

# Plus500

Results for the twelve months ended 31 December 2017  
London Stock Exchange Symbol: PLUS



# Record Full Year Results (FY 2017)

Plus500 in numbers:



Revenues  
(+33% Growth)



Net Profit  
(+70% Growth)



EBITDA  
(+72% Growth)



New Customers  
(+136% Growth)



Active Customers  
(+103% Growth)



Rated App on  
Apple Store &  
Google Play



Revenues from  
Mobile Devices



New Customers



Unified Platforms



Languages



Countries

# Financial Highlights

- Record year of strong revenue growth due to increased New Customers<sup>1</sup> and Active Customers<sup>2</sup>:
  - 76% revenues from Europe
  - Cryptocurrency CFDs trading represented less than 15% of total revenues
  - Over 75% of revenues derived from mobile devices
- Financial performance ahead of expectations:
  - EBITDA ahead of expectations reflecting improved margin and operational leverage
  - Year-end net cash ahead of expectations reflecting strong cash generation
- Significant capital returns to shareholders including dividend payments and share buybacks:
  - Total of \$199.6 million being returned to shareholders, consisting of an interim dividend of \$27.2 million, a final dividend of \$92.6 million, a special dividend of \$72.3 million and a share buyback programme of \$7.5 million which was executed during 2017; and
  - Together the dividends and buyback represent a total pay-out of 100% of net profit for the year

<sup>1</sup> Active Customers - Customers who made at least one real money trade during the period

<sup>2</sup> New Customers - Customers depositing for the first time during the period

# Operating Highlights

- ✦ Continue to build international presence and diversify market through new licences in South Africa and Singapore adding to existing licences in UK, Australia, Cyprus, New Zealand and Israel
- ✦ Leadership positions<sup>1</sup>:
  - ✦ Second largest CFD provider in the UK (*Investment Trends UK Report, 2017*)
  - ✦ Leading CFD provider across mobile platforms in Australia (*Investment Trends AU Report, 2017*)
- ✦ Leadership in technology and product innovation:
  - ✦ a true omni-channel trading experience allowing access to information and trading across PC, web, tablet, mobile or wearable platforms in a device-agnostic manner
  - ✦ a majority of revenues and signups originate in mobile devices, reflecting high speed of innovation compared to competitors
- ✦ Increased international brand awareness by renewed partnerships with Club Atlético de Madrid and the Plus500 Brumbies as official main sponsor

<sup>1</sup> *Investment Trends UK report, 2017 and Investment Trends AU report, 2017*



**Business  
Overview**



**Regulatory &  
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**Outlook**



# New and Active customer KPIs

	1-12 2017	1-12 2016		H2 2017	H2 2016		Q4 2017	Q4 2016
<b>Active Customers</b>	<b>317,175</b>	155,956		<b>263,624</b>	102,002		<b>223,864</b>	71,721
% Growth 1-12 2017/1-12 2016	<b>103%</b>		% Growth H2 2017/H2 2016	<b>158%</b>		% Growth Q4 2017/Q4 2016	<b>212%</b>	
<b>ARPU (\$)</b>	<b>1,379</b>	2,103		<b>944</b>	1,658		<b>591</b>	1,277
% Reduction 1-12 2017/1-12 2016	<b>34%</b>		% Reduction H2 2017/H2 2016	<b>43%</b>		% Reduction Q4 2017/Q4 2016	<b>54%*</b>	
<b>New Customers</b>	<b>246,946</b>	104,432		<b>193,065</b>	47,503		<b>150,573</b>	22,420
% Growth 1-12 2017/1-12 2016	<b>136%</b>		% Growth H2 2017/H2 2016	<b>306%</b>		% Growth Q4 2017/Q4 2016	<b>572%</b>	
<b>AUAC (\$)</b>	<b>474</b>	1,195		<b>373</b>	1,036		<b>284</b>	742
% Reduction 1-12 2017/1-12 2016	<b>60%</b>		% Reduction H2 2017/H2 2016	<b>64%</b>		% Reduction Q4 2017/Q4 2016	<b>62%</b>	

- + Consistent growth in new and active customers
- + Efficient Marketing spend focused on higher value customer set

\* Due to the significant increase in the amount of New Customers in Q4 2017 (150,573)



# Key Business Model Strengths

- ✦ Self-developed, user friendly and robust trading platform – *based on proprietary technology*
- ✦ Analytics driven, returns focused customer acquisition model – *driven by “Marketing Machine” and affiliate programme*
- ✦ Strong international brand awareness – *driven by successful marketing initiatives and developing international footprint*
- ✦ User protection – *founding principle that customers cannot lose more than their account balance*
- ✦ Enhanced customer support and retention initiatives – *generated by robust procedures and trained personnel*
- ✦ Strong regulatory compliance procedures – *achieved through significant investment in personnel and processes*
- ✦ Effective, comprehensive risk management capabilities – *based on structured strategic decision making and enhanced processes*
- ✦ Attractive financial profile – *generated by significant operational flexibility and ongoing focus on shareholder returns*

