

Plus500

Annual results for the twelve months ended 31 December 2016
London Stock Exchange Symbol: PLUS



Strong KPIs FY 2016 – record FY results

Plus500 in numbers:



Revenues
FY 16



Growth in
Revenues
FY 16/FY 15



EBITDA FY16
+14%
Growth FY 16/FY 15



New customers FY 16
+23%
Growth FY 16/FY 15



Active customers FY 16
+14%
Growth FY 16/FY 15



Rated on
mobile app
stores



Revenues
from mobile
devices



In new
customers



Unified
Platforms



Languages



Countries

FY 2016 Operating Highlights

- ✦ Another year of significant dividend payments:
 - ✦ Total dividend of \$101.7 million, consists of interim dividend of \$26.7 million, final dividend of \$43.6 million and a special dividend of \$31.4 million, representing a total pay-out of 87% of net profit for the year
- ✦ Another record year of strong customer growth in excess of expectations and the industry average, reflecting effective marketing and robust business model:
 - ✦ Active Customers increased 14% to 155,956 (FY 2015: 136,540)
 - ✦ New Customers increased 23% to 104,432 (FY 2015: 84,858)
- ✦ Continue to build international presence and diversify revenues through new licences in New Zealand and Israel
- ✦ Maintained its leadership positions:
 - ✦ Second largest CFD provider in the UK*
 - ✦ Leadership in technology and product innovation:
 - ✦ a true omni-channel trading experience allowing access to information and trading across PC, web, tablet, mobile and wearable platforms in a device-agnostic manner
 - ✦ majority of revenues and signups come from mobile devices reflecting speed of innovation compared to competitors (over 70% of 2016 revenues and signups originated from mobile devices)

* Source: Investment Trends Report, July 2016



**Business
Overview**



**Regulatory &
Risk Management**



**Financial
Overview**



Outlook



New and active customer KPIs

	2016 Total	2015 Total	H2 2016	H2 2015	
New Customers	104,432	84,858	47,503	32,641	
% Growth FY 2016/FY 2015	23%		46%		% Growth H2 2016/H2 2015
AUAC	1,195	1,227	1,036	1,526	
% Growth FY 2016/FY 2015	-3%		-32%		% Growth H2 2016/H2 2015
Active Customers	155,956	136,540	102,002	73,385	
% Growth FY 2016/FY 2015	14%		39%		% Growth H2 2016/H2 2015
ARPU	2,103	2,019	1,658	2,025	
% Growth FY 2016/FY 2015	4%		-18%		% Growth H2 2016/H2 2015

- ✦ Significant growth in new customers
- ✦ Efficient Marketing spend focused on higher value customer set



Key Business Model Strengths

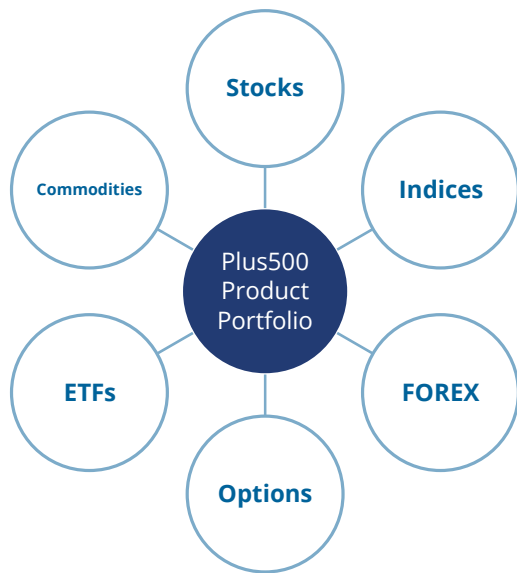
- ✦ Self-developed, user friendly and robust trading platform
 - Proprietary in-house developed technology
- ✦ Analytics driven, returns focused customer acquisition model
 - Proprietary “Marketing Machine” and affiliate programme
- ✦ Strong international brand thanks to successful marketing initiatives
- ✦ Differentiated user experience
 - Customers cannot lose more than they deposit
- ✦ Significant investment in enhanced regulatory compliance procedures
- ✦ Effective, comprehensive risk management capabilities
- ✦ Attractive financial profile with significant operational flexibility and an ongoing focus on returning capital to shareholders



