Delivering long-term sustainable growth

We are focused on improving profitability and delivering long-term sustainable growth for our shareholders whilst taking into account the interests of all stakeholders. We have continued to make progress across our four strategic pillars and are focusing on building XPS into the pre-eminent independent pensions actuarial, consulting and administration business we set out to build.

Five years as a publicly traded company – five years of growth

The increase in revenue this year to £139 million represents a significant 2.7x increase in the size of our business and the highest level of year on year organic growth since our public listing in 2017. We were appointed pensions advisory partner by BT Group plc, the UK's largest corporate pension scheme; we developed our partnership with abrdn plc to launch a UK defined benefit (DB) master trust; we became carbon neutral across the entire value chain; we acquired Michael J Field Consulting Actuaries – the year under review is not short of significant corporate milestones.

There was another major achievement during the year though, one that was neither strategic, financial nor operational: February 2022 marked the five-year anniversary of our admission to the premium segment of the London Stock Exchange. As with all anniversaries, this provides an opportunity to reflect on how far we have come since listing.

On admission, we became the UK's only publicly listed pensions actuarial, consulting and administration company. We still are today. What has changed is the scale and breadth of our business. In 2017, the Group had 450 employees, generated revenues and adjusted EBITDA of £52 million and £17.5 million respectively and had a client base of c. 400. Five years on, XPS employs 1,500 people, is reporting annual revenues and adjusted EBITDA of £138.6 million and £34.1 million

> As I look back over the last five years, I am extremely proud of how far we have come, but I'm even more excited about the future. We are a market leading firm with great solutions for clients, and have created a really strong platform for growth for the benefit of our people and all our stakeholders."
>
> **Paul Cuff,**
> Co-Chief Executive Officer

respectively and has more than doubled the number of clients to over 1,500. Furthermore, our client base now includes the likes of BT Group, evidence that, after a period of investment, XPS has the platform and profile to attract and service the largest mandates.

In our 2017 Annual Report, we stated that being publicly owned would give “us access to capital to pursue our strategic vision of becoming the pre-eminent mid-tier firm, whether through acquisitions or other forms of investment”. In line with this, growth over the last five years has been generated both via acquisition, most notably through the Punter Southall merger in 2018, and organically. This year’s c. 8% increase in organic revenues is the highest level of organic growth we have reported since listing. Our programme of investing for the future is delivering, and this year’s adjusted diluted EPS is 52% above that when we listed.

As with the previous 12 months, growth in FY 2022 was achieved against the backdrop of the pandemic. This is testimony to the strength of our end markets, which are largely independent of the economic cycle, and the resilience of our business model, which revolves around the provision of essential non-discretionary services to pension scheme sponsors and trustees. Strong end markets, resilient business models, innovative solutions, and proprietary technology are not enough though. The results we are reporting today would not have been possible without the commitment, support and professionalism of our people, all of whom work tirelessly to deliver better outcomes for our clients and pension scheme members. This is our societal purpose: helping to make pension schemes safe and secure for the members so that they can rely on them for financial security in later life. It is because of our people that we can achieve this.

Financial performance: highest organic revenue growth since listing

With total Group revenues up 8.4% to £138.6 million (FY 2021: £127.9 million), the year ended 31 March 2022 saw us maintain our track record of reporting at least mid-single digit revenue growth every year since our listing in 2017.

Within Advisory (Pensions Actuarial and Consulting and Pensions Investment Consulting), revenues grew 7.1% to £77.4 million, while Administration revenues were up 8.5% to £50.8 million.

> We continue to deliver strong organic revenue growth, with FY 2022 showing the highest operating result since our listing in 2017 reflecting our market position as a high-quality provider in the pensions market.”
>
> **Ben Bramhall,**
> Co-Chief Executive Officer

Financial performance: highest organic revenue growth since listing continued

Pensions Actuarial and Consulting grew revenues 4.9% to £63.7 million (FY 2021: £60.7 million) thanks to further GMP equalisation work and new client mandates, including Mitchells & Butlers and Michelin, as well as BT Group.