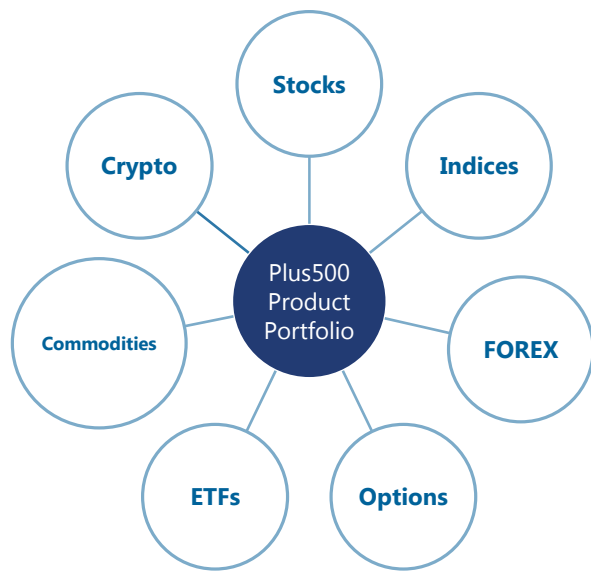
***Highly differentiated from our peers with significant competitive advantages***



# Strong Product Platform

## CFD Financial Instruments

Over 2,200 CFD Financial Instruments



## Platform and Devices

Supporting 32 languages in more than 50 countries



## Unified Trading Platform

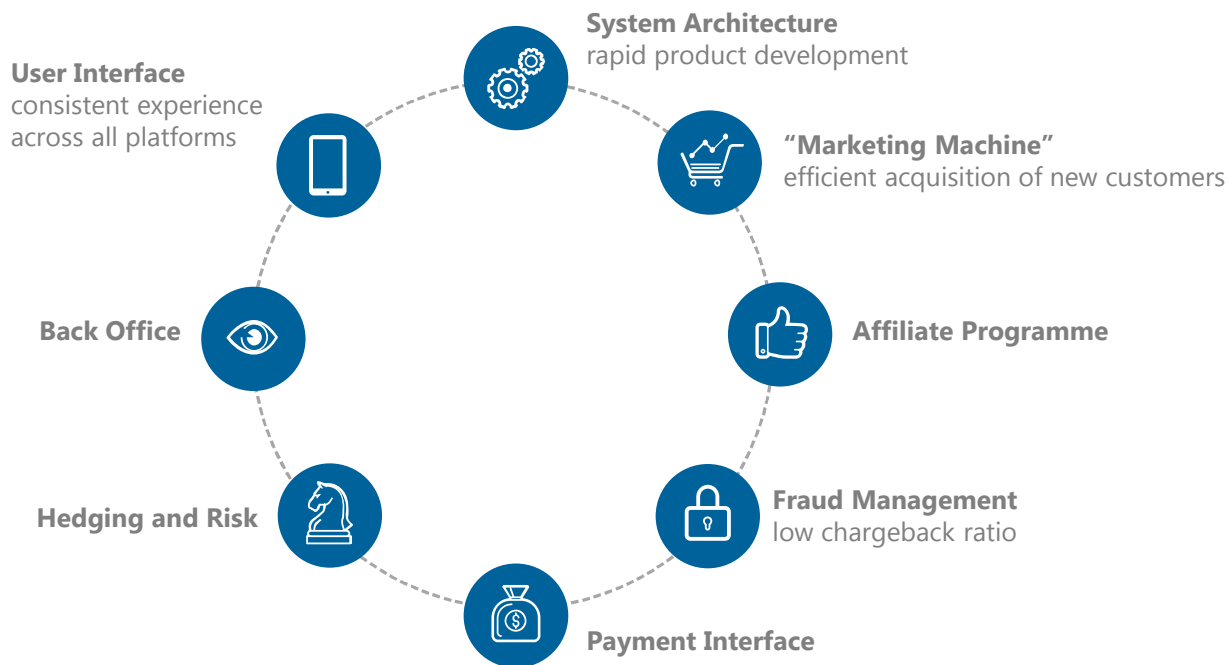
Most Popular	Shares	Commodities	Indices	Forex	Options
Gold	1339.73	Buy	1339.23	Short	0.03%
EUR/USD	1.13118	Buy	1.13110	Sell	-0.10%
Oil	47.74	Buy	47.71	Short	0.66%
Germany 30	10587.29	Buy	10586.21	Short	0.74%
USD/JPY	100.211	Buy	100.196	Sell	-0.09%
Put 2130   USA 500	1.90	Buy	1.76	Short	-25.61%
Silver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