Strong Product Platform

CFD Financial Instruments

2,100 CFD financial instruments



Platform and Devices

Supporting 31 languages in more than 50 countries



Trading Platform

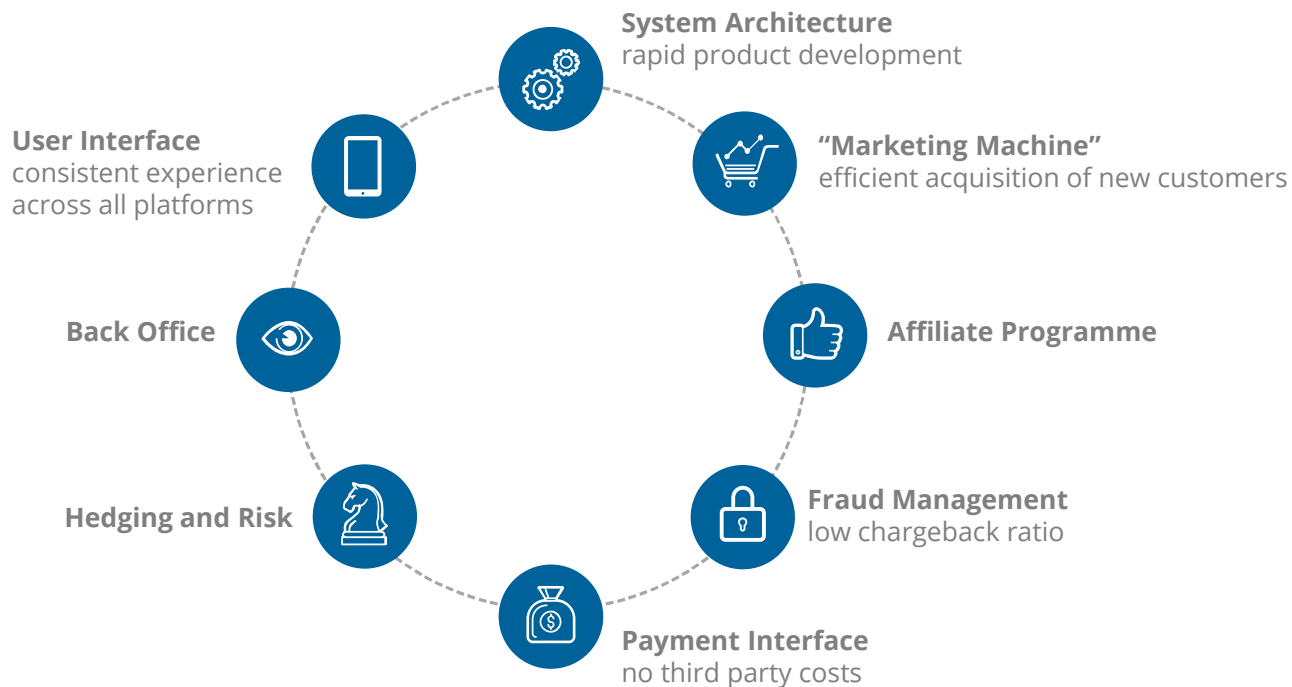
Retail customers only

Most Popular	Shares	Commodities	Indices	Forex	Options
Gold	1339.73	Buy	1339.23	Short	0.03%
EUR/USD	1.13118	Buy	1.13110	Sell	-0.10%
Oil	47.74	Buy	47.71	Short	0.66%
Germany 30	10587.29	Buy	10586.21	Short	0.74%
USD/JPY	100.211	Buy	100.196	Sell	-0.09%
Put 2130 USA 500	1.90	Buy	1.76	Short	-25.61%
Silver	18.924	Buy	18.903	Short	0.13%
VXX Volatility	36.28	Buy	36.08	Short	-0.25%



Market Leading Technology

Proprietary technology, developed in-house: key differentiator and flexible advantage



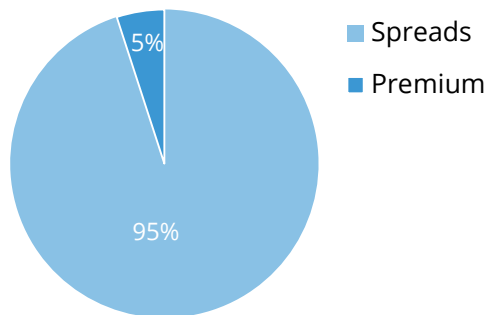


Flexible Business Model

Revenue Split

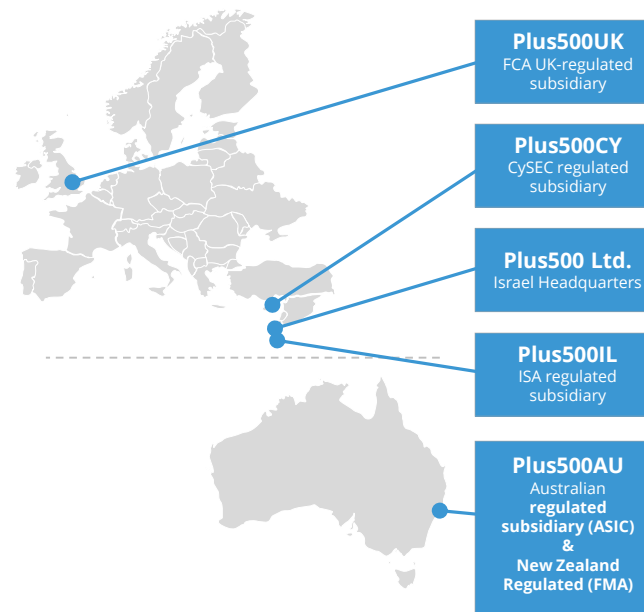
- Dealing Spreads**
 Difference between the buy price and the sell price of a CFD
- Overnight Premiums**
 Charges on open customer positions held overnight
- Market Positions**
 Principal gains (offset by losses) on customers' trading positions

