



XPS Pensions Group plc

Year ended 31 March 2021

24 June 2021

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Our People - Thank You

We would like to say a huge thank you to all of our staff who have shown incredible resilience and resourcefulness in the face of the pandemic and worked in partnership with our clients to deliver for the members of the pension schemes we serve.

Our culture and values have been on show more than ever this year and we are extremely proud of what XPS has achieved.



Highlights & Overview



Highlights

RESILIENT BUSINESS MODEL

- Strong operational performance to maintain service quality throughout pandemic
- Positive net new business, particularly in Investment Consulting, despite new business pipeline being suppressed by pandemic
- Positive outlook – regulatory changes and Market Force initiative should continue to drive demand
- No furlough, wider government support or redundancies

ROBUST PERFORMANCE IN FY 21:

- Group revenues of +7% with YoY growth in all divisions except SIP:
 - Advisory +6% (Pensions +3%, Investment +21% - highest YoY growth since listing)
 - Administration +9%
 - NPT +35% (Assets now over £1bn)
 - SIP -8% (bank base rate)

Well placed for the future with engaged staff and a new working model to be implemented from 1 August 2021



Financial Review

Financial highlights

A strong performance

REVENUE

£127.9m

FY 20: £119.8m

+7%



ADJUSTED EBITDA ⁽¹⁾

£32.0m

FY 20: £30.4m

+5%



OCF CONVERSION

113%

FY 20: 103%

+10%



NET DEBT ⁽²⁾

£50.4m

FY 20: £56.1m

-10%



ADJUSTED DILUTED
EPS ⁽¹⁾

9.8p

FY 20: 9.6p

+2%



PROPOSED FINAL
DIVIDEND

4.4p

FY 20: 4.3p

+2%

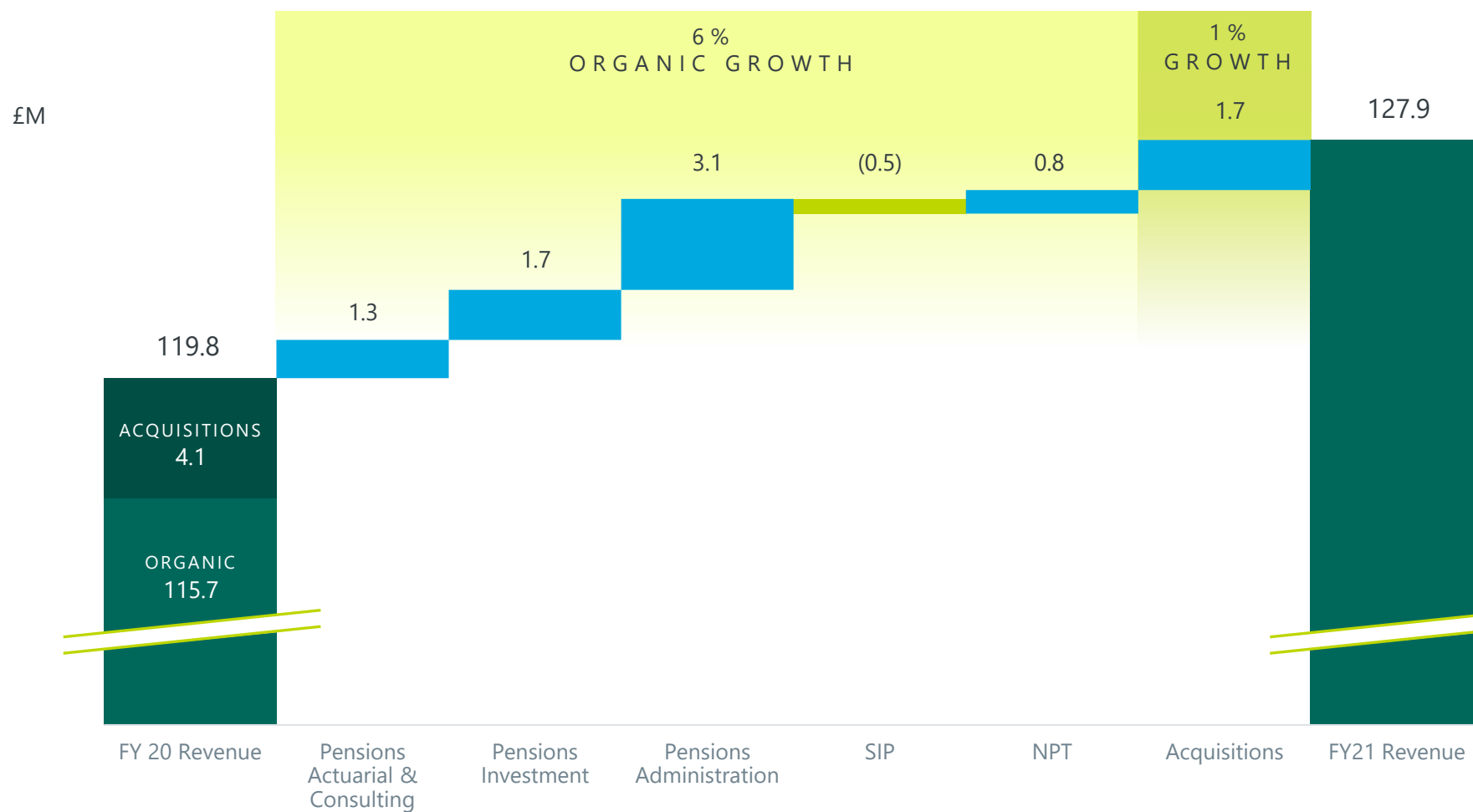


(1) Adjusted measures exclude the impact of exceptional and non-trading items

(2) Excluding the impact of IFRS 16 (RCF covenant requires net debt to be measured excluding the impact of IFRS 16)

Revenue

Robust performance across the Group



Income statement

	FY 2021	FY 2020	YoY
	£m	£m	%
Revenue			
Pensions Actuarial & Consulting	60.7	58.8	3%
Pensions Investment Consulting	11.6	9.6	21%
Pensions Advisory	72.3	68.4	6%
Pensions Administration	46.8	42.9	9%
SIP	5.6	6.1	(8%)
NPT	3.2	2.4	33%
Total Revenue	127.9	119.8	7%
Total costs	95.9	89.4	(7%)
Adj. EBITDA ⁽¹⁾	32.0	30.4	5%
Depreciation & amortisation	4.9	4.2	17%
Adj. EBIT ⁽¹⁾	27.1	26.2	3%
Net finance costs	1.9	2.4	(21%)
Tax	4.7	3.8	24%
Adjusted profit ⁽¹⁾	20.5	20.0	3%
Adjusted DEPS (pence)	9.8	9.6	2%
Adjusted basic EPS (pence)	10.0	9.9	1%
Exceptional and non-trading items			
Exceptional items	2.8	3.5	
Share-based payments	4.9	2.2	
Acquisition amortisation	6.5	7.1	
Other acquisition related income	(0.4)		
Tax	(2.3)	(0.1)	
Statutory Profit after tax	9.0	7.4	22%

