.

Average OTC leveraged revenue per client was £3,503 in FY19, 8% lower than in FY18, due to the less favourable market conditions, which resulted in clients trading less frequently, and the impact of the ESMA product intervention measures, which resulted in a reduction in the average trade size by Retail clients in the UK and EU. Average revenue per client in FY19 was 9% higher than in FY17 and FY16, reflecting the Group's progress in developing the overall quality of its client base.

The Group's exchange traded derivatives revenue in FY19 of £16.8m came entirely from Nadex, the Group's retail focused exchange in the USA. Revenue was in line with the prior year. The number of active clients reduced by 20% reflecting the decision to reduce marketing spend which has resulted in lower new client recruitment. This has been offset by the improvement in the retention rate, and by the 27% increase in the average revenue per client, as the business seeks to develop the overall quality of its client base.

Revenue from stock trading and investments increased by 48% to £5.9 million. The Group's stock trading offering is focused on serving the needs of active equity traders. The Group introduced a custody fee on its stock trading accounts in FY19 which is waived for clients who trade frequently, and which accounts for the majority of the increase in revenue.

OTC Leveraged revenue by geography

	Revenue (£m)		Reported	Underlying
	FY19	FY18	Change %	Change %
UK	195.3	257.6	(24%)	(21%)
EU	68.1	117.2	(42%)	(36%)
ESMA Region	263.4	374.8	(30%)	(26%)
EMEA ex EU	43.7	36.8	19%	2%
Australia	68.9	68.8	-	(10%)
Singapore	41.0	40.1	2%	
Japan	19.4	15.0	29%	
Emerging markets	17.6	12.9	36%	
USA	0.2	-	-	
Outside ESMA Region	190.8	173.6	10%	2%
Total OTC Leveraged	454.2	548.4	(17%)	

The Group's OTC leveraged revenue in FY19 from clients contracted to entities in the UK and the EU (the ESMA region) was 30% lower than in FY18, reflecting the impact in these regions of the introduction of the ESMA product intervention measures during the first quarter of the year. During FY19 around 1,600 clients previously contracting with an entity in the ESMA region elected to open an IG account in Switzerland or Australia which are not subject to the ESMA product intervention measures. The underlying change in revenue shown in the tables above and below adjusts for the revenue generated by those clients in FY19 which is reported in EMEA ex EU and Australia, by adding it back to the UK and EU as appropriate. The underlying reduction in OTC leveraged revenue in the ESMA region was 26%.

The Group's reported OTC leveraged revenue in FY19 from its operations other than in the ESMA region was, in aggregate, 10% higher than in FY18, with an underlying increase of 2%.

ESMA region

	Revenue (£m)		Reported	Underlying
	FY19	FY18	Change %	Change %
ESMA Professional	161.0			
ESMA Retail	102.4			
Total ESMA Region	263.4	374.8	(30%)	(26%)

	Active Clients ('000s)			Revenue per client (£)		
	FY19	FY18	Change %	FY19	FY18	Change %
ESMA Professional	6.0			26,918		
ESMA Retail	74.8			1,369		
Total ESMA Region	80.8	99.4	(19%)	3,260	3,769	(14%)

	Revenue (£m)		%
	Q1	Q2-Q4	Q2-Q4
ESMA Professional	38.4	122.6	66%
ESMA Retail	40.0	62.4	34%
ESMA Region	78.4	185.0	

OTC leveraged revenue in the ESMA region was £263.4 million, 30% lower than in FY18 as reported, and 26% lower on an underlying basis. The number of active clients was down by 19% at 80,800 with average revenue per client of £3,260, down 14%.

The ESMA product intervention measures apply only to clients categorised as Retail under MiFID. Trading by clients who are categorised as Professional is not restricted by the measures. Since November 2017 the Group has provided an online process that allows clients to elect to be categorised as Professional. Up to the end of May 2019 the Group had received approximately 25,000 applications from clients requesting to be categorised as an elective Professional. The Group operates a rigorous and robust assessment process in compliance with the regulations, and has accepted 6,000 (24%) of the applications.

During FY19 the Group served 6,000 unique clients who are categorised as Professional. The ESMA measures do not apply to these clients and their trading has not been restricted. The average revenue per ESMA region Professional client was nearly £27,000.

In the three quarters of the financial year during which the ESMA measures were in place throughout, 66% of ESMA region revenue was generated from Professional clients.

The ESMA measures have impacted the activity of Retail clients, primarily through a reduction in the size of their trades, and in the number of clients who trade. The restrictions on leverage introduced by ESMA have reduced the attractiveness of OTC trading, both in absolute terms and relative to the other forms of trading available to Retail clients. Since the introduction of the measures we have seen a reduction in the number of active Retail clients and the revenue generated per client.

The impact of the ESMA measures has been more significant in the EU, where OTC leveraged revenue was 36% lower, than in the UK, where OTC leveraged revenue was 21% lower. This is due to the UK's client base including a higher proportion of Professional clients than in the EU, and because there are readily available alternative trading products for Retail clients in the EU.

UK and EU by quarter

In order to provide clarity on the activity and revenue generated from Professional and Retail clients in the period since the introduction of the ESMA measures, the tables below set out, for the UK and the EU separately, the metrics for each client group by quarter during FY19, and the averages for the three quarters, Q2 through Q4, when the measures were in place throughout.

