

# Results presentation

Half year ended 30 September 2019

21 November 2019



# Introduction

Peter Cruddas, CEO

Financial performance: Euan Marshall, CFO

Client trading and regulation: David Fineberg, Deputy CEO

Strategic update: Peter Cruddas, CEO

# Growth driven by higher revenue per client and technology partnerships

## Diversifying through technology

- Strong first half, with PBT of £30.1m driven by a 45% increase in net operating income
  - Significantly improved CFD revenue performance through higher retention of client income following changes to risk management strategy
  - 45% increase in RPC
- Technology B2B business provides additional revenue growth
  - ANZ Bank partnership delivering 164% net revenue growth in Stockbroking business against prior year comparative
  - 15% growth in CFD institutional net revenue
  - Ongoing investment to further develop offerings
- We remain supportive of regulatory change
  - We are well positioned to adapt to proposed changes in Australia and, once implemented, regulatory uncertainty will finally be lifted
- Interim dividend of 2.85p



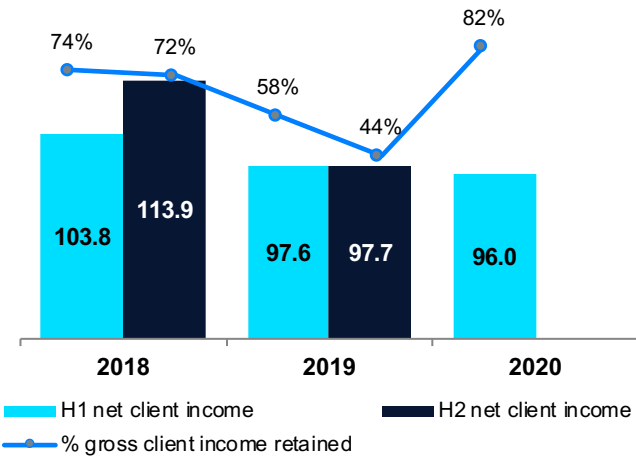


# Financial performance

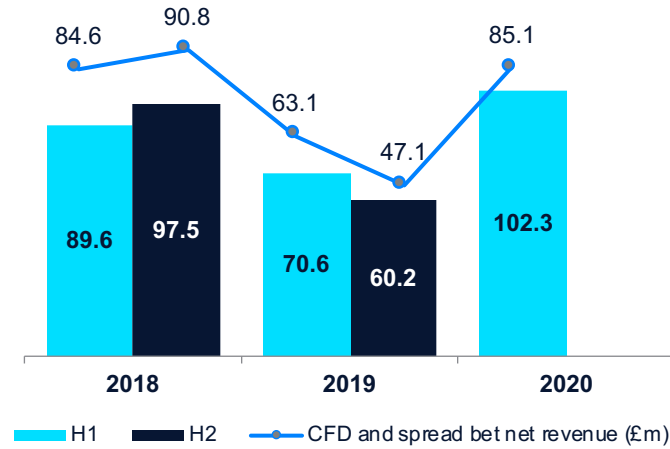
Euan Marshall, CFO



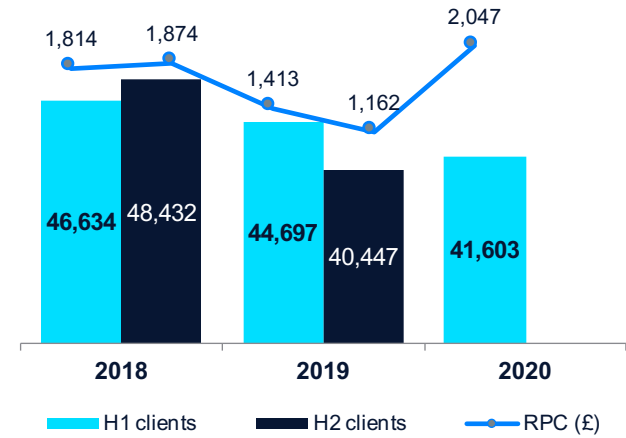
### CFD net client income<sup>1</sup> (£m) and retention (%)