HIGHLIGHTS:

- Group revenues +7% YoY; +6% excluding acquisitions in FY 20
- Adj. EBITDA +5% YoY;
- Net finance costs down 21% YoY largely due to lower average net debt in the period
- Adjusted fully diluted EPS of 9.8p; +2% YoY
- Final dividend of 4.4p; +2% YoY (full year dividend 6.7p; +2% YoY)

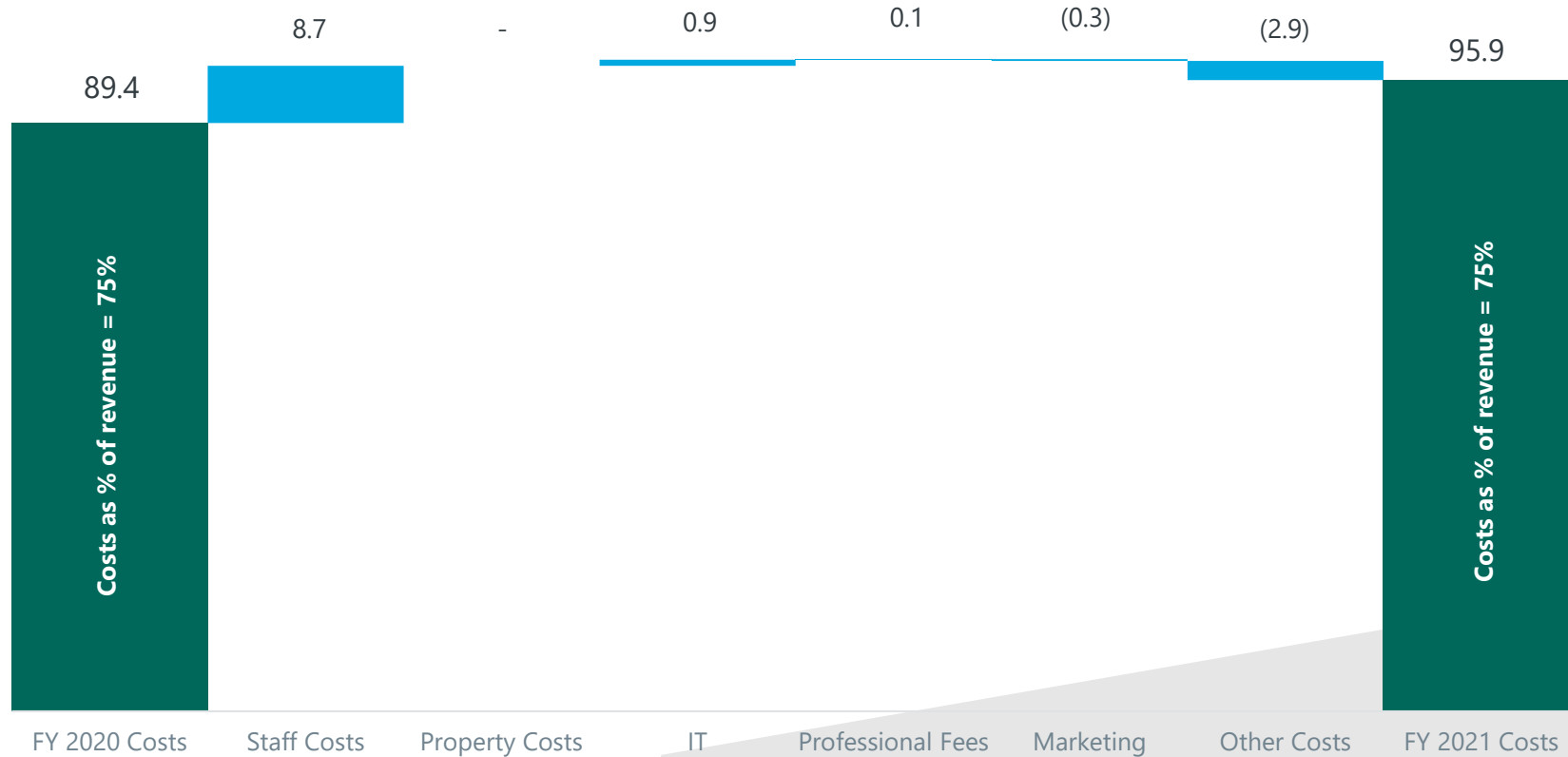
EXCEPTIONAL & NON-TRADING ITEMS:

- Share based payment charge higher as vesting assumptions more positive
- £2.8m of exceptional costs, principally a direct result of the pandemic:
 - £1.0m of non-cash holiday pay accrual
 - £1.0m relating to effectively transitioning to remote working model
 - £0.4m – final integration costs in respect of bolt-on's from FY 20
 - £0.2m – aborted corporate transactions
 - £0.2m – cost of securing additional £10m financing and covenant relaxation at the start of the pandemic
- Exceptional credit of £0.4m – write back of Trigon contingent consideration no longer payable

Costs

Stable cost base helps deliver 25% adjusted EBITDA margin

£M



Costs

Stable cost base helps deliver 25% adjusted EBITDA margin

	FY 2021	FY 2020	YoY CHANGE	FY 2021	FY 2020
	£m	£m	%	%'age of revenue	%'age of revenue
Staff Costs	75.7	67.0	13%	59%	55%
Property Costs	2.5	2.5	-	2%	2%
IT	9.3	8.4	11%	7%	7%
Professional Fees	4.9	4.8	2%	4%	4%
Marketing	0.5	0.8	(38%)	0%	1%
Other Costs	3.0	5.9	(49%)	2%	5%
Total	95.9	89.4	7%	75%	75%