UK

	Revenue (£m)				
	Q1	Q2	Q3	Q4	Q2-Q4
	FY19	FY19	FY19	FY19	Average
UK Professional	29.9	37.8	30.1	31.4	33.1
UK Retail	25.6	13.5	13.1	13.9	13.5
Total UK	55.5	51.3	43.2	45.3	46.6

	Active clients (000's)				
	Q1	Q2	Q3	Q4	Q2-Q4
	FY19	FY19	FY19	FY19	Average
UK Professional	3.7	4.0	4.0	3.9	4.0
UK Retail	31.8	28.6	28.8	28.7	28.7
Total UK	35.5	32.6	32.8	32.6	32.7

	Revenue per client (£)				
	Q1	Q2	Q3	Q4	Q2-Q4
	FY19	FY19	FY19	FY19	Average
UK Professional	8,018	9,498	7,540	8,009	8,351
UK Retail	808	471	454	483	469
Total UK	1,567	1,576	1,313	1,389	1,426

More than 70% of the revenue in the three quarters of the financial year when the ESMA measures were in place throughout was generated from Professional clients.

The number of active Retail clients reduced by 10% in Q2 compared with Q1 and has remained stable in the subsequent quarters. Average revenue per Retail client reduced by over 40% in Q2 compared with Q1, and it remained fairly stable in the subsequent quarters, in contrast to the average revenue per Professional client which is more sensitive to financial market volatility. This leads us to conclude that trading by UK Retail clients is being constrained by the leverage restrictions, and as a result, although lower than in the periods prior to the ESMA measures being introduced, revenue generated from UK Retail clients is more stable quarter on quarter.

EU

	Revenue (£m)				
	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q2-Q4 Average
EU Professional	8.5	8.4	7.1	7.8	7.8
EU Retail	14.4	7.3	6.7	7.9	7.3
Total EU	22.9	15.7	13.8	15.7	15.1

	Active clients (000's)				
	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q2-Q4 Average
EU Professional	1.2	1.3	1.2	1.1	1.2
EU Retail	20.2	17.3	17.8	18.1	17.7
Total EU	21.4	18.6	19.0	19.2	18.9

	Revenue per client (£)				
	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q2-Q4 Average
EU Professional	7,273	6,704	5,931	6,870	6,500
EU Retail	713	422	378	436	412
Total EU	1,070	846	726	818	796

More than 50% of the revenue in the three quarters of the financial year when the ESMA measures were in place throughout was generated from Professional clients. The average revenue per Professional client in the EU is around 25% lower than in the UK, where the Group has its longest standing and highest value client base.

The number of active Retail clients in the EU reduced by 14% in Q2 compared with Q1, however the number of active Retail clients has increased in subsequent quarters. The number of active Retail clients in Q4 was 10% lower than in Q1. Average revenue per Retail client reduced by 41% in Q2 compared with Q1, and it has remained fairly stable in the subsequent quarters.

Other Core Markets

	Revenue (£m)		Reported Change %	Underlying Change %
	FY19	FY18		
EMEA ex EU	43.7	36.8	19%	2%
Australia	68.9	68.8	-	(10%)
Singapore	41.0	40.1	2%	2%

	Active Clients			Revenue per client (£)		
	FY19	FY18	Change %	FY19	FY18	Change %
EMEA ex EU	6,815	6,507	5%	6,406	5,655	13%
Australia	18,797	18,658	1%	3,669	3,687	-
Singapore	9,202	9,313	(1%)	4,461	4,305	4%

Reported revenue in EMEA ex EU, which includes Switzerland, Dubai and South Africa, of £43.7 million was 19% higher than in FY18, with an underlying increase of 2%. Our offices in Switzerland and Dubai are relatively recent additions to our global footprint and each of these businesses has continued to develop their presence in their market during FY19. The average revenue per client of £6,406 is significantly higher than the Group average, reflecting the quality of the client base in these countries.

Revenue in Australia was £68.9 million, in line with FY18 as reported and 10% lower on an underlying basis. Australia is a well established market for IG and our underlying performance reflects the less favourable market conditions in FY19 compared with FY18.

Revenue in Singapore was £41.0 million in FY19, 2% higher than in FY18, driven by a 4% increase in revenue per client.

Significant Opportunities

	Revenue (£m)			Active Clients			Revenue per client (£)		
	FY19	FY18	Change %	FY19	FY18	Change %	FY19	FY18	Change %
Japan	19.4	15.0	29%	8,121	7,042	15%	2,386	2,129	12%
Emerging markets	17.6	12.9	36%	5,128	3,599	42%	3,432	3,592	(4%)
USA	0.2			822					

Revenue in Japan was £19.4 million, 29% higher than in FY18. During FY19 we launched our new Knockouts product which has been well received by the local market, and we have seen a 12% increase in average revenue per client, and an 84% increase in the number of first trades in Japan compared with the prior year, driving a 15% increase in the number of active clients.

Our Emerging markets segment includes revenue from clients resident in jurisdictions, predominantly in Asia, where we do not have a physical presence. These clients have identified IG through their own search and not in response to advertising and marketing, which is not undertaken in jurisdictions where the Group does not have the regulatory permissions to do so. The increase in revenue from these markets reflects the increase in the number of active clients.

