XPS Pensions Group

Capital Markets Event

24 May 2023

Paul Cuff

Co-Chief Executive Officer

FINANCIAL TIMES

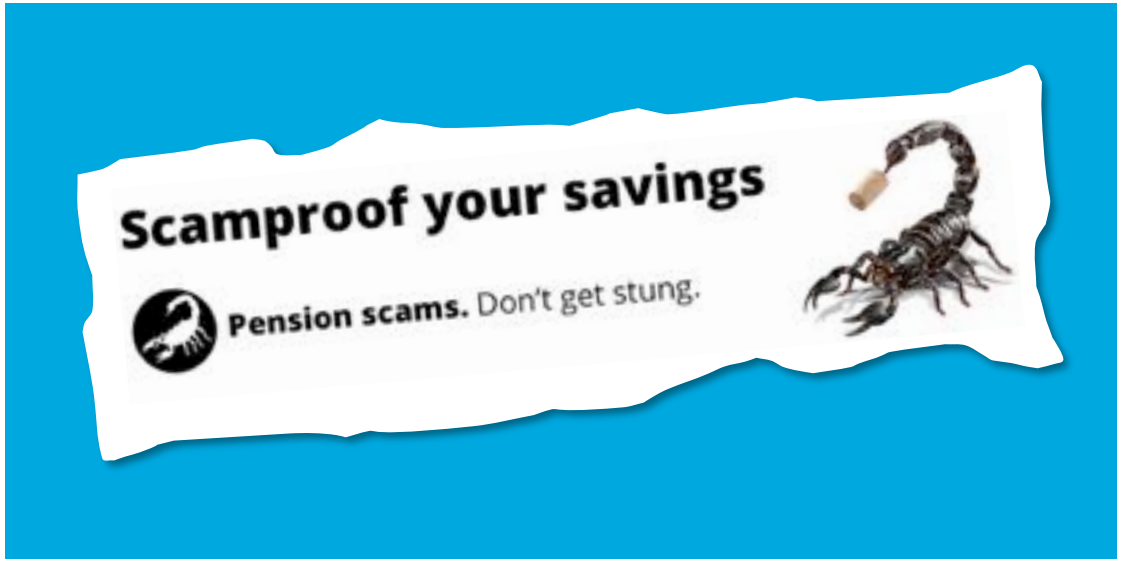
Tuesday November 16 2010 | £2.00

20 YEARS ON former Allied Steel & Wire workers in south Wales continue their fight for justice'

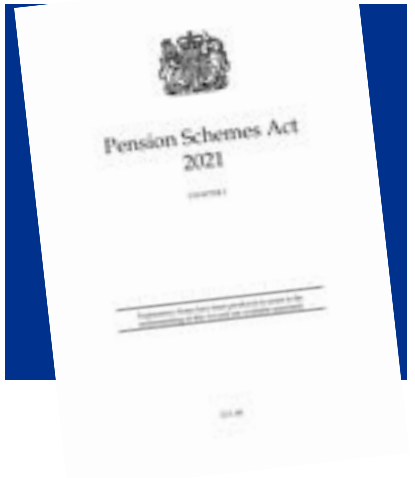
DAILY Mirror
MAXWELL:
£526m is missing from his firms
The increasingly desperate actions of a desperate man

i
Taxpayers take the hit on Carillion

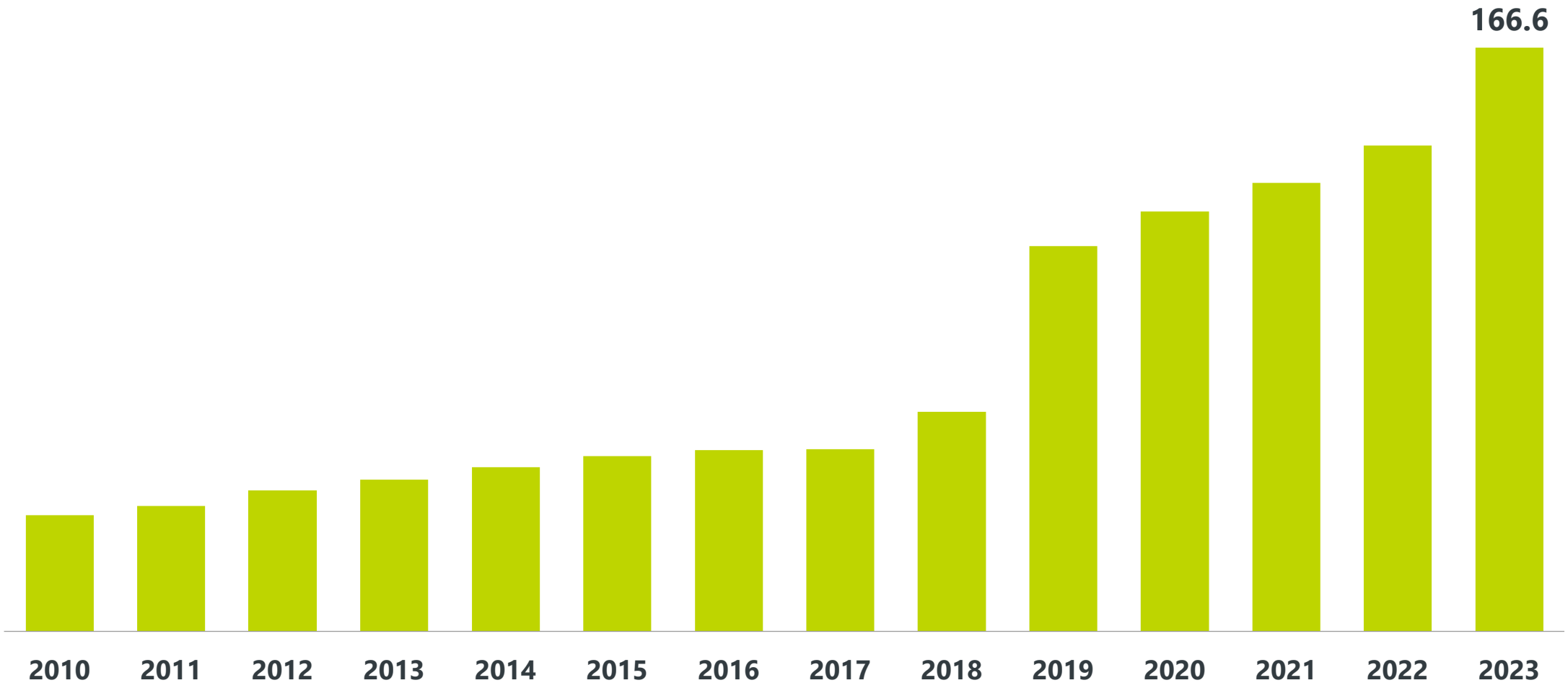
BHS


Scamproof your savings
Pension scams. Don't get stung.

We exist to **shape and support safe, robust** and well understood **pension schemes** for the benefit of **people and society**

The Pensions Regulator	The PPF	Tax simplification A-Day	Freedom & Choice budget	GMP court ruling	Pensions Act 2021
The Pensions Regulator Making workplace pensions work	PPF	Office of Tax Simplification		Let's GET GMP EQUALISATION DONE	

Our services are needed through all economic backdrops…



1/60 x 30yrs x £30,000

= £15,000

x20 = £300,000

1/60 x 30 years x

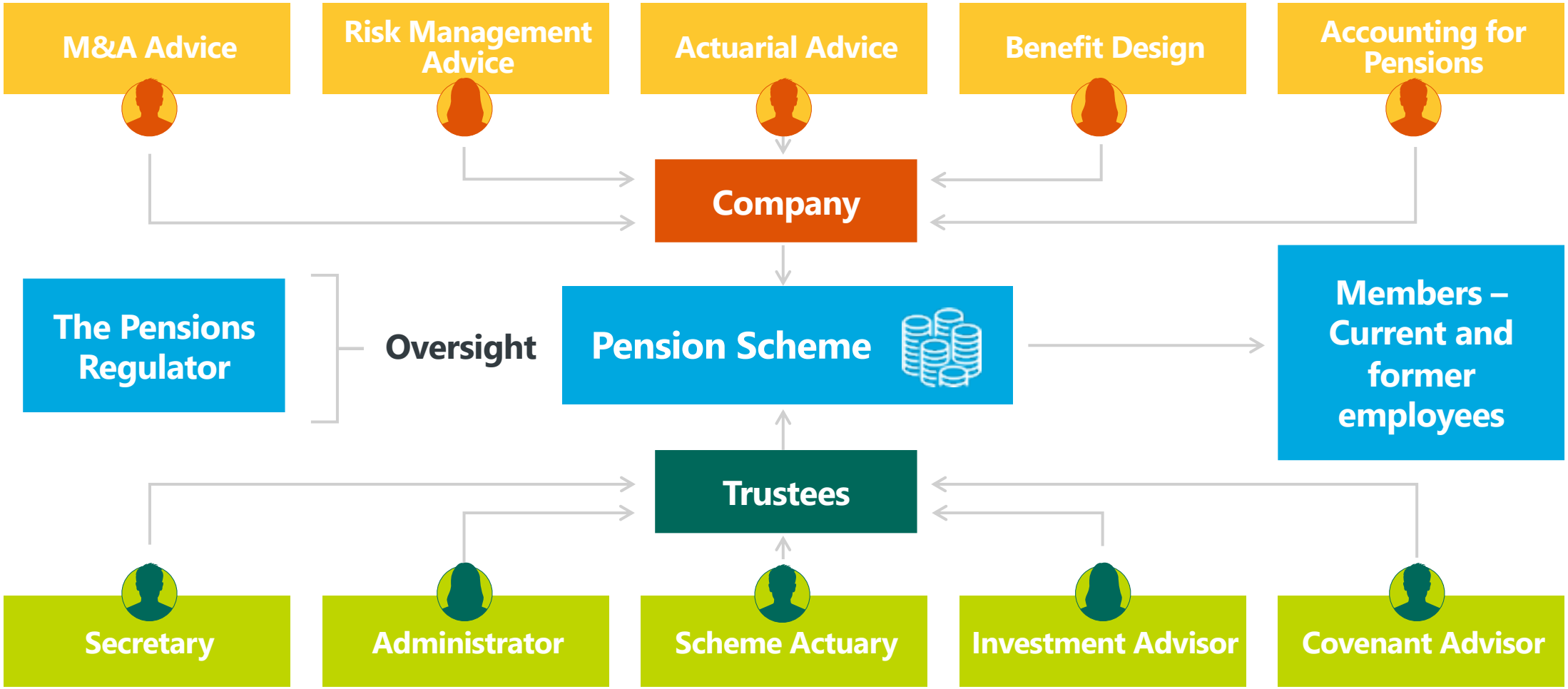
£100,000 = £50,000

X25 = £1,250,000

£20 billion

10m+ people
£1,500,000,000,000

1.	2.	3.
We help make sure there is enough money in schemes	We advise on where to invest the assets	We keep all the records, communicate with members and pay the pensions
Actuarial Consulting	**Investment Consulting**	**Pensions Administration**


M&A Advice
Risk Management Advice
Actuarial Advice
Benefit Design
Accounting for Pensions
Company
The Pensions Regulator
Oversight
Pension Scheme
Members – Current and former employees
Trustees
Secretary
Administrator
Scheme Actuary
Investment Advisor
Covenant Advisor

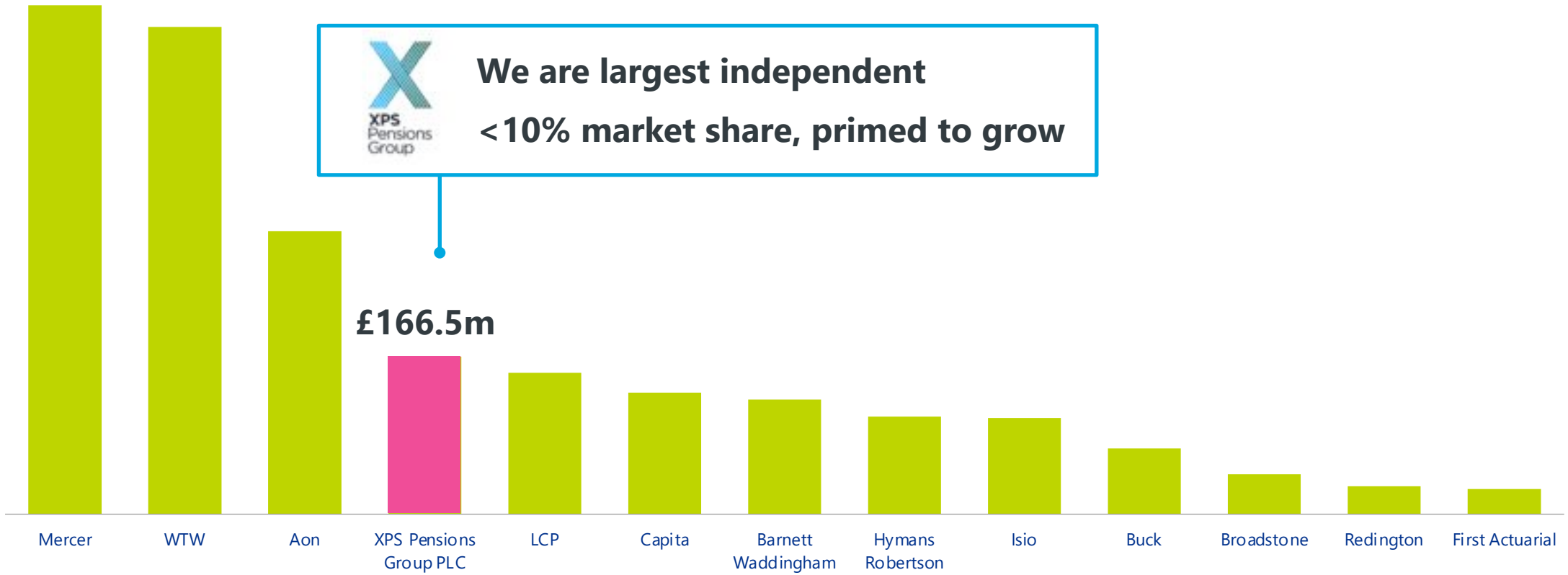
Our strategy:

To be the best provider of services to the UK pensions market, as a one stop shop for everything trustees and employers need in this market

XPS Pensions Group

A fragmented market

Total £**2.5**bn



1.

We help make sure there is enough money in schemes

Actuarial Consulting

2.

We advise on where to invest the assets

Investment Consulting

3.

We keep all the records, communicate with members and pay the pensions

Pensions Administration

Business Culture Awards 2020 Gold Overall Winner

A highly diversified client base

Balfour Beatty

IBM

AVIVA

itv

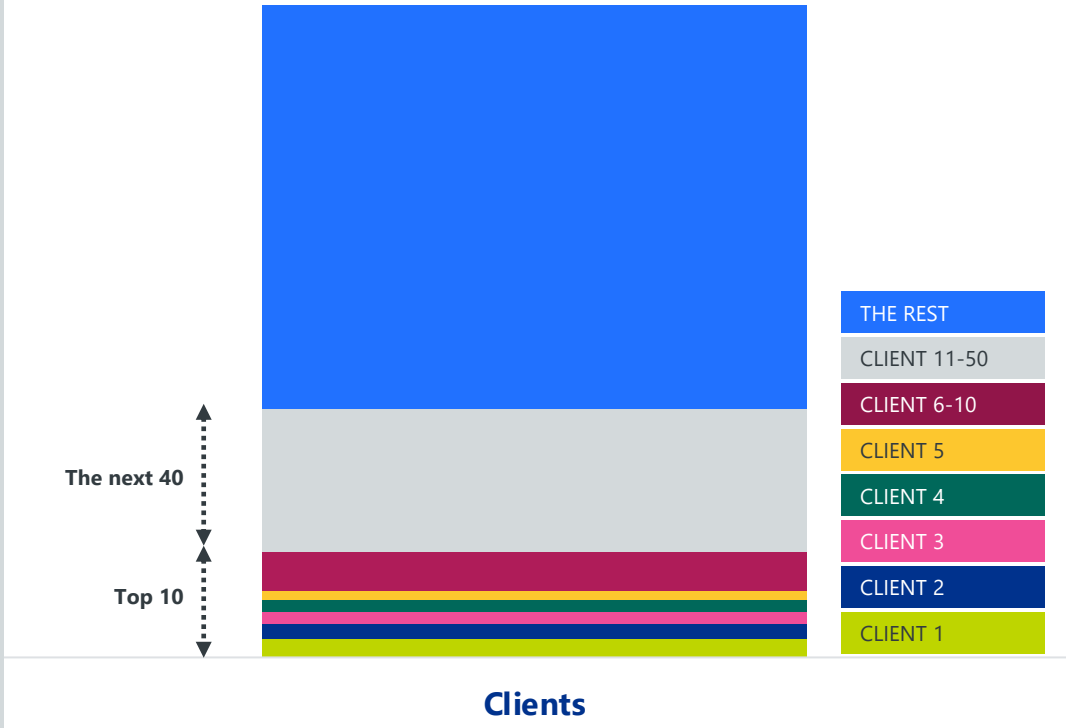
BT

Mitchells & Butlers

PRUDENTIAL

Pearson

% of revenue for top 10 clients and next 40



A strong investment case…

- Non-cyclical
- Benefit from regulatory and market change
- Repeat recurring revenue
- Inflation proof revenues

XPS Pensions Group

- High cash conversion
- Low capital requirements
- Strong competitive position
- Operational gearing emerging

Let's tell you some more…

XPS Pensions Group

Agenda

01	**Introduction**	Paul Cuff
02	**Pensions deep dive**	Patrick McCoy
03	**Investment deep dive**	Ben Gold
04	**Admin deep dive**	David Watkins
	Break	
05	**DC market, and National Pension Trust**	Sophia Singleton
06	**Culture**	Rachel Gillion
07	**Strong and sustainable growth**	Snehal Shah
08	**Leading the way**	Ben Bramhall
09	**Q&A**	
	Close 5pm	

Patrick McCoy

Head of Advisory

Pensions and Actuarial Consulting

1.	2.	3.
We help make sure there is enough money in schemes	We advise on where to invest the assets	We keep all the records, communicate with members and pay the pensions
Actuarial Consulting	**Investment Consulting**	**Pensions Administration**

Actuarial Services

Scheme actuary

Every scheme needs one

Trusted adviser

Similar to an auditor – without the conflicts

Trusted advisers get to do lots more…

DC

Risk Settlement

GMP Equalisation

Trustee and Governance

Five years ago…..