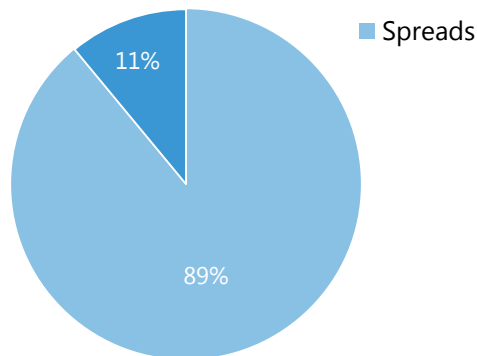


# Business Model

## Revenue Split

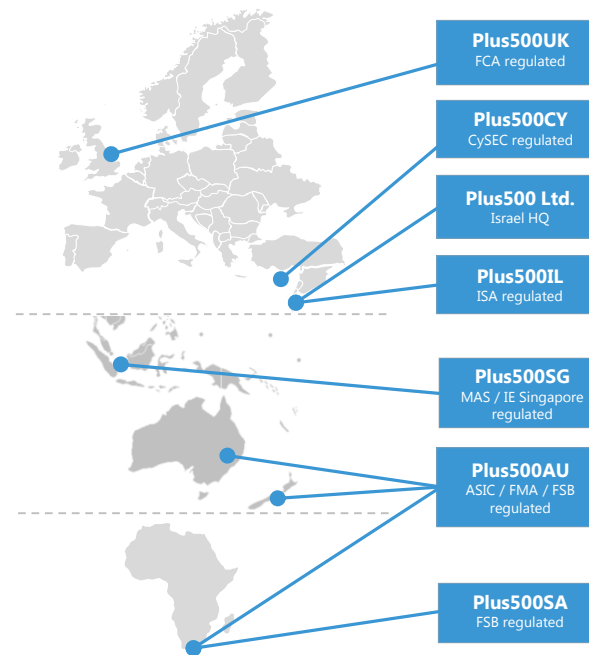
- Dealing Spreads**  
 Difference between the buy price and the sell price of a CFD
- Overnight Funding**  
 Interest charges on open customer positions held overnight
- Client Losses**  
 Principal gains (offset by losses) on customers' trading positions

## Revenues FY 2017



- Trade Time**  
 Average trade time is approx. 24 hours
- Client Losses**  
 No revenues from Market PL in FY 2017, 2016 and 2015

## International Footprint



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



# Plus500 is an attractive proposition to retail customers

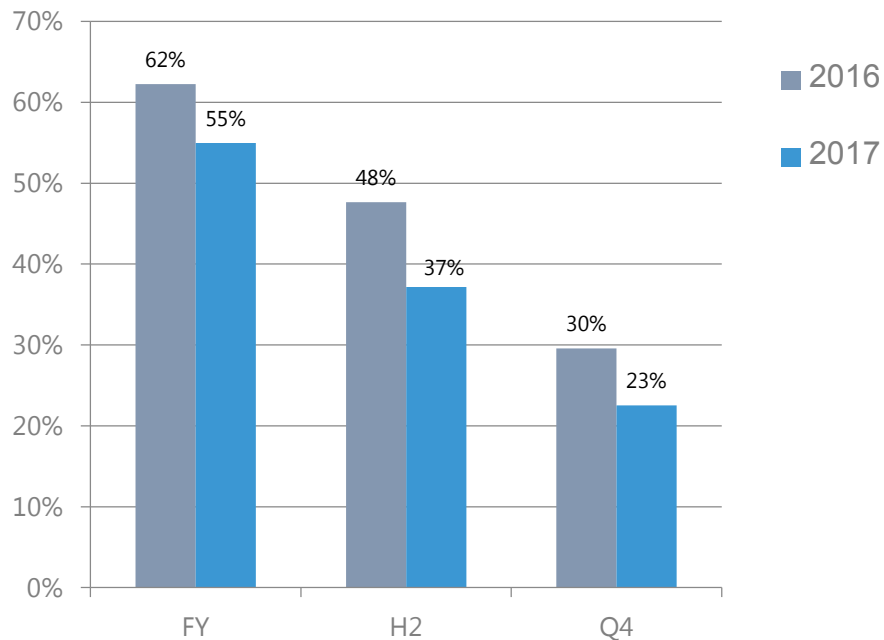
	<b>Plus500</b>	<b>Peer Company A</b>	<b>Peer Company B</b>
Product portfolio	CFDs only (2,200 instruments, 7 asset classes)	CFD, Spread betting, Binary Options	CFD, Spread betting, Binary Options
Technology platform	-Unified simple platform -Core expertise -Marketing Machine	Multi-layer platform with third-party (Metatrader) software	Combination of third-party (Metatrader) and proprietary software
UX (User experience)*	iOS App: ★★★★★ Android App: ★★★★★	★★★★★ ★★★★★	★★★★★ ★★★★★
User friendliness	✓ Unlimited Demo ✓ Negative balance protection for all customers	✗ Limited Demo ✗ Negative balance allowed for majority of accounts	✓ Unlimited Demo ✗ Negative balance allowed for majority of accounts
Pricing	✓ No commission, including shares	✗ Do charge commission on shares	✗ Do charge commission on shares
Other	-Diversified brand across Europe -Strong online presence	-Strong brand in UK & APAC (71%) -Strong offline presence	-Strong brand in UK & APAC & Canada (70%) -Strong offline presence

\*Source: Google Play Store (04 February 2018); AppAnnie.com (iPad; Finance; 04 February 2018)

