



Interim Results H1 2019

29 November 2018



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Welcome and introductions



Ben Bramhall
Co-Chief Executive
Officer



Paul Cuff
Co-Chief Executive
Officer



Mike Ainslie
Chief Financial
Officer





» Highlights & Overview

Highlights : H1 at a glance

Launch of XPS Pensions Group

- New brand and sub-brands launched in May 2019
- Merger continues to be well received

Preparing to exit the TSA

- On track to exit TSA in April – June 2019

Acquisition of Kier Pensions Unit

- 'Bolt-on' earnings enhancing deal
- Access to opportunities in public sector administration

Integration well progressed

- Strong employee morale and no loss of key staff
- Harmonisation of working practices well progressed

Landmark new business wins

- Winning 'larger' schemes than either firm previously
- Cross-selling between PS and Xafinity clients

Pro-forma revenue growth in H1 of 3.3%

- Respectable performance given growth slowed by integration activity
- Increased growth expected in H2
- Positive regulatory and competitive environment

Integration activities



Successful launch of 'XPS Pensions Group' brand

- Established sub-brands XPS Pensions, XPS Administration and XPS Investment
- New website, marketing materials, new business materials and client delivery reports
- Rebrand received positively at annual conference with c. 400 attendees



Strong cultural integration

- Implemented new harmonised staff grading, reporting lines and staff incentive arrangements
- Morale has remained strong as evidenced by employee survey results
- No loss of key staff since the acquisition

85%

*of our staff strongly agree / agree
XPS is a good company to work for*

79%

*of our staff are proud to work for
XPS*

New business : examples of success

Initial market sentiment to 'wait and see' impact of merger
Ten new annuity wins* during H1 with expected 'core' revenue of c. £1.7m



Actuarial and investment appointment for £1bn+ scheme (July 2018)

- Big 3 incumbent
- Multiple firms invited to pitch
- Site visit and Radar critical to success



Ongoing data cleansing / tracing work for £ multi-billion scheme (July 2018)

- Leverages skills within Centre of Excellence
- Opportunity to further expand relationship



Actuarial and investment appointment for £350m scheme (September 2018)

- Increased profile / scale key to success

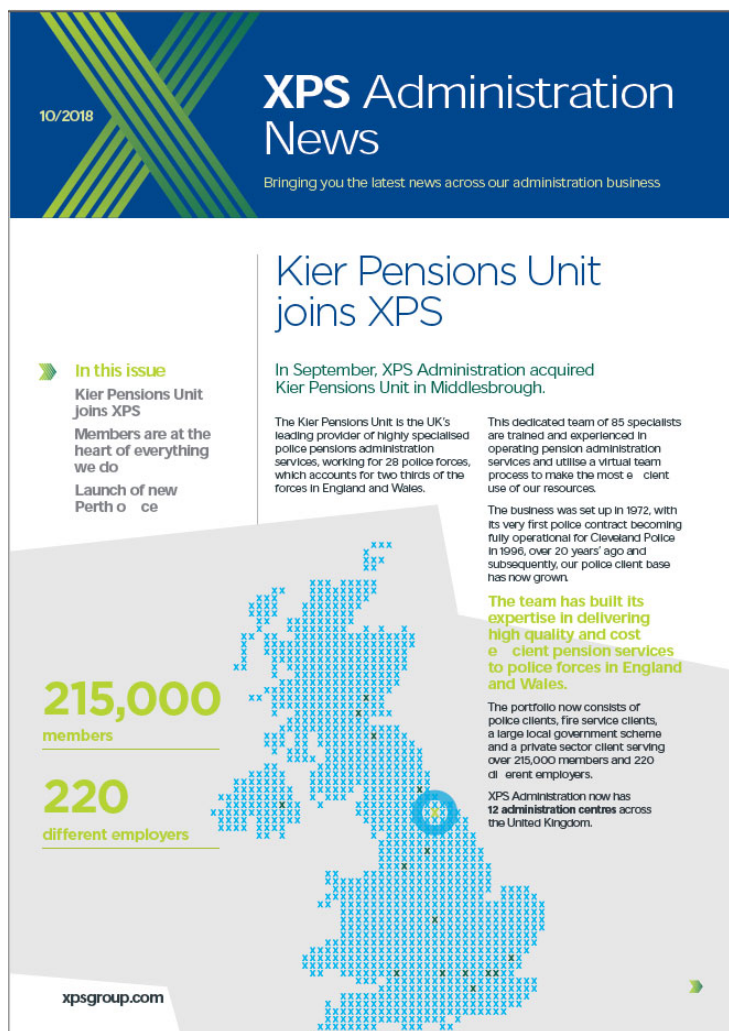


Multiple 'sales' of trivial commutation across legacy Punter Southall client base

- No revenue 'booked' in H1
- Further opportunities across large administration clients

New business pipeline is currently strong

Acquisition of Kier Pensions Unit



10/2018

XPS Administration News

Bringing you the latest news across our administration business

Kier Pensions Unit joins XPS

In September, XPS Administration acquired Kier Pensions Unit in Middlesbrough.