xafinity

Punter Southall

8th and 9th in market

Good team

Delivering statutory core services

Without a strong market presence

…a new brand in the market

Actuarial Services

Higher Margin **Additional** Services

Great content

Technology

Pensions expert
PENSION AND INVESTMENT PROVIDER AWARDS 2020

Winner
TECHNOLOGY SERVICES OF THE YEAR
XPS Pensions Group

Actuarial Services

Higher Margin **Additional** Services

One stop shop for market leading propositions

Enhancing capability through acquisitions

PENFIDA

….to be the one stop shop

Actuarial Services

Higher Margin **Additional** Services

Market Presence

⇧63%

Press Coverage

⇧23%

LinkedIn

27
Events

⇧37%
Registrations

Events

PROFESSIONAL PENSIONS
UK PENSIONS AWARDS 2021

WINNER

Actuarial/Pensions Consultancy of the Year
XPS Pensions Group

PROFESSIONAL PENSIONS
UK PENSIONS AWARDS 2022
25 ANNIVERSARY

WINNER

Actuarial/Pensions Consultancy of the Year
XPS Pensions Group

Winning in the market

Leverage relationships with independent trustees

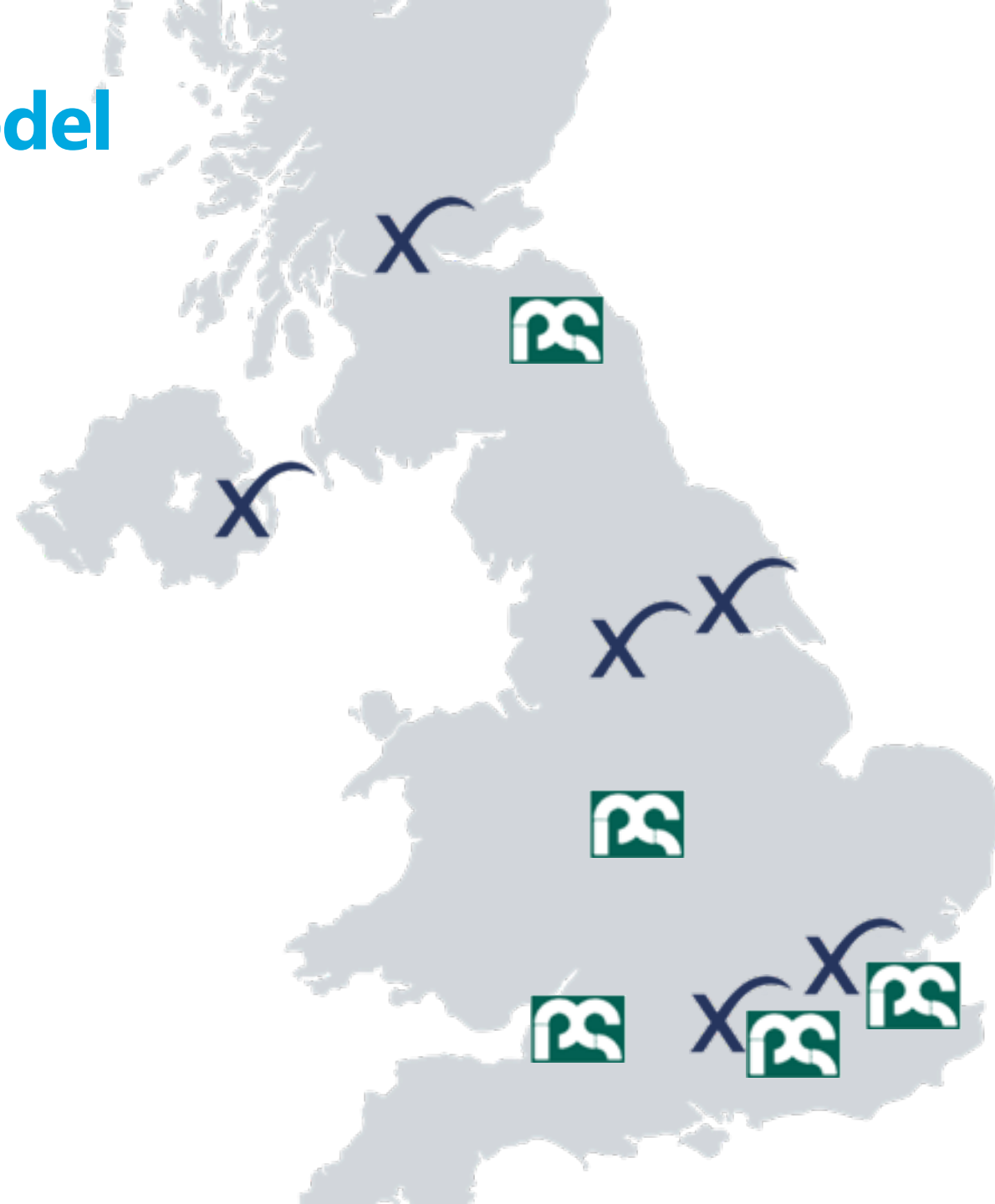
Great **clients wins**

Winning in the market

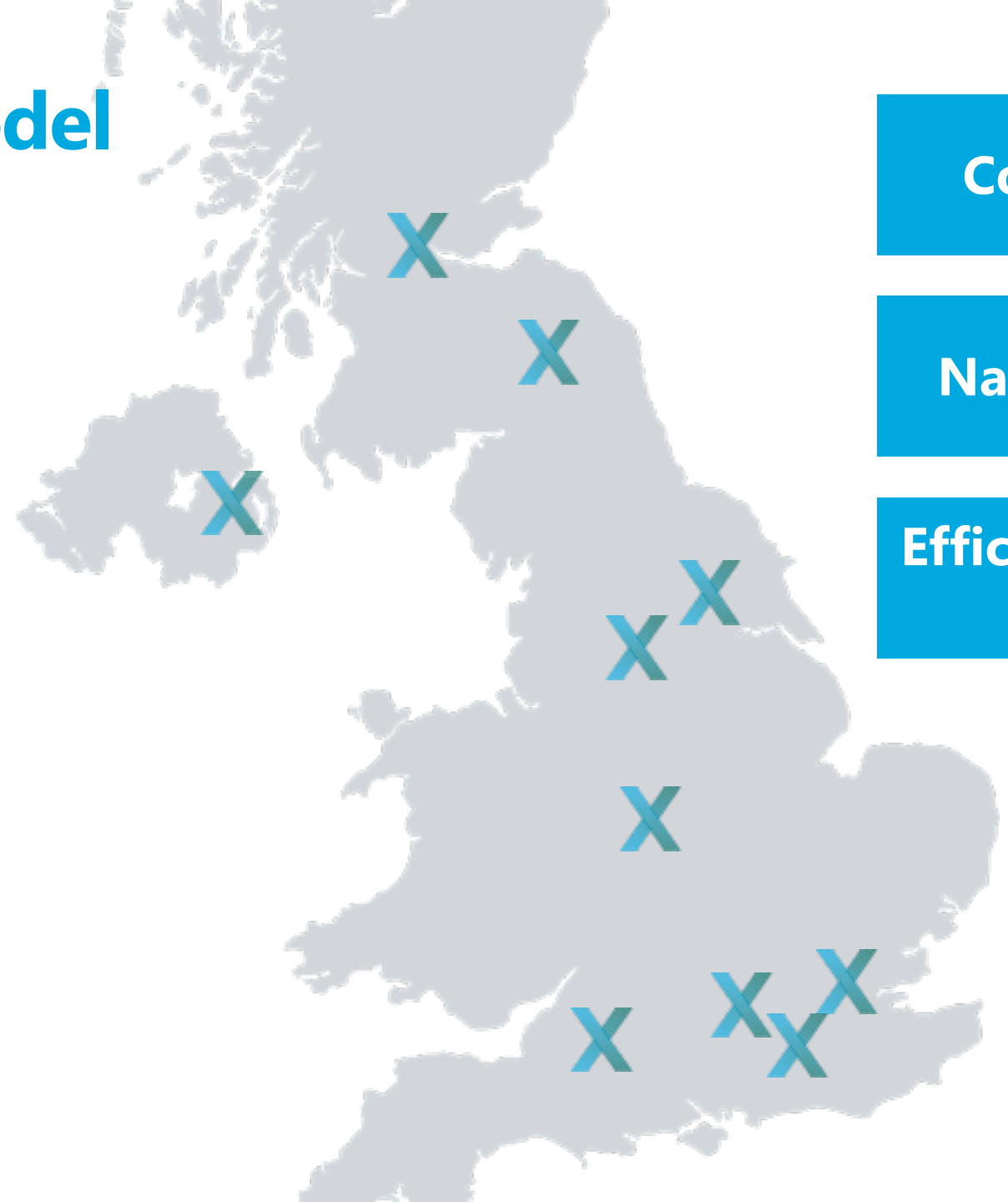
Leverage relationships with independent trustees

Great **clients wins**

Operating model



Operating model



Consistent advice

National resourcing

Efficiency – centralised processing

The pensions business in numbers

	Clients	Over £1bn	Staff
2019	856	21	310
2023	1,029	81	420

Win more actuarial appointments

Winning more clients

Have greater market presence so can win larger actuarial only appointments

Larger schemes need more advice and services

Full-service appointments as all services award winning

Volume of work

Regulatory change

The Pensions Regulator

LDI crisis

Grow higher margin additional services

Risk settlement

DC

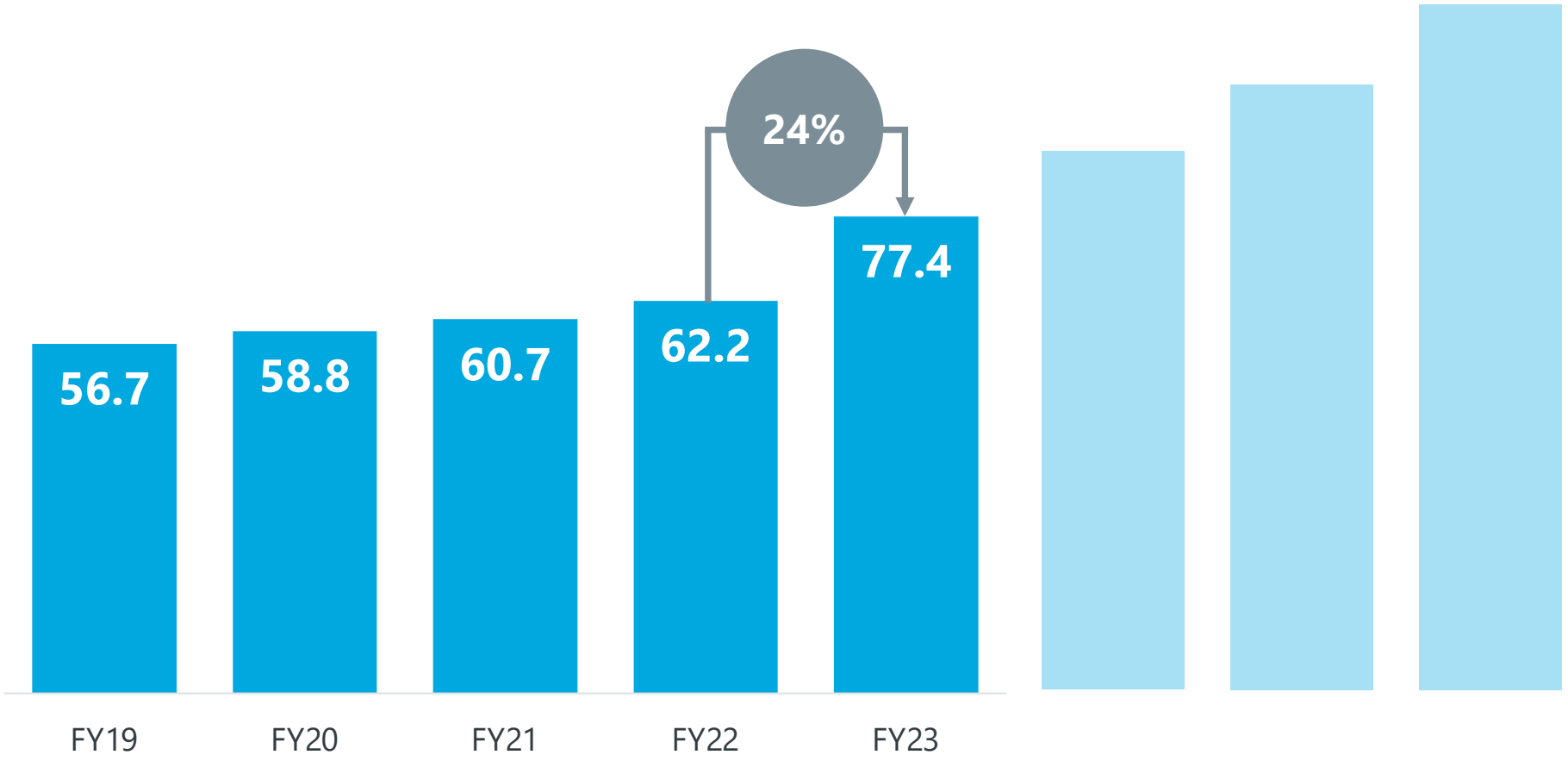
Covenant

GMP

Insurers

Trustee and Governance

Positioned for future growth



XPS Pensions Group

Ben Gold

Head of Investment Advisory

Investment Advisory

Investment Advisory

1.	2.	3.
We help make sure there is enough money in schemes	We advise on where to invest the assets	We keep all the records, communicate with members and pay the pensions
Actuarial Consulting	**Investment Advisory**	**Pensions Administration**

Where we fit in

Trustees make decisions and must take advice

Our role is purely advisory

We are independent and whole of market

in 2018...

Financial Times

Investing in Funds

Investment consultants to face competition probe

Investment & Pensions Europe

Consultants steering trustees towards own fiduciary services, says CMA

Why XPS?