New client wins and continued demand for support and advice from our existing customer base drove an 18.1% increase in revenues in Pensions Investment Consulting to £13.7 million (FY 2021: £11.6 million). The division continues to benefit from the CMA review into the way that some of the biggest firms in our market recommended their own fiduciary management products to their clients, the outcome of which has been a requirement for independent advice and oversight to be obtained from firms like ours. This has created wide-ranging opportunities which we continue to capitalise on. We are also seeing increased demand for ESG-aligned investment advice and expect this to gather pace in the years ahead.

Pensions Administration revenues grew 8.5% to £50.8 million (FY 2021: £46.8 million), helped by new client wins. We see significant scope to secure further outsourcing mandates and so we continue to invest in and develop the platform.

Momentum at National Pension Trust (NPT), our defined contribution (DC) master trust, continues to build with assets under management growing 22% to over £1.3 billion. As with last year, growth was driven by transfers into the trust and by annual contributions from active members. We see exciting opportunities for NPT, which delivers bespoke solutions for clients via a common platform. In terms of investment returns, NPT's default investment strategy was the year's top performer in the master trust universe.

The number of clients in our SIP division grew during the year driving a 9% growth in revenues. The recent Michael J Field acquisition strengthens our SIP platform and is expected to help drive organic growth in the years ahead. Almost all of this year's 8% revenue growth was generated organically – our highest rate of organic growth in the five years since we listed. This record growth rate underpins our belief that, following a capital-intensive period, the benefits of the investments we have made are increasingly driving financial performance. For example, our programme of investing in people, technology and acquisitions has historically resulted in revenue growth outpacing earnings. Now that we have a scalable and highly cash-generative platform in place that wins major mandates, we have significantly narrowed the historical revenue/earnings gap this year and in future expect it to improve further. Adjusted EBITDA for the year increased 7% to £34.1 million (FY 2021: £32.0 million), while statutory profit before tax rose 48% to £16.9 million (FY 2021: £11.4 million) and adjusted diluted EPS rose 4% to 10.2p (FY 2021: 9.8p).

As with previous years, the strong financial performance we are reporting today is a reflection of the structurally driven end markets in which we operate and the four-pillared strategy we are implementing.

During the year we made significant investments in technology, particularly in our administration business. We acquired proprietary technology that we will develop during FY 2023 and deploy in the years beyond. The focus of this investment is to continually improve client service and drive efficiency in our business. We are also focused on developing online portals that will improve the experience of members of our pension scheme clients.

> The Group continues to win significant blue-chip clients. Landmark appointments such as adviser to BT Group plc are testament to the strength of the XPS brand and our drive to continually generate innovative ideas to help our clients.
>
> **Paul Cuff,**
> Co-Chief Executive Officer

Counter-cyclical and growing markets

Our market is the provision of consulting and administration services to DB pension schemes, the liabilities of which run off over many decades. In the DC space, we also provide administration and consulting services, alongside our own master trust solution. The fee market in which we operate is large at over £2 billion and growing at a rate of between 3% and 4% per annum. Growth comes from the expansion of services to existing clients, either in response to regulatory change or through cross-selling, net new client wins and inflation-linked fees.