Revenues FY 2016



- Trade Time**
 Median trade time is less than 1 hour
- Market PL**
 Revenues from Market PL was nil in both FY 2016 and in FY 2015

International Footprint

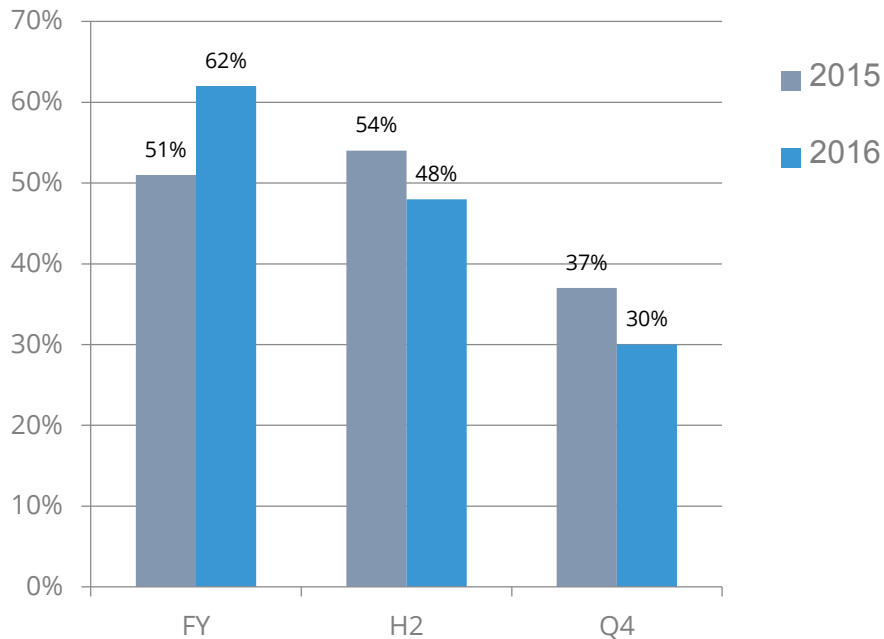


- Quality of Earnings**
 Vast majority of revenues from regulated markets

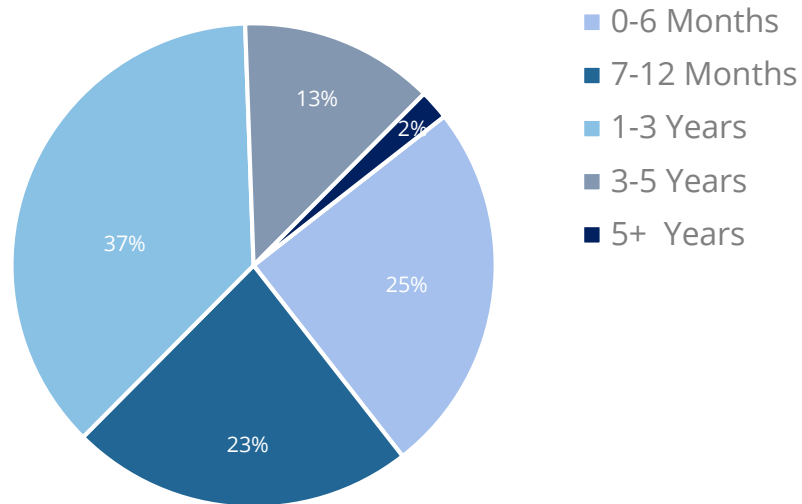


Analysis of customer churn

Churn



Revenue split by client tenure



✦ 52% of Group's revenues come from customers who trade for more than one year

✦ Increased focus on customer retention initiatives reduces churn

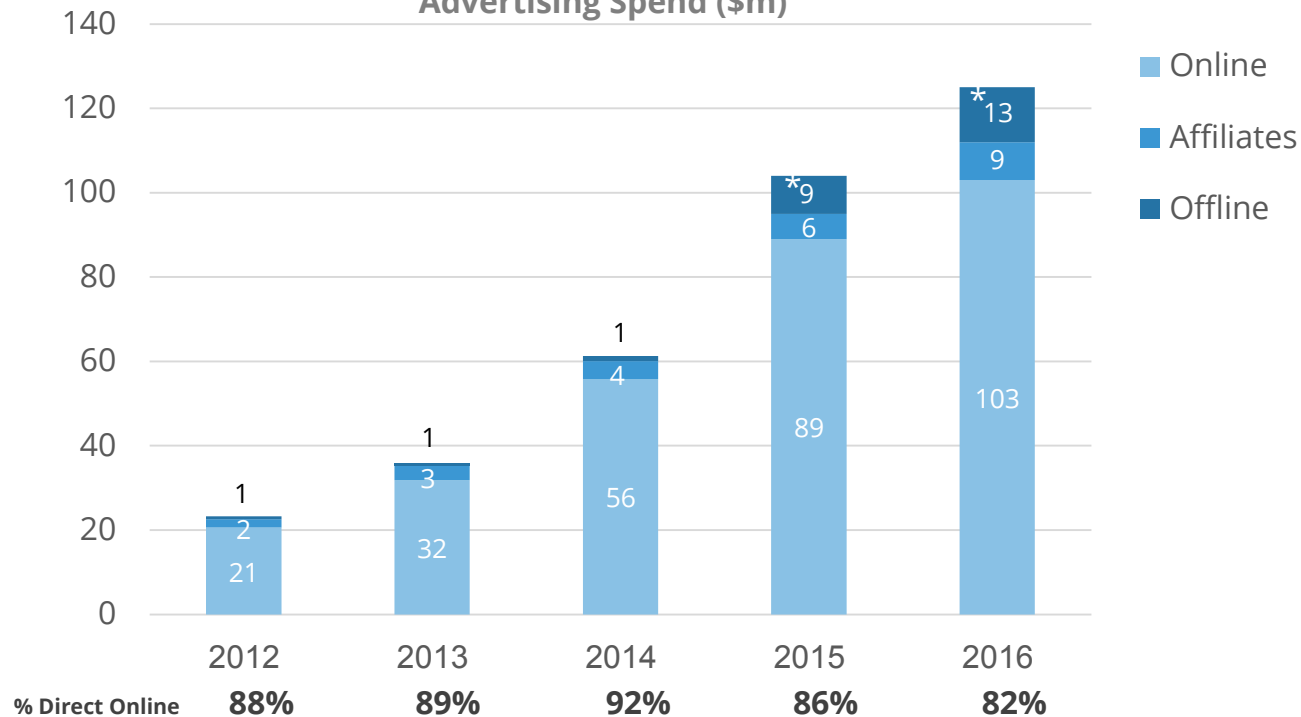
✦ Churn - $[(\text{Active customers (T)} + \text{New customers (T+1)}) - \text{Active customers (T+1)}] / \text{Active customers (T)}$



Significant Investment in Marketing