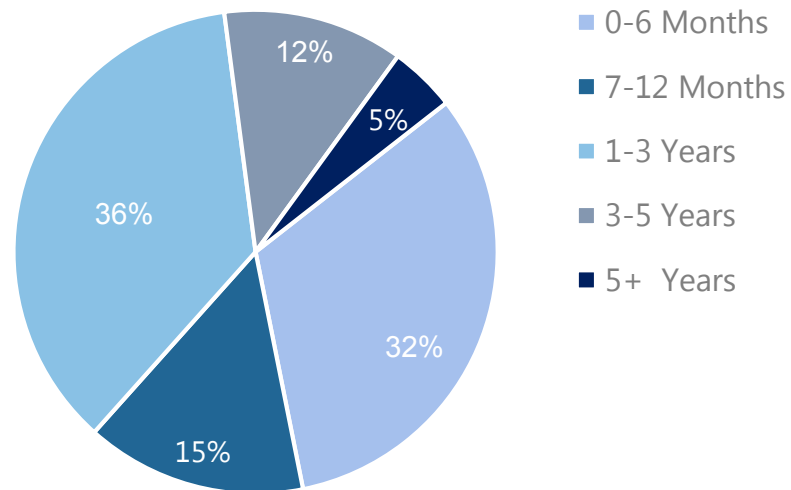


# Analysis of customer churn

## Churn



## 2017 Revenue split by client tenure



53% of Group's revenues come from customers who trade for more than one year

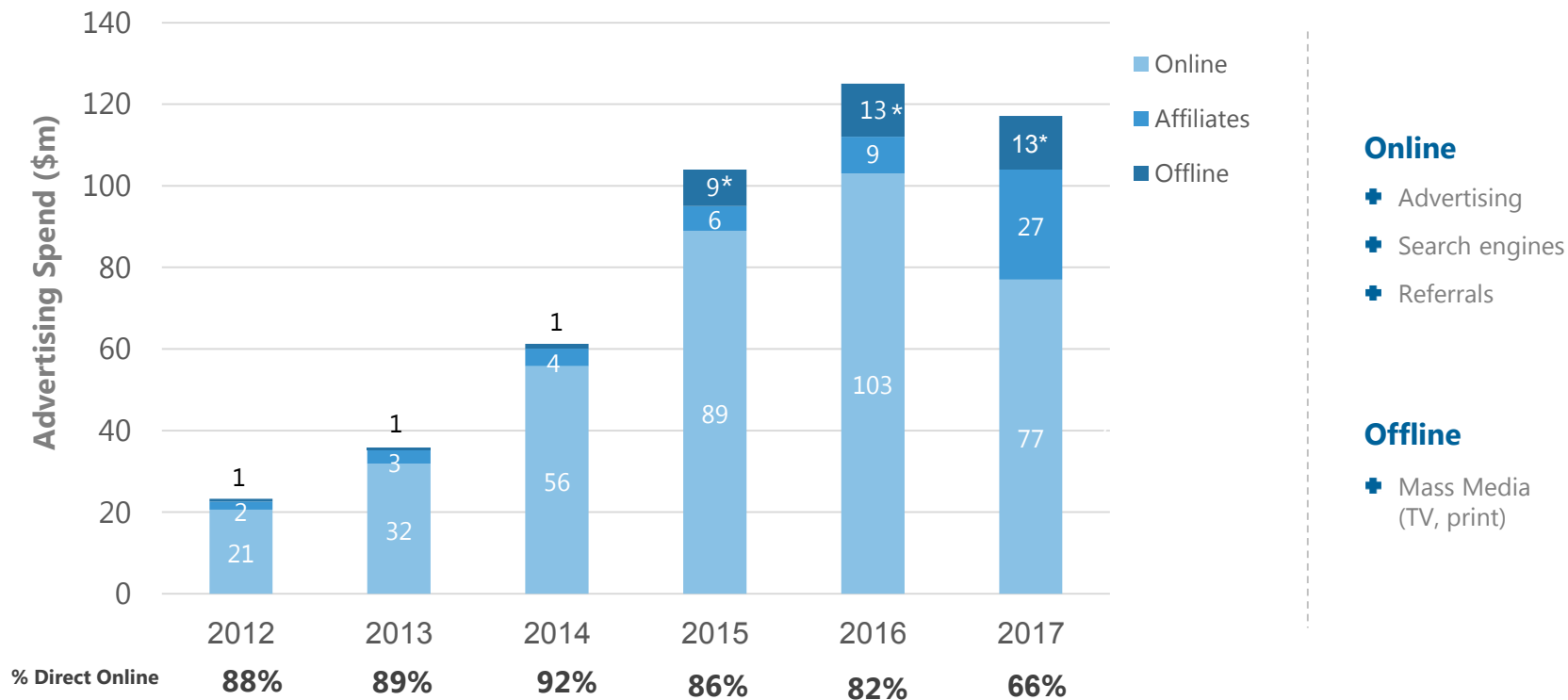
Increased focus on customer retention initiatives reduces churn

- Churn –  $[(\text{Active customers (T)} + \text{New customers (T+1)}) - \text{Active customers (T+1)}] / \text{Active customers (T)}$
- Churn rates were impacted due to the increased amount of New and Active Customers in Q4 17