We're independent and don't sell our own funds

What we looked like in 2018

XPS Investment

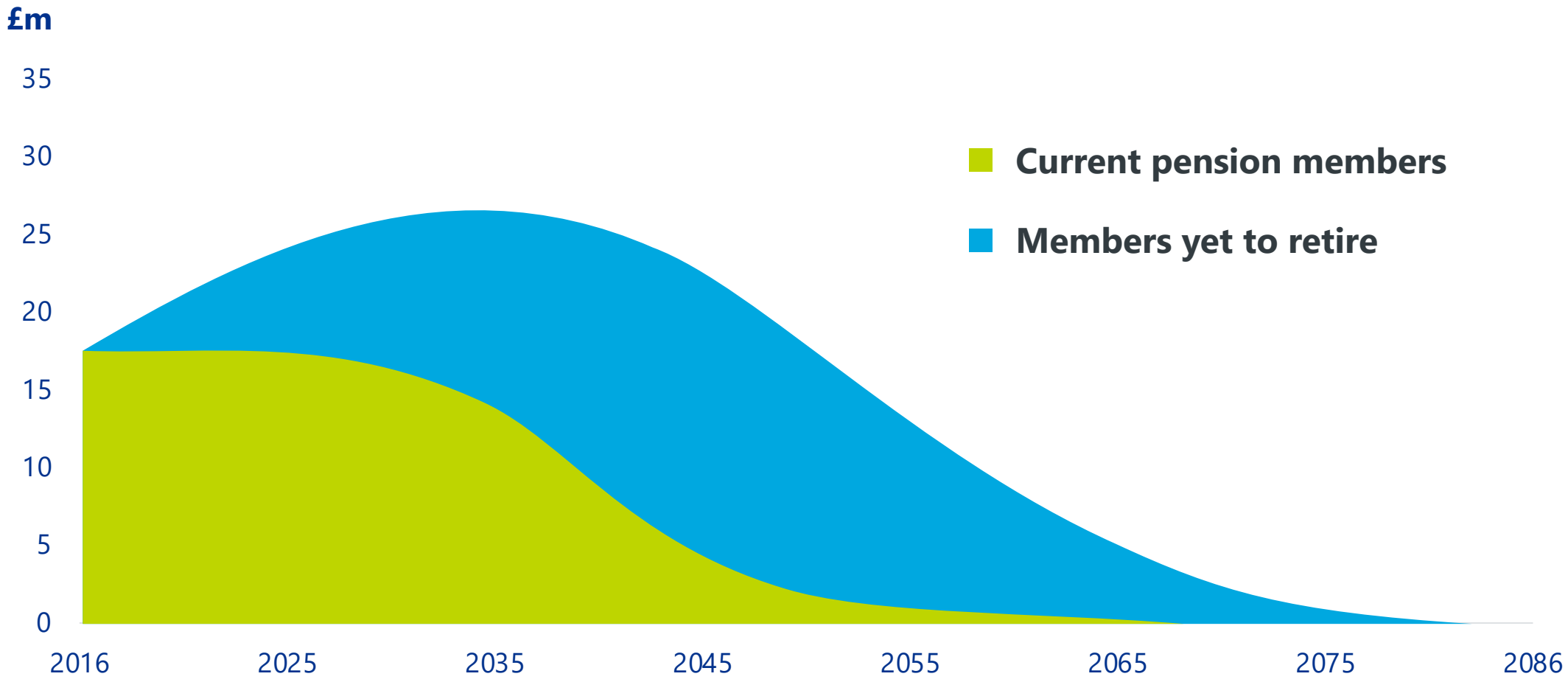
PEOPLE
2018
45

CLIENTS
2018
250

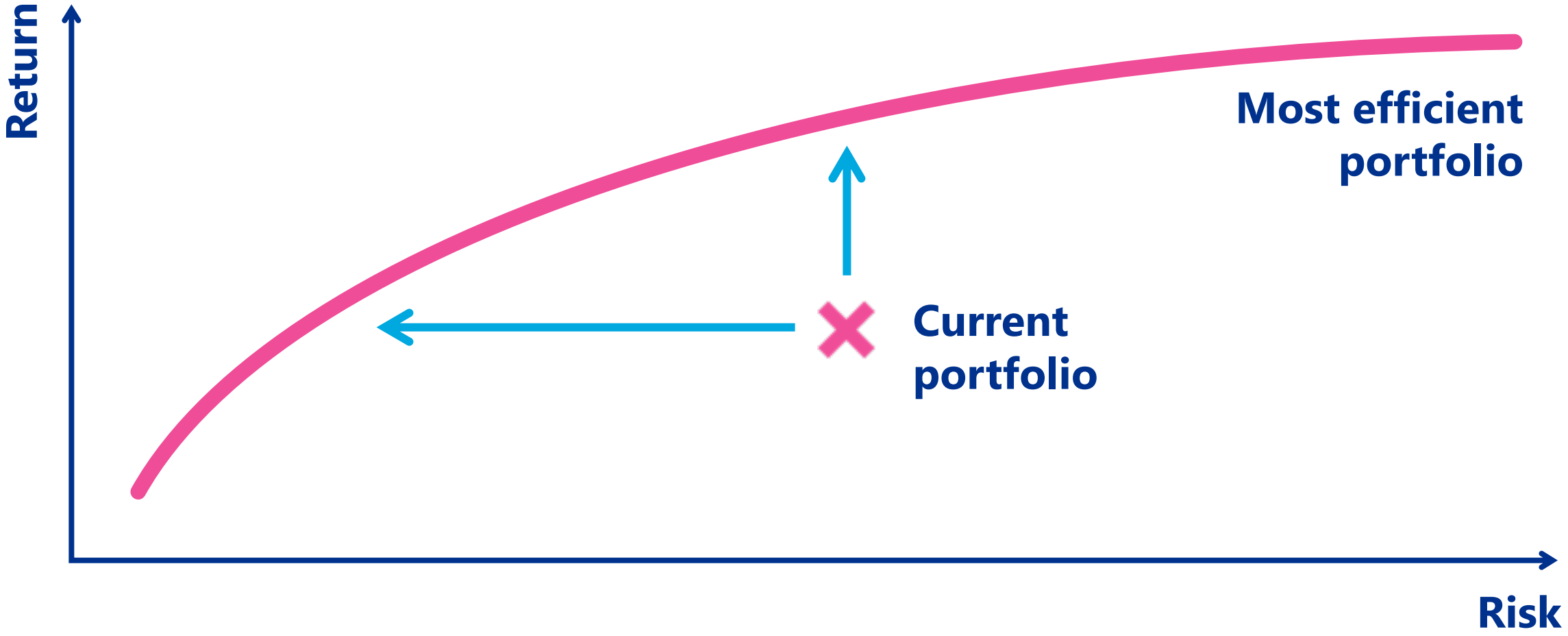
AUA
2018
£30bn

BIG SCHEMES
2018
10

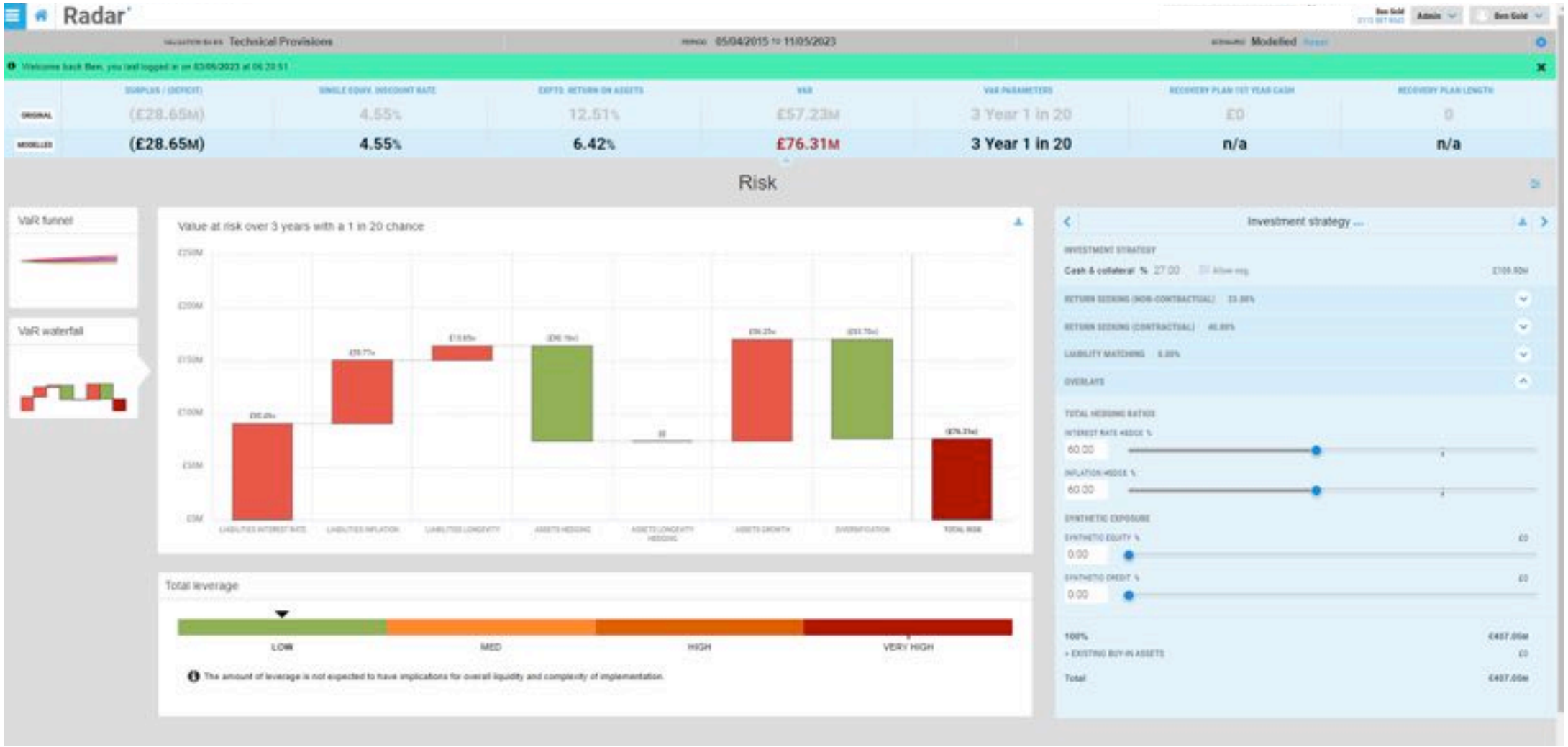
Cashflow profile of a typical DB scheme



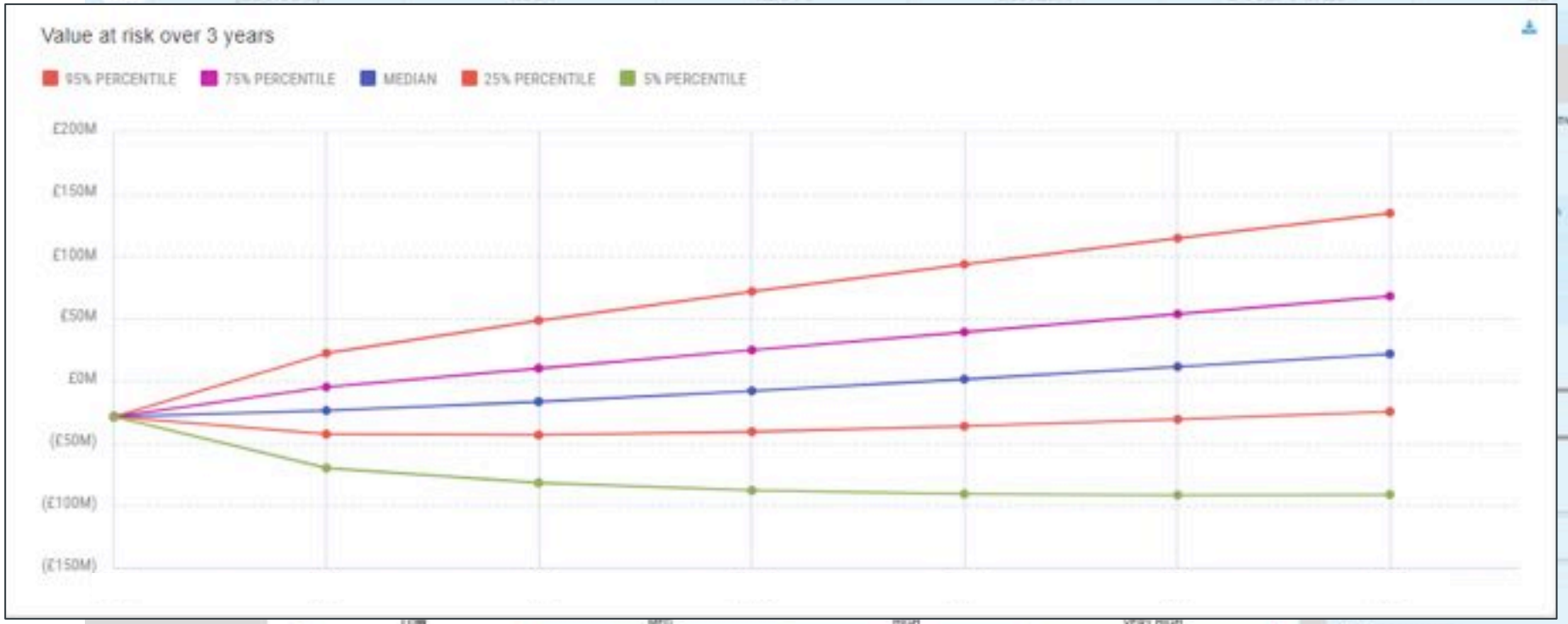
Implementing efficient portfolio



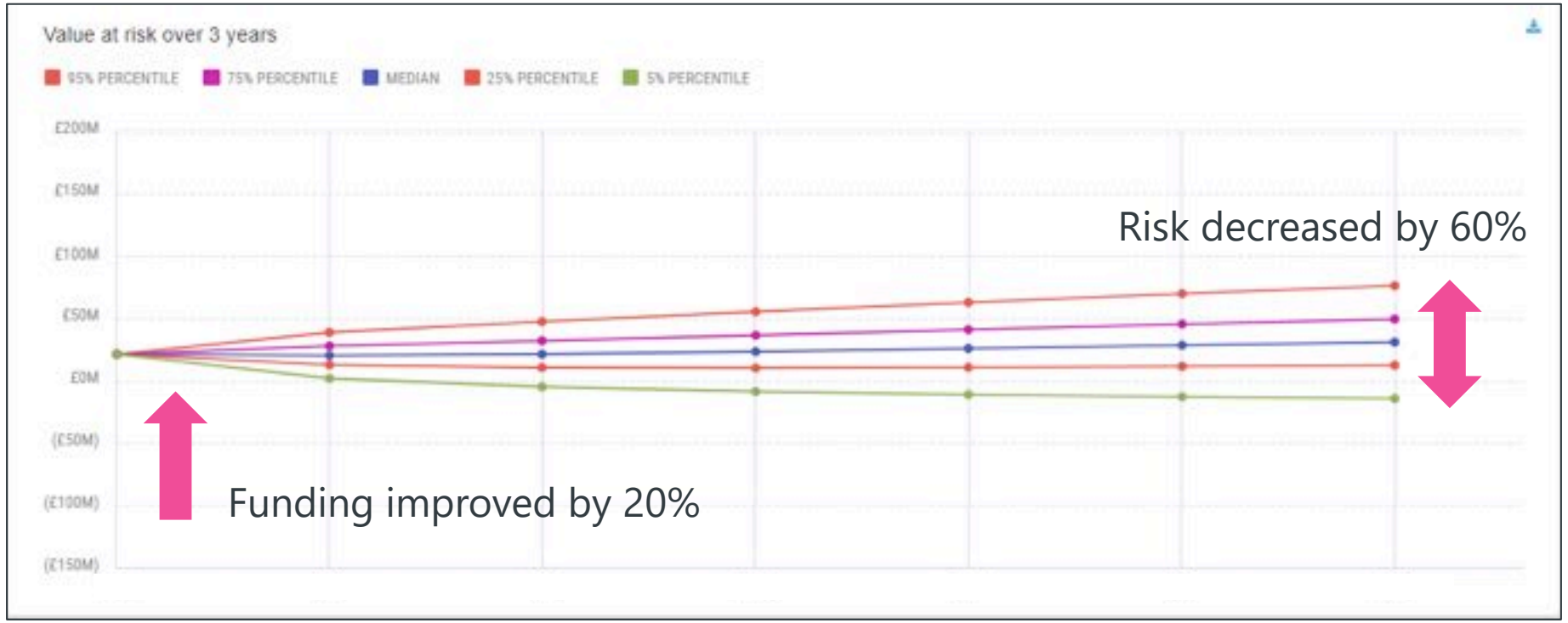
A scheme in 2018…



A scheme in 2018…



...Moving forward to 2023



After strategy work

Implement strategy using our manager research

Monitor performance

How we get paid

Inflation-Linked Retainer — **£100k** /year

Project Work (time / cost) — **£100k - £150k** /year

Investment Consultancy of the Year 2021 and 2022

PROFESSIONAL PENSIONS

UK PENSIONS AWARDS 2021

WINNER

Investment Consultancy of the Year

XPS Pensions Group

PROFESSIONAL PENSIONS

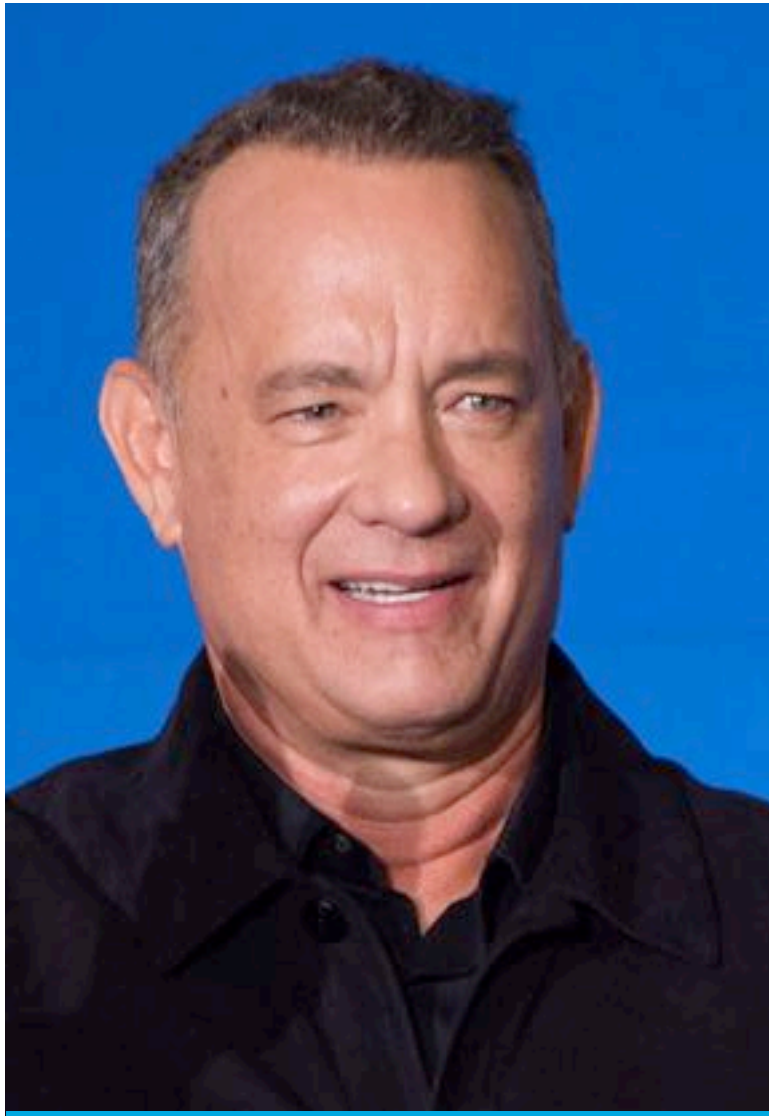
UK PENSIONS AWARDS 2022

25 ANNIVERSARY

WINNER

Investment Consultancy of the Year

XPS Pensions Group



Delivering a huge societal need

Our content influences the industry

www.xpsgroup.com LinkedIn

We're ahead of the curve

www.xpsgroup.com LinkedIn

Policy Exchange

Policy Exchange

"You guys have been amazing with the amount of proactivity and great emails this week!

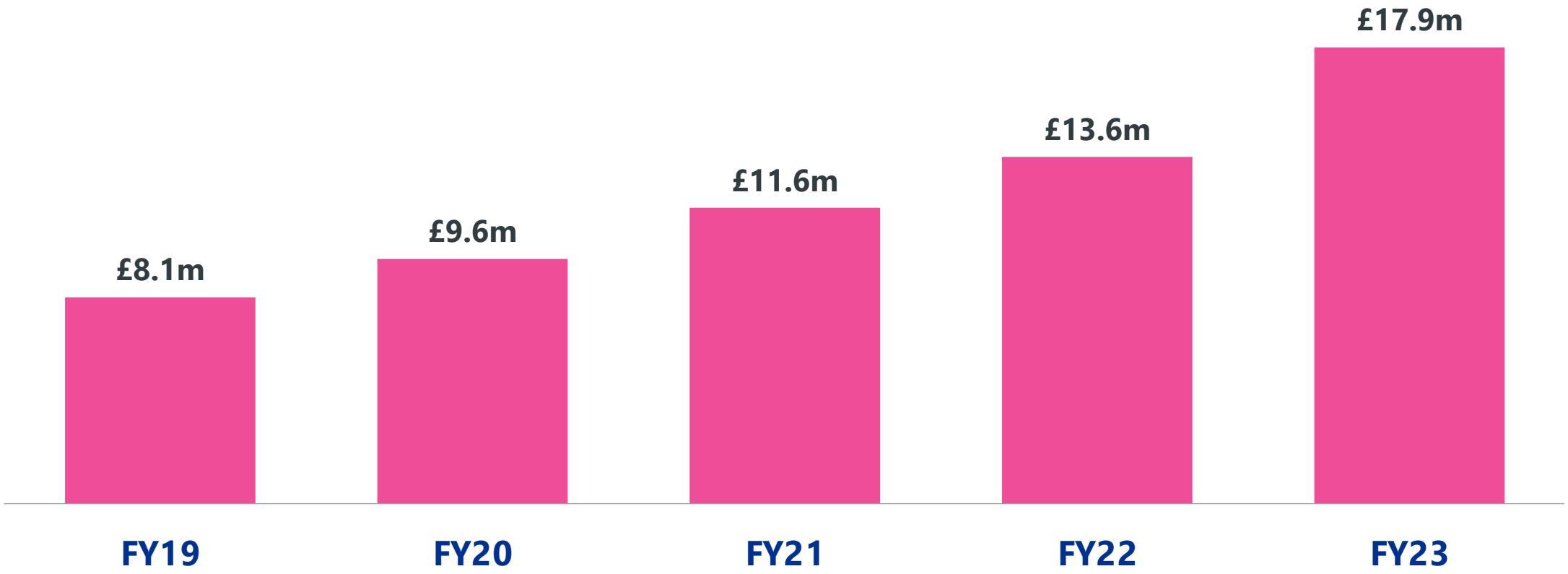
You have been exemplary at keeping us up to date."