Focus remains online but Plus500 will continue to explore offline opportunities

Advertising Spend (\$m)



Online

- Advertising
- Search engines
- Referrals

Offline

- Mass Media (TV, print, radio)
- Word of Mouth
- Sport Sponsorship

* Majority is Atletico Madrid sponsorship deal



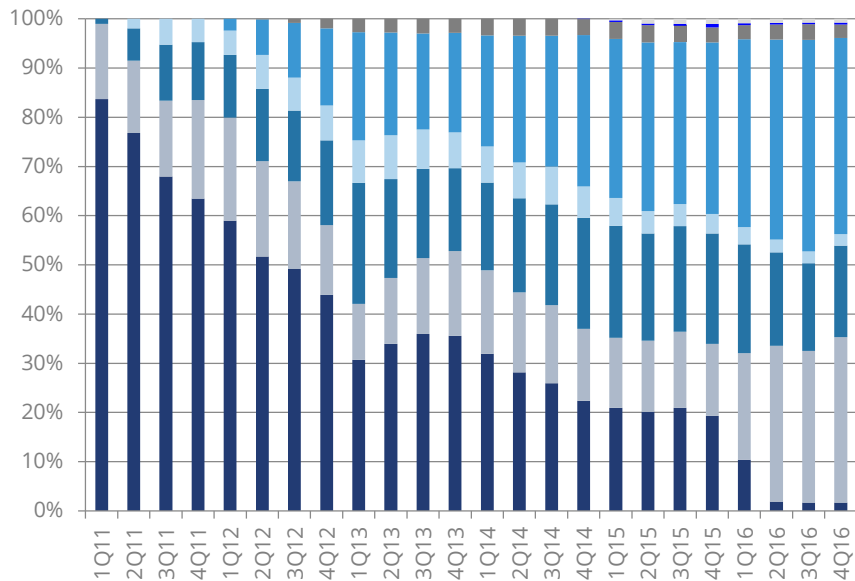
Mobile – a key growth driver

- ✦ Key driver of market growth - and key acquisition channel for Plus500
- ✦ Mobile is a key access point for retail customers
- ✦ GUI developed for mobile, consistent with other platforms
- ✦ Features and portfolio of instruments on par with PC version
- ✦ Successfully launched a dedicated app for iOS 10, Android, Surface tablets, Windows Phone, and Apple Watch
- ✦ Majority of revenues and new sign ups from mobile