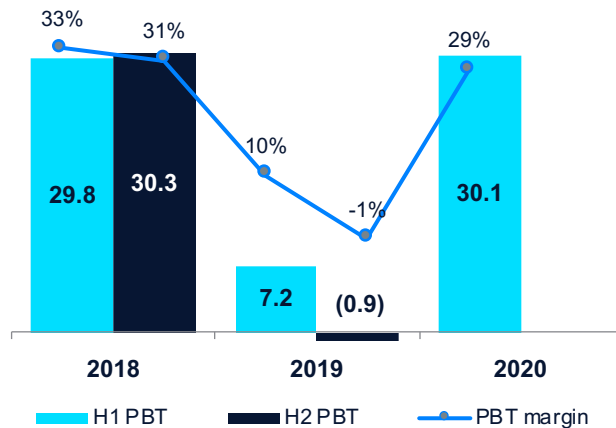
### Net operating income<sup>2</sup> (£m)



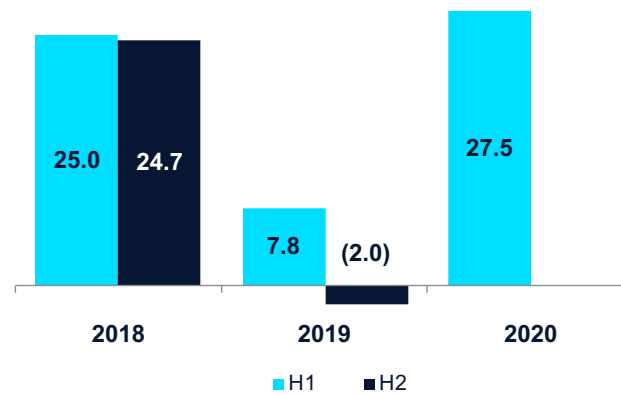
### Active clients<sup>3</sup> and Revenue per active client<sup>4</sup> (RPC)



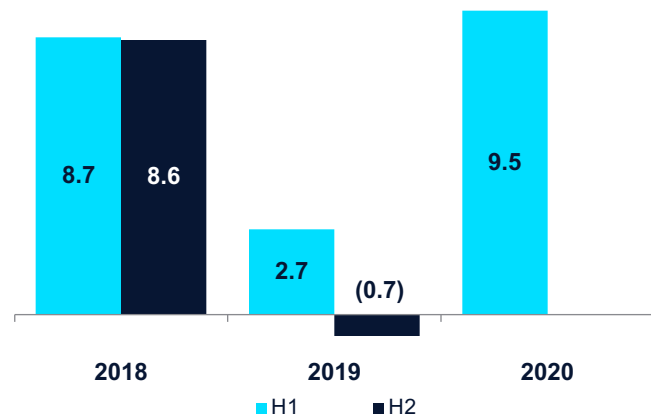
### Profit / (loss) before tax (£m and margin)



### Profit / (loss) after tax (£m)



### Basic earnings per share (pence)



1. CFD net client income represents spreads, financing and commissions charged to clients (client transaction costs) net of rebates. See slide 12 for further detail.
2. Net operating income represents total revenue net of introducing partner commissions and spread betting levies.
3. Active clients represent those individual clients who have traded with or held CFD or spread bet positions with CMC Markets on at least one occasion during the period.
4. Revenue per active client represents total trading revenue from CFD and spread bet active clients after deducting rebates and levies.

# Income statement

## Growth across both the CFD and stockbroking businesses

Group (£m)	H1 2020	H1 2019	YoY %
CFD and spread bet net revenue <sup>1</sup>	85.1	63.1	35%
Stockbroking net revenue	14.5	5.5	164%
Interest income	1.8	1.6	17%
Sundry income	0.9	0.4	102%
<b>Net operating income<sup>2</sup></b>	<b>102.3</b>	<b>70.6</b>	<b>45%</b>
Operating expenses (excl. variable remuneration)	(64.8)	(60.8)	(7%)
Variable remuneration <sup>3</sup>	(6.4)	(1.9)	(232%)
Finance costs	(1.0)	(0.7)	(49%)
<b>Profit before taxation</b>	<b>30.1</b>	<b>7.2</b>	<b>318%</b>
<b>PBT margin</b>	<b>29.4%</b>	<b>10.2%</b>	
Tax	(2.6)	0.6	(536%)
<b>Profit after tax</b>	<b>27.5</b>	<b>7.8</b>	<b>253%</b>
<b>Profit before taxation</b>	<b>30.1</b>	<b>7.2</b>	<b>318%</b>
CFD and spread bet	27.5	8.2	238%
Stockbroking	2.6	(1.0)	-