Whether small changes in, for example, tax rules or more fundamental changes such as a new funding regime for DB schemes, clients require bespoke advice and guidance on how change affects them. Periods of significant regulatory upheaval are therefore drivers of market growth. Today, in response to corporate scandals, such as BHS and Carillion, more regulatory change is taking place or is in the pipeline than at any time in the past 20 years. Pension schemes have risen up the corporate agenda and with them the need for the specialist and non-discretionary services XPS Group provides. A glance at current regulatory drivers highlights the level of change at play:

- the Pension Schemes Act 2021 – focuses on how corporates finance their arrangements and how schemes are treated following M&A;
- New Funding Code (expected end of 2022) – will impact how pension schemes are funded;
- GMP equalisation – November 2020's ruling that companies must correct the unequal treatment of men and women in relation to a small (but overlooked) part of 80s/90s pension schemes continues to generate work that will take years to complete;
- Single Code of Practice (upcoming) – will likely increase trustees' governance requirements;
- Task Force on Climate-related Financial Disclosures (TCFD) – pension schemes are having to satisfy new requirements focused on improving the quality of governance and reporting in respect of climate-related risks and opportunities; and
- CMA Review – continues to provide tailwinds via the independent advice recommendation.

The ever-changing regulatory landscape not only increases the scope of advice and services we provide to our existing clients, it also generates opportunities to win outsourcing mandates from internally administered schemes. Regulation is making pension administration more and more complex for in-house teams, so too are cyber security and GDPR.

Outsourcing, which involves the transfer of schemes and teams to businesses like XPS, provides a solution. We are a recognised leader in this area – at XPS, we estimate we have executed around half of all administration outsourcings in the last decade.

Regulatory change, particularly with regards to governance arrangements, is also driving growth in the DC market. XPS Group helps in two ways: we work with trustees to improve governance through our growing DC consulting practice; and we offer a solution via NPT, our own consolidation vehicle.

Progress across our four strategic pillars

It is one thing to operate in a large, long dated, and growing market, but another to maximise the opportunity. We strive to achieve this by implementing a strategy that is centred around four key pillars:

Regulatory change as a driver of activity: by leveraging our expertise, we offer clients bespoke advice and support whenever there is regulatory change. We are doing this in the GMP equalisation space. Here our market-leading, proportionate, and pragmatic approach won mandates from a number of large schemes during the year, both from our own clients and from those of other firms. As well as growing our revenues, winning work such as this generates cross-selling opportunities.

Progress across our four strategic pillars continued

Growth through expanding services: the year under review saw us add to our offering. We have added Member Analytics, which analyses demographics and behaviours and how these can best be served, and Covid-19 Analytics, which provides market-leading analysis on the long-term impact of the pandemic. In addition, we formally established a Trustee Governance offering, which takes on pension scheme governance and management, and won competitively tendered new appointments in the market. In addition, we are now providing DC consulting services to a growing number of clients, and we continue to invest in additional functionality in our Radar risk analysis software.

We have also added two senior hires to our growing risk transfer practice, which is an area of the market that we expect to grow significantly.

In March 2022, we announced a strategic alliance with abrdn plc to launch a UK DB master trust in Q2 2022. The master trust is believed to be the first developed and launched jointly by an independent pensions consultancy and a leading global asset manager. It will deliver a one-stop-shop solution covering all the services required to run small and medium-sized legacy DB pension schemes and is expected to generate cost savings and improve governance and member benefit security.

Growing market share: Based on full year revenues of £138.6 million, XPS Group's market share stands at 6-7%. Considerable room remains for further growth. Maintaining a healthy pipeline of business opportunities across all service lines is key and our "Market Force" initiative generated multiple new business leads from the large pension schemes targeted. Several of these were converted during the year in both Advisory and Pensions Administration.

Growth through M&A: the market in which we operate is fragmented. Significant scope remains to grow market share via acquisition. We have a long track record of successfully integrating new businesses, including Punter Southall in 2018 and the smaller bolt-on acquisitions of Kier Pensions Unit, Trigon and Royal London Corporate Pension Services that followed. All of these were executed with high employee and client retention. We are constantly evaluating businesses that match our key investment criteria, including cultural alignment, capability enhancement and cross-selling opportunities. One such business was acquired in the second half of the year – Michael J Field Consulting Actuaries, a specialist SIPP and SSAS provider that complements our existing capabilities and expands the reach of our offering to a wider base of clients and financial advisers.