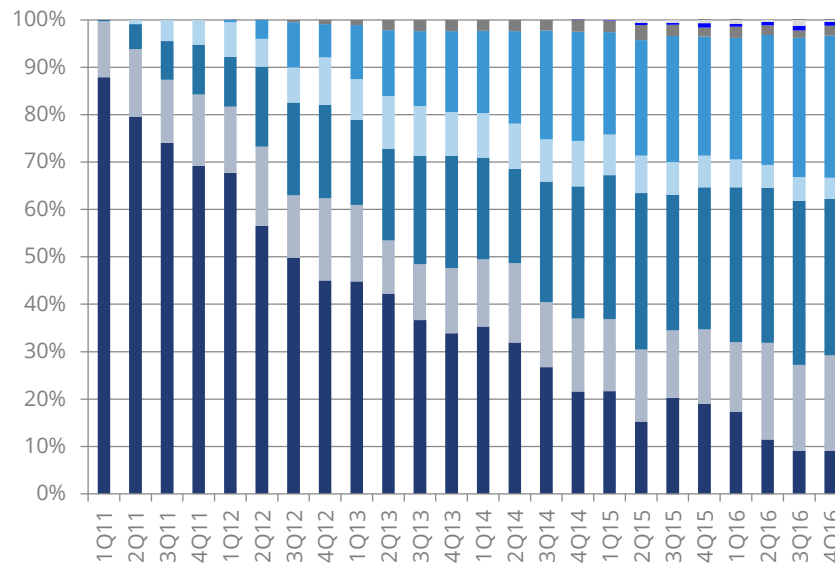


Mobile revenues and sign ups by device

Number of Signups by Device



Revenues by Device



- Windows
- Web
- iPhone
- iPad
- Android
- AndroidTablet
- AppleWatch
- WindowsApp
- WindowsPhone

- Windows
- Web
- iPhone
- iPad
- Android
- AndroidTablet
- AppleWatch
- WindowsApp
- WindowsPhone



**Business
Overview**



**Regulatory &
Risk Management**



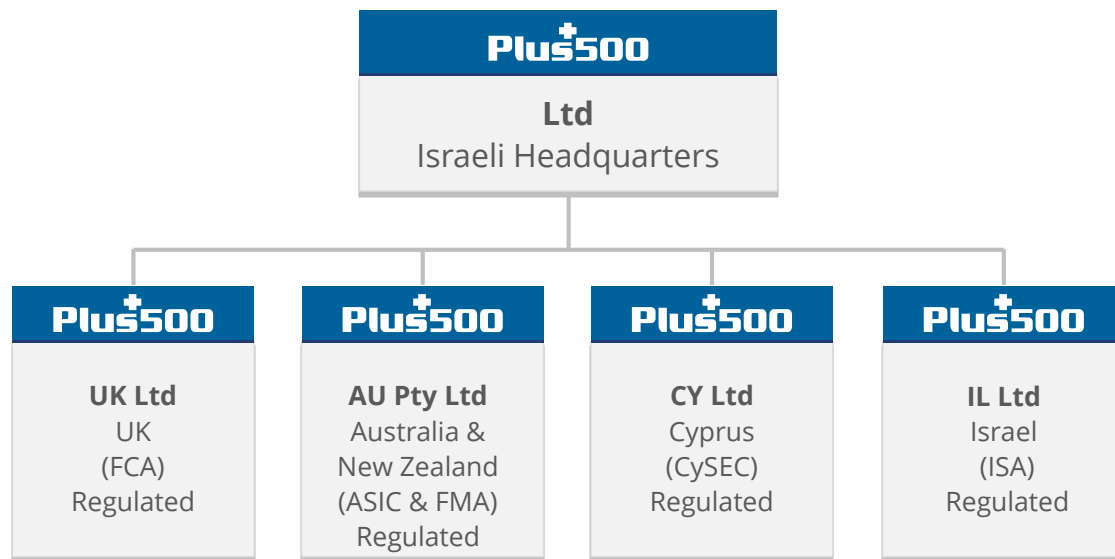
**Financial
Overview**



Outlook



Regulatory framework



- ✦ All EEA customers facilitated via “passporting mechanism”
- ✦ Periodic ‘business as usual’ FCA, CySEC, ASIC, FMA and ISA visits, ongoing dialogue maintained
- ✦ Regulatory burden increasing, although this increases barriers to enter the market

Client Take-On

- ✦ FCA / CySEC / ASIC / FMA / ISA rules set out client take-on requirements
- ✦ Client money treated the same across jurisdictions and kept in segregated accounts.
- ✦ Customers must self-certify their understanding of the risks
- ✦ Financial promotions carries appropriate risk warnings
- ✦ Risk-based approach in line with regulations