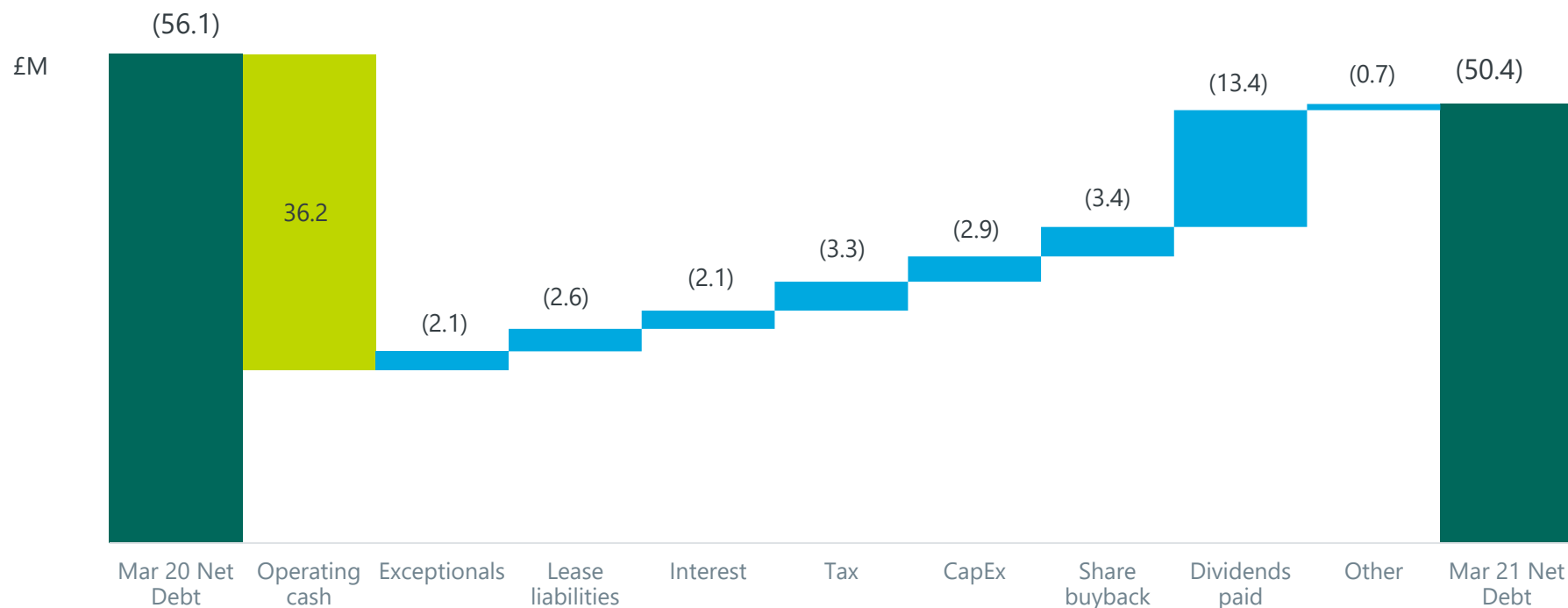
HIGHLIGHTS:

- Overall costs as % of revenue are in line with the prior year
- Staff costs increase reflects the increase in number of FTE's (31 March 21: 1,325 vs 1,203 at 31 March 20) resulting from bolt on acquisitions as well as ongoing recruitment
- Rewarding our staff, including a higher bonus expense commensurate with the business performance
- Higher IT costs reflect the full integration of the previous acquisitions as well as higher ongoing spend particularly on cyber security
- Travel and entertainment (within other costs) expectedly lower due to the pandemic partially offset by higher overtime and temporary resource costs (part of staff costs)

Net debt

Strong OCF conversion; net debt down 10%

- Operating cash flow conversion > 100%; expect to normalise between 90-95%
- Group continued to deleverage in the year
- Leverage at 31 March 2021 was 1.74x (FY 20: 1.98x)
- Undrawn committed facility of £21m at year end (total committed facility £80m plus uncommitted £20m)





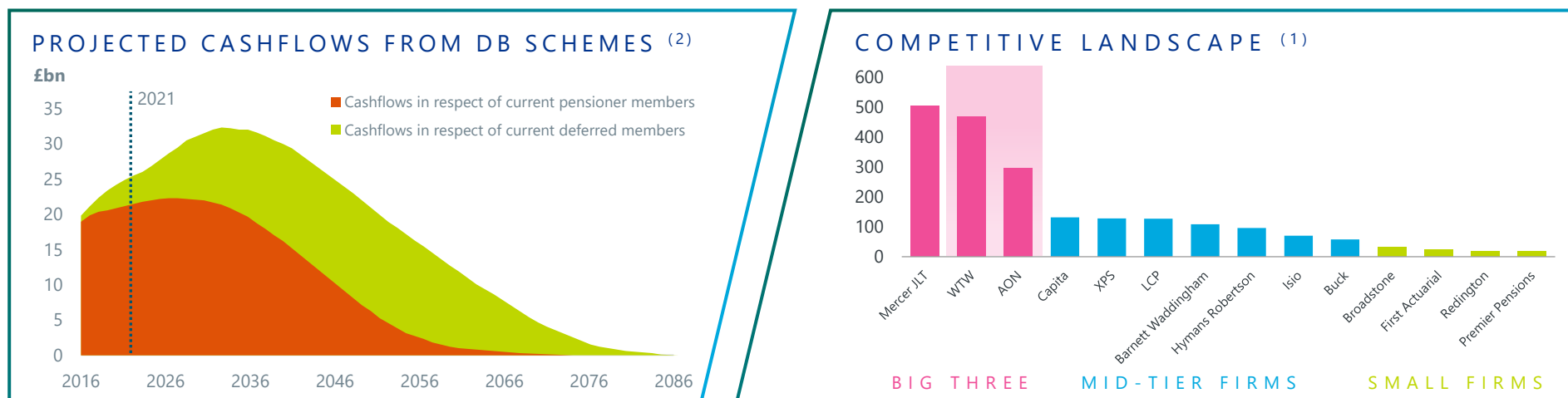
Strategic & Operational Review



Market opportunity

A highly visible DB market complemented by a rapidly growing DC market

LARGE, LONG-TERM MARKET IN DEFINED BENEFIT CONSULTING AND ADMINISTRATION
TRUSTEES AND SPONSORS SUBJECT TO INCREASING REGULATION



c5,300⁽³⁾

(private sector)
UK defined benefit
schemes

c£2.4tn⁽³⁾

Total liabilities

c£2bn⁽⁴⁾

Pensions advisory
services market p.a.