- PROFESSIONAL TRUSTEE
PRO PENSIONS

"Your appointment coincided with the LDI liquidity crisis and your insight and recommendations regarding the activity and actions proved... invaluable."

- CHAIR OF TRUSTEES
GO-AHEAD GROUP

Outcome is significant revenue growth



Investment Advisory is doing brilliantly

PEOPLE

2018	2023
45	**100**

CLIENTS

2018	2023
250	**400**

AUA

2018	2023
£30bn	**£140bn**

BIG SCHEMES

2018	2023
10	**35**

Canon

invensys

Harrods

Bupa

BT

JOHN LEWIS & PARTNERS

GREENE KING
BURY ST EDMUNDS

Future growth

Actuarial and administration clients

Reacting to regulatory change

Dealing with market turbulence

It's 2018 again!

XPS Pensions Group

David Watkins

Head of XPS Administration

Pensions Administration

1.	2.	3.
We help make sure there is enough money in schemes	We advise on where to invest the assets	We keep all the records, communicate with members and pay the pensions
Actuarial Consulting	**Investment Consulting**	**Pensions Administration**

New Job

Joins pension scheme

Gets married

Has children

Leaves job and scheme

Moves house

Some people, do some of these things, multiple times

Thinks about retiring

Retires

The duty of care then passes to the spouse, and children

1.6m
pieces of work a year

4.8m
pension payments pa

And in addition,
we protect Members
against transfer scams

In excess of
390k calls

Across **38,000**
payrolls

3,485 transfers FY23
4% with
Regulatory Red Flags

XPS Pensions Group

Scheme Events

Scheme accounts

Governance Reporting

Benefit Statements

Pension Increases

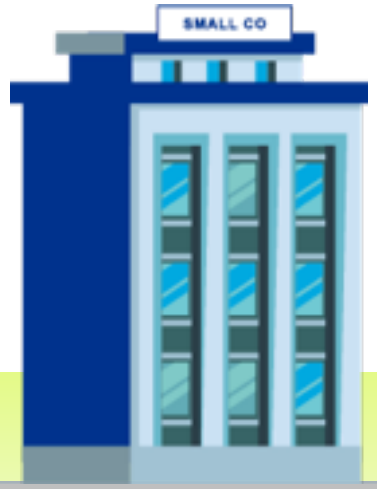
Communications

Regulatory Change

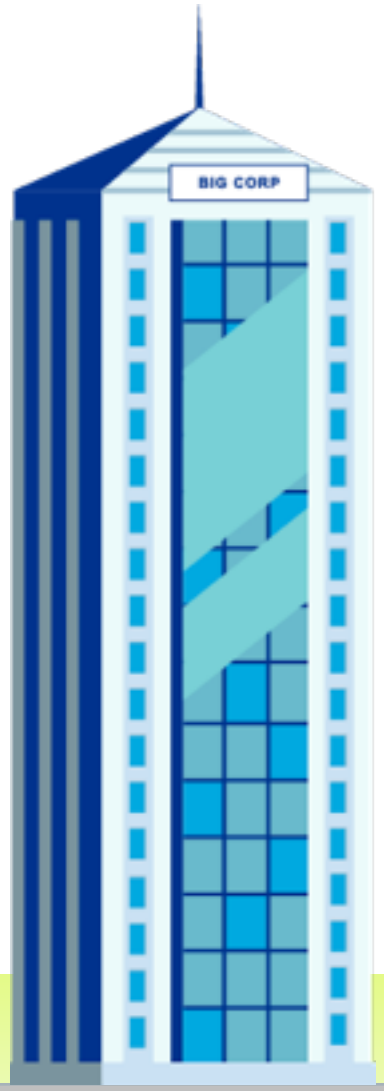
Project work

- Data Audit
- Data cleansing
- GMP Reconciliations
- GMP Equalisation
- De-Risking
- Pensions Dashboard
- Police Injury Reviews
- Benefit Remediation
- McCloud
- DC Investment Reviews
- AI / Robotic Data Review
- Member Tracing / Verification

Our clients



Full Service



Admin Only

Multiple Product Types – Defined Benefit, Defined Contribution, Hybrid, Master Trust, Care, Cash Balanced

The big clients are…

Delivered by highly Skilled & Qualified People

MyXPS MY CHOICE

SOFT SKILLS
cipp the chartered institute of payroll professionals leading the profession
INVESTORS IN PEOPLE
TECHNICAL
RETENTION
ACCA
30% Club GROWTH THROUGH DIVERSITY
APPRENCTICESHIPS
Pensions Management Institute
SUCCESSION PLANNING
INCLUSION
CAREER DEVELOPMENT
SOFT SKILLS
PRINCE2
XPS
Compliance
Actus Actus Compliance Software
PPF ACCREDI-TATION
RECRUITMENT
MENTORING
Pensions Management Institute

PASA assess | aspire | achieve

Accredited Member
Pensions Administration Standards Association
assess | aspire | achieve

Our Competitors

	Third Party Admin Provider	Total Schemes	Members Administered
1	Capita	431	4,700,874
2	Mercer	4498	4,563,581
3	WTW	145	3,488,000
4	Equiniti	48	3,022,429
5	XPS	592	1,022,513
6	Railpen	284	530,791
7	Aon	278	437,538
8	Barnett Waddingham	333	385,999
9	Buck	182	350,000
10	HS Admin	66	303,000
11	Hymans	68	225,588
12	Trafalgar	28	164,500
13	Isio	104	142,679
14	Broadstone	302	55,484
15	Spence	124	31,500

- Quality
- Member experience
- Fantastic people
- Consistent Delivery
- Committed to the market
- Award Winning
- Accredited

Award Winning

XPS Pensions Group

PROFESSIONAL PENSIONS 25 ANNIVERSARY
UK PENSIONS AWARDS 2022
WINNER
Third-Party Administrator of the Year
XPS Pensions Group

No. 1 rated TPA
No.1 Third Party Administrator 2019
No.1 Third Party Administrator 2018
No.1 Third Party Administrator 2017
No.1 Third Party Administrator 2016
No.1 Third Party Administrator 2014

PROFESSIONAL PENSIONS
UK PENSIONS AWARDS 2020
WINNER
Third-Party Administrator of the Year
XPS Pensions Group

PROFESSIONAL PENSIONS
UK PENSIONS AWARDS 2019
WINNER
Third Party Administrator of the Year

Our Competitors

	Third Party Admin Provider	Total Schemes	Members Administered
1	Capita	431	4,700,874
2	Mercer	4498	4,563,581
3	WTW	145	3,488,000
4	Equiniti	48	3,022,429
5	XPS	592	1,022,513
6	Railpen	284	530,791
7	Aon	278	437,538
8	Barnett Waddingham	333	385,999
9	Buck	182	350,000
10	HS Admin	66	303,000
11	Hymans	68	225,588
12	Trafalgar	28	164,500
13	Isio	104	142,679
14	Broadstone	302	55,484
15	Spence	124	31,500

- Quality
- Member experience
- Fantastic people
- Consistent Delivery
- Committed to the market
- Award Winning
- Accredited

Award Winning

XPS Pensions Group

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2022 25 ANNIVERSARY

WINNER

Third-Party Administrator of the Year

XPS Pensions Group

No. 1 rated TPA

No.1 Third Party Administrator 2019 | No.1 Third Party Administrator 2018 | No.1 Third Party Administrator 2017 | No.1 Third Party Administrator 2016 | No.1 Third Party Administrator 2014

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2020

WINNER

Third-Party Administrator of the Year

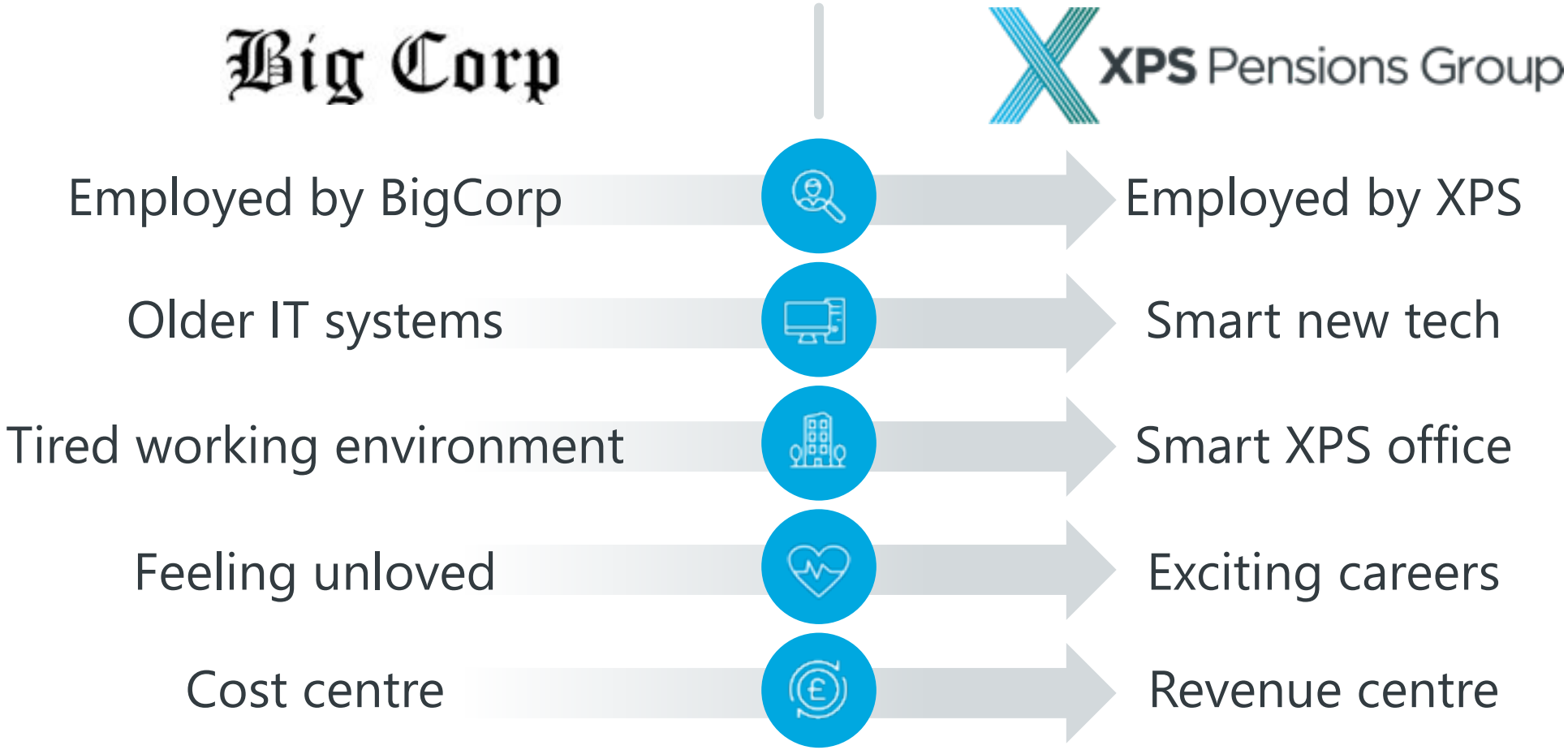
XPS Pensions Group

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2019

WINNER

Third Party Administrator of the Year

Opportunity – first time outsourcing



The in-house outsourcing opportunity

We estimate that in 2014 there were….

280
In-house Schemes

16
Moved to XPS

£18m
Revenue PA

28
Have since elected to outsource

57%
Success Rate

252
Yet to outsource

XPS Pensions Group

Acquisitions - Public Sector

2018

32 Police, Fire and Local Government arrangements

Circa 235k members

£4.9m in revenue

Based in Middlesbrough

2023

38 Police, Fire and Local Government arrangements

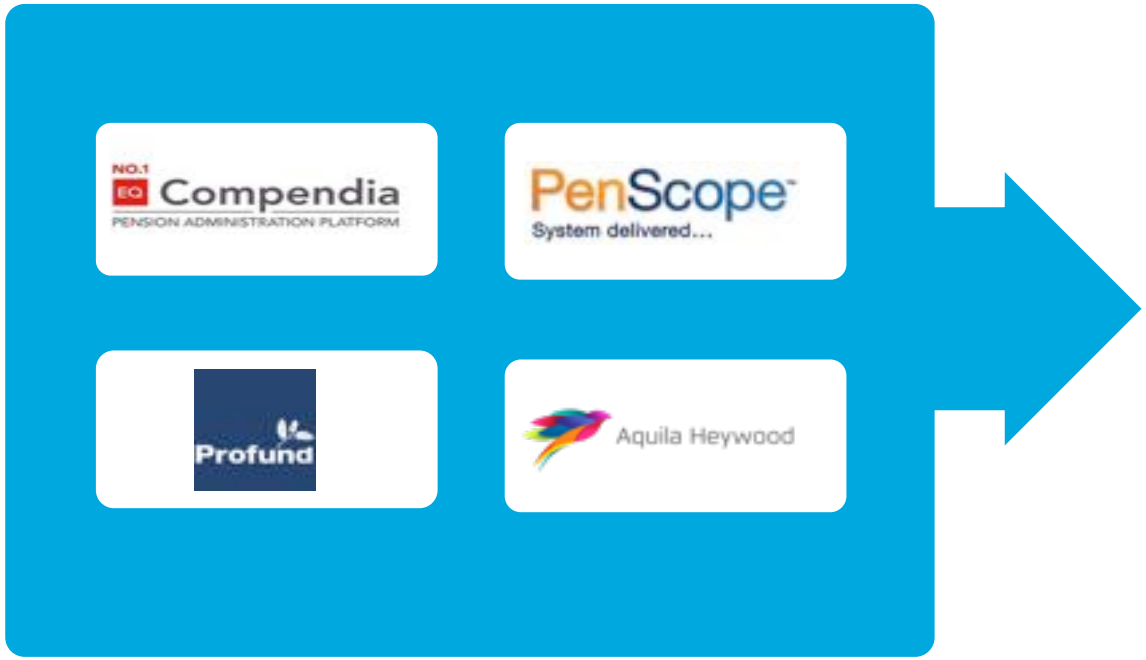
Circa 290k members

£7.8m in revenue

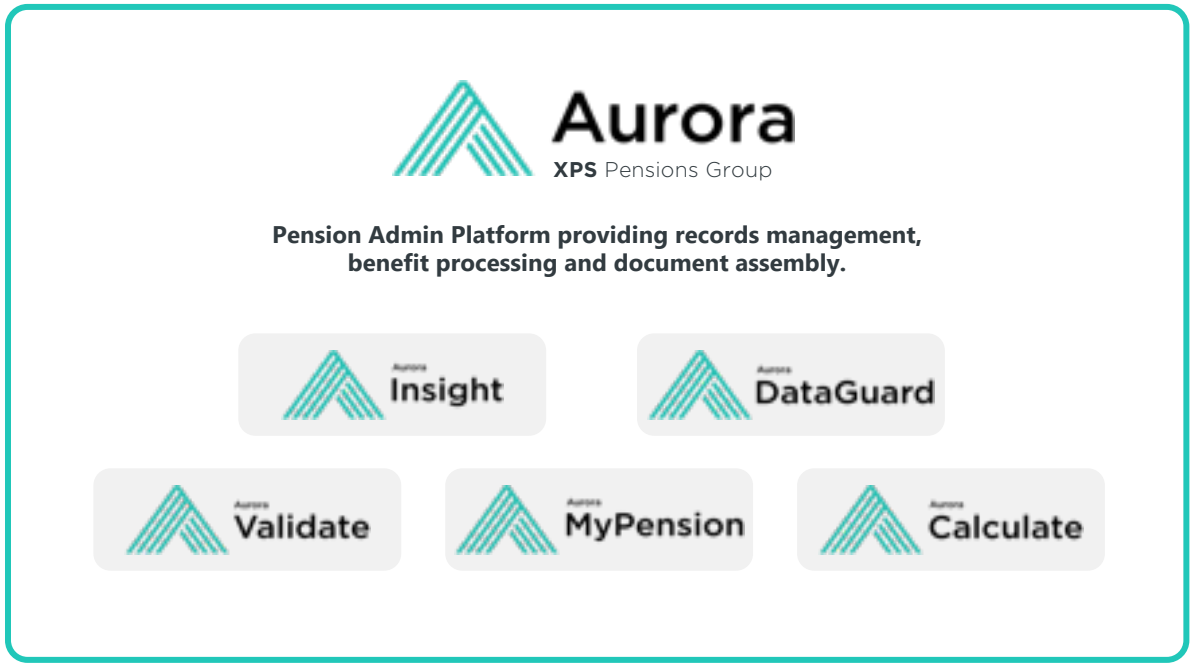
New Office in Middlesbrough

Investment in Technology

Our current Administration Platforms



Single Platform, Cloud Native, Digital First



Investment in Technology

Ownership, Control, future development and operational gearing .....