# Efficient and flexible investment in marketing

Focus remains online but Plus500 will continue to explore offline opportunities

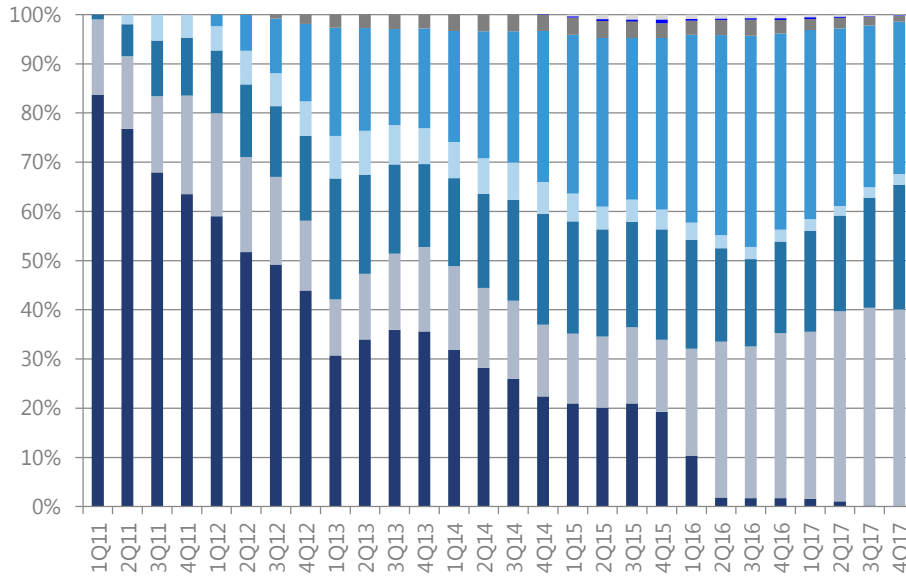


\* Majority is Atletico Madrid sponsorship deal



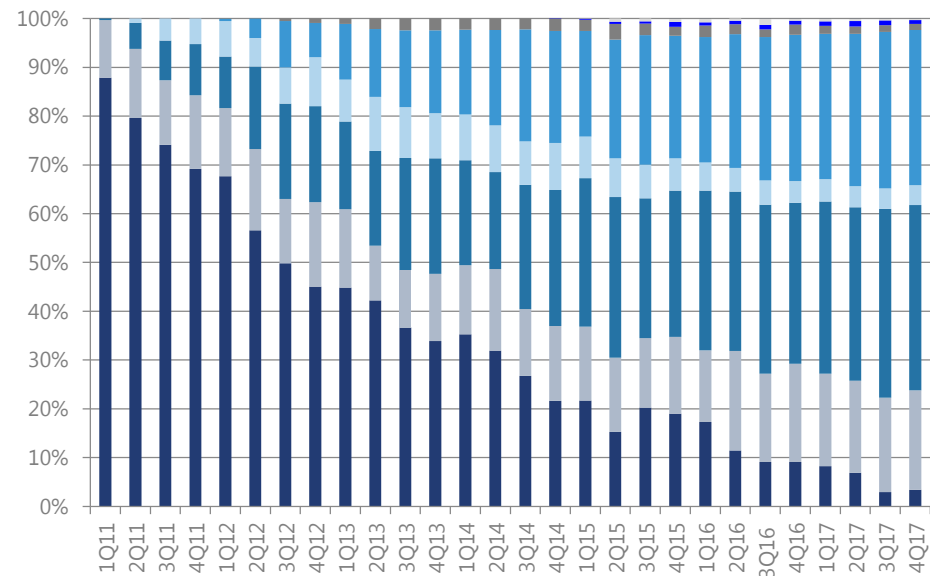
# Mobile revenues and sign ups by device

## Number of Signups by Device



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

## Revenues by Device



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



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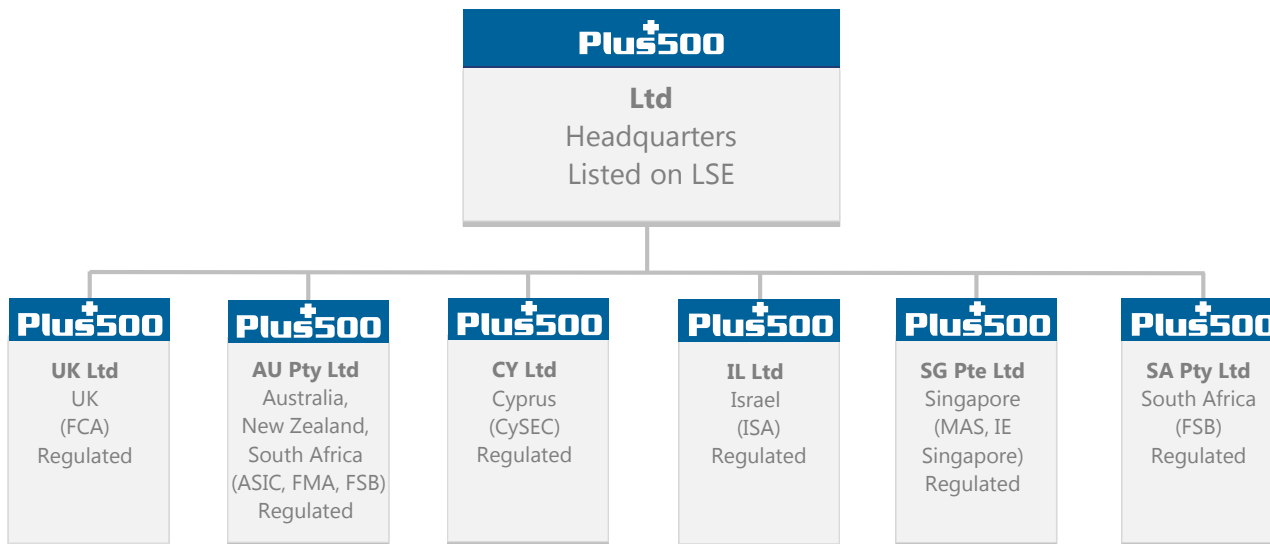
**Financial  
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# Regulatory Framework