Market opportunity

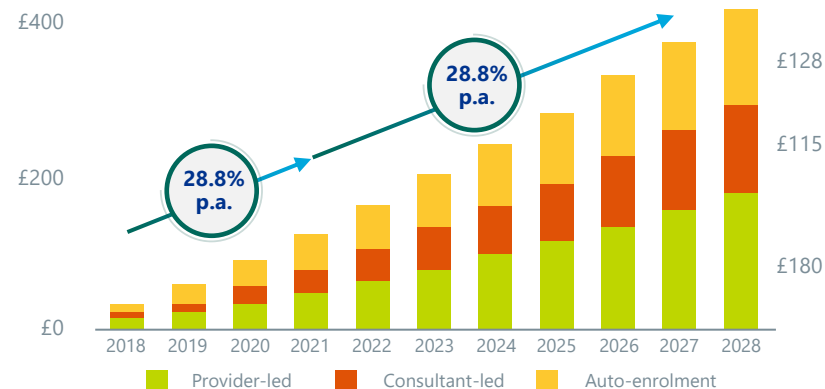
A highly visible DB market complemented by a rapidly growing DC market

A TRANSFORMING DC MARKETPLACE:

- Increasing governance requirements and focus for corporates / trustees
- Potential for increased consolidation of DC schemes



MASTER TRUST UK DC ASSETS, 2018-28 £BN (1)



Overview of strategy

Plan for long-term sustainable growth



UNDERPINNED BY HIGHLY RECURRING WORK AND STABLE CLIENT BASE



Regulatory and market change

Delivering on our strategy



KEY AREAS OF FOCUS IN YEAR

- Supporting clients through pandemic – market volatility, regulatory guidance, increased member queries
- GMP Equalisation : Clients starting to engage - c. £2.5m of revenue in FY 21 primarily covering initial advice phase
- Supporting Trustees with increased TPR expectations within Annual Funding Statements
- Fall-out of CMA review driving investment consulting opportunities

LOOKING AHEAD...

- GMP Equalisation - Pipeline of c. £4m+ in FY 22
- New Funding Code of Practice and requirement for 'Own Risk Assessment'
- Increased governance expectations for Trustees
- TCFD requirements in relation to climate risk
- Potential consolidation of smaller schemes



Expand services

Delivering on our strategy



KEY AREAS OF FOCUS IN YEAR

- Development of GMP equalisation solution
- Member profiling services and launch of COVID analytics
- Expansion of DC Consulting services
- Development of XPS Concierge (Investment Consulting)

LOOKING AHEAD...

- Developing Trustee secretarial services to support governance requirements
- Focus on growing risk transfer team (supported by increased RADAR functionality)
- Further expansion of DC Consulting services (member profiling, ESG investment beliefs)
- Streamlined service to small schemes

133

Member profiling projects during year

60

Value for Money DC reports commissioned

500+

Clients with less than 1,000 members

XPS
Concierge



Growing market share

Delivering on our strategy



KEY AREAS OF FOCUS IN YEAR

- New business pipeline suppressed by pandemic – attrition through wind-ups and insolvencies slightly increased
- Continued credibility on large schemes, growing presence in the public sector
- Facilitating high quality webinars expanded 'reach'
- Market Force launched targeting c.230 schemes between £0.5bn and £3.5bn
- Transitioning of large 'first-time' outsourcing arrangement

LOOKING AHEAD...

- Pipeline of opportunities is strengthening
- Focus on cross-sell opportunities to expand existing role
- Favourable dynamics in investment consulting and administration 'first-time' outsourcing (and public sector) market
- Expanding Market Force initiative to a further c150 schemes

£0.6m

Net new business during the year

5,000

External parties attending webinars during year

80

Market Force prospect meetings held

£5m

Estimated pipeline value June 2021

KEY AREAS OF FOCUS IN YEAR

- Final integration of Trigon and Royal London acquisitions
- M&A opportunities suppressed in early part of year - identification and proactive targeting of specific assets
- Disciplined approach with no M&A transacted during year

LOOKING AHEAD...

- Accelerates and/or complements our core strategy for growth
- Strong cultural alignment
- Adds scale, strengthens our client proposition
- Cross sell opportunity
- Ease of integration/minimise distraction
- Disciplined approach to pricing and transaction structuring



National Pensions Trust

Delivering on our strategy

ACCESSING THE RAPIDLY GROWING MARKET FOR DC MASTERTRUSTS

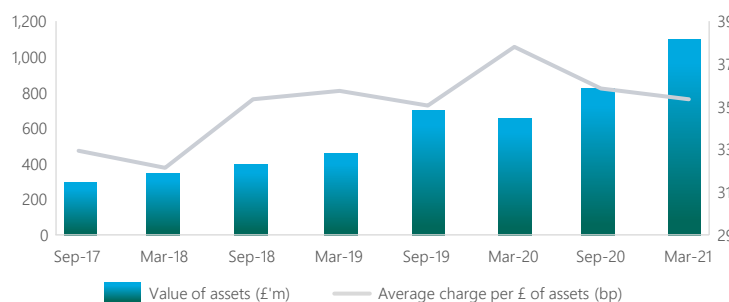
KEY AREAS OF FOCUS IN YEAR

- DC Mastertrust arrangement, authorised August 2019
- Assets grew during year to c. £1.1bn (FY 20 : £650m, H1 FY 21 : c. £825m)
- Transfers-in c. £145m, contributions c. £100m
- New business focused largely on 'internal market'
- Focus on operational improvements to drive efficiency

LOOKING AHEAD...

