

Preliminary Results FY 2018

28 June 2018



Disclaimer

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, THE REPUBLIC OF SOUTH AFRICA, JAPAN OR CANADA OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION

This document is personal to the recipient and has been prepared by XPS Pensions Group plc ("Company") in connection with the publication of its preliminary results for the financial year ended 31 March 2018. For the purposes of this notice, the presentation ("Presentation") shall mean and include the slides, the oral presentation of the slides by the Company, the question-and-answer session that follows that oral presentation, hard copies of this document and any materials distributed at, or in connection with, that presentation.

This Presentation is for information purposes only and does not constitute or form part of, and should not be construed as constituting or forming part of any offer, invitation or inducement to sell or issue, or any solicitation of any offer to purchase or subscribe for, any Ordinary Shares or securities in any other entity, nor shall any part of this Presentation nor the fact of its distribution form part of or be relied on in connection with any contract or investment decision relating thereto, nor does it constitute a recommendation regarding the Ordinary Shares or any securities of any other entity.

The information and opinions expressed in this Presentation are provided as of the date of this Presentation. The information contained in the Presentation is for discussion purposes only and does not purport to contain all information that may be required to evaluate the Company and/or its financial position. Further, it should be noted that certain financial information and certain prospective information contained herein have not been finalised or audited. No reliance may be placed for any purpose whatsoever on the information contained in this Presentation or on its completeness, accuracy or fairness. The Company is not under any obligation to update or keep current the information in this Presentation.

This Presentation is confidential and its contents may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose and are intended for distribution in the United Kingdom only to person to whom such Presentation may lawfully be communicated ("Relevant Persons"). This Presentation must not be acted or relied upon by persons who are not Relevant Persons. Information in this Presentation relating to the price at which relevant investments have been brought or sold in the past or the yield on such investments cannot be relied upon as a guide to the future performance of such investments. For the avoidance of doubt nothing in this Presentation should be construed as a profit forecast.

The distribution of this Presentation and the offering or sale of securities in certain jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. This Presentation may not be distributed into any jurisdiction where such distribution would be unlawful and does not constitute an offer to sell or a solicitation of an offer to purchase any securities in any jurisdiction.

Certain statements in this Presentation are forward-looking statements. The forward-looking statements include statements typically containing words such as "intends", "expects", "anticipates", "targets", "plans", "projects", "estimates" and words of similar import. These forward-looking statements speak only as at the date of this Presentation and you should not place undue reliance on them. These statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause actual results, performances and achievements to differ. The forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and environments in which the Company will operate in the future and such assumptions may or may not prove to be correct. No statement in this Presentation is intended to be nor may it be construed as a profit forecast. The Company does not undertake any obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise. Forward-looking information is based on management's current expectations and is subject to a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking information. Past performance cannot be relied upon as a guide to future performance.

This Presentation is confidential and must not be copied, reproduced, published, distributed, disclosed or passed to any other person at any time without the prior written consent of the Company.

By attending the physical presentation or by accepting the Presentation you will be taken to have represented, warranted and undertaken to the Company that: (i) you are a Relevant Person (as defined above); (ii) you have read, acknowledge and agree to comply with the contents of this notice; and (iii) you will not at any time have any discussion, correspondence or contact concerning the information in this Presentation with any employees of the Company, its subsidiaries nor with any of their suppliers, customers, sub-contractors or any governmental or regulatory body, or otherwise distribute this Presentation, without the prior written consent of the Company.