- Regulatory weight increasing, although this increases barriers to enter the market

## Compliance Approach

- Negative balance protection for all customers
- No advice self execution venue
- No bonuses for the majority of business
- Default leverage of 1:50 for the majority of the business
- No Binary Options
- No call center
- Initial & maintenance margins applied at all times as proposed by the FCA
- Client money kept in segregated accounts
- Financial promotions carry appropriate risk warnings
- Affiliates control





## Commitment to regulatory, compliance and risk best practice

- ✚ Continuing focus on and investment in best practice
- ✚ Robust Compliance organisation built to ensure Plus500 is meeting its regulatory obligations:
  - ✚ Global compliance and support employees c.240 permanent staff
  - ✚ Local Compliance teams with significant experience and skills
- ✚ MiFID II provisions implemented (with effect from 3 January 2018) with a focus on:
  - ✚ Enhanced appropriateness test
  - ✚ Target market assessment
  - ✚ PRIIP KIDs
  - ✚ Inducements
  - ✚ Product governance and enhanced disclosure
- ✚ Maintaining open dialogue with the regulators
- ✚ No firm specific regulatory restrictions in any of the Group's regulated markets



# Plus500 and compliance landscape

- ✦ Plus500 continued to make necessary changes to comply with regulatory updates
- ✦ We welcomed and are aligned with many of the changes proposed by regulators:
  - ✦ always offered a trading platform where customers cannot lose more than their account balance
  - ✦ already offer a maintenance margin level which enables customers to have additional protection
  - ✦ stopped offering bonus schemes for the majority of our operations
  - ✦ no revenues from market P&L meeting the expectations of the regulators that aim to prevent industry participants from being dependent on client losses
  - ✦ revenues are principally derived from spreads and overnight charges
  - ✦ adopted regulatory changes in various jurisdictions



# ESMA's Call for Evidence

Measures to restrict the marketing, distribution and sale of CFDs to retail clients, including the introduction of:

- ✚ leverage limits on the opening of a position, ranging from 30:1 to 5:1 according to the volatility of the underlying assets;
- ✚ a margin-close out rule on a position by position basis (clients' positions are automatically closed when they fall below 50% of initial margin);
- ✚ negative balance protection, providing an overall guaranteed limit on retail client losses;
- ✚ a restriction on the use of incentives for trading being offered by CFD providers;
- ✚ standardised risk warnings
- ✚ capped leverage limit on cryptocurrencies

Plus500 submitted its feedback with respect to ESMA Call for Evidence process on February 5, 2018



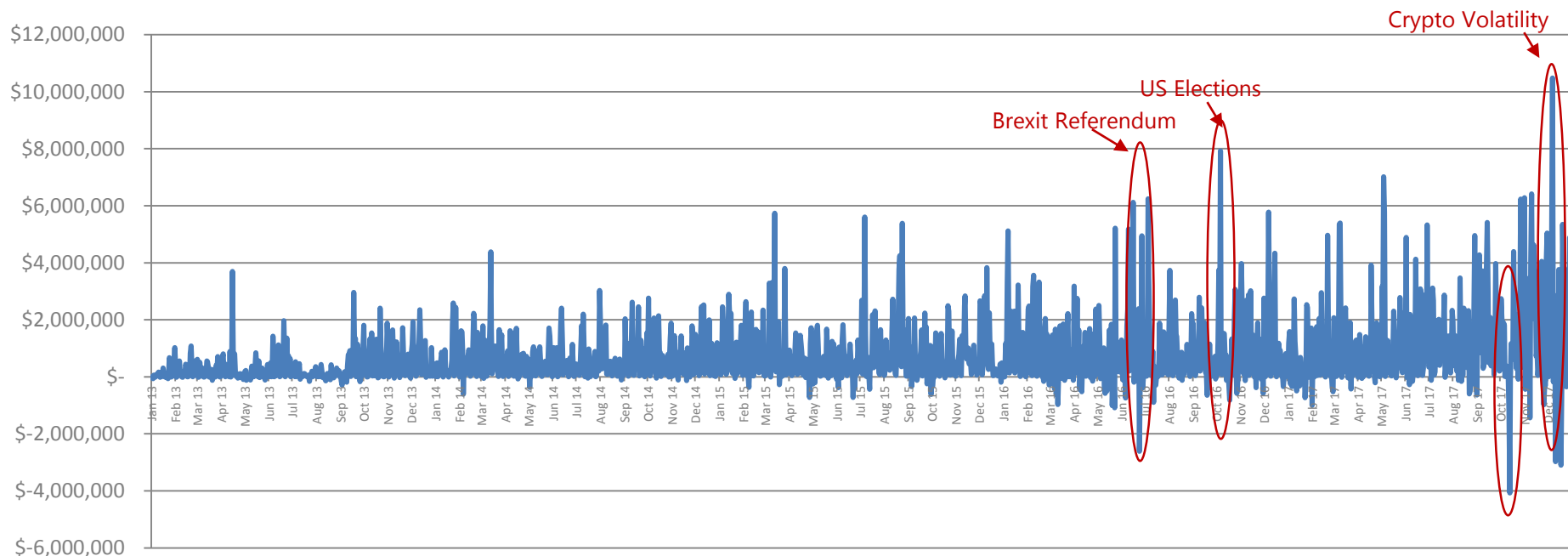
## Regulation – current situation and potential impact