- Convert existing pipeline of opportunities
- Continue operational improvements & proposition enhancements
 - Enhanced 'member portal'
 - ESG investment proposition
- Expand channels open for new business
 - Target 'external market'
 - Potential solution for DB AVCs
 - Receiving vehicle for DB transfers

NPT: ASSETS VS. AVERAGE CHARGE PER £ OF ASSETS



£100m

Won pipeline (to be transitioned)

£700m

Pipeline of active discussions

Self Invested Pensions

Delivering on our strategy



STRONG MARKET OFFERING IN RETAIL MARKET FOR SIPS

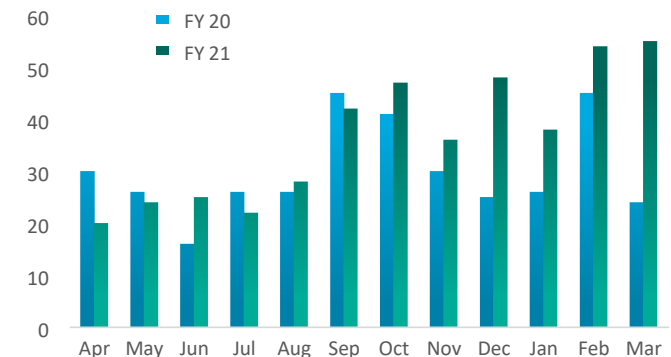
- SIP revenue impacted by pandemic in H1
- Slowdown in SIP sales as regulated advice sector adjusted from established face to face practices
- BoE base rate fall reduced return on cash placement (c. -£0.5m pa impact)
- Solid recovery H2. Annual SIP sales +22%, organic growth 2.5 x attrition.
- Focus on in-house system improvements to increase efficiency and member experience
 - New SIP secure portal rolled out
 - Automated investment data feeds enabled
 - Online SIP application accounting for two thirds of new sales
- Re-branding to XPS Self Invested Pensions. New website launched



LOOKING AHEAD...

- Well placed as competitors diverge into those managing legacy issues, and those pursuing platform
- Well positioned to benefit from rise in bank base rates
- Continued system automation and education around online offering
- Opportunities for consolidation to accelerate economies of scales

SIP SALES



70%

of clients / advisors
using secure portal

Investing in people

Delivering on our strategy



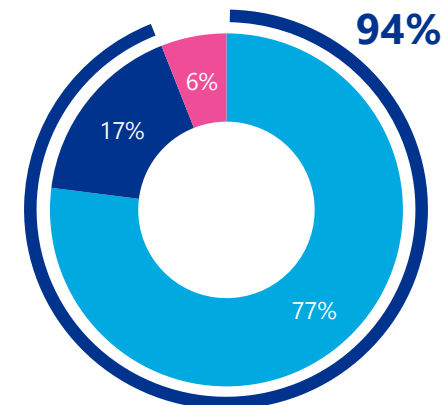
Business Culture
Awards 2020
Gold Overall Winner



KEY AREAS OF FOCUS IN YEAR

- Key focus on staff wellbeing and engagement during the pandemic
- Strong support in 2020 employee survey
- Launch of employee networks to support D&I focus alongside other initiatives
- Continued participation in mentoring schemes

**Annual staff survey 2020:
XPS is a good company to work for....**



■ Strongly agree / agree ■ Agree somewhat / on balance ■ Disagree

LOOKING AHEAD...

MyXPS
MY CHOICE ✓



1. Office

Description of
work style

Work and home are separate for me and I work best in an office



2. Flexible

I work best being able to move between home and office



3. Home

I work best at home using the office for meetings that are required/better face to face

I just wanted to say Thank You; I have only been a part of the XPS family since December. I have been extremely impressed with how XPS has managed this crisis..... you have made me feel welcome and I 100% believe in everything that XPS stands for.
Example feedback email from a member of staff

Investing in technology

Delivering on our strategy

KEY AREAS OF FOCUS IN YEAR

- Recruitment of CIO to drive technology agenda
- RADAR 3.3 with increased functionality to support de-risking
- New “Contact Centre” established in Middlesbrough

LOOKING AHEAD...

- Increase automation through HUBs to deliver more ‘process driven’ tasks
- Continued focus on administration platform to increase automation and member self-service