Our Retail Foreign Exchange Dealer (RFED) in the USA launched in January 2019. The rate of client acquisition has been encouraging although the number and size of trades has, in this initial period of operation, been lower than we had anticipated.

In FY19 the Group managed its Institutional client segment (family offices and small hedge funds) within the Core Markets. The Group served 173 Institutional clients during the year (FY18: 148) generating revenue of £5.5 million (FY18: £5.1 million). The average revenue per client in the Institutional segment was £32,005 in FY19 (FY18: £34,371).

OTC Leveraged revenue by Asset Class

	FY19 £m	FY18 £m	Change %
Indices	213.8	224.2	(5%)
Equities	85.7	95.4	(10%)
Foreign Exchange	82.4	94.3	(13%)
Commodities	41.8	55.0	(24%)
Options	20.3	43.1	(53%)
Cryptocurrencies	10.2	36.4	(72%)
OTC Leveraged	454.2	548.4	(17%)

Changes in revenue by asset class are driven by the overall level of revenue, and the level of volatility in each asset class which impacts the extent to which clients identify trading opportunities.

Revenue from clients trading equity Indices and single name Equities accounted for 66% of the Group's OTC leveraged revenue in FY19 compared with 58% in FY18. The revenue from these asset classes, which are particularly popular amongst our highest value clients, was 5% and 10% lower respectively than in FY18. The revenue from clients trading Foreign Exchange was 13% lower than in the prior year, and represents 18% of the Group's OTC leveraged revenue in the year. The level of client trading in cryptocurrencies has reduced significantly, with revenue down by 72%.

Stock trading and investments, by country

	Revenue (£m)			Active Clients ('000s)			Revenue per client (£)		
	FY19	FY18	Change %	FY19	FY18	Change %	FY19	FY18	Change %
UK	4.7	3.2	47%	27.1	25.5	6%	172	125	38%
EU	0.1	0.1	-	1.0	0.8	25%	146	118	24%
Australia	1.1	0.7	57%	9.8	9.2	7%	110	80	38%
Stock trading and investments	5.9	4.0	48%	37.9	35.5	6%	155	113	37%

Operating expenses

Operating expenses by cost type

	FY19 £m	FY18 £m	Change %
Fixed remuneration	106.3	96.0	11%
Advertising and marketing	51.7	58.7	(12%)
Regulatory fees	3.6	7.1	(48%)
Irrecoverable VAT and other sales taxes	12.2	13.1	(7%)
Depreciation and amortisation	17.3	17.6	(2%)
Other	68.5	61.7	11%
Operating expenses	259.6	254.2	2%
Headcount at end of period	1,788	1,677	7%

Operating expenses in FY19 were £259.6 million, 2% higher than in FY18.

Fixed remuneration costs increased by 11% to £106.3 million reflecting the 7% increase in average headcount, and the salary increases which were made at the start of the financial year. The increase in headcount reflects the investment in client service and client operations staff to maintain our market leadership in client service and in technology development staff as we have expanded the scale of our development activities.

External advertising and marketing expenditure was 12% lower, at £51.7 million, due to lower spend as marketing plans were adjusted for the post ESMA marketing landscape.

Regulatory fees, which includes the Group's contribution to the Financial Services Compensation Scheme (FSCS) in the UK, were £3.6m, 49% lower than the charge recognised in FY18, reflecting downward adjustments to our estimates of the contribution required for historic periods. The expected annual charge for regulatory fees, based on the most recent FSCS levy charge is £4.5m.

The reduction in the charge for irrecoverable VAT and other sales taxes primarily reflects the lower external advertising and marketing spend.

Other costs (including premises, computer and software maintenance, telephone and data lines, market data, and legal and professional fees) were £68.5m, £6.6m higher than in FY18, largely due to increased legal and professional fees supporting the investment in new initiatives and the development of the Group's strategy.

Operating expenses by activity category

	£m		Change
	FY19	FY18	%
Prospect acquisition	72.5	78.7	(8%)
Sales and client management	22.2	21.0	6%
Technology	52.9	46.0	15%
Operations	40.5	39.2	3%
Business administration	59.8	55.6	8%
Cash Operating expenses	247.9	240.5	3%
Capitalised salary costs	(5.6)	(3.9)	44%
Depreciation and amortisation	17.3	17.6	(2%)
Total operating expenses	259.6	254.2	2%

The analysis of operating expenses by activity category reflects our changed operational design and organisation structure. The key areas of activity in the business are prospect acquisition, sales and client management, technology, operations and business administration. The analysis of operating expenses by activity category provides additional information on the drivers of operating expenses.

Prospect acquisition expenditure is targeted at attracting suitable prospects for conversion into new clients, and has reduced by 8% on the prior year, reflecting the reduction in external advertising and marketing spend.

Sales and client management includes the cost of converting prospects into active trading clients and retaining our existing valuable client base. Staff costs are the largest component of this category. Costs increased by 6% on the prior year, reflecting increased headcount.

Technology expenditure includes the resources and external costs incurred to provide and develop our platforms and products. This expenditure increased by 15% to £52.9 million due to increased headcount costs to deliver and support the growing development project portfolio.