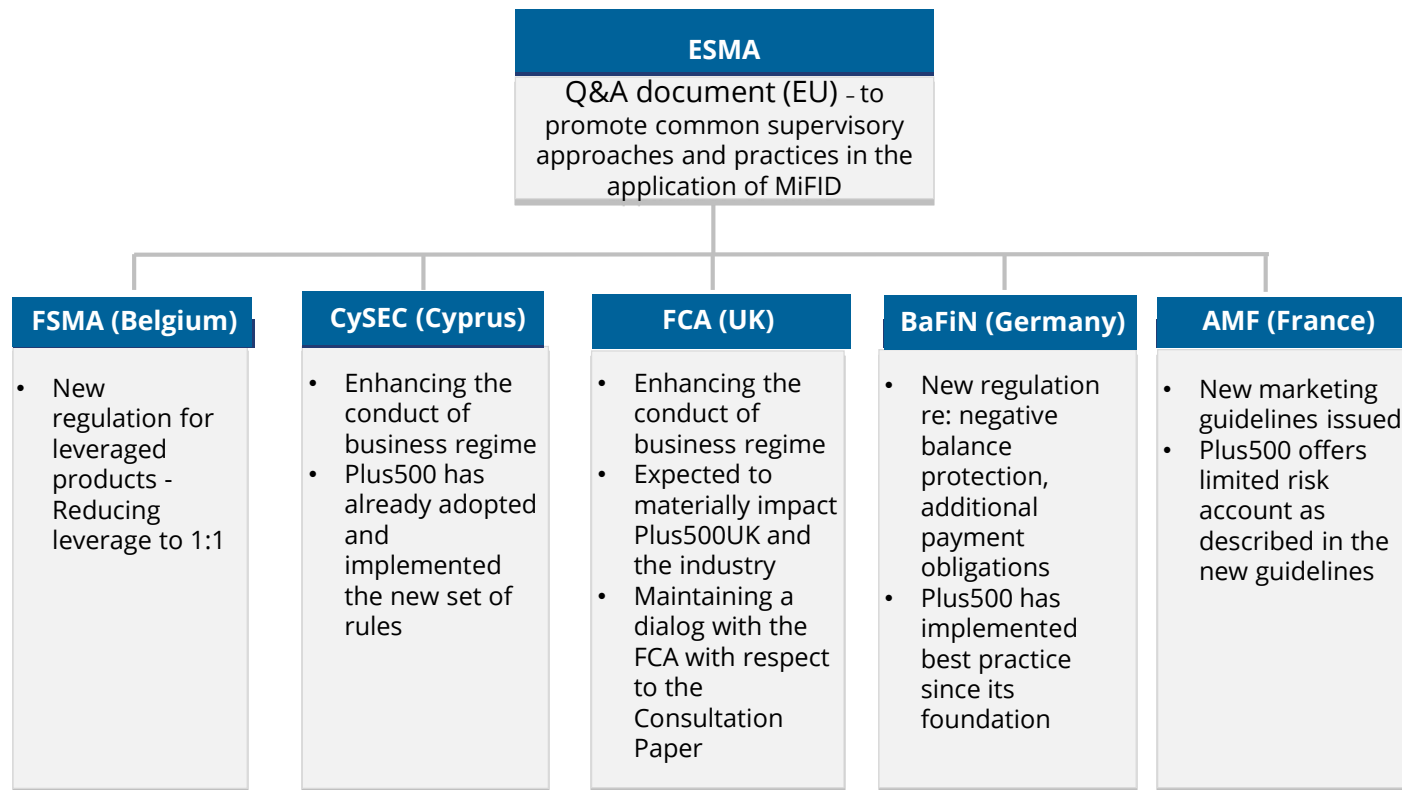


Commitment to regulatory, compliance and risk best practice

- ✚ Continuing focus on and investment in best practice
- ✚ Global compliance team consists of c.150 permanent staff
- ✚ Local Compliance teams with significant experience and relationship skills
- ✚ Close relationship and dialog with the different regulators
- ✚ No current regulatory restrictions in any of the Group's regulated markets
- ✚ Board and governance changes:
 - Appointment of Penelope Judd – ex UKLA and UBS and Nomura Head of Compliance
 - Established new Risk and Compliance committee and a Disclosure committee



Recent industry developments





Regulation – current situation and potential impact

Regulator focus	Plus500 compliance	Potential impact
Negative balance protection	✓	Limited
Market P&L	✓	Limited
Reduced leverage ratios	Industry standard	Material*
No high pressure sales	✓	None
No binary options	✓	None
No bonuses	Industry standard	Limited