Contents

Welcome and introduction	4
Overview and highlights	5
Financials	7
Punter Southall acquisition	11
Opportunities across our business	14
Integration	23
New business	25
Summary	27

Welcome and introductions



Ben Bramhall
Co-Chief Executive
Officer



Paul Cuff
Co-Chief Executive
Officer



Mike Ainslie
Chief Financial
Officer





Overview & Highlights

Highlights: becoming largest purely pensions firm in UK



Successful first year as a public limited company



Strong financial performance throughout the year

- Underlying 'Xafinity' business grew 4.4%, strong second half of year (6.5%)



Successful new initiatives including Radar and TVAS



Transformational acquisition of Punter Southall businesses



Increased strength and capabilities

- Positive market reaction
- Improves deliverability of wider plans



Strong start to integration

- Enthusiastic staff response
- Immediate new business success
- Strong pipeline of new opportunities



Financials

Financial performance

£'millions	Reported 2018	Exceptional 2018	Adjusted 2018	Including HRT 2018	Reported 2017	Exceptional 2017	Adjusted 2017
Revenue	64.0		64.0	66.0	52.0		52.0
Wages & salaries	-31.8		-31.8	-32.9	-24.9		-24.9
Property & general business costs	-13.1		-13.1	-13.2	-9.6		-9.6
Share based payment costs IFRS2	-1.2	-1.2			0.0	0.0	
Share based payment costs EBT	-2.4	-2.4			-14.3	-14.3	
Exceptional expenses acquisition/ IPO	-3.7	-3.7			-1.9	-1.9	
Exceptional expenses other	-0.7	-0.7			-1.0	-1.0	
Other income	0.5	0.5					
EBITDA	11.6		19.1	19.9	0.2		17.5
Depreciation of tangible assets & software	-1.1		-1.1	-1.1	-1.0		-1.0
Amortisation of acquisition intangibles	-4.8	-4.8			-3.7	-3.7	
Profit from Operating activities	5.7		18	18.8	-4.5		16.5
Net finance costs	-1.5	-0.4	-1.1	-1.0	-8.7	-2.9	-5.8
Profit Before Tax	4.2		16.9	17.8	-13.2		10.7
Tax	-1.2		-3.2	-3.3	0.4	2.8	-2.4
Profit After Tax (excluding profit on sale of HR Trustees business)	3.0		13.7	14.4	-12.8		8.3
EPS Basis (pence)	2.0p		9.2p	9.6p	-12.5p		8.1p
EPS Diluted (pence)	1.9p		8.9p	9.3p	-12.5p		8.0p

Income statement

Financial Highlights £'m	Revenue 2018	Revenue 2017	PBT 2018	PBT 2017	PAT 2018	PAT 2017
Xafinity continuing business	51.51	49.35	0.80	(14.09)	0.22	(13.53)
Other One Off Adjustments	0.38	0.14	-	-	-	-
PS acquired 11.1.18	12.84	-	3.42	-	2.77	-
Total per 2018 Financial Statements	63.97	49.49	4.22	(14.09)	2.99	(13.53)
HRT sold 11.1.18	2.07	2.55	0.83	0.92	0.68	0.74
HRT profit on sale					8.16	
Total including discontinued operations	66.04	52.04	5.05	(13.17)	11.83	(12.79)

Margin	2014	2015	2016	2017	2018
Revenue (£m)	46.9	50.0	51.8	52.0	64.0
Costs (£m)	32.4	34.4	35.1	34.5	44.9
Adj. EBITDA (£m)	14.5	15.6	16.7	17.5	19.1
Margin (£m)	31%	31%	32%	34%	30%

Underlying Revenue Growth

- H1 : 1.8%. H2 : 6.5%
- Full-year: 4.4%

Adjusted EPS (Diluted)

- 2017 : 8.0p
- 2018 : 9.3p (16% growth)

Dividend

- Proposed dividend (final) of 4.2p per share (£8.5m). Interim dividend of 2.1p gives 6.3p for the full year.
- Dividend policy remains to pay out up to two-thirds of Adjusted profit after tax (i.e. after adding back Acquisition Amortisation and share related charges). One-third as interim, two-thirds as final. 2018 calculation based on interim dividend as full year distorted by exceptional items arising from acquisition and sale.