In this issue
Kier Pensions Unit joins XPS
Members are at the heart of everything we do
Launch of new Perth office

The Kier Pensions Unit is the UK's leading provider of highly specialised police pensions administration services, working for 28 police forces, which accounts for two thirds of the forces in England and Wales.

This dedicated team of 85 specialists are trained and experienced in operating pension administration services and utilise a virtual team process to make the most efficient use of our resources.

The business was set up in 1972, with its very first police contract becoming fully operational for Cleveland Police in 1996, over 20 years' ago and subsequently, our police client base has now grown.

The team has built its expertise in delivering high quality and cost efficient pension services to police forces in England and Wales.

The portfolio now consists of police clients, fire service clients, a large local government scheme and a private sector client serving over 215,000 members and 220 different employers.

XPS Administration now has 12 administration centres across the United Kingdom.

215,000
members

220
different employers

xpsgroup.com



'Bolt-on' acquisitions part of core strategy

- To access broader opportunities or enhance capabilities
- Earnings enhancing transactions, funded out of cashflow



High quality administration business

- 'Blue light' and local government client base
- c. 70 people based in Middlesbrough
- High client retention rates
- Strong market reputation



Strategic access to wider public sector market

- Opportunities in local and central government
- Earnings accretive structure



Financials

Divisional performance and outlook

	H1 performance	H2 outlook
Pensions	<ul style="list-style-type: none"> Business unit most impacted by time spent on integration activities Growth impacted by 'non-repeated' projects in H1 2018 Demonstrated ability to win on larger clients 	<ul style="list-style-type: none"> Integration activities affecting consultants largely complete Large trivial commutation project to be delivered, no equivalent in H2 2018 New business wins coming online GMP equalisation will drive increased client demand
Administration	<ul style="list-style-type: none"> Large new insurance client contract delayed but successfully went live in August 2018, with new Perth (Scotland) office opened Presence in public sector third party administration market with Kier Pensions Unit acquisition 	<ul style="list-style-type: none"> Full half of revenue from large insurance client and 5 months of Kier revenue Two other appointments secured in H1 coming online in H2 Strong pipeline of opportunities
Investment	<ul style="list-style-type: none"> Integrated two separate investment teams into one with successful recruitment to boost capability Strong growth including 4 substantial client wins 	<ul style="list-style-type: none"> New business wins coming online CMA review backdrop favourable for the future
Other	<ul style="list-style-type: none"> NPT increased assets under management by 22% SIPP/SSAS revenue grew by 17% Sold non-core healthcare business to maintain pensions focus 	<ul style="list-style-type: none"> NPT assets under management 40% larger than at start of H2 2018

The Board looks forward to H2 with confidence that growth rates will increase towards long term expectations and is confident that full year profit figures will be broadly in line with expectations.

Income statement

£'millions	H1 2019	H1 2018 ¹	change
Revenue	52.2	24.5	113%
Wages & salaries	26.8	12.0	123%
Property & general business costs	13.4	5.0	168%
Depreciation of tangible assets & software	0.6	0.5	20%
Adjusted Operating Profit	11.4	7.0	63%
Share based payment costs	2.6	0.7	271%
Exceptional expenses (acquisition/disposal)	0.2	0.4	-50%
Exceptional expenses (integration)	0.8	-	-
Amortisation of acquisition intangibles	8.0	1.7	371%
Other income (contingent consideration)	-0.3	-	-
Profit from Operating activities	0.1	4.2	-98%
Net finance costs	1.2	0.4	200%
Profit Before Tax	-1.1	3.8	-129%
Tax	-0.2	0.9	-122%
Profit after tax from continuing operations	-0.9	2.9	-131%
Profit from discontinued operations	1.3	1.0	30%
Profit after Tax	0.4	3.9	-90%
Adjusted Profit after Tax	8.6	5.3	62%
EPS Basis (pence)	0.2	2.9	-93%
EPS - Adjusted Diluted² (pence)	4.2	3.9	8%

¹ H1 2018 comparatives adjusted for the exclusion of the Healthcare business (Revenue £0.8m), the sale of which completed on 30 September 2018. They also exclude the HRT business which was sold on 11 January 2018 (Revenue: £1.3m).