Faster **client onboarding**

Enhanced calculation **automation**

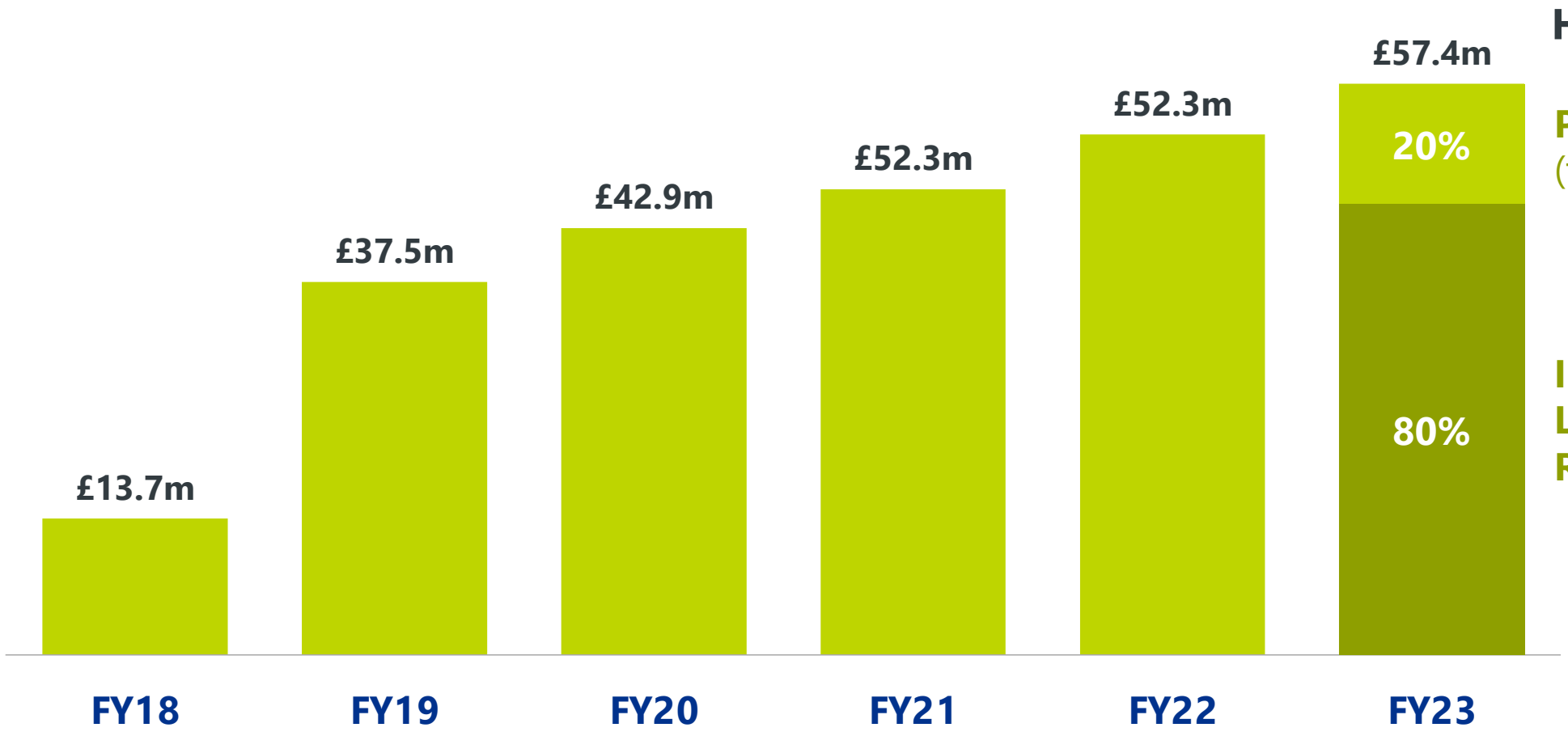
More efficient for everyone

Genuine USP for new business

The business in numbers -

	Schemes	Revenue	Staff
2019	454	£37.5m	557
2023	590+	£57.4m	811

Significant revenue growth



How we get paid

Project Work
(time / cost)

Inflation Linked Retainer

Key opportunities for growth

First time outsourcing + 2nd / 3rd gen appointments

Convert Admin Only to Full Service

Opportunities for operational gearing

XPS Pensions Group

Capital Markets Event

24 May 2023

XPS Pensions Group

Capital Markets Event

Break – 20 minutes

24 May 2023

Sophia Singleton

Head of Defined Contribution

DC market, and National Pension Trust

What is Defined Contribution?

(Contribution rate x Salary each year) + Investment return = Savings pot

What is Defined Contribution?

Over a 40 year career.....

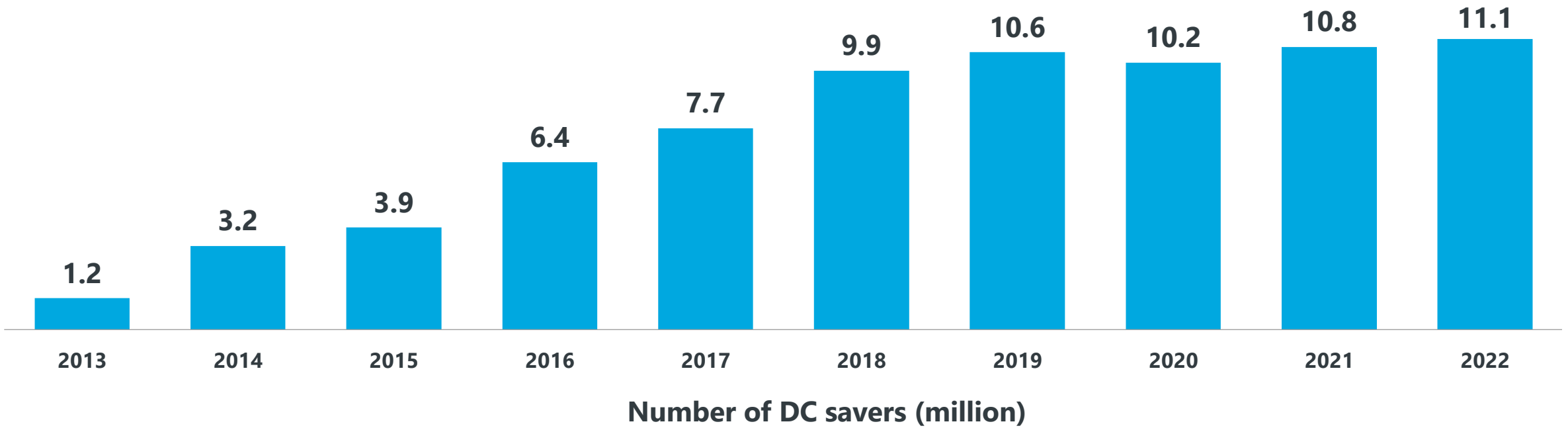
$$\left(8\% \times £30k \times 40 \text{ years} \right) + 5\% \text{ pa} = £220{,}000$$

DC is the pension of the future

Saving **£25**bn
Per Annum

>£0.5trn
Private sector DC assets

>£1.0trn
by 2035



Source : ONS

But its harder than you think….

1.	2.	3.
We help make sure there is enough money in schemes	We advise on where to invest the assets	We keep all the records, communicate with members and pay the pensions

1.

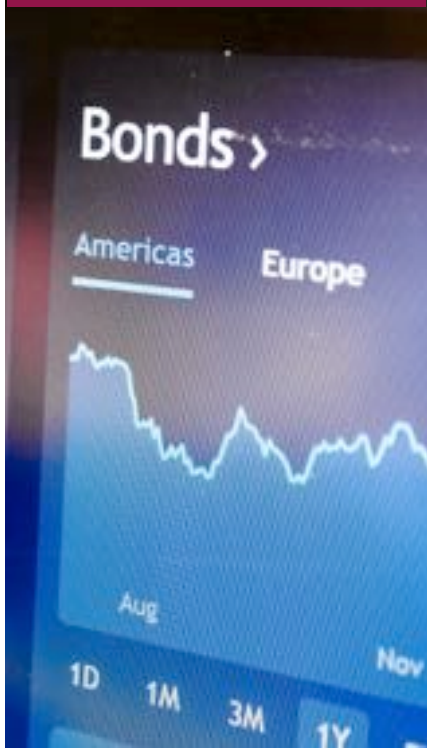
We help make sure there is enough money in schemes

2.

We advise on where to invest the assets

Shares

Bonds



Property

Money Markets

3.

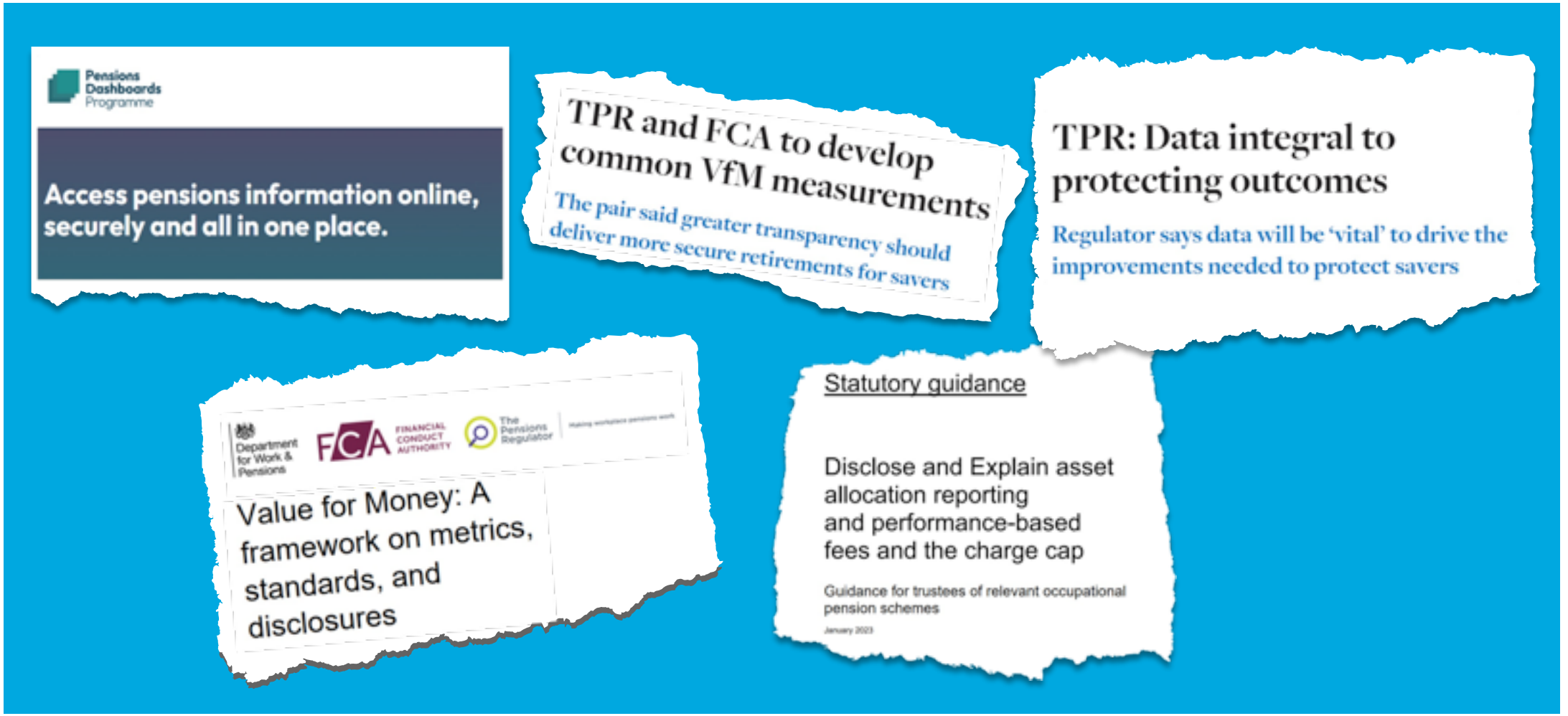
We keep all the records, communicate with members and pay the pensions

“

Pensioners will have complete freedom to draw down as much or as little of their pension pot as they want, anytime they want… No one will have to buy an annuity

GEORGE OSBORNE

Get busy or get out?



What is a MasterTrust?

Some clients want DIY

Setting up DC schemes

- Administration
- Investment platforms
- Support services

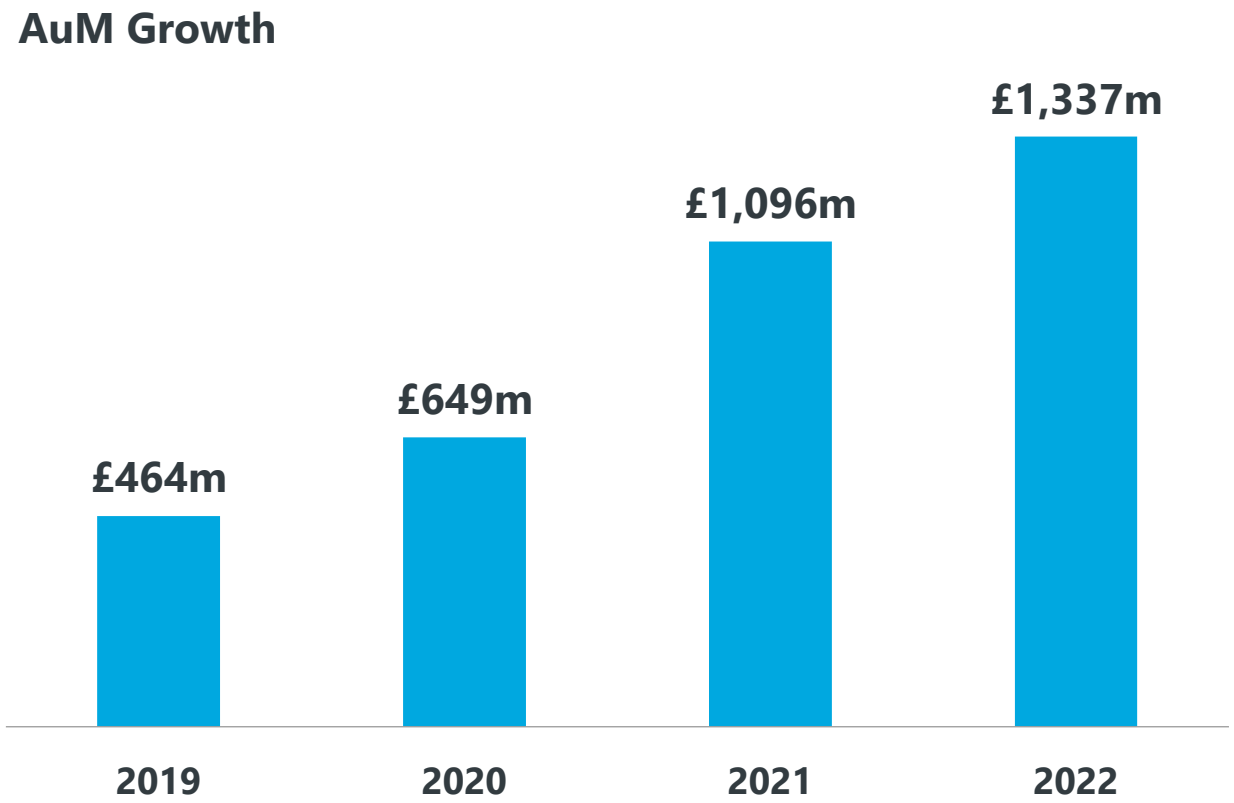
Designing benefit structures

Designing investment strategies

DC analytics to understand member behaviours

Some clients want a Master Trust

nationalpensiontrust
Powered by XPS Pensions Group



A competitive market...

2019:
92 DC Mastertrusts

2023:
33 DC Mastertrusts

How we get paid

Project Work
(time / cost)