Balance sheet

£ m	2016	2017	2018
Fixed Assets	1.5	1.3	1.0
Intangibles	61.9	58.6	215.7
Receivables	12.5	12.3	28.0
Cash	2.7	4.9	9.4
Other Assets	0.2	0.7	0.8
Total Assets	78.8	77.8	254.9

£ m	2016	2017	2018
Total equity	-21.3	28.9	153.6
Borrowings	83.3	32.9	55.1
Other long term liabilities	7.2	6.6	17.9
Other Current liabilities	9.6	9.4	28.3
Total equity and liabilities	78.8	77.8	254.9

Fixed Assets & Intangibles

- Ongoing low requirement for fixed assets
- Large intangibles balance represents acquisition related intangibles with a small amount of software. Increased in 2018 due to PS acquisition
- The other long term liabilities represents the deferred tax on the intangibles

Receivables

- Trade debtors well managed, provision of £0.3m

Cash

- Healthy cash balance and continued solid cash conversion will be used to reduce borrowings. Cash conversion in year reduced to below 70% due to impact of Q4 PS acquisition and timing of bonus and other large payments

Borrowings

- Debt refinanced as part of acquisition adding BoI to existing HSBC facility
- Total facility of £80m
- Net debt of £46m giving Leverage of less than 1.47 x Adj. EBITDA on a pro-forma basis (assumes full year of PS in calculation)



Punter Southall acquisition

Overview and highlights

Xafinity



Acquisition

Punter Southall
actuarial, administration
and investment consulting
businesses

Total employees: c.400
No. offices: 6 ●
Total clients: c.550

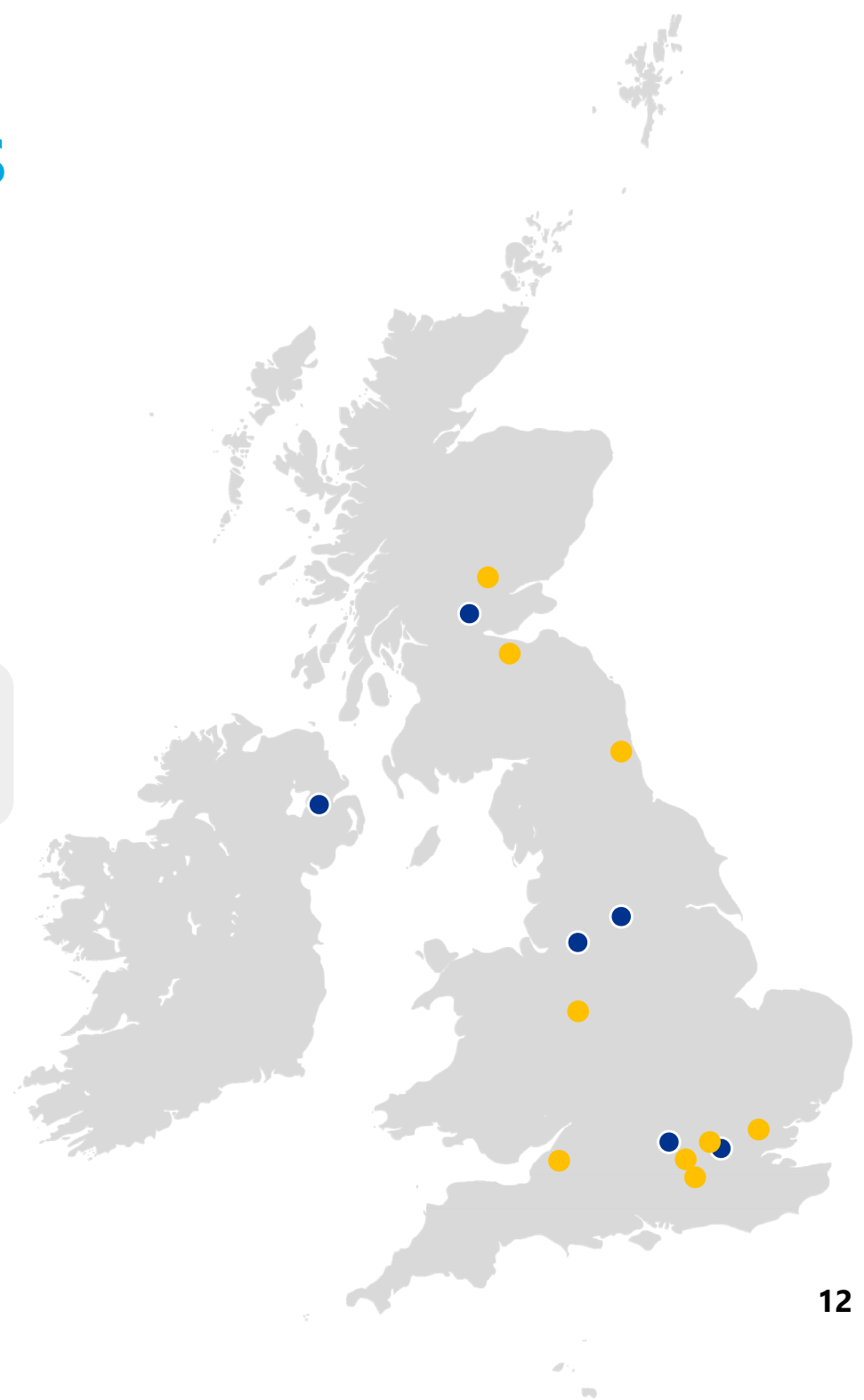
Total employees: c.450
No. offices: 9 ●
Total clients: c.425