The Group's Operations activities encompass the teams involved in managing our client onboarding, client service, client credit management, dealing activities, our market data costs, and the costs of running our offices. Operations costs were £40.5 million, increasing 3% on the prior year, due to higher premises costs and salary inflation.

Business Administration includes our finance, risk and compliance, human resources, and legal and governance functions, and the legal, professional and regulatory fees we incur in administering and managing the Group. Business administration costs increased 8% to £59.8 million due to headcount growth and increased legal and professional fees to supporting our investment in new initiatives and strategic planning, partially offset by lower regulatory fees due to the lower charge for the FSCS levy.

Variable remuneration

	FY19 £m	FY18 £m	Change %
Share based compensation	6.6	8.8	(25%)
Sales bonuses	5.4	4.5	20%
General bonuses	12.7	22.6	(44%)
Variable remuneration	24.7	35.9	(31%)

Share based compensation costs relate to the long-term incentive plans for senior management. The costs reflect the size of the awards and the extent to which they are expected to vest, which is driven predominantly by EPS and relative TSR performance.

Sales bonuses increased by 20% reflecting higher commission payments to sales staff for the onboarding and management of their own sourced high value clients.

The general bonus pool decreased by 44% reflecting the Group's annual performance against its internal financial and non-financial targets.

Net finance (costs)/income

The Group earns interest income on its cash balances and on its holdings of gilts for its liquid assets buffer and as collateral at hedging brokers. The interest income of £4.2 million in FY19 was £2.7 million higher than in the prior year (FY18: £1.5 million) reflecting the larger average balances held during the year and higher interest rates.

The Group pays fees and interest relating to debt facilities. On 21 June 2018 the Group entered into a new Facilities Agreement which provides a £200 million credit facility comprising a £100 million sterling term loan, which is fully drawn, and a £100 million committed revolving credit facility (RCF), which is undrawn. The cost of these facilities totalled £3.2 million for the year, £1.8m higher than last year (FY18: £1.4 million).

The Group also earns and pays interest on its cash balances with its hedging brokers. The Group earned £0.7 million net interest income on its balances with hedging brokers during the year (FY18: £nil).

Taxation

The effective tax rate (ETR) for the year is 18.5%, 0.9% points lower than the 19.4% ETR for FY18.

The majority of the Group's taxable profit arises in the UK. The reduction in the ETR reflects the benefit of the UK 'patent box' incentive that the Group benefits from as a result of UK and European patents held by the Group relating to the technology and processes supporting the platform, and the recognition of an increase in the deferred tax asset in respect of previously unrecognised tax losses in the USA.

The Group's ETR is dependent on a mix of factors including taxable profit by geography, the tax rates levied in those geographies and the availability and use of taxable losses. The Group's future ETR may also be impacted by changes in the Group's business activities, client composition and regulatory status, as these changes could impact the Group's ability to benefit from an exemption from the UK Bank Corporation Tax Surcharge. The Group's current estimate of the ETR for FY20 is 18.5%.

Dividend

The Board is recommending a final dividend of 30.24 pence per share, giving a full-year dividend for FY19 of 43.2 pence per share (FY18: 43.2 pence per share).

If approved at the Company's AGM, the final dividend will be paid on 24 October 2019 to those members on the register at the close of business on 27 September 2019.

Own funds flow

	FY19	FY18
	£m	£m
Operating profit	192.9	281.1
Depreciation and amortisation	17.3	17.6
Share-based compensation	7.2	7.0
Change in working capital	(19.3)	15.2
Own funds generated from operations	198.1	320.9
<i>as % of operating profit</i>	103%	114%
Taxes paid	(38.4)	(48.9)
Net own funds generated from operations	159.7	272.0

The Group uses Own funds generated from operations, Net own funds generated from operations, and Net own funds generated after investments, as its key measures of cash generation.

Cash generation remains strong, with own funds generated from operations of £198.1 million (FY18: £320.9 million), compared with Operating profit of £192.9 million (FY18: £281.1 million), with a cash conversion rate, calculated as own funds generated from operations divided by operating profit, of 103% (FY18: 114%). The working capital outflow in FY19 reflects the lower level of bonus accrual at the end of FY19 compared with the end of FY18.

Tax payments of £38.4 million reflect the payment of the £22.7 million balance of the UK corporation tax liability for the FY18 which was outstanding at the start of the financial year, a refund of £7.7 million in relation to earlier periods, the

payment of £19.0 million representing around half of the estimated UK corporation tax liability for FY19, and the payment of £4.4 million of overseas tax.

Movement in own funds

	FY19 £m	FY18 £m
Net own funds generated from operations	159.7	272.0
Net financing (cost)/income	0.5	(0.6)
Purchase of DailyFX	-	(3.0)
Capital expenditure	(14.3)	(11.0)
Purchase of own shares	(2.0)	(4.3)
Net own funds generated after investments	143.9	253.1
Dividends	(171.1)	(119.6)
Term loan	100.0	-
Increase in own funds	72.8	133.5
Own funds at start of the year	746.1	614.3
Impact of movement in exchange rates	1.9	(1.7)
Own funds at the end of period	820.8	746.1

Capital expenditure in FY19 of £14.3 million relates to internally developed software (including the MTF platform and development work undertaken in respect of the US RFED), and the purchase of third-party software and IT equipment.