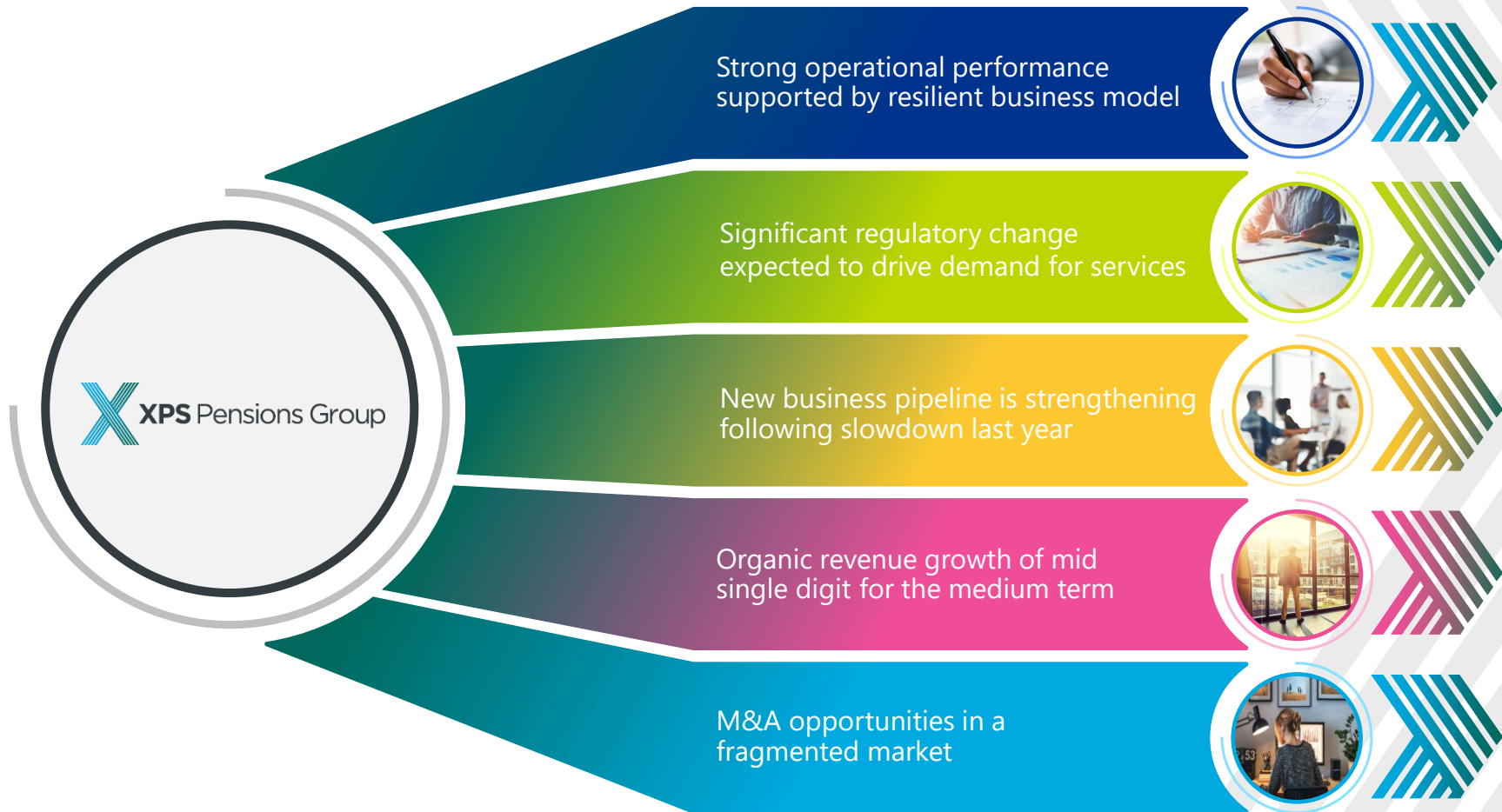




Summary & Outlook



Summary & Outlook





Q&A

Appendices

About XPS

40

year track
record



Specialist pensions
advisory and
administration firm



Employs **1,350**
people

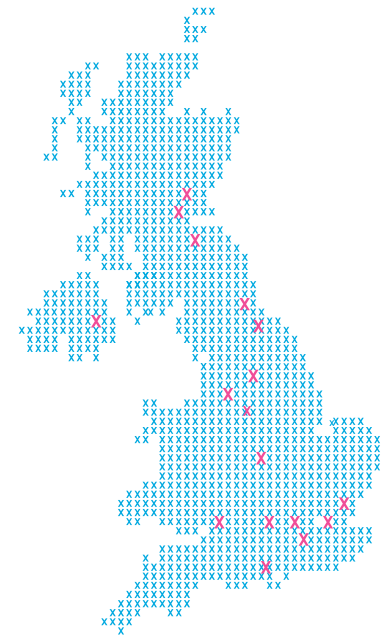


High level of
staff satisfaction



+27% CAGR
revenue since listing
in 2017

Strong geographic
presence across UK



Listed on the London
Stock Exchange



Client service
excellence

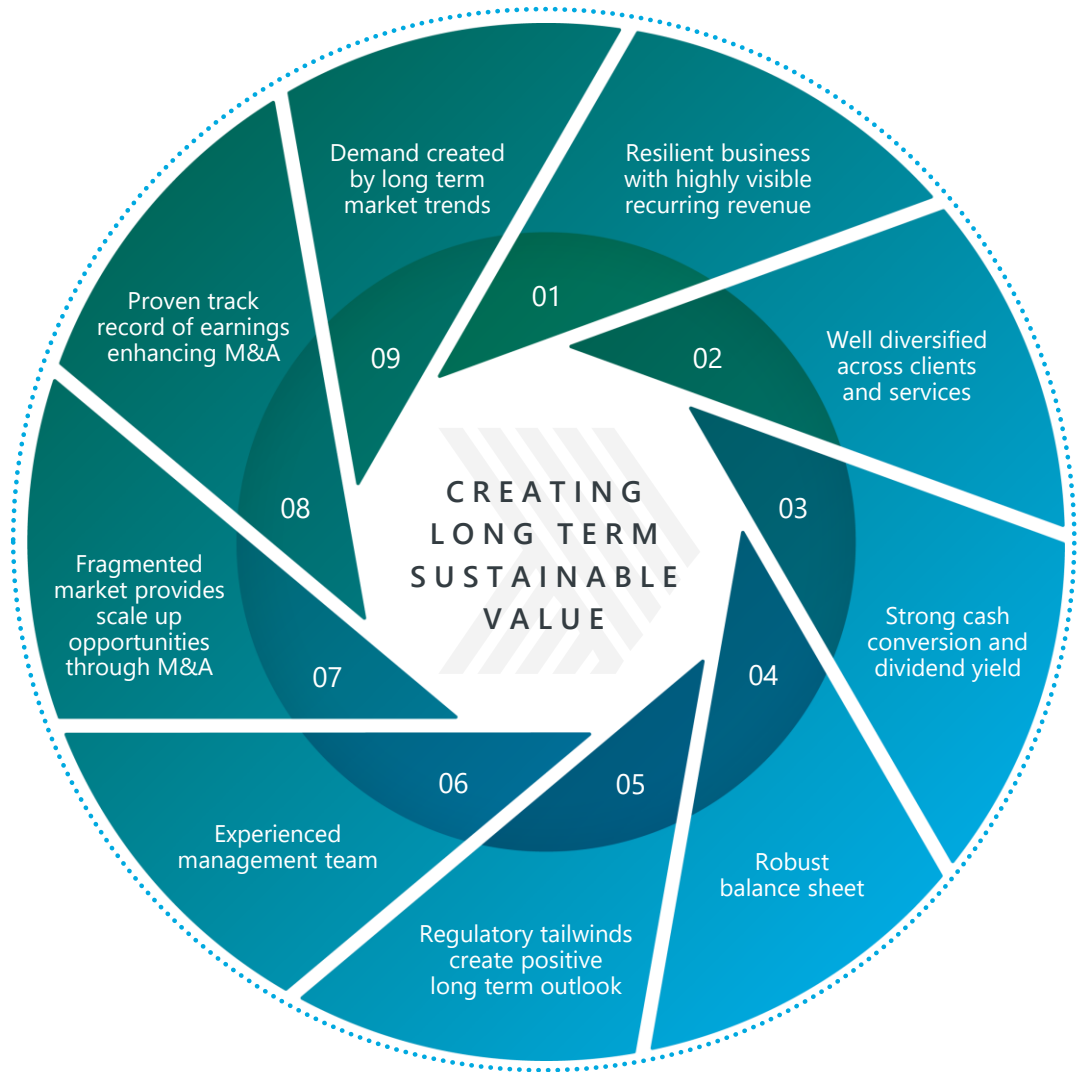
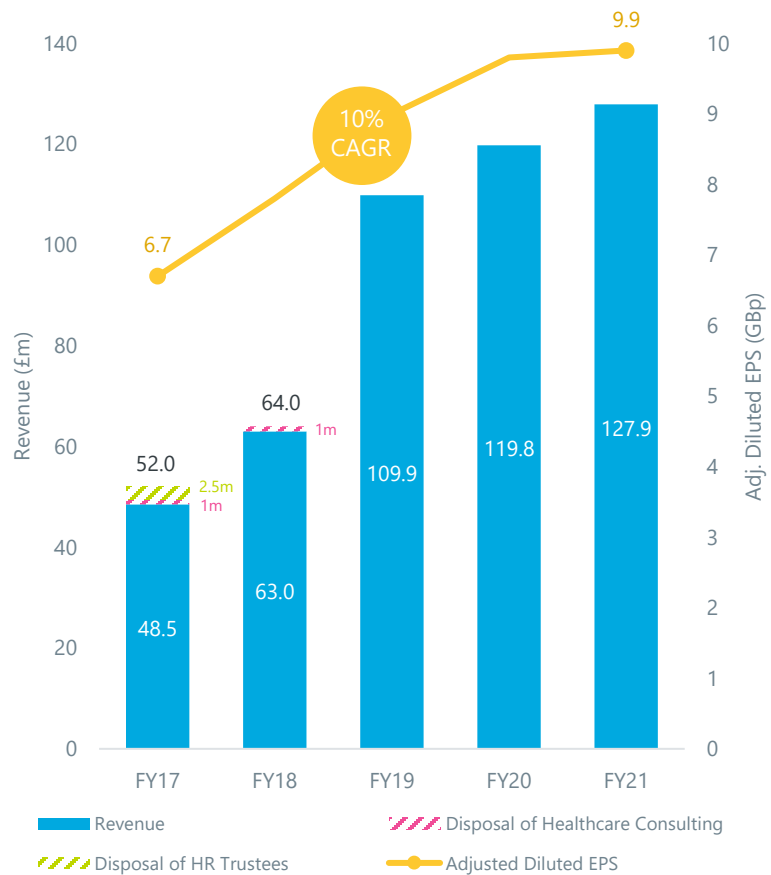