### Net operating income

- CFD net revenue increase of 35% (£22.0m)
  - Net CFD client income slightly lower than H1 2019 (down 2% or £1.6m); the prior year comparative includes four months where ESMA regulations were not in force
  - Client income retention increased to 82%, moderately higher than that prior to ESMA changes, assisted by lower hedge transaction costs
- Stockbroking revenue up £9.0m (164%) driven by technology partnerships

### Operating expenses

- Increase in operating expenses (excluding variable remuneration) driven by the growing Stockbroking business
  - Full go-live of the ANZ partnership deal was at the end of H1 2019
  - The entire current period contains costs relating to the enlarged Stockbroking business, whilst the comparative does not
- CFD operating costs remain well controlled

# Institutional (“B2B”) and retail (“B2C”) revenue

Growing revenue from technology partnerships diversifying revenue streams

Net trading revenue (£m)	H1 2020			H1 2019			Growth (£m)			Growth (%)		
	B2C	B2B	Total	B2C	B2B	Total	B2C	B2B	Total	B2C	B2B	Total
CFD & spread bet net revenue	69.0	16.1	85.1	49.1	14.0	63.1	19.9	2.1	22.0	40%	15%	35%
Stockbroking net revenue	2.7	11.8	14.5	2.4	3.1	5.5	0.3	8.7	9.0	15%	276%	164%
<b>Net trading revenue</b>	<b>71.7</b>	<b>27.9</b>	<b>99.6</b>	<b>51.5</b>	<b>17.1</b>	<b>68.6</b>	<b>20.2</b>	<b>10.8</b>	<b>31.0</b>	<b>39%</b>	<b>63%</b>	<b>45%</b>
<b>% share of Group</b>	<b>72%</b>	<b>28%</b>		<b>75%</b>	<b>25%</b>							

- 22 new active B2B relationships during H1 2020 across both the CFD and Stockbroking businesses
- We have a strong pipeline of prospective relationships

# Operating expenses

## Cost increase driven by growing Stockbroking business and variable remuneration

Group (£m)	H1 2020	H1 2019	YoY %
Net staff costs (excl. variable remuneration)	26.7	23.5	14%
IT costs	10.5	9.8	7%
Sales and marketing	7.8	9.3	(16%)
Premises	1.6	3.6	(56%)
Legal and professional fees	2.5	2.5	1%
Regulatory fees	3.1	1.6	90%
Depreciation and amortisation	5.8	3.5	67%
Other	6.8	7.0	(4%)
<b>Operating expenses (excl. variable remuneration)</b>	<b>64.8</b>	<b>60.8</b>	<b>7%</b>
CFD operating expenses	53.5	53.8	(1%)
Stockbroking operating expenses	11.3	7.0	61%
Variable remuneration <sup>2</sup>	6.4	1.9	232%
Finance costs	1.0	0.7	49%
<b>Total costs</b>	<b>72.2</b>	<b>63.4</b>	<b>14%</b>
<b>Average headcount</b>	<b>684</b>	<b>668</b>	<b>2%</b>
Average CFD headcount	528	535	(1%)
Average Stockbroking headcount	156	133	17%

- Operating expense<sup>1</sup> increase of £4.0m (7%) driven by the enlarged Stockbroking business, where costs were £4.3m (61%) higher
- Net staff costs (excluding variable remuneration) increased by 14% due to:
  - Capitalised ANZ development costs which reduce the prior year comparative; and
  - One-off costs relating to restructuring undertaken in H1 2020
    - This will lead to cost savings in FY21, to be reinvested in additional technology staff
- IT costs increased due to higher market data charges across the business
- Higher regulatory fees driven by:
  - A higher FSCS levy; and
  - Higher transactional fees in the Stockbroking business, with full go-live of the ANZ partnership deal at the end of H1 2019
- Lower premises costs are offset by higher depreciation and amortisation. This follows changes to accounting for leases under IFRS 16
- Increase in variable remuneration following strong financial performance in the first half