Dividend payments during the year reflect the final dividend for the FY18 of £123.3 million and the interim dividend for the FY19 of £47.8 million.

In June 2018 the Group received the funds under the £100 million term loan included in the Facilities Agreement.

Summary Group balance sheet

	31 May 2019 £m	31 May 2018 £m
Goodwill	108.1	108.0
Intangible assets	43.4	43.4
Property, plant and equipment	14.4	15.5
Fixed assets	165.9	166.9
Liquid asset buffer	84.4	83.1
Amounts at brokers	419.3	450.0
Cash in IG bank accounts	373.3	289.7
Own funds in client money	51.1	49.5
Liquid assets	928.1	872.3
Client deposits IG Bank SA	(31.6)	(37.0)
Title transfer funds	(75.7)	(89.2)
Own funds	820.8	746.1
Working capital	(43.1)	(62.4)
Tax payable	(10.4)	(17.6)
Deferred tax assets	8.6	9.1
Capital employed	941.8	842.1
Shareholders' funds	841.8	842.1
Long term bank borrowings	100.0	-
Capital employed	941.8	842.1

The Group's Capital employed at 31 May 2019 of £941.8 million (31 May 2018: £842.1 million) is provided by £841.8 million of Shareholders' funds, and the Group's £100.0 million term loan.

Available liquidity

	31 May 2019 £m	31 May 2018 £m
Liquid assets	928.1	872.3
Broker margin requirement	(314.0)	(386.8)
Non-UK cash balances	(187.5)	(154.1)
Own funds in client money	(51.1)	(49.5)
Available liquidity at end of period	375.5	281.9
<i>of which:</i>		
Held as liquid asset buffer	84.4	83.1
Final dividend due	111.3	123.1

The Group's liquidity is provided by shareholders' funds supplemented by the £100 million bank term loan, client deposits at IG Bank in Switzerland, and client funds which have been transferred to the Group under title transfer arrangements. The Group has access to additional liquidity through a £100 million committed revolving credit facility.

The Group's total liquid assets at the end of year were £928.1 million (31 May 2018: £872.3 million).

The Group requires liquidity to fund its day to day operations, primarily to fund the margin that its hedging brokers require to support the Group's hedging positions, the capital and liquidity that its subsidiaries are required to maintain, and to fund the requirement to maintain adequate buffers in client money accounts.

The average broker margin requirement in FY19 was £332 million, £40 million lower than the average requirement in FY18, with a new peak broker margin requirement during FY19 of £456 million in July 2018. At 31 May 2019, the actual broker margin requirement was £314 million.

The Group treats the cash that is held by subsidiaries outside the UK as not being immediately available. The amount of cash held in entities outside the UK was £187.5 million at the end of the year, reflecting the investments made to meet the capital and liquidity requirements of legal entities outside the UK including the newly established IG Europe and IG US entities.

In accordance with the regulations relating to client money and assets in the various jurisdictions in which it operates, the Group holds some of its own funds in client money bank accounts as prudent segregation balances.

Group consolidated capital resources and requirements

	31 May 2019 £m	31 May 2018 £m
Shareholders' funds	841.8	842.1
Less foreseeable declared dividends	(111.3)	(123.1)
Less acquisition intangibles	(108.1)	(108.0)
Less intangible assets	(43.4)	(43.4)
Less deferred tax assets	(9.0)	(9.1)
Capital resources	570.0	558.5
Pillar 1 Risk Exposure Amounts (REA)		
Total Pillar 1 REA	1,898.4	2,037.7
Capital ratio	30.0%	27.4%
Required capital ratio		
Pillar 1 minimum	8.0%	8.0%
Individual Capital Guidance (ICG)	9.4%	9.4%
ICG requirement	17.4%	17.4%
plus combined buffer requirement	3.1%	2.2%
Total requirement %	20.5%	19.6%
Total requirement - £m	389.2	399.4
Capital headroom - £m	180.8	159.1

The Group's Total Capital Ratio using the balance sheet of the Group as at 31 May 2019 including the profit for the financial year, was 30.0% (31 May 2018: 27.4%).

The Group is required to hold a minimum amount of regulatory capital in accordance with the Individual Capital Guidance ('ICG') periodically determined by the FCA based on their supervisory review and evaluation process ('SREP') of the Group, plus an amount equal to the higher of the internally calculated Capital Planning Buffer and the combination of the Conservation and Countercyclical buffers. The FCA determine the ICG following review of the Group's Internal Capital Adequacy Assessment Process through which the Group calculates the amount of capital that should be held against specific firm risks, in addition to the Pillar 1 requirements.

The FCA last undertook a SREP of IG Group in the first half of calendar year 2016 and advised the Board of the level of capital the Group is required to hold in August 2016. The ICG advised in August 2016 replaced the ICG advised to the Board in May 2013. The FCA plan to carry out their next SREP towards the end of 2019.

The ICG advised by the FCA in August 2016 requires the Group to hold capital in addition to the Pillar 1 minimum equal to 9.4% of the Pillar 1 Risk Exposure Amounts.

The required minimum capital ratio at 31 May 2019 was 20.5%, including the effect of the Combined Buffers, being the Capital Conservation Buffer, which the Bank of England raised on 1 January 2019 to 2.5% in line with the transitional provisions laid out by the FCA in IFPRU TP 7, and the Countercyclical Buffer.