HR Trustees

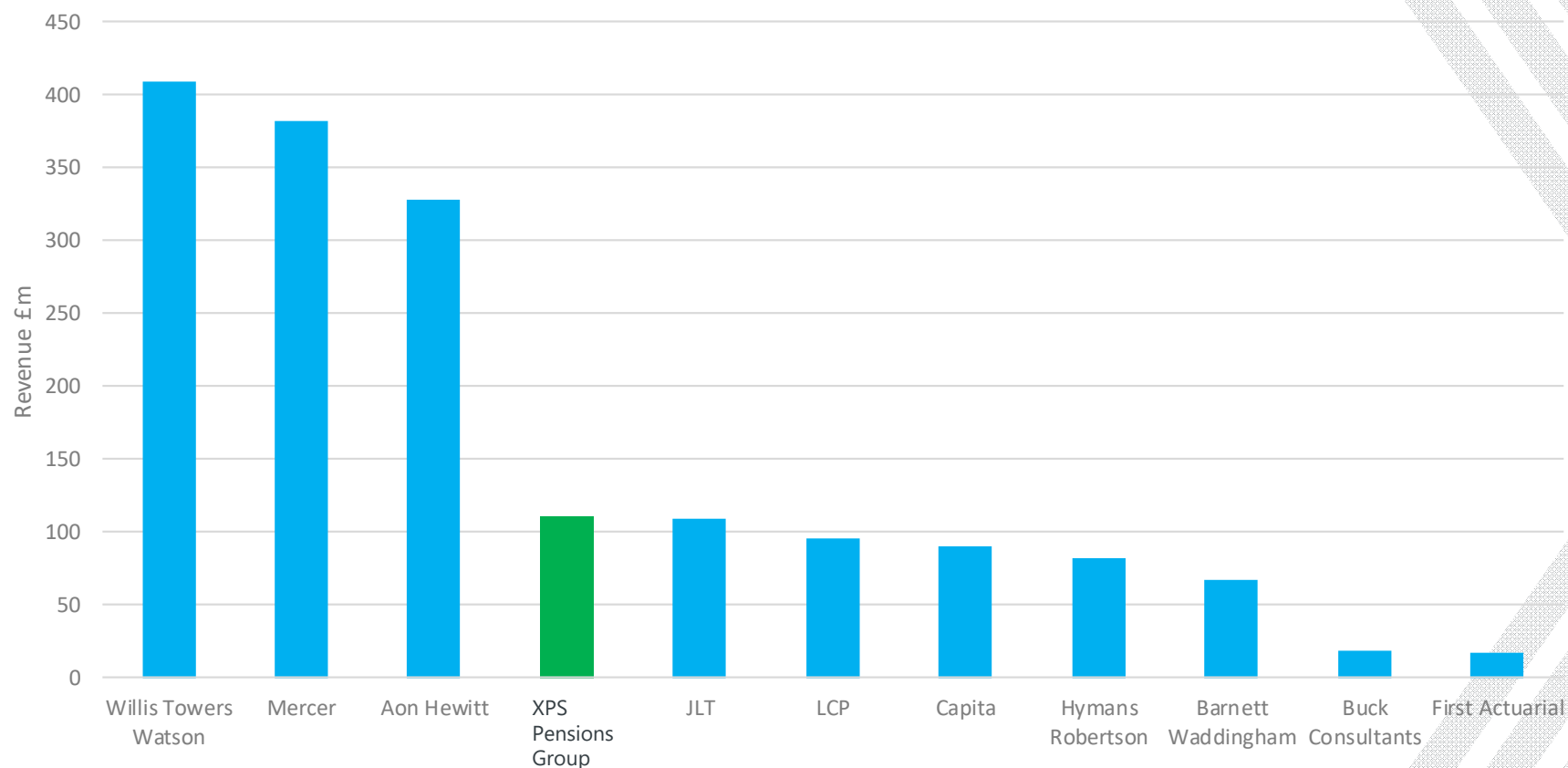


Disposal

**Punter Southall
Independent Trustees**



Competitor landscape



Source : Professional Pensions article 'The UK's biggest pension consulting firms' dated 7 December 2017

Note: Willis Towers Watson annualised for comparison (18 month financial period to 31 December 2016)



» Opportunities across our business

Market update – recent headlines