² From continuing operations

Underlying Revenue Growth

H1 2019 £52.2m, H1 2018 £24.5m, combination of:

- Revenue from Punter Southall business of £26.7m
- Pro-forma revenue growth for overall business of 3.3%

Adjusted EPS² (Diluted)

- H1 2018 : 3.9p (137m shares)
- H1 2019 : 4.2p (205m shares)

Dividend

- Interim dividend of 2.3p up from 2.1p in H1 2018
- 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
- 10% increases in interim dividend, reflecting full year expectation

Balance sheet

£'millions	30 September 2018	31 March 2018
Fixed Assets	1.8	1.0
Intangibles	207.5	215.7
Receivables	27.8	28.8
Cash	7.7	9.4
Other Assets	1.2	0.8
Total Assets	246.0	255.7

£'millions	30 September 2018	31 March 2018
Total equity	148.6	153.4
Borrowings	55.2	55.1
Other long term liabilities	16.4	17.9
Other Current liabilities	25.8	29.3
Total equity and liabilities	246.0	255.7

Fixed Assets & Intangibles

- Ongoing low requirement for fixed assets
- Large intangibles (arising from purchase of Punter Southall)
- The other long term liabilities represents the deferred tax on the intangibles

Receivables

- Debtor days stand at 49 (55 at 31 March 2018)

Cash

- Cash conversion of 76% (75% in 2018 H1)

Borrowings

- Total facility of £80m
- Net debt of £47.5m giving Leverage of 1.77 x Adj. EBITDA on a pro-forma basis (assumes full year of PS in calculation & removal of Healthcare business)



» Market and competitor update

Market opportunities

Regulatory and market changes drive growth

Pensions Regulator May 10, 2018

Pensions regulator pledges to be tougher

Companies face £15bn bill after court bans unequal pension payments to men and women

High Court ruling set to affect millions of people after Lloyds Bank employees mounted legal challenge

Pension trustees shift stance on partial transfers

At XPS Pensions Group's annual conference, 75 per cent of trustees polled said there is a need for schemes to offer partial transfers whereby members can transfer part of their benefits and leave the rest in the scheme.

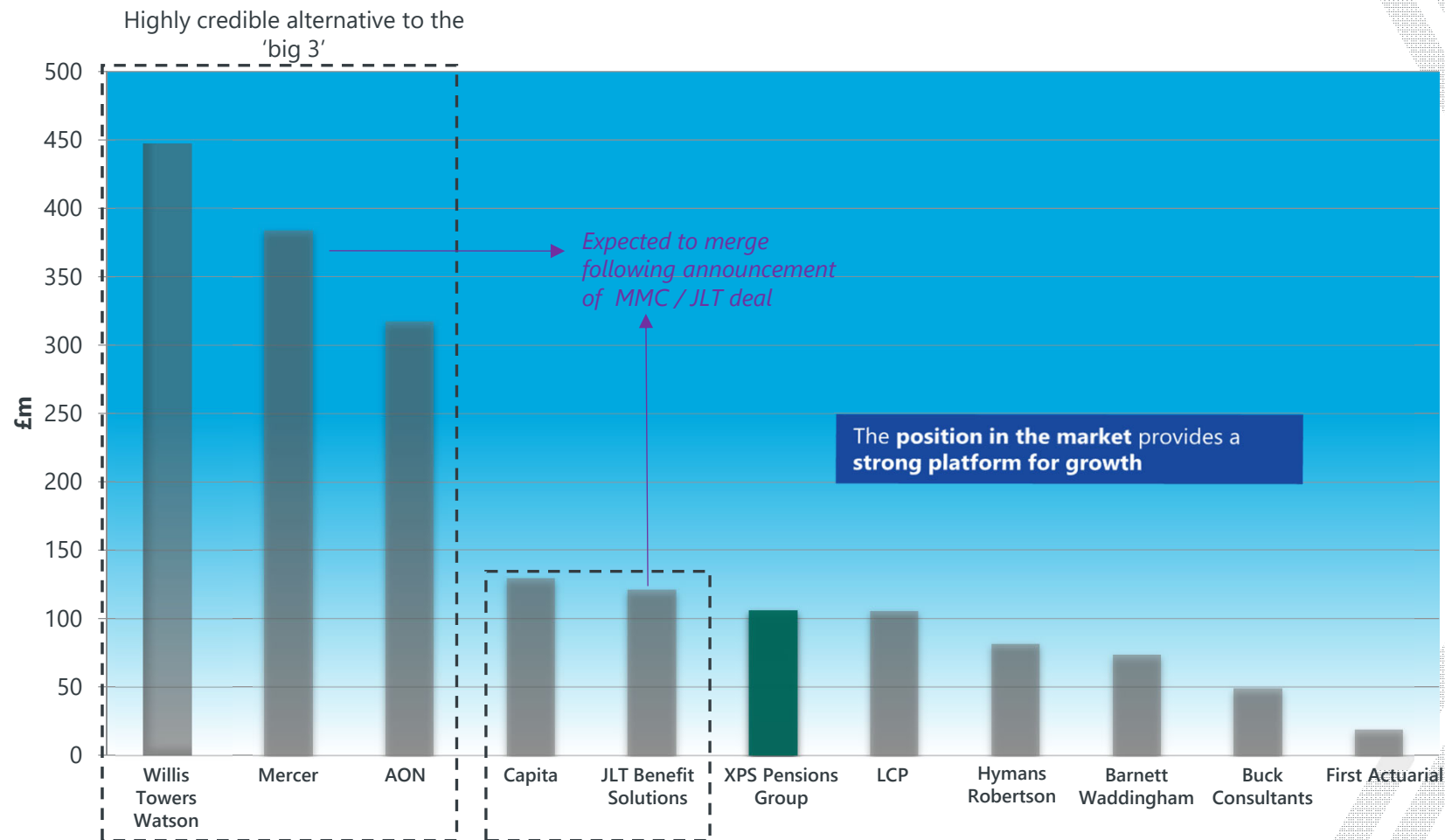
Some competitors face regulatory headwinds.....