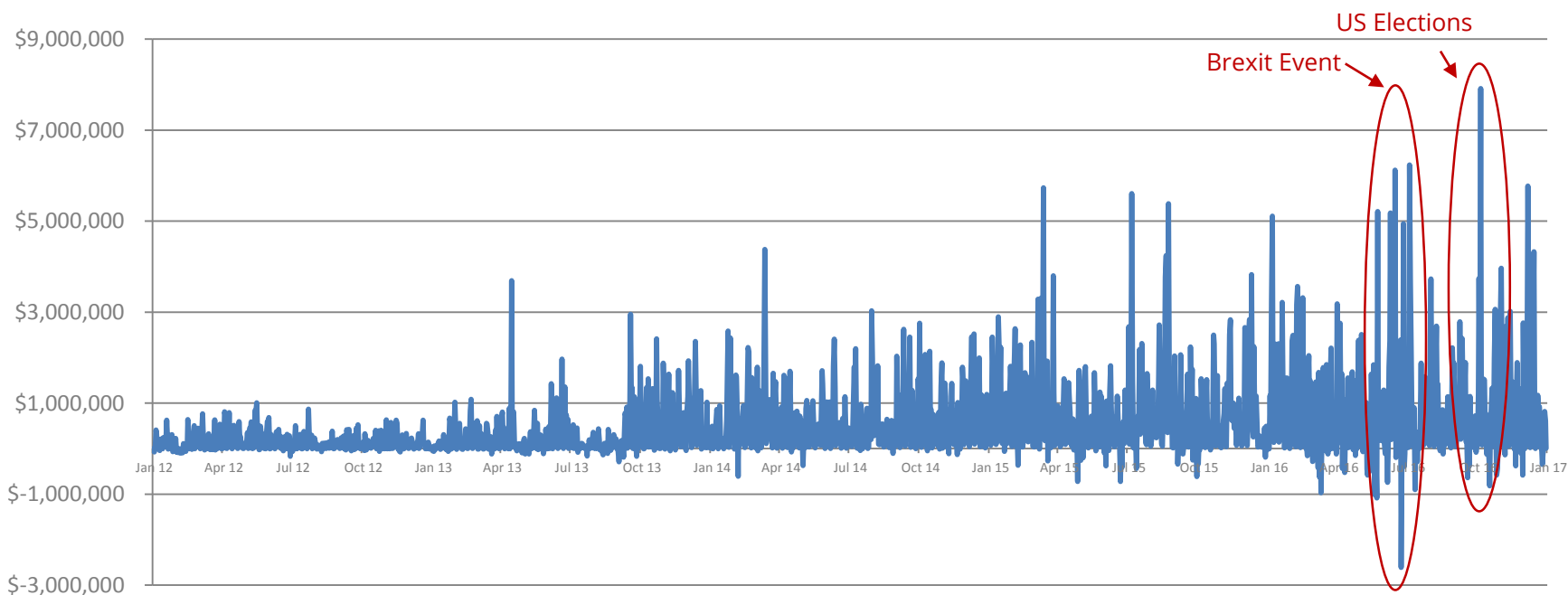
✓ Already applied

* In this regard the UK regulatory proposals have the most material impact and we note that approximately 20% of our revenues currently go through the UK regulated subsidiary



Minimising downside risk: 85% profitable trading days in 2016

Strong track record in managing market risk demonstrated by looking at number of profitable trading days. In 2016 the Group made a profit on over 85% of the trading days with remaining 15% of trading days showing relatively immaterial losses.





Trading platform integrated with risk management

Market Risk

Spread of customers acts as a natural risk-mitigation:

-• No dominant customers

Real-time monitoring of exposure limits by:

-• Individual clients
-• Individual instruments
-• Total Company exposure
-• Significant degree of automation

When limits are reached, no further trades accepted

Hedging would be undertaken if market movement breach the Group's risk appetite limits

Monitoring of instrument level correlations and volatility

Credit Risk

Automated real-time close-out policy to minimise unfunded customer losses

Surplus Capital

Plus500 continues to maintain significant reserves

Risk Management Advisory



Segregated Customer Accounts held by





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Outlook



Income Statement

Key Financial Indicators – Income Statement (\$'000):

	FY 2016	FY 2015	FY 16/FY 15 Growth	H2 2016	H2 2015	H2 16/H2 15 Growth
Trading income (net)	327,927	275,651	19%	169,155	148,625	14%
Selling and marketing expenses	157,277	125,413	25%	65,789	61,758	7%
Administrative and general expenses	20,132	17,647	14%	11,777	9,681	22%
Capital loss from realization of fixed assets	-	109	-	-	-	-
EBITDA	150,997	132,874	14%	91,874	77,347	19%
Financing expenses (income) - net	(1,464)	4,598	-132%	(1,884)	1,441	-231%
Tax expense	34,740	31,317	11%	20,731	19,795	5%
Net profit	117,242	96,567	21%	72,742	55,950	30%

- Record FY revenues driven by active customers
- Strong recovery in margins in H2 (H2 54% vs. H1 37%)
- Q4 EBITDA margin 64%
- Increase in selling and marketing as a result of significant customer acquisition
- Record FY EBITDA of \$151m



Lean cost structure

Key Financial Indicators: (\$'000):

	FY 2016	FY 2015	FY 16/FY15 Growth	H2 2016	H2 2015	H2 16/H2 15 Growth
Advertising and marketing costs	124,848	103,760	20%	49,232	49,826	-1%
Processing costs	14,323	10,683	34%	6,543	5,611	17%
Salaries	19,159	12,062	59%	11,135	6,370	75%
IT and data feeds costs	4,451	3,337	33%	2,136	1,749	22%
Legal, professional and regulatory fees	5,486	7,051	-22%	3,471	4,071	-15%
Office expenses	2,754	1,888	46%	1,377	930	48%
Other costs	6,388	4,279	49%	3,672	2,882	27%
Total costs	177,409	143,060	24%	77,566	71,439	9%

➤ Healthy and efficient cost base – “Advertising and marketing costs” and “Processing costs” represent 78% of total FY 2016 expenses



Balance sheet remains strong

Key Financial Indicators – Balance Sheet: (\$'000):

	FY 2016	FY 2015	FY 16/FY 15 Growth
Cash and cash equivalents	136,518	156,535	-13%
Other Current Assets	14,193	10,169	40%
Total Current Assets	150,711	166,704	-10%
Non Current Assets	3,997	2,266	76%
Total Assets	154,708	168,970	-8%
Current Liabilities	18,708	51,102	-63%
Non Current Liabilities	-	214	-
Total Liabilities	18,708	51,316	-64%
Equity	136,000	117,654	16%

- + Decrease in cash balance due to dividend payment of \$123.3m in 2016 (2015: \$65m)
- + Cash balances held at Barclays Plc, Credit Suisse and Bank Leumi
- + Client money held in segregated accounts with Barclays, Credit Suisse and Commonwealth