# Liquidity and regulatory capital

Regulatory capital		
Group (£m)	H1 2020	FY 2019
Core Equity Tier 1 Capital <sup>1</sup>	222.4	203.1
Less: intangibles and deferred tax assets	(13.7)	(10.5)
<b>Capital Resources</b>	<b>208.7</b>	<b>192.6</b>
Pillar 1 requirement <sup>2</sup>	92.6	88.7
Total risk exposure <sup>3</sup>	1,157.4	1,108.9
<b>Capital ratio %</b>	<b>18.0%</b>	<b>17.4%</b>

Total available liquidity		
Group (£m)	H1 2020	FY 2019
<b>Own funds</b>	<b>182.8</b>	<b>149.8</b>
Non-segregated client and partner funds	9.8	7.6
Available syndicated facility	40.0	40.0
<b>Total available liquidity</b>	<b>232.6</b>	<b>197.4</b>

## Regulatory Capital

- CET1 up £19.3m due to profit after tax less declared dividend
- **Capital ratio** of 18.0% (FY19: 17.4%)

## Liquidity

- Increase in **own funds** of £33.0m largely driven by H1 profits
- Broker margin requirements broadly the same as at 31 March. The Group continues to hedge a significant amount of net client market risk exposure

Net available liquidity		
Group (£m)	H1 2020	FY 2019
<b>Total available liquidity</b>	<b>232.6</b>	<b>197.4</b>
Blocked cash <sup>4</sup>	(26.9)	(25.8)
Initial margin requirement at broker	(67.6)	(68.3)
<b>Net available liquidity</b>	<b>138.1</b>	<b>103.3</b>

1. Core Equity Tier 1 capital – total audited capital resources and verified profits as at the end of the financial period, less dividends paid or proposed. Prior period comparative is presented using the same methodology.

2. Pillar 1 requirement – the minimum capital requirement required to adhere to CRD IV.

3. Total risk exposure – the Pillar 1 requirement multiplied by 12.5, as set out by the FCA.

4. Blocked cash relates to cash needed to support regulatory and overseas subsidiaries operational requirements.

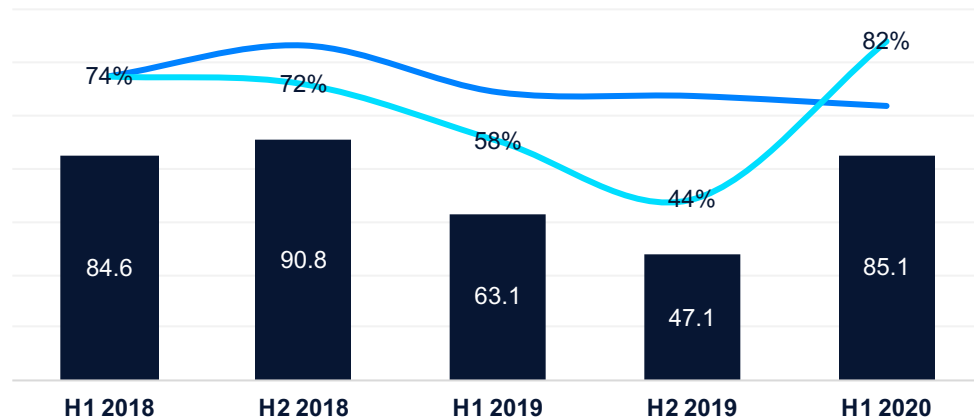
# Client trading and regulation

David Fineberg, Deputy CEO

- CMC aims to optimise the percentage of client transaction fees (“client income”) that it retains
  - Transaction fees include spreads, financing charges and commissions
  - This saw a deterioration during FY19, leading to a change in risk management strategy
- Under the revised risk management approach, we:
  - Use technology to analyse data to make better informed hedging decisions
  - Internalise a greater proportion of net client exposure over longer periods, resulting in lower hedging costs
- CMC internalise client trades through the natural netting of client positions and hedge externally when board-approved market risk limits are hit
- We still hedge a significant portion of our risk