Inflation Linked Retainers

NPT: based on AUM

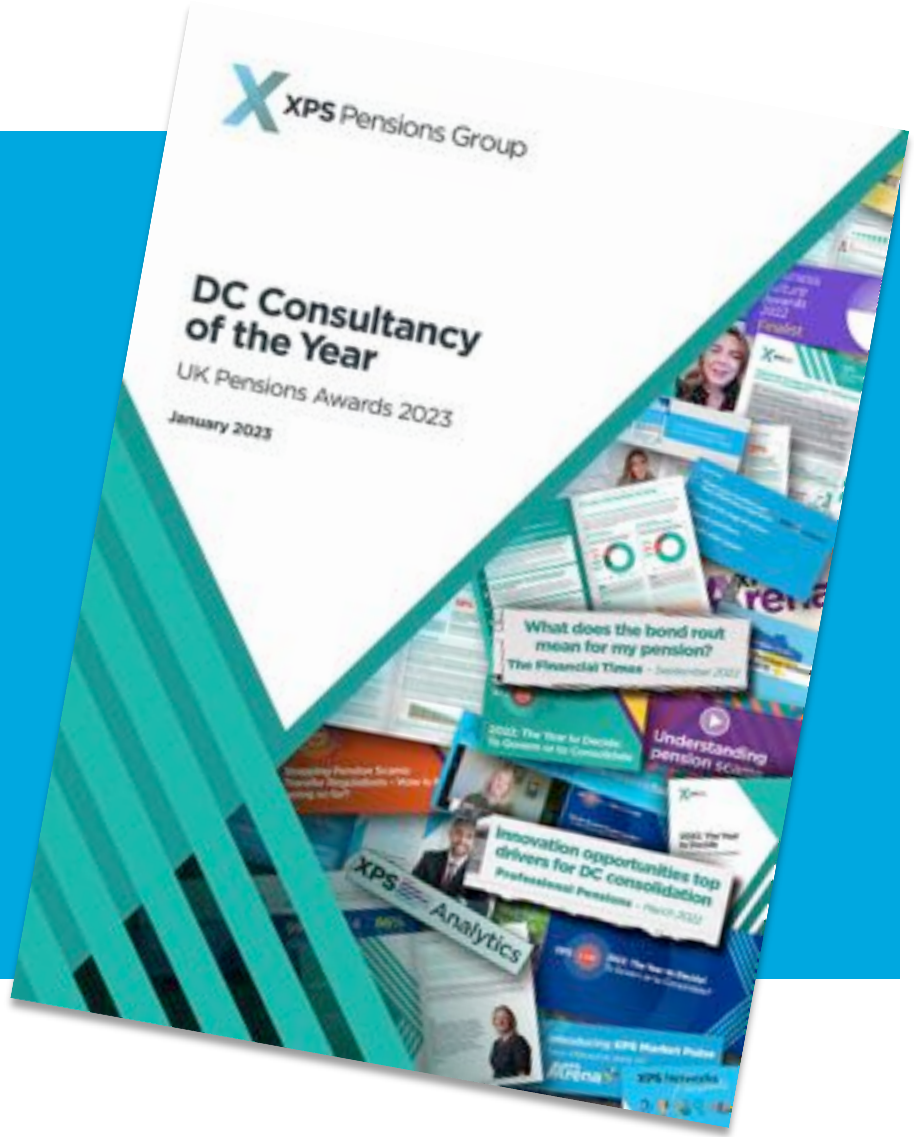
The DC business in numbers

	AUA	Revenue
2020	£3.5bn	£3.0m
2023	£15bn	£7.5m

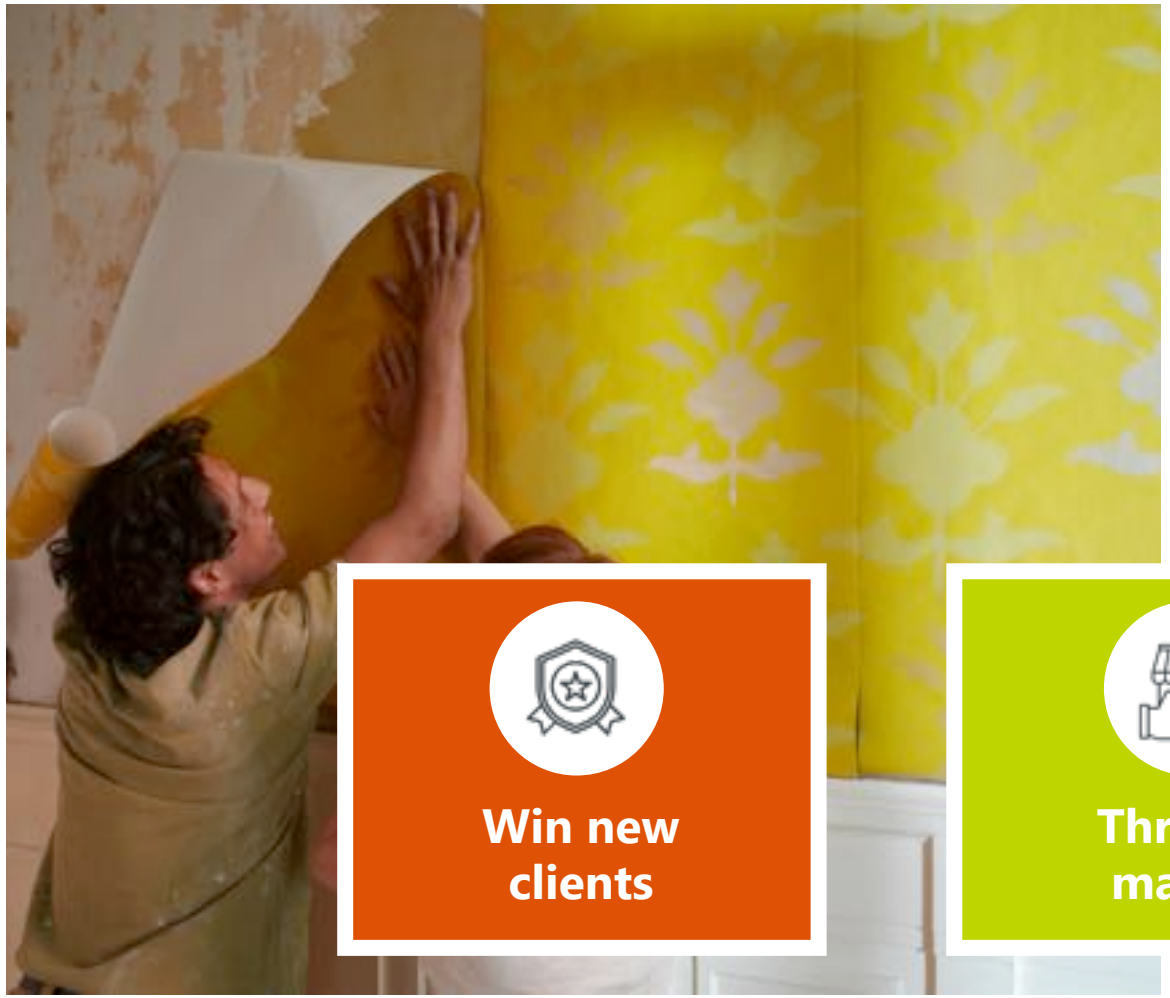
Where we are now

PROFESSIONAL PENSIONS™

Shortlisted DC consultancy of the year



Looking ahead



Win new clients

Thriving market

Huge future opportunity

XPS Pensions Group

Rachel Gillion

Head of People

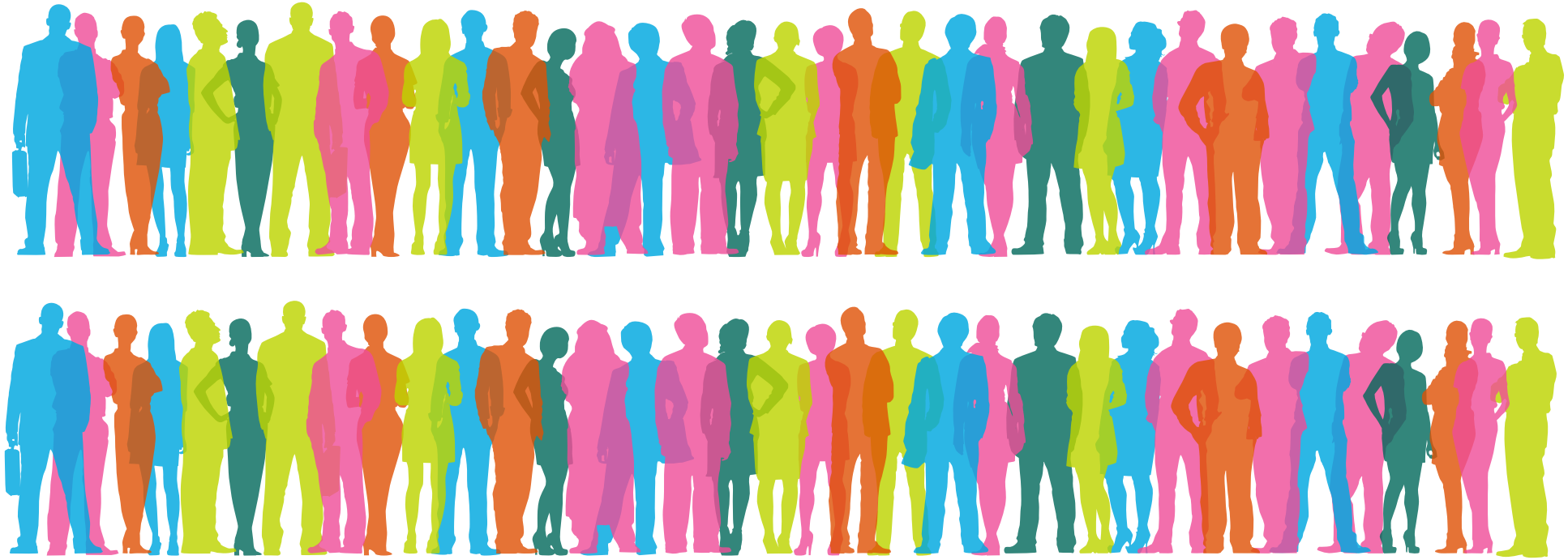
Culture

FTEs 2018

850

FTEs 2023

1,550+



Our ambition:
Best for people, Best for clients

Attract

Retain

Our ambition:
Best for people,
Best for clients

Motivate

XPS Pensions Group

VIP
Awards
2023
Values in Practice

132

nominations

VIP Awards 2023
Values in Practice

Building a community

XPS Women's Network

XPS Disability Network

XPS Multicultural Network

XPS LGBTQ+ Network

XPS Menopause Network

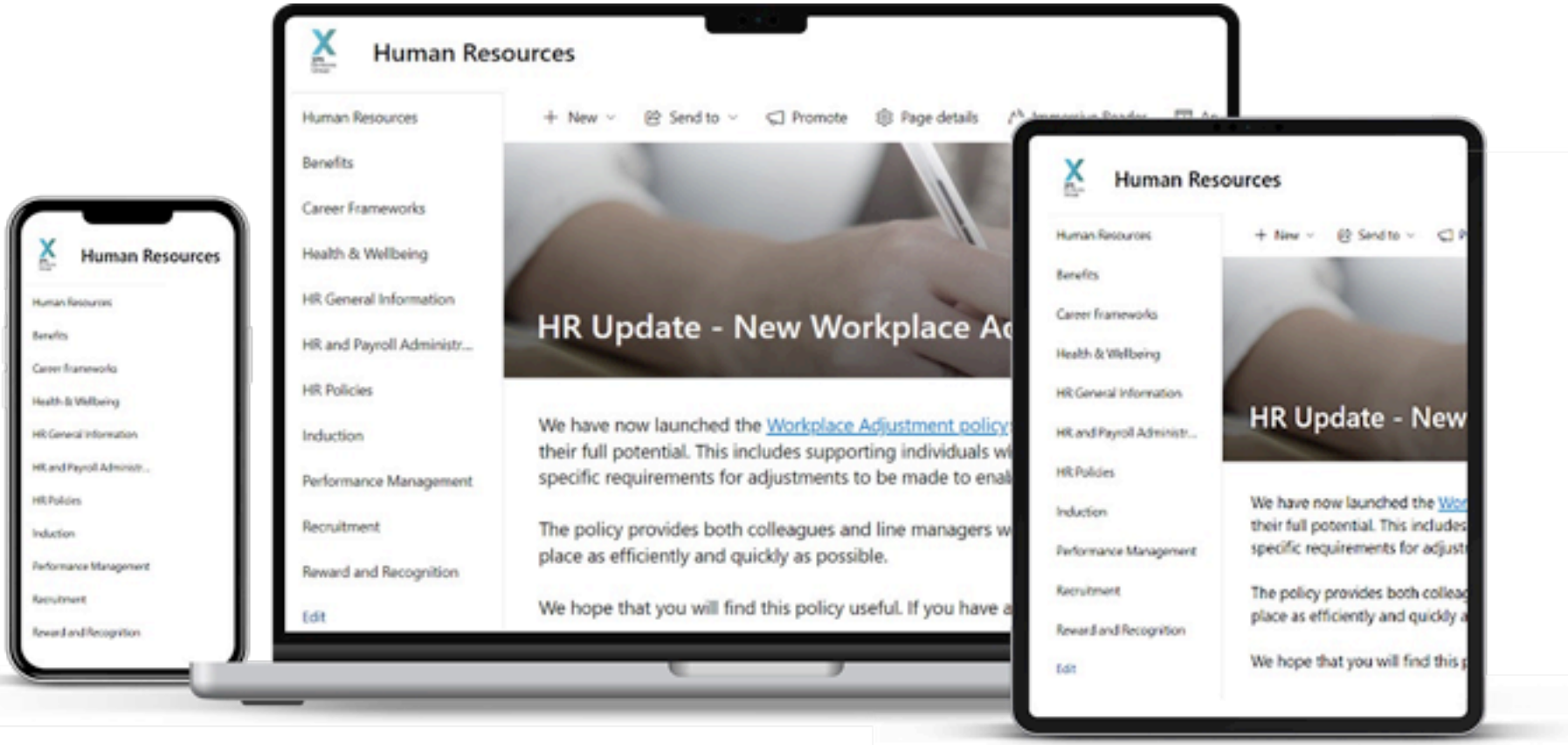
XPS Planet Group

XPS Mental Health Allies

Employee Engagement Group

Building a community

Employee Engagement Group



disability confident COMMITTED

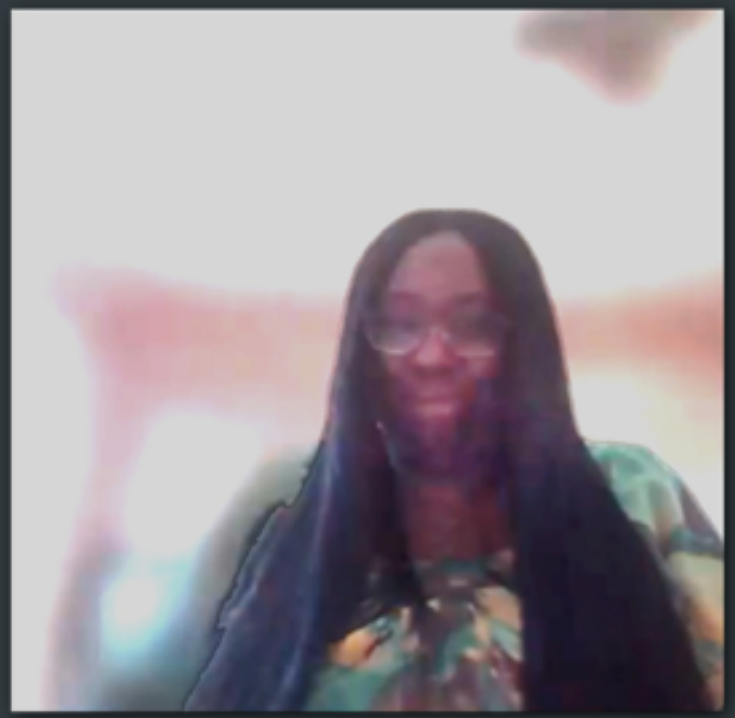
MENOPAUSE FRIENDLY™

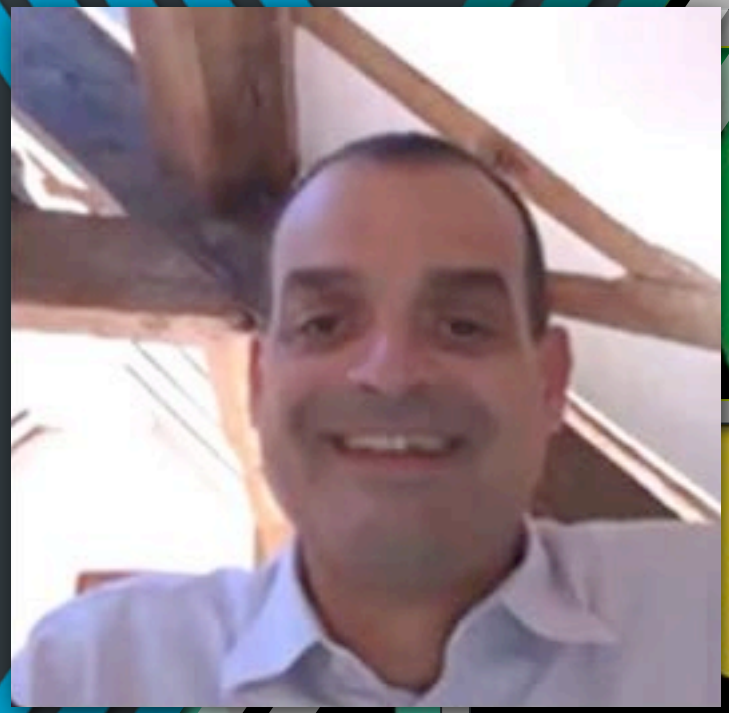
Committed to being a **menopause friendly** employer

PROUD to display the BADGE

BHM | 2022

#BHM2022 #BlackHistoryMonth #BEXPS





BHM | 2022

#BHM2022 #BlackHistoryMonth #BEXPS

Inclusion and diversity framework

We are committed to a culture of '**Belonging**' at XPS. One where differences are valued and respected, where all staff can be their true selves at work and where we can all contribute to, and be recognised for, creating the best possible XPS.

	OUR CULTURE	FAIR PROCESSES	ATTRACTION & RETENTION	D&I WITHIN SOCIETY
Our ambitions	To create an environment where everyone can be their true selves and feel they belong at XPS	To ensure we have an environment where decisions are based on objectivity and merit and people are recognised for the contribution they make	Demonstrate we are an inclusive employer to attract and retain staff	To help drive an inclusive culture across society
We will achieve this through	Communicating to increase employee awareness of diversity and inclusion, expectations, roles and performance measurement Implementing training and focusing on behaviour changes and active learning Communicating and celebrating differences	Reviewing processes such as recruitment, promotion & development to ensure they are fair and biased free Ensure opportunities for career development are allocated fairly Actively soliciting perspectives and ideas from staff	Updating all external XPS communications to reflect our D&I ambition Make the XPS brand synonymous with D&I / accreditation and awards Supporting and providing resource to the employee networks Setting targets for less experienced recruitment	Increasing diversity of speakers and inclusion of attendees for marketing and events Participating in industry events, supporting D&I and developing D&I leadership Setting targets for new suppliers and engaging with existing suppliers

Communication is key

Communication is key

Ignore Junk Delete Archive Reply Reply All Forward Meeting IM More Share to Teams Rach 20 Sept 20... To Manager Team Email Done Reply & Delete Create New

Delete Respond Teams Quick Steps

Friday update

PC Paul Cuff
To All_XPS

Reply Reply All Forward

Fri 14/04/2023 14:10

14 April update.m4a
2 MB

Hi all

Here's another quick update ahead of the weekend.

Have a good one

Paul

Paul Cuff
Chief Executive Officer

020 3978 8625
07980 826032

XPS Pensions Group
11 Strand | London WC2N 5HR

www.xpsgroup.com

Shortlisted for D&I Awards

Mid-year salary increase

> Thank you so much.
>
> What a brilliant company to work for.

Contact Centre Representative
Middlesbrough

> Thank you so much, this is really very appreciated & most welcome – it removes a lot of stress and worry going forward.

Senior Pensions Fund Accountant
Wokingham

> I've signed back in after a few days leave and I want to say a personal 'thank you so very much' to you and the company for the below. It will make a huge difference, I even had a few tears over this today.
>
> Thank you from the bottom of my heart!

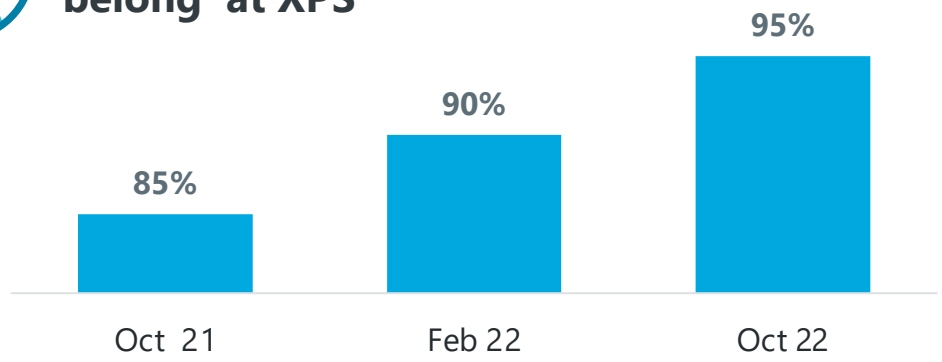
Junior Pensions Administrator
Newcastle

> No other words other than a MASSIVE THANK YOU!