Strong cash generation funds attractive dividend

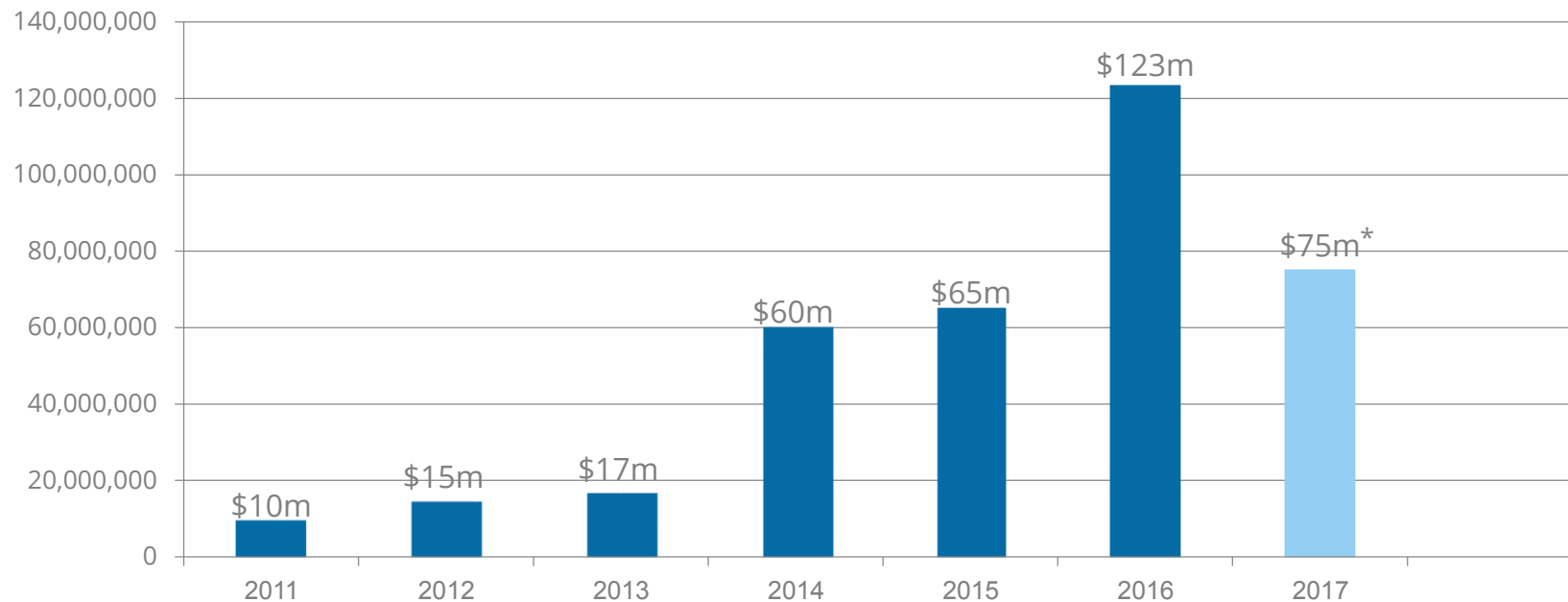
Key Financial Indicators – Cash Flow: (\$'000):

	FY 2016	FY 2015	FY 16/FY 15 Growth
Operating activities: Cash generated from operations	153,455	128,133	20%
Income tax paid - net	(44,548)	(42,658)	4%
Net cash provided by operating activities	108,907	85,475	27%
Net cash provided by (used in) investing activities	(2,205)	18	-12,350%
Financing activities: Dividend Paid	(123,264)	(65,005)	90%
Net cash used in financing activities	(123,264)	(65,005)	90%
Exchange gains (losses) on cash and cash equivalents	(3,454)	(3,155)	9%
Cash and Cash Equivalents at the end of the year	136,481	156,497	-13%

- Limited capex needs
- Low capital requirements
- High cash conversion available to pay dividend



Dividend payments in year (2017 proposed to date)



▣ Dividend policy – 60% of net profit & a special dividend at the end of the year

* Ex dividend date – 2 March 2017; Record date – 3 March 2017; Payment date 3 July



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Outlook



Outlook – confident of another successful year

- Entering 2017, there has been a continued strong increase in New Customers
- Continue to achieve good results from online marketing initiatives and sponsorships
- Expect to broaden footprint and continue to diversify revenues including adding further new licences
- We will make the necessary changes to comply with the regulatory changes that were announced during 2016 and any future requirements
- Still assessing likely impact of regulatory changes but highly flexible business model expected to partially mitigate any impact
- The Board believes that the Company's strong financial position, geographically well diversified revenues, advanced trading platform and its flexible, low cost business model, position it well to ride out this period of uncertainty and to emerge a stronger business with an enhanced market position



Investment Summary

- ✦ Business model significantly differentiated from major peers
- ✦ Market leading in use of innovative technology and marketing techniques
- ✦ Low cost, low risk and low capital intensive financial model
- ✦ Highly cash generative – robust balance sheet
- ✦ Focus on regulatory framework and holding multiple licenses
- ✦ Strong organic growth prospects on back of growing international brand
- ✦ Focus on shareholder returns through dividend policy and / or share buy backs

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