# CFD client income

£m	2018		2019		2020	Variance (%)	
	H1	H2	H1	H2	H1	Var vs H1	Var vs H2
Gross CFD client income <sup>1</sup>	114.8	126.4	108.7	107.3	103.5	(5%)	(4%)
Rebates and levies	(11.0)	(12.5)	(11.1)	(9.6)	(7.5)	32%	21%
<b>Net CFD client income</b>	<b>103.8</b>	<b>113.9</b>	<b>97.6</b>	<b>97.7</b>	<b>96.0</b>	<b>(2%)</b>	<b>(2%)</b>
Client (profits) / losses	(1.1)	2.3	11.8	3.2	9.9	(17%)	211%
Hedging profits / (losses)	(4.1)	(8.6)	(28.6)	(35.9)	(9.4)	67%	74%
Hedging costs	(14.0)	(16.8)	(17.7)	(17.9)	(11.4)	36%	36%
<b>Net CFD trading revenue</b>	<b>84.6</b>	<b>90.8</b>	<b>63.1</b>	<b>47.1</b>	<b>85.1</b>	<b>35%</b>	<b>81%</b>
% client income retained	74%	72%	58%	44%	82%		



■ Net CFD trading revenue (£m) — Gross client income — % client fees retained

- We are focused on growing client income from spreads, financing and commissions
- Client gains or losses do not have a material impact upon our profitability
- Change in risk management strategy was made in FY19 following a significant deterioration in the efficacy of our hedging policy
- Hedge costs have reduced in the region of £1.0m per month vs prior year



- **Regulatory update**

- **Australia:** ASIC were granted intervention powers in April 2019, similar to those given to ESMA
  - A consultation period is currently underway, with the proposed intervention measures broadly in line with those imposed by ESMA last year. The implementation date for these measures remains unknown.
    - CMC already meets most of the proposed measures in Australia, including margin close out, negative balance protection, risk warnings, and the prohibition of marketing binary options
    - Proposed leverage limits are broadly similar to those introduced by ESMA, which resulted in a small decrease in the number of active clients, but an increase in the proportion of high quality clients and account balances
  - In H1 2020, net client income from CFD clients in Australia represented 29% of Group CFD net client income
- **Singapore:** FX margins increased to 5% (from 2%) for retail clients from 7 October 2019. The overall impact of this change has been immaterial for the Group
- **UK:** The FCA continue to consider a ban on the sale of cryptocurrency derivative products to retail clients. Should this occur, it is not expected to have a significant impact upon the Group due to the relatively small volumes traded by clients

- **Brexit**

- German subsidiary now has a regulatory licence and will operate as our European Economic Area hub



# Strategic update

Peter Cruddas, CEO

We are beginning to see the benefits of refocusing our strategy, as demonstrated by H1 financial results

## Initiative update



### Established markets

- Strong base of client income
- We are in good position to benefit from regulatory changes in these regions



### Institutional

- ANZ partnership delivered successfully
- We continue to develop our pipeline
- 28% of revenue generated through technology partnerships



### Client journey optimisation

- On-boarding journey simplified to improve lead conversion
- Greater focus on mobile user experience

## Underpinned by technology

- Technology used to maximise the % of revenue retained
- Proprietary technology easily adapted to meet regulatory requirements
- Developing new products in response to client demand

- Our technology allows us to win business in a field with few competitors
- Increased focus on development and sale of risk free B2B products across CFD and Stockbroking businesses
- Increased investment in development of technology for FY20 / FY21

- In-house development means that we can address pinch points in the on-boarding process, and improve customer experience at all points of the client journey
- Increased use of third party analytical tools to identify gaps in the market and spend efficiencies

- **Net operating income**

- Following strong CFD net revenue performance at the start of H2 2020, it is now expected that net operating income will be in excess of £180 million
- We expect to see increased revenues due to:
  - Revised risk management strategy, which has improved the retention of client income
  - Institutional growth through a larger, more profitable B2B client base
  - Annualised impact of enlarged Stockbroking business

- **Operating costs**

- Operating costs (before variable remuneration) expected to broadly the same as H1 2020

- **Tax**

- Effective tax rate expected to rise for the full year

- **Dividend policy**

- We remain committed to our dividend policy of paying out 50% of full year profit after tax