Regulator focus	Plus500 compliance	Potential impact
Negative balance protection	✓	None
Maintenance margin	Account-level margin close out	None
Appropriateness	✓	Limited
Client losses	✓	None
Risk Warning Disclosure	✓	None
Leverage limits on Crypto Currencies	Already applied to vast majority of customer base (at 1:5)	Limited
Reduced leverage ratios	Industry standard	Subject to ESMA / FCA
No high pressure sales	✓	None
No binary options	✓	None
No bonuses	Already applied to majority of customer base	Limited



# Minimising downside risk: 86% profitable trading days in 2017

Strong track record in managing market risk demonstrated by looking at number of profitable trading days. In 2017 the Group made a profit on over 86% of the trading days with remaining 14% of trading days showing mostly relatively immaterial losses.





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# Income Statement

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

	FY2017	FY2016	FY 17/FY 16 Growth	H2 17	H2 16	H2 17/H2 16 Growth
Trading income (net)	<b>437,238</b>	327,927	33%	<b>248,821</b>	169,155	47%
Selling and marketing expenses	<b>156,001</b>	157,277	(1%)	<b>94,774</b>	65,789	44%
Administrative and general expenses	<b>22,733</b>	20,132	13%	<b>13,736</b>	11,777	17%
<b>EBITDA</b>	<b>259,198</b>	150,997	72%	<b>140,663</b>	91,874	53%
EBITDA margin	<b>59%</b>	46%	29%	<b>57%</b>	54%	4%
Financing expenses (income) - net	<b>5,146</b>	(1,464)	N/A	<b>3,282</b>	(1,884)	N/A
Tax expense	<b>53,683</b>	34,740	55%	<b>28,063</b>	20,731	35%
<b>Net profit</b>	<b>199,675</b>	117,242	70%	<b>108,966</b>	72,742	50%

- A record revenue for the twelve months ended 31 December 2017 is driven by an increased number of both active and new high value customers who are using Plus500's trading platform
- Increased level of marketing efficiency, as spending decreased by 1% while revenue increase by 33%
- Strong increase in EBITDA margins for the twelve months ended 31 December 2017, which increased from 46% in 2016 to 59% in 2017



# Lean cost structure

Key Financial Indicators: (\$'000):

	FY 2017	FY 2016	FY 17/FY16 Growth	H2 2017	H2 2016	H2 17/H2 16 Growth
Advertising and marketing costs	<b>117,126</b>	124,848	(6%)	72,060	49,232	46%
Processing costs	<b>16,909</b>	14,323	18%	10,612	6,543	62%
Salaries	<b>28,298</b>	19,159	48%	16,842	11,135	51%
IT and data feeds costs	<b>5,751</b>	4,451	29%	2,944	2,136	38%
Legal, professional and regulatory fees	<b>2,953</b>	5,486	(46%)	1,586	3,471	(54%)
Office expenses	<b>4,179</b>	2,754	52%	2,441	1,377	77%
Other costs	<b>3,518</b>	6,388	(45%)	2,025	3,672	(45%)
<b>Total costs</b>	<b>178,734</b>	177,409	<b>1%</b>	<b>108,510</b>	77,566	<b>40%</b>

- Healthy and efficient cost base – “Advertising and marketing costs” and “Processing costs” represent 75% of total FY 2017 expenses





## Balance sheet remains strong

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

	FY2017	FY2016	FY 17/FY 16 Growth
Cash and cash equivalents	242,082	136,518	77%
Other Current Assets	25,308	14,193	78%
<b>Total Current Assets</b>	<b>267,390</b>	150,711	77%
Non Current Assets	4,230	3,997	6%
<b>Total Assets</b>	<b>271,620</b>	154,708	76%
Current Liabilities	45,693	18,708	144%
Non Current Liabilities	-	-	-
<b>Total Liabilities</b>	<b>45,693</b>	18,708	144%
<b>Equity</b>	<b>225,927</b>	136,000	66%

- Record level of cash balance
- Cash balances held on deposit at Barclays Plc, Credit Suisse and Bank Leumi
- Client money held in segregated accounts with Barclays, Credit Suisse and Commonwealth
- Current liability growth mainly reflects level of marketing spend in December 2017