Press release

CMA proposes pension investment reforms

The CMA has today proposed a number of reforms to the investment consultancy and fiduciary management sector after identifying a range of competition concerns.

Competitor Landscape





» Outlook

Outlook



Complete post merger integration and exit TSA



Exploit enhanced company profile / size and continue to build new business momentum



Continue to implement cross-selling opportunities and the roll-out of Radar to the enlarged client base



Positive regulatory environment providing growth opportunities: CMA review and GMP equalisation case



Continue to monitor M&A opportunities, bolt-on and strategic



New client wins and reducing integration activity are expected to have positive effect in H2



Appendix

Divisional KPIs

	31.03.17	30.09.17	31.03.18	30.09.18
Pensions				
No. of fee earners ¹	188	182	321	321
Average charge out rate (£) ²	273	286	326	313
No. of clients ³	232	229	505	493
Recurring revenue ⁴	N/A	89%	91%	92%
New wins (>£40k Annual revenue)	N/A	N/A	6	12
Losses (>£40k Annual revenue)	N/A	N/A	(2)	(5)

1. Number of fee earners definition: headcount of the relevant departments within the business at the end of the reporting period

2. Average charge out rate definition: sum of charge out rates for all staff in the relevant departments, divided by total staff (excluding support staff)

3. Number of clients (Pensions) definition: this is the number of clients in the 6 month period where annual income exceeds £10,000

4. Recurring revenue definition: revenue from customers who have a regular revenue stream. The revenue is either earned from the same customer every month, or in some cases every quarter.

	31.03.17	30.09.17	31.03.18	30.09.18
Administration				
No. of schemes	N/A	154	408	399
Average fees per scheme (£'k)	N/A	26	34	43
No. of members	N/A	164,942	561,971	632,579
Average fees per member (£)	N/A	24	24	27
No. of staff	84	93	410	479
New wins (>£40k Annual revenue)	N/A	N/A	3	2
Losses (>£40k Annual revenue)	N/A	N/A	(1)	0

Divisional KPIs

	31.03.17	30.09.17	31.03.18	30.09.18
Investment				
No. of fee earners ⁵	22	25	39	43
Average charge out rate ⁶	289	301	307	320
No. of clients ⁷	129	126	227	226
Recurring revenue ⁸	67%	71%	75%	73%
New wins (>£40k Annual revenue)	N/A	N/A	3	4
Losses (>£40k Annual revenue)	N/A	N/A	(1)	0

5. Number of fee earners definition: headcount of the relevant departments within the business at the end of the reporting period

6. Average charge out rate definition: sum of charge out rates for all staff in the relevant departments, divided by total staff (excluding support staff)