# Q&A



# Appendices

# Appendix 1

## Selected KPIs by half year

CFD net client income (£m)							
	2018			2019			2020
	H1	H2	Full year	H1	H2	Full year	H1
UK	38.1	42.0	80.1	35.4	36.2	71.6	33.3
Europe	28.6	32.0	60.6	22.8	18.4	41.2	16.5
APAC & Canada	37.1	39.9	77.0	39.4	43.1	82.5	46.2
<b>Total</b>	<b>103.8</b>	<b>113.9</b>	<b>217.7</b>	<b>97.6</b>	<b>97.7</b>	<b>195.3</b>	<b>96.0</b>

CFD net revenue <sup>1</sup> (£m)							
	2018			2019			2020
	H1	H2	Full year	H1	H2	Full year	H1
UK	34.8	37.1	71.9	27.6	19.7	47.3	29.7
Europe	23.6	27.0	50.6	16.3	10.8	27.1	15.9
APAC & Canada	26.2	26.7	52.9	19.2	16.6	35.8	39.5
<b>Total</b>	<b>84.6</b>	<b>90.8</b>	<b>175.4</b>	<b>63.1</b>	<b>47.1</b>	<b>110.2</b>	<b>85.1</b>

Active clients <sup>2</sup>							
	2018			2019			2020
	H1	H2	Full year	H1	H2	Full year	H1
UK	12,164	12,680	16,157	11,083	9,065	13,181	9,259
Europe	17,909	18,629	22,223	16,617	14,232	19,159	13,865
APAC & Canada	16,561	17,123	20,785	16,997	17,150	20,968	18,479
<b>Total</b>	<b>46,634</b>	<b>48,432</b>	<b>59,165</b>	<b>44,697</b>	<b>40,447</b>	<b>53,308</b>	<b>41,603</b>

1. CFD net revenue represents total trading revenue generated from CFD and spread bet clients after the impact of Rebates & Levies. Geographic segmentation is according to location of office which on-boards client, rather than client place of residence.
2. Active clients represent those individual clients who have traded with or held CFD or spread bet positions with CMC Markets on at least one occasion during the preceding 6 months for half year figures and 12 months for full year.

# Appendix 2

## ESMA client trading

CFD net revenue (£m)	H1 2019	H2 2019	H1 2020	Var %
ESMA Professional		19.6	27.6	41%
ESMA Retail		10.9	18.0	74%
<b>Total ESMA region</b>	<b>43.9</b>	<b>30.5</b>	<b>45.6</b>	<b>50%</b>

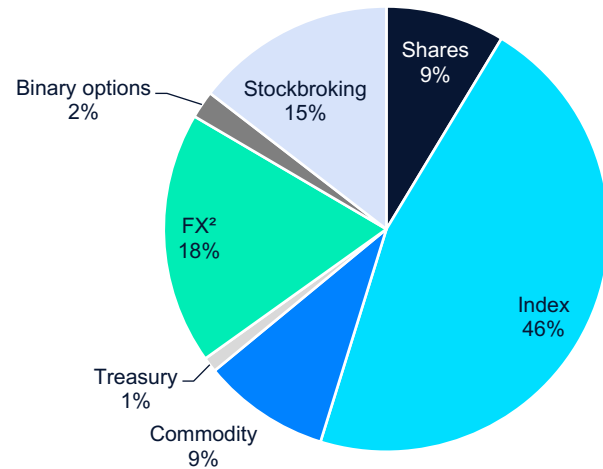
Active clients	H1 2019	H2 2019	H1 2020	Var %
ESMA Professional		2,095	2,002	(4%)
ESMA Retail		21,202	21,122	-
<b>Total ESMA region</b>	<b>27,700</b>	<b>23,297</b>	<b>23,124</b>	<b>(1%)</b>