// Carillion chiefs 'must stump up money to help fill pension gap'

THE TIMES

// Port Talbot Steel Workers allegedly targeted by pension sharks

FINANCIAL TIMES

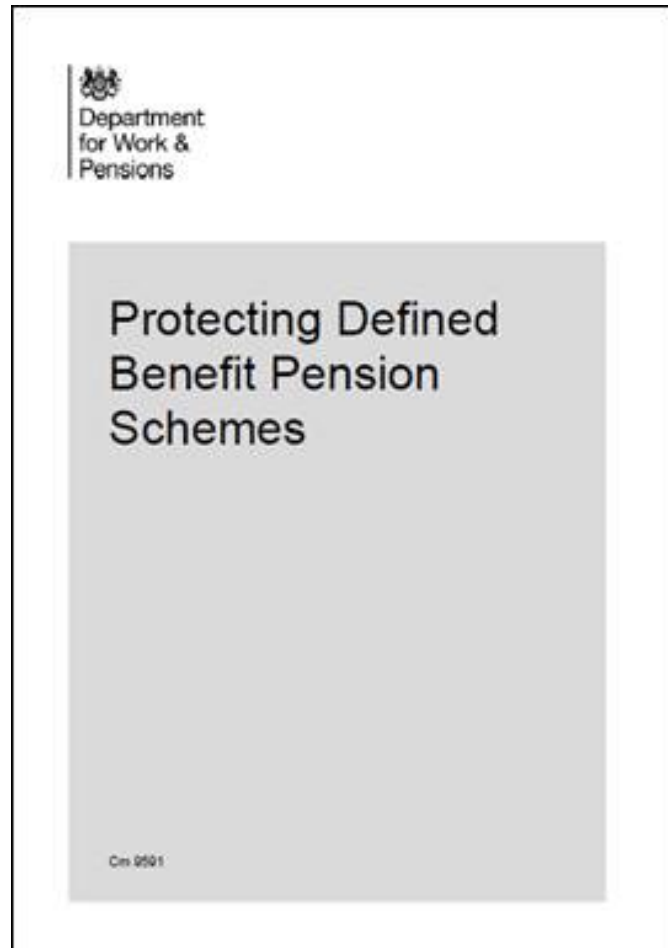
// Carillion: are pensions on the brink?
The collapse of the construction firm Carillion is the latest high-profile failure of a company with a large pension deficit

BBC NEWS

// Bosses who harm company pensions face £1m fine

FINANCIAL TIMES

Market update – other news...