In June 2019, the EU published into law the Banking Reform Package made up of four separate instruments: 'CRDV', 'CRR2', 'BRRD2' and 'SRMR2'. These rules implement in EU law the latest tranche of the Basel Committee on Banking Supervisions' international regulatory framework for banks – known as 'Basel III'. In parallel, the EU is preparing to publish into law in the Autumn its prudential and remuneration regime for Investment Firms – through a new directive and regulation known as 'IFD' & 'IFR'. This framework will alter the licensing basis, capital and remuneration requirements and governance and transparency provisions for a wide range of non-bank financial institutions. These rules are expected to be implemented in the UK post-Brexit.

The Company's expectation, at this stage, is that the Group and its subsidiaries will fall into scope of the IFD/IFR regime, ending the firm's requirement to comply with the existing and incoming CRD/CRR rules in favour of the new regime.

IG has reviewed the draft IFD/IFR regime framework and planning has begun to implement the new requirements. Internal initial modelling indicates that the IFD/IFR regime will not have a material impact on the Group's capital requirements, its principal governance arrangements or its relationship with its regulators.

Segregated client funds

At 31 May 2019 the Group held £1,349.2 million (31 May 2018: £1,386.9 million) of client money in segregated bank accounts, and £1,096.8 million (31 May 2018: £945.0 million) of client assets in third party custodian accounts. These amounts are segregated client money and assets, and are therefore excluded from the balance sheet.

Consolidated Income Statement

for the year ended 31 May 2019

		Year ended 31 May 2019	Year ended 31 May 2018
	Note	£m	£m
Trading revenue		488.0	590.2
Introducing partner commissions		(11.1)	(21.2)
Net trading revenue	2	476.9	569.0
Betting duty and financial transaction taxes		(7.9)	(5.1)
Interest income on segregated client funds		6.9	5.2
Interest expense on segregated client funds		(0.6)	(0.7)
Other operating income		1.9	2.8
Net operating income		477.2	571.2
Operating expenses		(284.3)	(290.1)
Operating profit		192.9	281.1
Finance income		5.4	2.9
Finance costs		(4.0)	(3.2)
Profit before taxation		194.3	280.8
Taxation	3	(36.0)	(54.4)
Profit for the year and attributable to owners of the parent		158.3	226.4
Earnings per ordinary share:			
basic	4	43.1p	61.7p
diluted	4	42.8p	61.2p

Consolidated Statement of Comprehensive Income

for the year ended 31 May 2019

	Year ended 31 May 2019		Year ended 31 May 2018	
	£m	£m	£m	£m
Profit for the year attributable to owners of the parent		158.3		226.4
Other comprehensive income / (expense):				
Items that may be subsequently reclassified to the Income Statement:				
Changes in the fair value of financial assets held at fair value through other comprehensive income, net of tax	0.6			
Change in value of available-for-sale assets, net of tax			(0.2)	
Foreign currency translation gain / (loss)	6.2		(3.0)	
Other comprehensive income / (expense) for the year		6.8		(3.2)
Total comprehensive income attributable to owners of the parent		165.1		223.2

Consolidated Statement of Financial Position

at 31 May 2019

	Note	31 May 2019 £m	31 May 2018 £m
Assets			
Non-current assets			
Property, plant and equipment		14.4	15.5
Intangible assets	6	151.5	151.4
Financial investments	9	189.9	111.6
Deferred income tax assets		9.0	9.1
		364.8	287.6
Current assets			
Trade receivables	7	301.1	382.8
Other assets	8	33.1	27.2
Prepayments		9.7	8.5
Other receivables		5.3	3.3
Cash and cash equivalents		373.3	289.7
Financial investments	9	35.3	62.0
		757.8	773.5
TOTAL ASSETS		1,122.6	1,061.1
Liabilities			
Non-current liabilities			
Borrowings		99.6	-
Deferred income tax liabilities		0.4	-
		100.0	-
Current liabilities			
Trade payables		110.4	126.7
Other payables		60.0	74.7
Income tax payable		10.4	17.6
		180.8	219.0
TOTAL LIABILITIES		280.8	219.0
Equity			
Share capital and share premium		206.8	206.8
Other reserves		80.2	71.6
Retained earnings		554.8	563.7
Total equity		841.8	842.1
TOTAL EQUITY AND LIABILITIES		1,122.6	1,061.1

This preliminary announcement was approved by the Board of Directors on 23 July 2019 and signed on its behalf by:

Paul Mainwaring
Chief Financial Officer
Registered Company number: 04677092

Consolidated Statement of Changes in Equity

for the year ended 31 May 2019

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 31 May 2017		-	206.8	123.1	405.4	735.3
Profit for the year and attributable to owners of the parent		-	-	-	226.4	226.4
Other comprehensive expense for the year		-	-	(3.2)	-	(3.2)
Total comprehensive income for the year		-	-	(3.2)	226.4	223.2
Equity-settled employee share-based payments		-	-	7.0	-	7.0
Tax recognised directly in equity on share-based payments		-	-	-	0.5	0.5
Employee Benefit Trust purchase of shares		-	-	(4.3)	-	(4.3)
Equity dividends paid	5	-	-	-	(119.6)	(119.6)
Transfer of share based payment reserve		-	-	(51.0)	51.0	-
At 31 May 2018		-	206.8	71.6	563.7	842.1
Profit for the year and attributable to owners of the parent			-		158.3	158.3
Other comprehensive expense for the year			-	6.8		6.8
Total comprehensive income for the year		-	-	6.8	158.3	165.1
Transfer of transactions with non-controlling interests reserve		-	-	2.1	(2.1)	-
Equity-settled employee share-based payments		-	-	7.2	-	7.2
Tax recognised directly in equity on share-based payments		-	-	-	0.5	0.5
Employee Benefit Trust purchase of shares		-	-	(2.0)	-	(2.0)
Equity dividends paid	5	-	-	-	(171.1)	(171.1)
Transfer of share based payment reserve		-	-	(5.5)	5.5	-
At 31 May 2019		-	206.8	80.2	554.8	841.8

Consolidated Cash Flow Statement

for the year ended 31 May 2019

	Note	Year ended 31 May 2019 £m	Year ended 31 May 2018 £m
Operating activities			
Cash generated from operations		256.8	276.6
Income taxes paid		(38.4)	(48.9)
Net cash flow generated from operating activities		218.4	227.7
Investing activities			
Interest received		4.2	2.6
Purchase of property, plant and equipment		(5.6)	(4.4)
Payments to acquire and develop intangible assets		(8.7)	(9.6)
Net cash flow from financial investments		(50.1)	(28.9)
Net cash flow used in investing activities		(60.2)	(40.3)
Financing activities			
Interest paid		(3.3)	(3.2)
Equity dividends paid to owners of the parent	5	(171.1)	(119.6)
Employee Benefit Trust purchase of own shares		(2.0)	(4.3)
Drawdown of term loan net of fees		99.5	-
Net cash flow used in financing activities		(76.9)	(127.1)
Net increase in cash and cash equivalents		81.3	60.3
Cash and cash equivalents at the beginning of the year		289.7	230.9
Impact of movement in foreign exchange rates		2.3	(1.5)
Cash and cash equivalents at the end of the year		373.3	289.7

1. Basis of preparation

The financial information in this announcement is derived from IG Group Holdings plc's Group Financial Statements but does not, within the meaning of Section 435 of the Companies Act 2006, constitute statutory accounts for the years ended 31 May 2018 or 31 May 2019. The Financial Statements are prepared on a going concern basis and the accounting policies are consistent with the Group's 2018 Annual Report, except for the adoption of new standards that were effective as of 1 June 2018.

The Group has applied, for the first time, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The adoption of these standards did not require restatement of prior year Financial Statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although the financial information has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this preliminary statement does not itself contain sufficient information to comply with IFRS. The Group will publish full IFRS compliant Group Financial Statements in August 2019 and statutory accounts for 2019 will be delivered to the Registrar of Companies following the company's Annual General Meeting on 20 September 2019.

The Group's auditors, PricewaterhouseCoopers LLP, have reported on those financial statements and the report was unqualified, did not emphasise any matters nor contained any statements under Section 498(2) or (3) of the Companies Act 2006.

Copies of full Group Financial Statements will be posted to all shareholders in August 2019. Further copies will be available, from the date of posting, from the Group's Headquarters, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA, or via the Group's corporate website at www.iggroup.com.

2. Net trading revenue

Net trading revenue represents trading revenue after deducting introducing partner commissions.

Net trading revenue by operating segment

The Executive Directors are the Group's Chief Operating Decision Maker (CODM). Management has determined the operating segments based on the information reviewed by the Executive Directors for the purposes of allocating resources and assessing performance.

The Executive Directors consider business performance based on geographical location. This geographical split reflects the location of the office that manages the underlying client relationship. Net trading revenue represents an allocation of the total net trading revenue that the Group generates from clients' trading activity.

The Executive Directors continue to consider business performance from a product perspective, split into OTC leveraged derivatives, exchange traded derivatives and stock trading and investments.

The income from exchange traded derivatives derives wholly from the United States.

The income from stock trading and investments derives from the UK, EU and Australia.

The Group manages market risk and a number of other activities on a group-wide portfolio basis and accordingly a large proportion of costs are incurred centrally. These central costs are not allocated to individual segments for decision making purposes for the CODM and accordingly these costs have not been allocated to segments.

The segmental analysis shown below therefore does not include a measure of profitability, nor a segmented statement of financial position, as this would not reflect the information which is received by the CODM on a regular basis. The segmental breakdown of net trading revenue is as follows:

	Year ended 31 May 2019 £m	Year ended 31 May 2018 £m
Net trading revenue by geography:		
UK	200.0	260.8
EU	68.2	117.3
EMEA – Non EU	43.7	36.8
Australia	70.0	69.5
Singapore	41.0	40.1
Japan	19.4	15.0
Emerging Markets	17.6	12.9
USA	17.0	16.6
Total net trading revenue	476.9	569.0
Net trading revenue by product:		
OTC leveraged derivatives	454.2	548.4
Exchange traded derivatives	16.8	16.6
Stock trading and investments	5.9	4.0
Total net trading revenue	476.9	569.0

3. Taxation

Tax on profit on ordinary activities

Tax charged in the income statement:

	Year ended 31 May 2019	Year ended 31 May 2018
	£m	£m
Current income tax:		
UK corporation tax	32.6	48.4
Non-UK corporation tax	4.1	4.3
Adjustment in respect of prior years	(1.1)	1.3
Total current income tax	35.6	54.0
Deferred income tax:		
Origination and reversal of temporary differences	(0.3)	(0.6)
Adjustment in respect of prior years	0.7	(0.9)
Impact of change in tax rates on deferred tax balances	-	1.9
Total deferred income tax	0.4	0.4
Tax expense in the income statement	36.0	54.4

Reconciliation of the total tax charge

The standard rate of corporation tax in the UK for the year ended 31 May 2019 is 19.0% (31 May 2018: 19.0%). Taxation outside the UK is calculated at the rates prevailing in the relevant jurisdictions. The tax expense in the income statement for the year can be reconciled as set out below:

	Year ended 31 May 2019	Year ended 31 May 2018
	£m	£m
Profit before taxation	194.3	280.8
Profit multiplied by the UK standard rate of corporation tax of 19.0% (FY18: 19.0%)	36.9	53.4
Higher taxes on overseas earnings	0.9	0.4
Adjustment in respect of prior years	(0.4)	0.4
Expenses not deductible for tax purposes	1.5	1.8
Patent Box deduction	(1.1)	(3.5)
Impact of change in tax rates on deferred tax balances	-	1.9
Recognition and utilisation of losses previously not recognised	(3.3)	-
Deferred tax not recognised	1.5	-
Total tax expense reported in the income statement	36.0	54.4

The effective tax rate for the year is 18.5% (FY18: 19.4%).

4. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding shares held as own shares in the Group's Employee Benefit Trusts. Diluted earnings per share is calculated using the same profit figure as that used in basic earnings per share and by adjusting the weighted average number of ordinary shares assuming the vesting of all outstanding share scheme awards and that vesting is satisfied by the issue of new ordinary shares.

	Year ended 31 May 2019 £m	Year ended 31 May 2018 £m
Earnings attributable to owners of the parent	158.3	226.4
Weighted average number of shares:		
Basic	367,570,489	366,780,442
Dilutive effect of share-based payments	2,796,998	3,162,903
Diluted	370,367,487	369,943,345
	Year ended 31 May 2019	Year ended 31 May 2018
Basic earnings per share	43.1p	61.7p
Diluted earnings per share	42.8p	61.2p

5. Dividends paid and proposed

	Year ended 31 May 2019 £m	Year ended 31 May 2018 £m
Final dividend for FY18 at 33.51p per share (FY17: 22.88p)	123.3	84.0
Interim dividend for FY19 at 12.96p per share (FY18: 9.69p)	47.8	35.6
	171.1	119.6

The final dividend for FY19 of 30.24p per share amounting to £111.3 million was proposed by the Board on 23 July 2019 and has not been included as a liability at 31 May 2019. This dividend will be paid on 24 October 2019, following approval at the Company's AGM, to those members on the register at the close of business on 27 September 2019.

6. Intangible assets

	Goodwill	Domain names	Internally developed software	Software and licences	Total
	£m	£m	£m	£m	£m
Net book value – 31 May 2019	108.1	25.4	14.6	3.4	151.5
Net book value – 31 May 2018	108.0	27.5	13.6	2.3	151.4

7. Trade receivables

	31 May 2019	31 May 2018
	£m	£m
Amounts due from brokers	245.4	332.3
Own funds in client money	53.9	50.0
Amounts due from clients	1.8	0.5
	301.1	382.8

Amounts due from brokers represent balances with brokers where the combination of cash held on account and the valuation of financial derivative open positions results in an amount due to the Group. In addition to Amounts due from brokers, the Group held UK Government Securities as collateral at brokers, which are classified as financial investments in the Group's Statement of Financial Position.

Own funds in client money represents the Group's own cash held in segregated client funds, in accordance with the UK's Financial Conduct Authority (FCA) 'CASS' rules and similar rules of other regulators in whose jurisdiction the Group operates and includes £13.5 million (31 May 2018: £11.9 million) to be transferred to the Group on the following business day.

Amounts due from clients arise when a client's total funds deposited with the Group are insufficient to cover any trading losses incurred or when a client utilises a trading credit limit, and is stated net of an allowance for impairment.

8. Other assets

Other assets are cryptocurrencies and rights to cryptocurrencies, which are owned and controlled by the Group for the purpose of hedging the Group's exposure to clients' cryptocurrency trading positions. The Group holds cryptocurrencies on exchange and in vaults as follows:

	31 May 2019	31 May 2018
	£m	£m
Exchange	14.2	16.0
Vaults	18.9	11.2
	33.1	27.2

9. Financial investments

Financial investments are UK Government securities:

Held as:	31 May 2019	31 May 2018
	£m	£m
Liquid asset buffer	84.4	83.1
Collateral at brokers	140.8	90.5
	<u>225.2</u>	<u>173.6</u>
Of which:		
Non-current portion	189.9	111.6
Current portion	35.3	62.0
	<u>225.2</u>	<u>173.6</u>

10. Subsequent events

On 19 June 2019 the Group extended its £100.0 million revolving credit facility by one year.