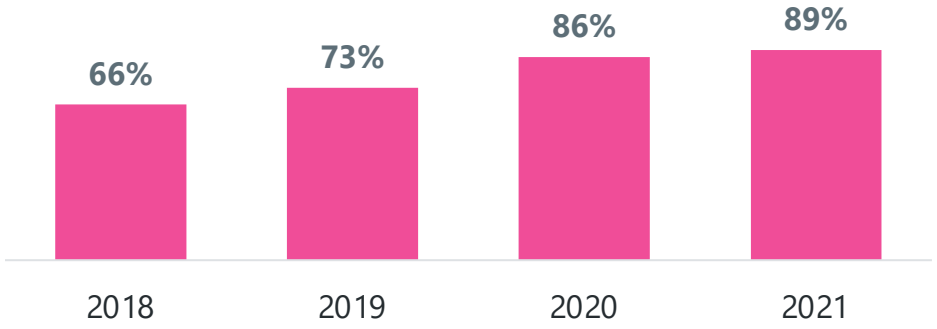
Senior Process & Technical Analyst
Edinburgh

Employee engagement

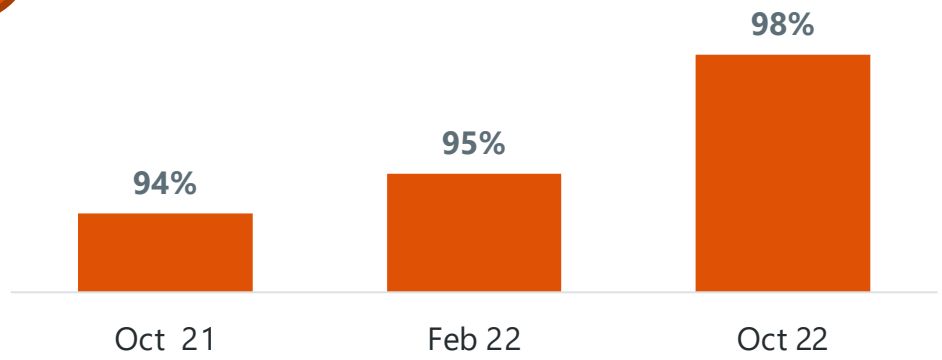
"I feel like I 'belong' at XPS"



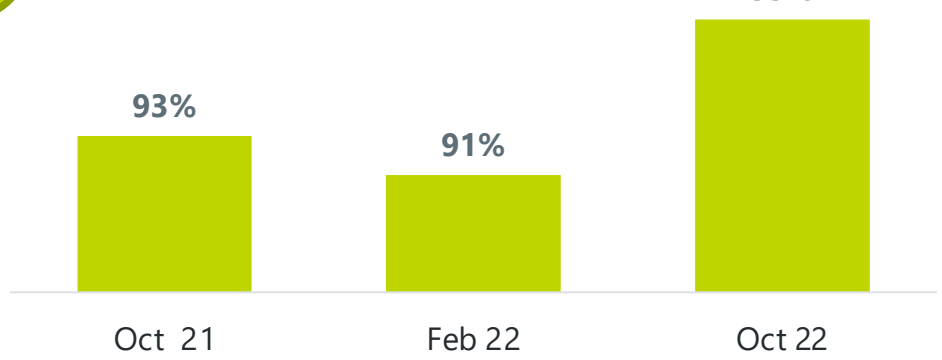
"XPS leadership is committed to DE&I"



"XPS is a good company to work for"



"Working here makes me want to do the best work I can"



The Happiness Index

+33

XPS 2022 Score

+5

Benchmark

Awards

A strong performance

How we treat our people is key to our success

XPS Pensions Group

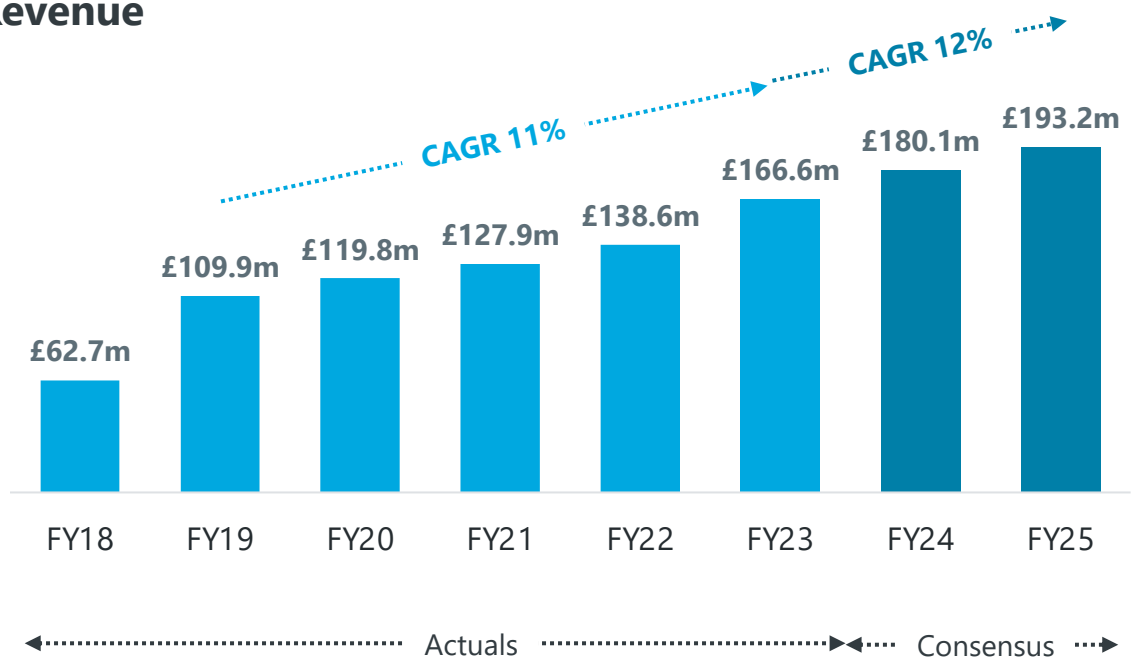
Snehal Shah

Chief Financial Officer

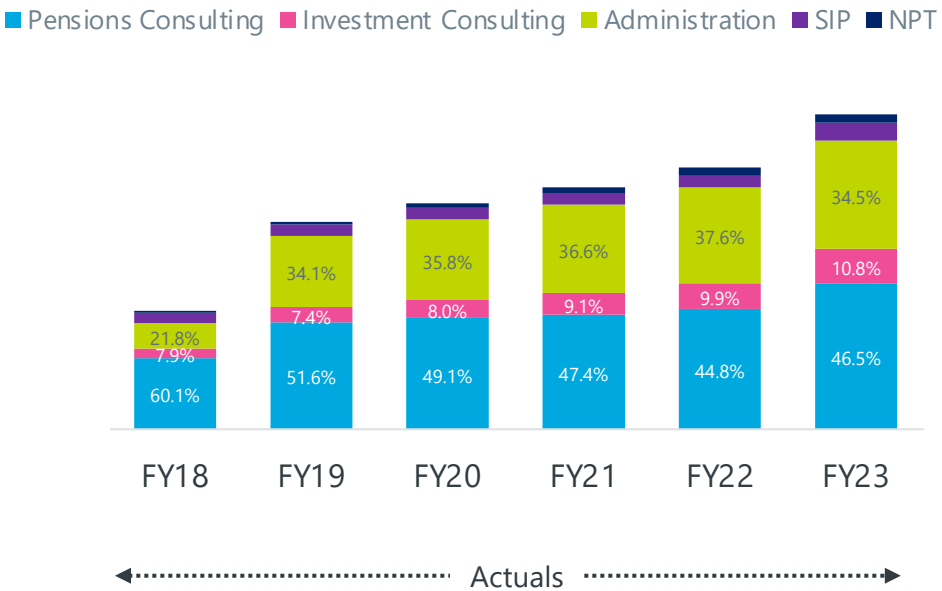
Strong and sustainable growth

Strong top line growth

Revenue



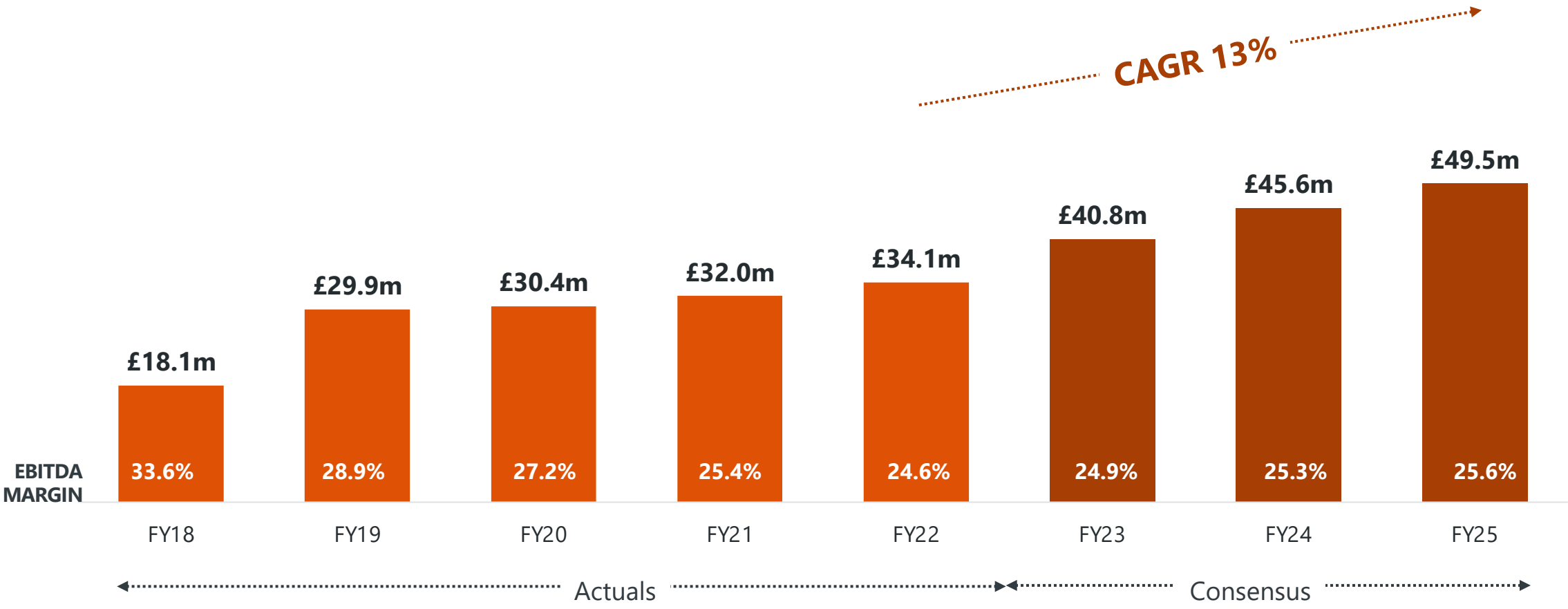
Revenue mix



>90% repeat / recurring

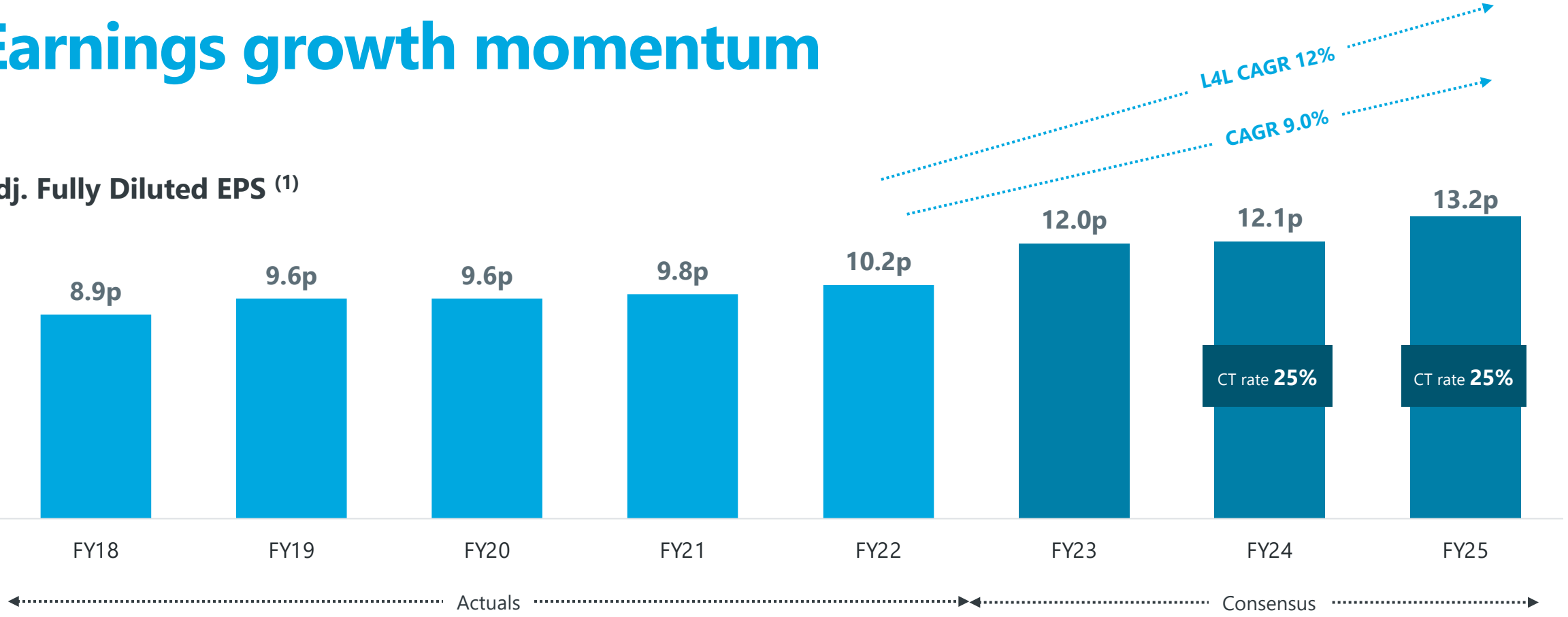
Strong profitable growth

Adj. EBITDA [1]



[1] Adjusted measures exclude the impact of exceptional and non-trading items: acquisition related amortisation, share based payments, corporate transaction costs, restructuring costs and other items considered exceptional by virtue of nature, size and incidence.

Earnings growth momentum

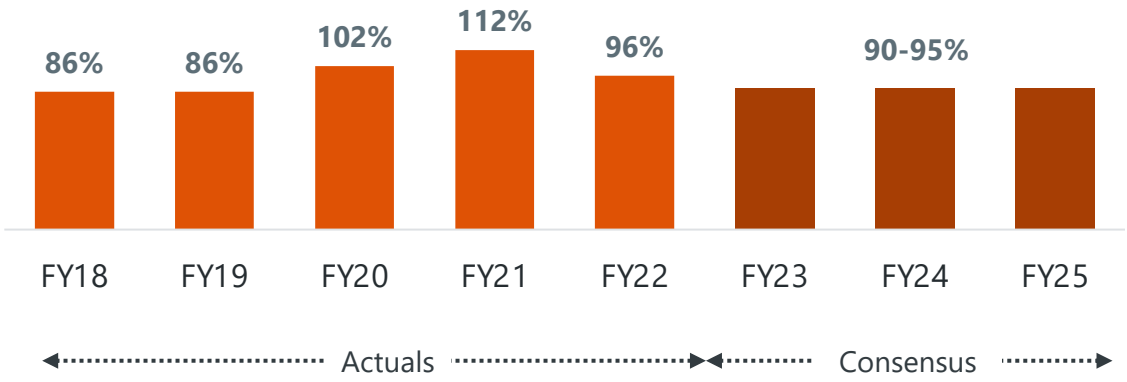


£73m paid in dividends since 2017 + **£6m of** share buy-backs

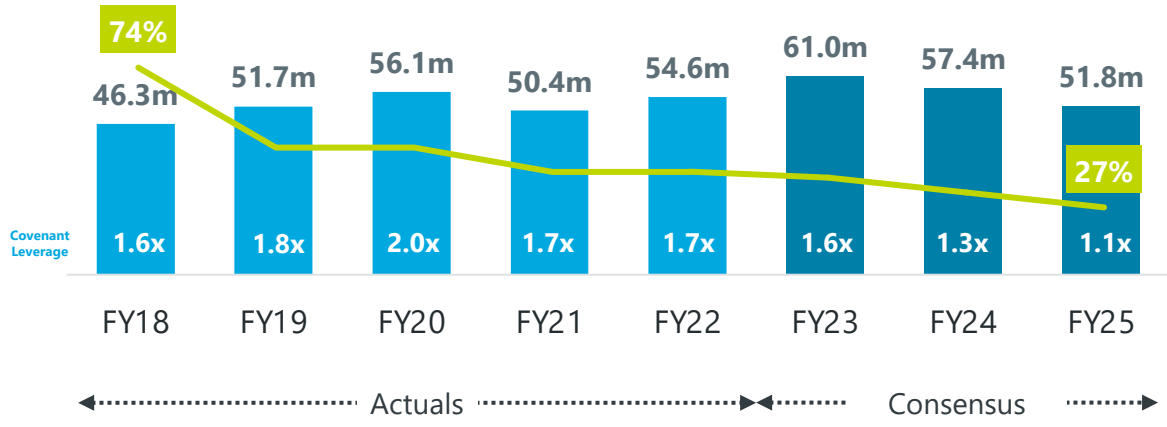
(1) Adjusted measures exclude the impact of exceptional and non-trading items: acquisition related amortisation, share based payments, corporate transaction costs, restructuring costs and other items considered exceptional by virtue of nature, size and incidence.

Robust balance sheet & disciplined capital allocation

OCF conversion



Net debt



Capital allocation priorities:

Organic growth – core or tangential markets

Progressive dividends

Best in class Administration platform

Earnings enhancing strategic M&A

Earnings enhancing M&A

Disciplined approach to bolt on M&A:

- Businesses that add capability, scale or access to new markets
- Opportunity to cross sell
- Earnings enhancing and strong strategic & cultural alignment
- Ease of integration
- Hurdle rate above our cost of capital

ROYAL LONDON
CORPORATE PENSIONS SERVICES

KIER
Pensions Unit

Michael J Field
Consulting Actuaries

Trigonpensions
Consultants and Actuaries

PENFIDA

Capital deployed	ROCE
£26.6m	**19%**

Good for our clients, people and shareholders

XPS Pensions Group

Ben Bramhall

Co-Chief Executive Officer

Leading the way...