> To capitalise on the opportunities around us, we continue to hire more people. The recruitment market is competitive but our reputation as an employee centric business with a strong focus on culture means we are well placed."
>
> **Ben Bramhall,**
> Co-Chief Executive Officer

Delivering for our people

XPS is only as good as its people. Our societal purpose helps us attract, inspire and retain talent. So too does our corporate culture: employee centric; inclusive; friendly; and meritocratic. We do not, however, take the above for granted. Our people deliver for us. We must deliver for them. In line with this, we constantly strive to ensure our working arrangements and practices are embedded with a high level of flexibility, inclusivity and care. Our aim is to ensure all our people feel they belong at XPS and that they have the opportunity to progress on merit. The launch of our flexible working model, My XPS, My Choice, during the year is one example of the importance we place on looking after our people. So too is our annual employee survey, the results of which were highly encouraging with 95% of respondents agreeing that XPS is a good place to work, an improvement on the previous year's 94%.

The year also saw us train over 50 members of staff as Mental Health Allies to provide confidential in-house counselling; sign up to independent counselling service, Unum; host a wide variety of team events, societies and fundraisers, as well as women and LGBT+ networks; celebrate Black History Month; and hold our second Values in Practice Awards, which recognises people and teams who have gone above and beyond.

We value all our people, and thank them for delivering yet another successful year. We would like to personally thank Jonathan Bernstein who, after holding various roles within the Group, most recently as Chief Operating Officer, retired during the year. The Board and management team thank Jonathan for his valuable contribution to the XPS journey and we wish him a long, healthy and happy retirement. Jonathan's responsibilities have been reallocated among existing management as well as to our first ever Chief Information Officer (CIO), Jon Marchant. Jon, who has over 20 years' experience, most recently as CIO at PayPoint, has been appointed to drive our tech strategy forward.

As we announced following year end, Tom Cross Brown will retire as the Group's Chairman following the AGM in September 2022. On behalf of the Board, we would like to thank Tom for his commitment and contribution since his appointment as Chairman in January 2017. Tom has seen XPS through a transformational period and we wish him well for his retirement. We look forward to working with the new Chair when appointed.

Growing sustainably

As one of the leading pensions consultancies in the UK, XPS is in a strong position to promote sustainable/responsible business practices across its customer as well as its supplier base – the £140 billion or so of assets under XPS investment advisory provide substantial collective purchasing power to drive positive change.

While our investment consulting business delivers market-leading ESG-aligned investment advice, it is important that XPS leads by example. During the year we became carbon neutral following the purchase of UN-approved carbon credits. As well as Scope 1 and 2 emissions from our own activities, these cover Scope 3 emissions produced by suppliers when serving XPS.

Achieving carbon neutrality through the purchase of carbon credits does not represent the sum of our ambitions. It is one step of a journey. The next is to reduce our direct carbon footprint.

Outlook

The FY 2022 results demonstrate the continued resilience and predictability of our business, with a high proportion of our revenues being non-discretionary and recurring as they are received for essential services. As such, we remain protected against the impact of the wider global political and economic situation.

We expect the demand for our services to remain high as we help our clients navigate the complex and evolving regulatory backdrop. We have continued to develop service lines to meet client needs, including in the areas of scheme governance and in risk transfer where we have invested in our team. Recent client wins and a strong pipeline of opportunities will support further growth in the coming year.

We remain mindful of the current inflationary backdrop but remain confident in our business model to be able to minimise the impact of inflationary pressures on profits whilst still maintaining investment in our market leading products, platform and people. Many of our contracts have mechanisms by which our fees automatically increase in line with inflation, and we will maintain a focus on overall efficiency and a disciplined approach to pricing our services.

The Group has made a good start to the new financial year, and we remain confident in delivering against market expectations for the current year.

Paul Cuff
Co-Chief Executive Officer
22 June 2022

Ben Bramhall
Co-Chief Executive Officer
22 June 2022