## Strong cash generation funds attractive dividend

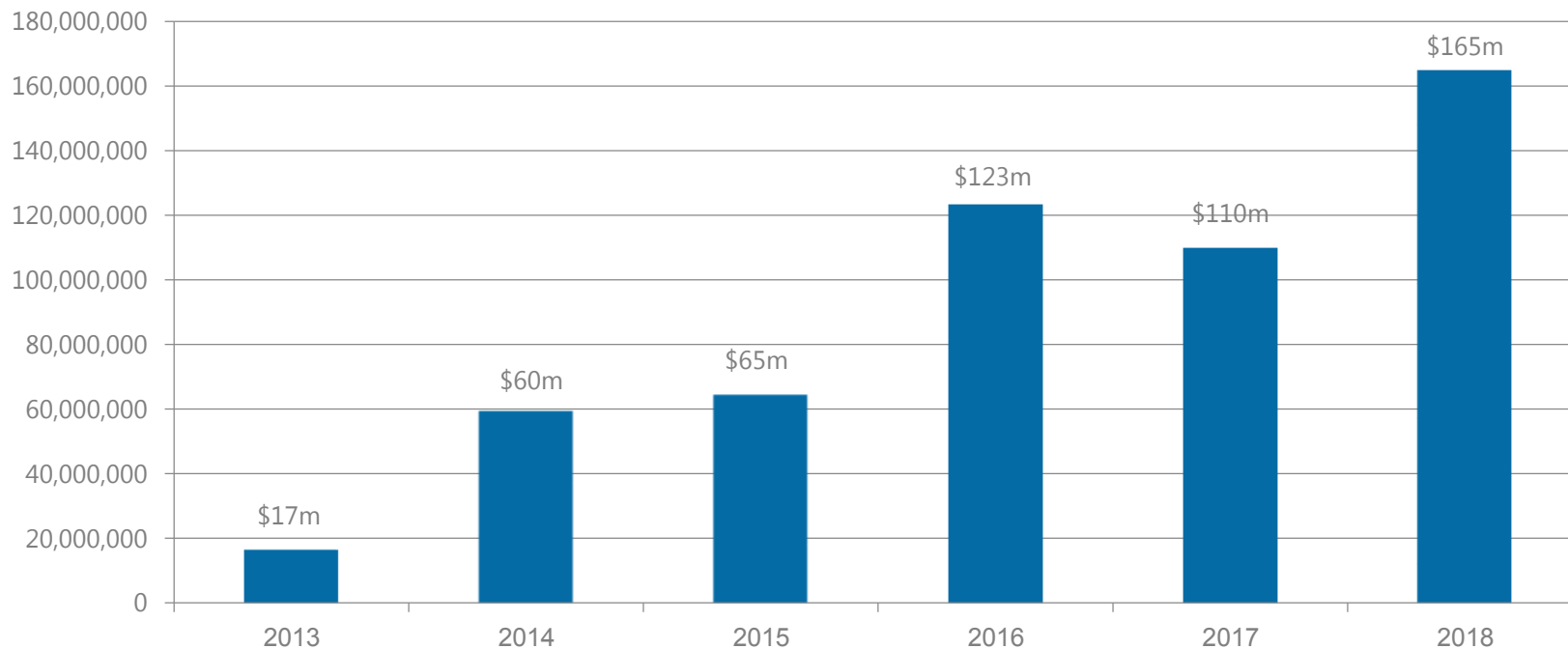
Key Financial Indicators – Cash Flow: (\$'000):

	FY2017	FY2016	FY 17/FY 16 Growth
Operating activities:			
Cash generated from operations	278,492	153,455	81%
Income tax paid - net	(66,514)	(44,548)	49%
<b>Net cash provided by operating activities</b>	<b>211,978</b>	108,907	95%
<b>Net cash used in investing activities</b>	<b>(1,024)</b>	(2,205)	(54%)
Financing activities:			
Dividend Paid	(102,212)	(123,264)	(17%)
Acquisition of the Company's shares by the Company	(7,536)	-	N/A
<b>Net cash used in financing activities</b>	<b>(109,748)</b>	(123,264)	(11%)
Exchange gains (losses) on cash and cash equivalents	4,167	(3,454)	N/A
<b>Cash and Cash Equivalents, End of Period</b>	<b>241,854</b>	136,481	77%

- + Limited capex needs
- + Low capital requirements
- + High cash conversion available to pay dividend and to execute buy back shares



## Dividend and share buy back payouts (2018 proposed to date)



- Total of **\$199.6** million returned to shareholders, consisting of an interim dividend of **\$27.2** million, a final dividend of **\$92.6** million, a special dividend of **\$72.3** million and a share buyback programme of **\$7.5** million which was executed during 2017;
- Together the dividends and buyback represent a total pay-out of 100% of net profit for the year.



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# Outlook – confident of another successful year

- Record financial KPIs in the early weeks of Q1 2018. Accordingly, the Board expects revenues for the year ended 31 December 2018 to be significantly ahead of current market expectations
- New Customer acquisition continues to be strong compared to 2017 average monthly performance
- Focus on organic growth through continuing investment, innovation and brand building
- Expect to broaden global footprint and continue to diversify revenues – adding further new licences
- We will make the necessary changes to comply with any regulatory requirements
- The Board believes that Plus500 will adapt to these regulatory requirements and emerge a stronger business due to its:
  - strong financial position
  - geographically well diversified revenues
  - advanced trading platform
  - flexible and low cost business model



# Investment Summary

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

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