What it means for us

- Our clients need our support more than ever
- Risk management tools like Radar improve decisions
- National Pensions Trust can be part of solution

Pensions – strategy for growth

	Pre-merger	Enhanced opportunity as XPS
Market share	<ul style="list-style-type: none"> • Professionalising bid team • Building relationships with intermediaries • Increased profile post IPO • Use of Radar technology in pitches • Masterclass training 	<ul style="list-style-type: none"> • Increased marketing and prospecting capability with same addressable market • Profile and credentials significantly enhanced • Number of new business opportunities increased • Better access to local markets
De-risking, regulatory change and market change	<ul style="list-style-type: none"> • Centre of Excellence to focus on member options • Radar to demonstrate value of taking actions • DB Growth structure to develop solutions and 'get to market' strategy 	<ul style="list-style-type: none"> • Broader depth of capability e.g. bulk annuities • Increased credentials, experience and technical capability • New client base for Centre of Excellence, Radar and other solutions

Administration – market update

Quality of Administration

- Increasing view that “you get what you pay for” in a market now seeking quality
- XPS Administration ranked number 1 in Professional Pensions Survey of 250+ Pensions Managers & Trustees

	Overall ranking	Data accuracy	Flexibility	Good customer service	Innovation	Reliable	Technical support	Technology	Value for money
XPS Administration	1	1	1	1	1	1	1	1	1
Barnett Waddingham	2	2	2	2	4	2	2	4	3
Willis Towers Watson	3	3	5	3	3	3	3	2	8
Hymans Robertson	4	5	3	5	2	3	4	3	5
Premier	5	5	4	6	6	7	9	6	2
RPMI	6	4	8	4	7	6	6	8	4
Xerox	7	7	7	7	8	5	7	8	7
Mercer	8	8	6	8	5	8	5	5	9
Equiniti Pensions	9	9	8	10	12	9	10	11	6
Aon Hewitt	10	10	11	11	9	9	8	7	12
JLT Emp. Benefits	11	11	10	9	10	11	11	10	10
Capita Emp. Benefits	12	12	12	12	11	12	12	12	11

Source : Professional Pensions Survey of Administration firms, 2018

UK's Leading Pension Administrator



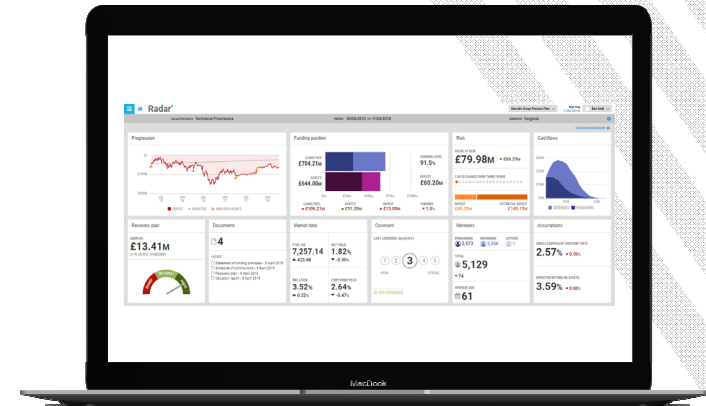
In-house administration for large schemes creates opportunities for first time outsourcing

- XPS Administration taken on 20+ schemes in first time outsourcing

Administration - strategy for growth

	Pre-merger	Enhanced opportunity as XPS
Market share	<ul style="list-style-type: none">• Administration primarily part of full service offering• New business wins stemming from competitor service problems• Some industry leading solutions including 'anti-scamming' service	<ul style="list-style-type: none">• Industry recognition as market leader• Access to more and broader range of opportunities, including large schemes• Opportunity for larger client base to benefit from industry leading solutions• Better access to local markets
First time outsourcing	<ul style="list-style-type: none">• Not credible in first time outsourcing market	<ul style="list-style-type: none">• Strong credentials as a first time outsourcing partner