A drag on the UK economy…

Opinion **Pensions crisis**

Final salary pensions have been uniquely horrible for UK plc

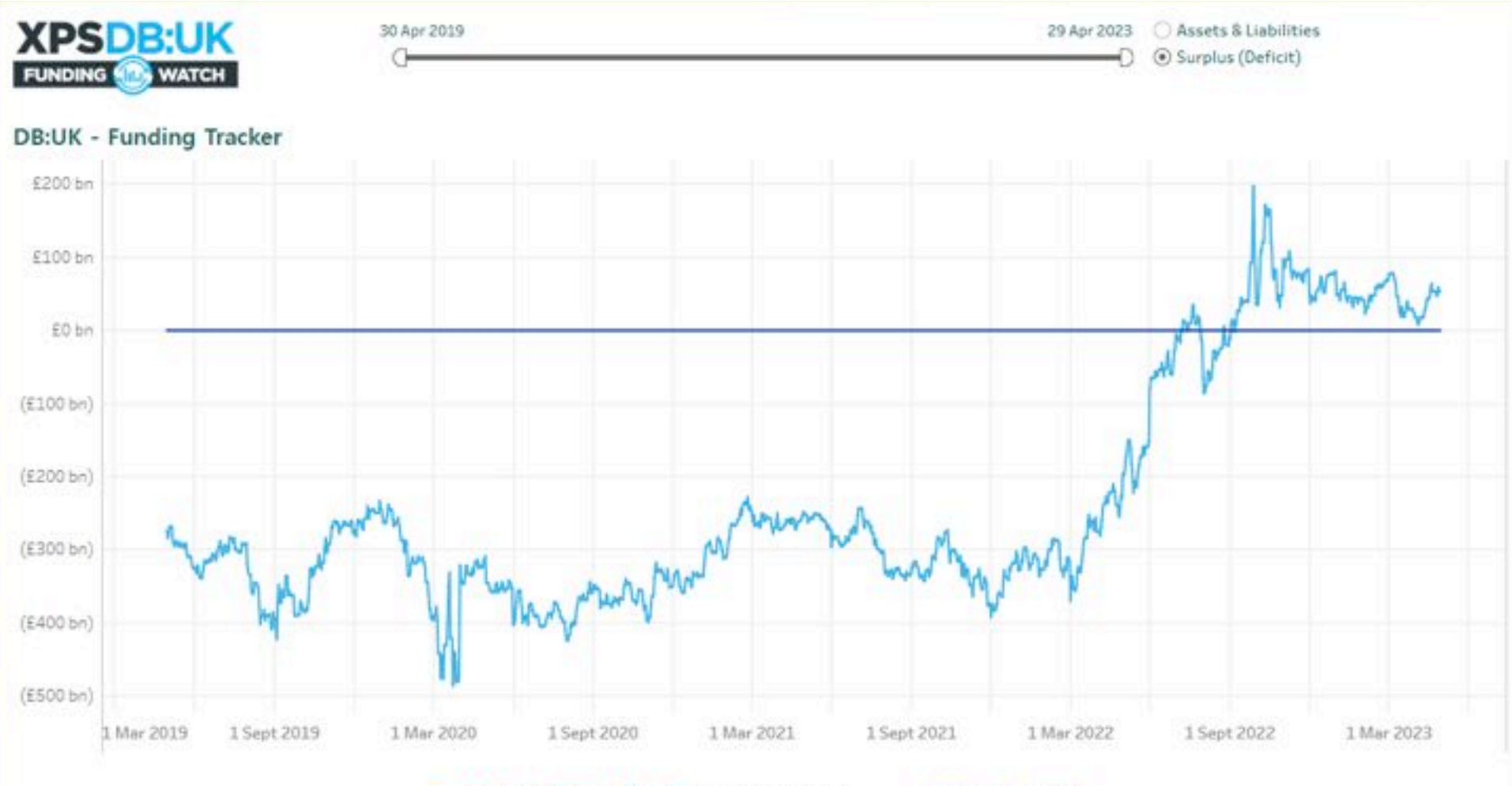
Schemes have held back wage growth, distorted decision-making and consumed incalculable amounts of management time

‘Over the past two decades, companies have paid **more than £500bn** into such schemes.’

Financial Times

Over the past two decades, holdings of UK-listed companies by British pension and insurance funds have plunged from about half of their portfolios to 4 per cent

Funding levels are improving…



How the industry is responding…

Pension scheme de-risking of assets

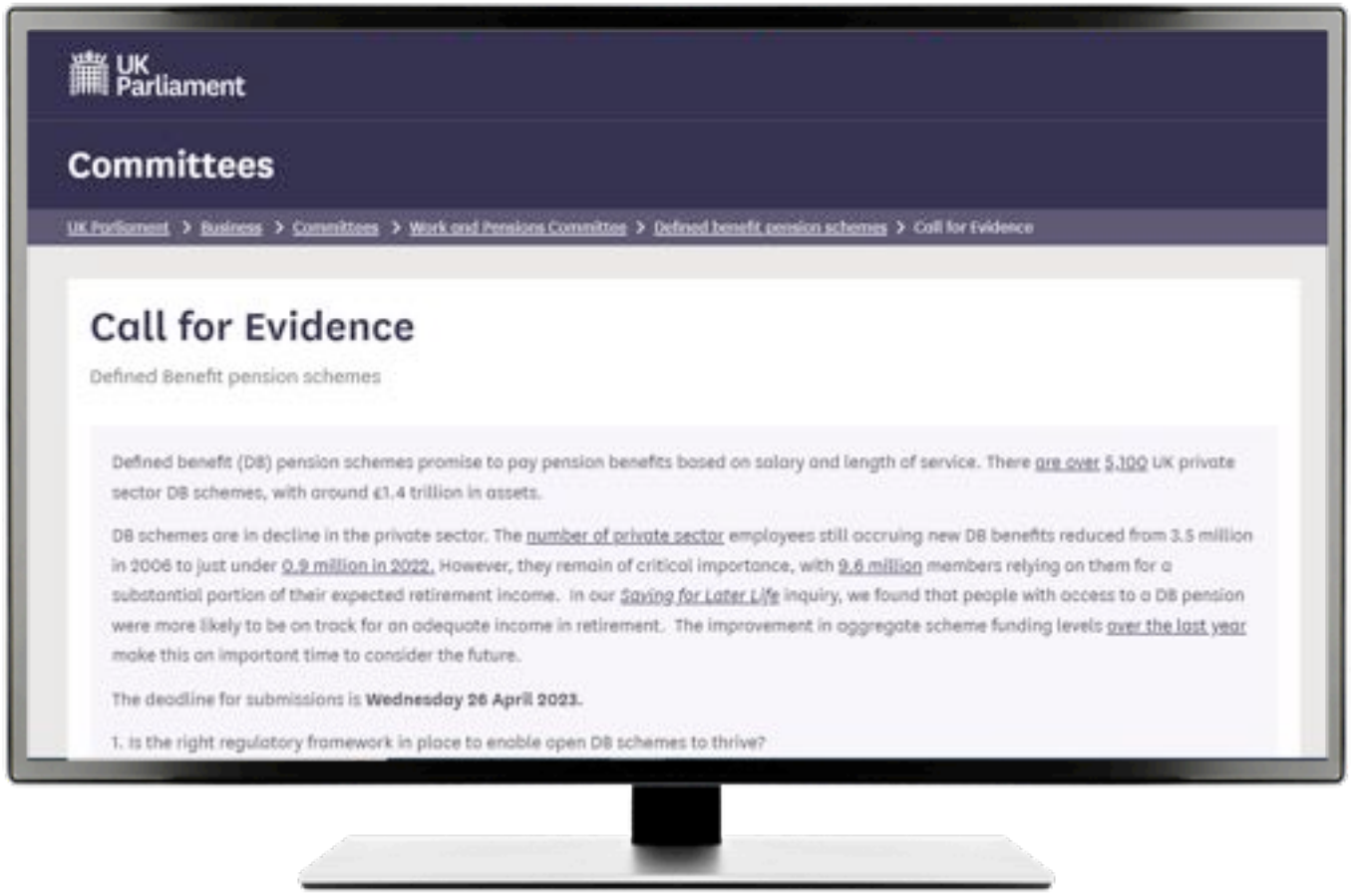
Liabilities passed to insurer (i.e. buy-in / out)

- Positive for member security
- Capital flows out of growth assets

REUTERS

Bank of England tells insurers to moderate their push into pensions

Work & Pensions Committee….



We believe the £1.5trn of UK DB pension assets could be used as a force for good to tackle some of the leading issues the UK is facing

XPS response to Call for Evidence

Broader UK challenges…

Current challenges facing the UK include….

Economic growth

Tight labour market / cost pressures

Inadequate pension savings

The path of least imagination…

Example pension scheme	
Assets	**£1.1bn**
Insurance cost	**£1.0bn**
Funding level	**110%**

Option 1 – Buy-out

Liabilities passed to insurer (i.e. buy-in / out)

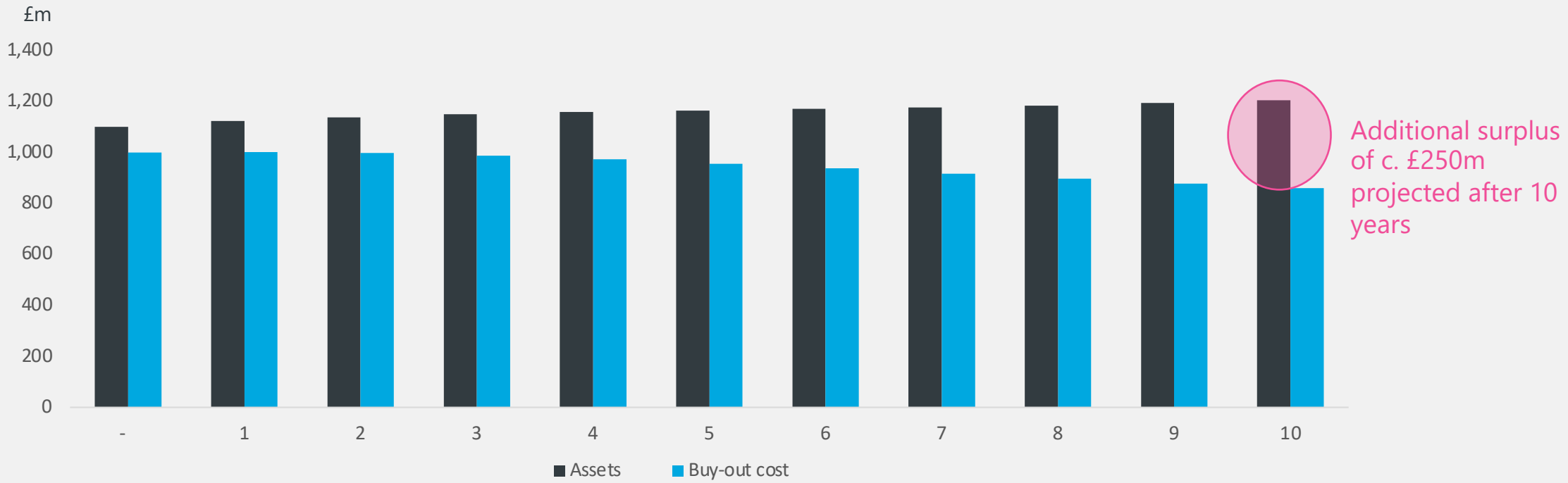
Scheme removed from corporate balance sheet

- **Data cleansing**
- **GMP**
- **Risk transfer**
- **Investment transition**
- **Pension consulting**

Scheme projection…

Projected development of assets and insurance cost

Surplus becomes insurer profit under insurance scenario



Notes : XPS Projection assuming assets return of 1.5%pa in excess of gilt yields

Alternative approach…

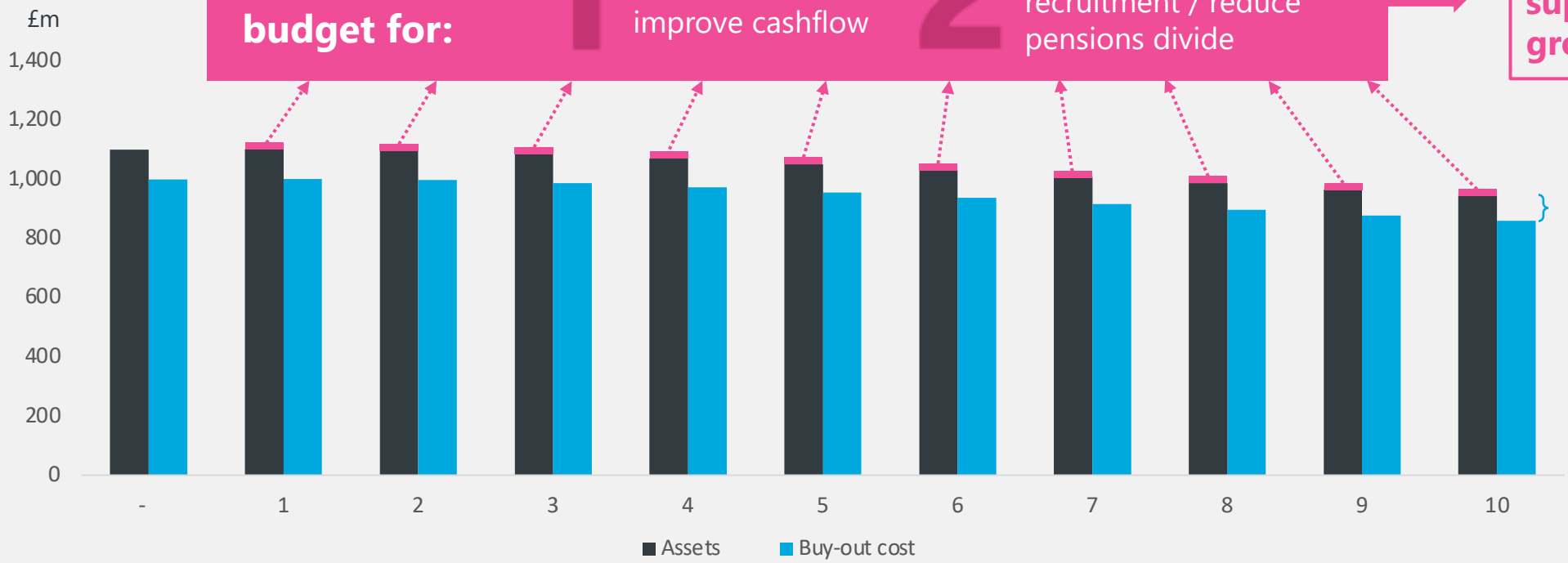
Retain surplus within scheme to fund (DC) benefits for current employees

Excess surplus used as a budget for:

1 Employer DC contributions to improve cashflow

2 Increase employer DC contributions to aid recruitment / reduce pensions divide

Re-invested in growth assets to support economic growth



Risk buffer maintained to ensure security of member benefits

A small change could also be made to the PPF to ensure members remain protected

Notes : XPS Projection assuming assets return of 1.5%pa in excess of gilt yields

Potential benefits…

Economic growth

Tight labour market / cost pressures

Inadequate pension savings

Up to £100bn reinvested in growth over 10-year period

Budget of c. £10bn pa to boost employer cashflow or increase pensions savings for employees

Leading the way…

Our ambition – best for people, best for clients

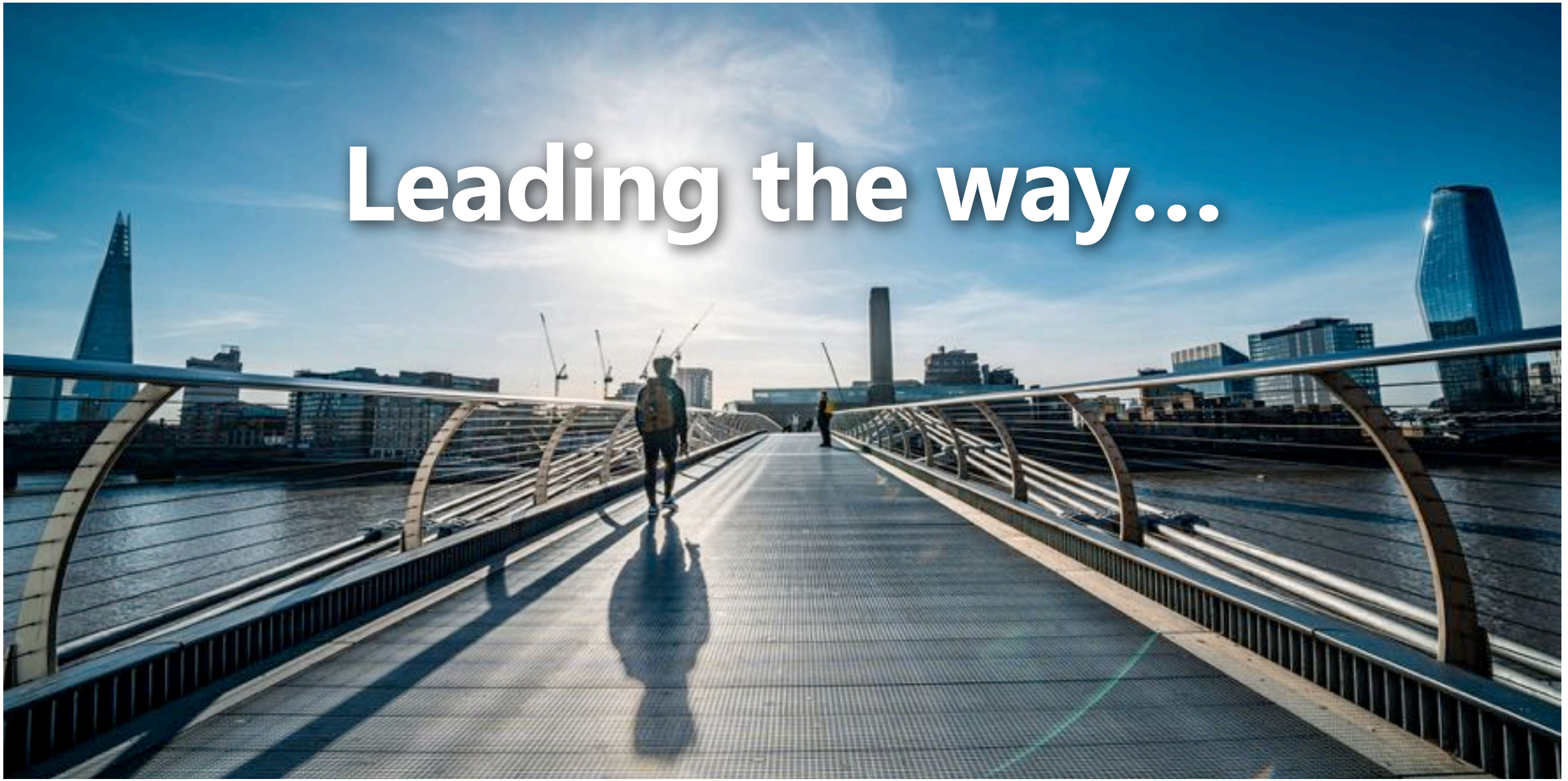
Revenue drivers

- Regulatory & market change
- Breadth of service offering
- New client wins

Operational gearing

- ‘Tilt’ to higher margin services
- Administration technology
- Broader operational efficiency

Strong contribution to society – helping to shape the future


Leading the way…

XPS Pensions Group

Capital Markets Event

24 May 2023