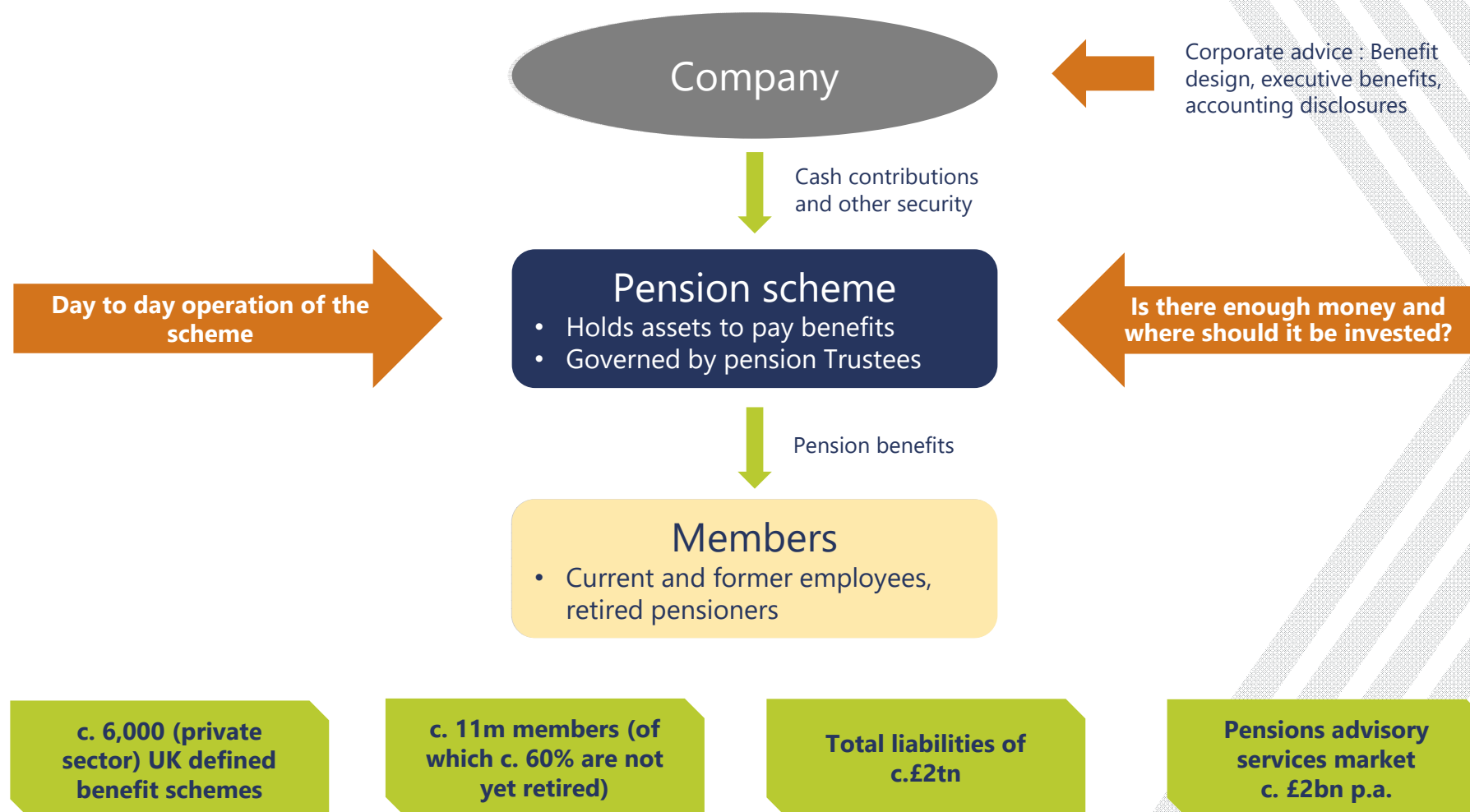
7. Number of clients (Investment) definition: this is the number of clients in the 6 month period where annual income exceeds £1,000

8. Recurring revenue definition: revenue from customers who have a regular revenue stream. The revenue is either earned from the same customer every month, or in some cases every quarter.

	31.03.17	30.09.17	31.03.18	30.09.18
SSAS/SIPP				
No. of schemes - Total	3,355	3,471	3,625	3,734
No. of schemes - SSAS	1,229	1,204	1,181	1,136
No. of schemes - SIPP	2,126	2,267	2,444	2,598
£ per scheme (£) - Total	897	740	789	806
£ per scheme (£) - SSAS	1,127	1,210	1,106	1,187
£ per scheme (£) - SIPP	333	392	416	372
No. of staff	61	61	63	65
NPT				
Value of assets (£'m)	234	292	337	410
Average charge per £ of asset (bp)	30	33	32	35

Who are our clients....

An example defined benefit pension scheme client



Statutory Timetable – 3 years in the life.....

Fee delivery throughout the life of the scheme