Award
winning



The XPS investment case

SIGNIFICANT GROWTH SINCE IPO



Divisional KPIs – Advisory

Advisory business covers the Actuarial & Consulting and Investment divisions, which are closely connected through common clients and business models, and where the nature of the work is increasingly similar given the wider focus by clients on risk management

- Revenue growth of 6% across the advisory business with strong demand from clients needing support in relation to the pandemic (and associated market volatility) as well as ongoing regulatory changes (including GMP equalisation)
- This strong demand was partly offset by the deferral of discretionary projects due to the pandemic and a reduction in the new business pipeline for actuarial & consulting opportunities
 - Some positive new business success despite the suppressed pipeline demonstrating continued credibility on larger schemes. Pipeline for is now improving
- Underlying efficiency / productivity reduced in H1, reflecting the move to remote working, but recovered well in H2
- Further operational improvements planned to centralise process driven repetitive work and increased standardisation of processes across all offices

A D V I S O R Y	M A R - 1 8	S E P - 1 8	M A R - 1 9	S E P - 1 9	M A R - 2 0	S E P - 2 0	M A R - 2 1
Reported revenue (£'000)	25,331	31,549	33,307	31,964	36,389	34,675	37,598
No. of fee earners ¹	327	349	347	397	406	417	425
Average charge out rate (£) ²	323	314	330	326	316	322	313
Client activity KPI ³	550	548	553	593	677	636	666
Recurring revenue ⁴	90%	92%	93%	93%	91%	93%	93%
New Logo wins (>£40k annual revenue)	6	14	12	7	5	2	7
Logo Losses (>£40k annual revenue)	(2)	(5)	(5)	(7)	(3)	(6)	(12)

Divisional KPIs – Actuarial & Consulting

- Revenue growth of 3% driven by increases in fee rates and GMP equalisation partially offset by net new business impact as well as inefficiencies due to remote working
- Increased revenue skew towards H1 driven by holiday pattern (due to pandemic)
- Regulatory change and market backdrop helping to drive revenue, particularly on larger clients albeit some projects delayed
- New business opportunities suppressed by pandemic. Slightly higher attrition due to wind-ups and PPF cases. (4 and 3 respectively during year)
- Underlying efficiency / productivity reduced in H1 but recovered well in H2
- Further operational improvements planned including launch of HUBS to centralise process driven repetitive work and increased standardisation of processes across all offices

PENSIONS	MAR - 18	SEP - 18	MAR - 19	SEP - 19	MAR - 20	SEP - 20	MAR - 21
Reported revenue (£'000)	22,495	27,756	28,978	27,742	31,060	29,253	31,436
No. of fee earners ¹	293	310	294	336	341	349	350
Average charge out rate (£) ²	326	313	333	329	317	322	313
Client activity KPI ³	505	493	485	534	568	538	548
Recurring revenue ⁴	91%	92%	93%	92%	89%	93%	93%
New Logo wins (>£40k annual revenue)	6	12	11	6	5	2	5
Logo Losses (>£40k annual revenue)	(2)	(5)	(4)	(5)	(2)	(6)	(12)

Divisional KPIs – Administration

- Revenue growth of 9% during the year driven by inflationary increases, higher core fees from net wins, projects and M&A
- Significant operational challenges overcome to maintain services under remote working, combined with high levels of member queries, resulting in reduced efficiency / increased cost. Some higher value projects deferred
- New business opportunities suppressed by pandemic, particularly where part of full services
- Net wins expected to increase no. members under administration to c. 960,000 by the end of FY22 (including large first time outsourcing which went live on 1/6)

ADMINISTRATION	MAR - 18	SEP - 18	MAR - 19	SEP - 19	MAR - 20	SEP - 20	MAR - 21
Reported revenue (£'000)	9,701	16,973	20,519	20,210	22,715	22,480	24,332
No. of schemes	408	399	454	588	619	625	617
Average fee per scheme (£'000)	34	43	45	34	37	36	39
No. of members	561,971	632,579	876,987	883,778	920,459	936,013	927,537
Average fee per member (£)	24	27	23	23	25	24	26
No. of staff	390	467	572	622	627	662	716
New Logo wins (>£40k annual revenue)	3	2	13	8	3	1	3
Logo Losses (>£40k annual revenue)	(1)	0	(1)	(2)	(3)	(4)	(1)

Divisional KPIs – Investment Consulting

- Revenue growth of 21% during the year – driven by increases in fee rates, net new wins and strong levels of client activity
- Revenue pattern slightly skewed to H1 due to holiday pattern (due to pandemic)
- Strong new business pipeline throughout pandemic, partially driven by continued fallout from CMA review
- Strong growth supported by increased resourcing