Investment consulting – market update



- 88% of FM market made up of Investment Consultants-Fiduciary Managers ("IC-FMs")
- 60% of trustees thought that IC-FMs steering clients into FM is a problem
- Potential remedies include mandatory tendering, education for trustees, splitting of IC and FM
- XPS Investment has no conflicts and well placed to gain market share
- Pensions Regulator focus on Integrated Risk Management
- Radar is our interactive modelling tool that brings together pensions and investment
- Significant opportunities for cross-selling other services to benefit clients

Investment consulting – strategy for growth

	Pre-merger	Enhanced opportunity as XPS
Scale & capability	<ul style="list-style-type: none">• Xafinity small but capable investment practice• Focus on asset allocation advice with limited manager research capability• Growth constrained by ability to attract new talent	<ul style="list-style-type: none">• Significantly increased scale improves credibility, capability and breadth of service• Increased profile helps to attract key talent• Better access to local markets
CMA review	<ul style="list-style-type: none">• Ability to benefit from CMA review limited by market position• Building a proposition to rival attractions of fiduciary management (FM)• Developing FM monitoring service	<ul style="list-style-type: none">• Part of largest pure pensions firm increases ability to benefit from CMA review• Increased client base requiring FM monitoring services

National Pensions Trust update

Employers & Assets within National Pension Trust

	31/3/2017	31/3/2018
Number of participating Employers	93	124
NPT assets	£238m	£336m

40%+ increase in NPT assets during the year

- Pension Schemes Act 2017 introduced measures for authorising and supervising MasterTrust pension schemes
- Authorisation application period starts on 1 October 2018
- Analysis undertaken by the DWP suggests number of authorised MasterTrusts likely to reduce from 86 to around 50 from April next year



Integration

Integration: activities to date

- Around 45 presentations in 15 offices shortly after deal announcement
 - Positive reception across both businesses
- Series of meetings with intermediaries
 - Professional Trustee firms and third party evaluators
- Combining common teams
 - Technical, research, insurance, administration systems team
 - Prospecting, market, bid support
- New operating model implemented
 - Clear reporting lines within pensions, investment consulting and administration
 - Creating a common culture
 - Grading, remuneration, values, dress code, merger parties, conferences
- New branding platform launched in May 2018
 - Initial focus on new website, new business collateral
- Detailed planning and preparations underway to exit TSA in 2019



Key Success Measures

- No disruption to clients
- No client losses
- No loss of key staff
- Continued new business momentum



New business

Early new business success



Large full service win for £600m scheme (January 2018)

- Big 3 incumbent
- PS Consultants pitched using Xafinity Tech (Radar)
- Told merger story
- Successful vs 4 competitors



Large Administration Project, £multi-billion scheme (February 2018)

- Broadening work based on successful Centre of Excellence service



Actuarial appointment for £350m scheme (February 2018)

- Strong relationship with company for Punter Southall
- Professional Trustee knew Xafinity well
- Joint team successfully pitched



Investment Consultancy Mandate for £800m Scheme (April 2018)

- First pitch led by new Head of Investment
- Strongly Contested appointment
- Beat numbers of large firms and boutiques



Appointment To Advise Sponsor of £1Billion+ scheme (May 2018)

- Relationships from new hire and increased credibility of larger group



Large Trivial Commutation Project, £1Billion+ scheme (May 2018)

- Large scheme administered by Punter Southall
- Successful Introduction of Xafinity Centre of Excellence



Focus for year ahead

Key focus for year ahead



Complete post merger integration and prepare to exit TSA



Ensure clients can access wider suite of solutions and capabilities including Radar roll out across 300 clients



Build profile, exploit new market positioning to grow across all service lines



Exploit specific market dynamics : quality and outsourcing in administration, CMA review investment



Continue to monitor further M&A opportunities