PENSION INVESTMENT CONSULTING	MAR - 18	SEP - 18	MAR - 19	SEP - 19	MAR - 20	SEP - 20	MAR - 21
Reported revenue	2,836	3,793	4,329	4,221	5,330	5,422	6,162
No. of fee earners ⁵	34	39	53	61	65	68	75
Average revenue per fee earner	83	97	82	69	82	80	82
Average charge out rate ⁶	307	320	316	314	310	322	309
Client Activity KPI ⁷	182	195	190	190	233	242	248
Recurring revenue ⁸	75%	73%	83%	78%	83%	86%	85%
New logo wins (>£40k Annual revenue)	3	4	6	2	2	0	4
Logo Losses (>£40k annual revenue)	(1)	0	(1)	(1)	(1)	0	0
New logo wins (>£10k Annual revenue)	n/a	n/a	n/a	n/a	n/a	13	11
Logo Losses (>£10k annual revenue)	n/a	n/a	n/a	n/a	n/a	(1)	(1)

Divisional KPIs – NPT & SIP

N P T	M A R - 1 8	S E P - 1 8	M A R - 1 9	S E P - 1 9	M A R - 2 0	S E P - 2 0	M A R - 2 1
Reported revenue (£'000)	526	677	767	1,055	1,337	1,396	1,843
Value of assets (£'m)	337	410	464	710	649	824	1,096
Average charge per £ of assets (bp)	32	35	36	35	38	36	35

S I P	M A R - 1 8	S E P - 1 8	M A R - 1 9	S E P - 1 9	M A R - 2 0	S E P - 2 0	M A R - 2 1
Reported revenue (£'000)	2,859	3,009	3,090	3,036	3,027	2,850	2,757
No. of schemes - Total	3,625	3,734	3,835	3,852	3,926	4,000	4,176
No. of schemes - SSAS	1,181	1,136	1,102	1,080	1,064	1,050	1,045
No. of schemes - SIPP	2,444	2,598	2,733	2,772	2,862	2,950	3,131
£ per scheme (£) - Total	789	806	806	788	771	721	673
£ per scheme (£) - SSAS	1,395	1,543	1,607	1,549	1,539	1,473	1,392
£ per scheme (£) - SIPP	496	483	483	491	486	448	426
No. of staff	63	65	65	69	67	65	67
Average fee per staff	45	46	48	44	46	44	41
Staff costs	1,084	1,127	1,141	1,202	1,170	1,141	1,193
Average staff cost	17	17	18	18	18	17	18

Cash flow

NON-GAAP CASH-FLOW	FY 2021	FY 2020
	£m	£m
Operating		
Adjusted EBITDA	32.0	30.4
Change in net working capital	4.9	0.6
Other	(0.7)	(0.1)
Adjusted operating cash-flow	36.2	30.9
OCF conversion	113%	102%
Financing & tax		
Interest paid	(2.1)	(1.8)
Taxes paid	(3.3)	(3.5)
(Repayment) / drawdown of RCF	(11.5)	13.3
Repayment of lease liabilities	(2.6)	(2.0)
Share related movements	(3.4)	0.3
Net cash-flow after financing	13.3	37.2
Investing		
Acquisitions (net of disposals)	(0.2)	(7.1)
Capex	(2.9)	(3.4)
Restricted cash (NPT)	(0.5)	(0.3)
Net cash-flow after investing	9.7	26.4
Dividends paid	(13.4)	(13.4)
Exceptionals	(2.1)	(4.1)
Movement in cash	(5.8)	8.9
Net debt	50.4	56.1
Leverage	1.74x	1.98x

HIGHLIGHTS:

- Adjusted EBITDA up £1.6m benefiting from higher revenues
- OCF conversion of 113% benefiting from optimised billing and collection cycle
- Excluding the higher bonus accrual and one-off benefits of delayed supplier invoicing, OCF conversion was 99% (near term guidance remains 90-95%)
- The Group repaid £11.5m of RCF during the period
- Capex was lower due to COVID-19 impacted delay/deferrals
- Exceptional items mainly relate to integration of acquired businesses and COVID-19 related costs
- Net debt at 31 March 21 was £50.4m; leverage 1.74x
- Cash at 31 March 21 was £8.6m (31 Mar 20: £14.4m)
- At 31 March 21, the Group had total undrawn committed facilities of £21m

Sustainability

Being a responsible business

As we grow, our ambition is to ensure that we do so in a responsible and sustainable way. We recognise that this is a journey, and we are working on embedding principles of ESG and sustainability throughout XPS with a strong focus on collaboration and robust governance



FOCUSING ON GOVERNANCE



FOCUSING ON OUR EMPLOYEES



FOCUSING ON OUR CLIENTS



FOCUSING ON OUR COMMUNITIES



FOCUSING ON OUR ENVIRONMENT

Our Ambition

Operate to a high standard of Corporate Governance

Create a supportive environment where employees can thrive

Help clients and scheme members achieve better outcomes

Create a positive impact wherever we operate and for a wider society. Work with local communities supporting charities in the locations where we operate

Reduce our impact on the environment and help others to do the same

Areas of Focus

Business ethics and values

Employee engagement

Sustainable products and services

Community engagement

Energy usage & climate change

Corporate Governance

Diversity & inclusion

Responsible investment

Supply chain management

Environmentally friendly culture

Human rights and modern slavery

Learning & development

Cyber Security & Data Privacy

Charitable giving

Employee wellbeing

Executive Director biographies



Ben Bramhall

Co-Chief Executive Officer

Ben is a senior actuary with over 20 years' experience in the pensions and insurance industry, and is the Scheme Actuary to a number of large pension schemes clients. Ben joined XPS in 2014 to focus on the development and implementation of the strategy including the hiring of key staff and development of new services and infrastructure. Ben joined XPS from KPMG in London where he played a key role in its development from a small team to a leading provider of pensions advisory services



Paul Cuff

Co-Chief Executive Officer

Paul is a qualified actuary with over 20 years' experience in the pensions industry. He was a partner at KPMG for 8 years, and joined XPS in October 2016. Immediately prior to joining XPS, Paul was head of the KPMG London pensions team, where he was instrumental in growing the London pensions business



Snehal Shah

Chief Financial Officer

Snehal is a Chartered Accountant with over 20 years of experience in finance, investor relations, M&A execution and post deal integration. He spent 10 years in the early part of his career with PwC, before joining Ladbroke's plc in 2009 where he held a number of senior finance roles including Group Financial Controller, Head of Investor Relations and Finance Director for Integration. He joined XPS as CFO in May 2019



Registration

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

Authorisation

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).