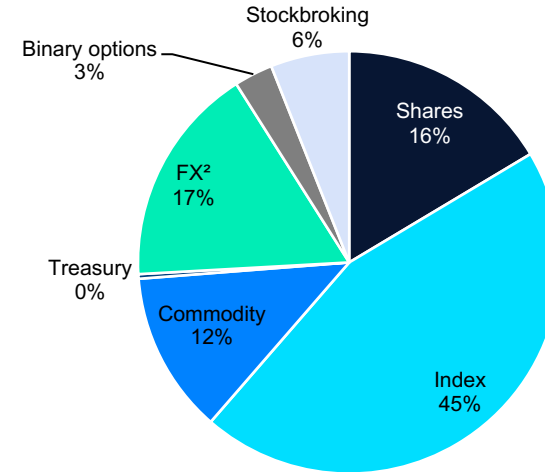
# Appendix 3

## Revenue composition

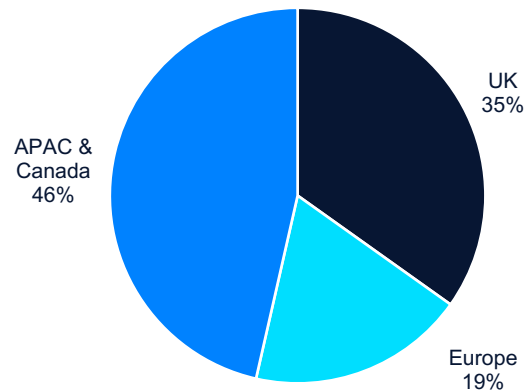
### H1 2020 CFD and Stockbroking revenue<sup>1</sup> by asset class



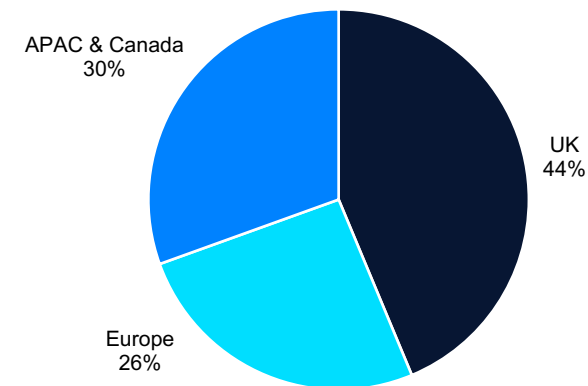
### H1 2019 CFD and Stockbroking revenue<sup>1</sup> by asset class



### H1 2020 CFD net revenue<sup>3</sup> by region



### H1 2019 CFD net revenue<sup>3</sup> by region



1. Net revenue generated from CFD and spread bet active clients, including Countdowns and Digital 100s after the impact of introducing partner commissions and spread betting levies  
2. FX includes cryptocurrencies  
3. CFD and Stockbroking revenue represents total revenue after the impact of introducing partner commissions and spread betting levies. Geographic segmentation is according to location of office which on-boards client, rather than client place of residence.

# Appendix 4

## Income statement

Group (£m)	H1 2020	H1 2019	YoY %
<b>Total revenue</b>	<b>124.9</b>	<b>84.2</b>	<b>48%</b>
Rebates & levies	(22.6)	(13.6)	(66%)
<b>Net operating income<sup>1</sup></b>	<b>102.3</b>	<b>70.6</b>	<b>45%</b>
Operating expenses	(71.2)	(62.7)	(13%)
Finance costs	(1.0)	(0.7)	(49%)
<b>Profit before taxation</b>	<b>30.1</b>	<b>7.2</b>	<b>318%</b>
Taxation	(2.6)	0.6	(536%)
<b>Profit after tax</b>	<b>27.5</b>	<b>7.8</b>	<b>253%</b>
Dividend per share (pence)	<b>2.85</b>	<b>1.35</b>	111%
Basic EPS (pence)	<b>9.5</b>	<b>2.7</b>	<b>252%</b>

# Appendix 5

## Balance sheet

Group (£m)		30 September 2020 (unaudited)	31 March 2019	Variance %
<b>Non-current assets</b>	Intangible assets	4.5	5.0	(8%)
	Property, plant and equipment	30.7	18.1	69%
	Financial investments	-	11.3	(100%)
	Deferred tax assets	14.7	11.6	26%
	Trade and other receivables	2.8	2.7	1%
	<b>Total non-current assets</b>	<b>52.7</b>	<b>48.7</b>	<b>8%</b>
<b>Current assets</b>	Trade and other receivables	100.7	118.0	(15%)
	Derivative financial instruments	2.8	2.9	(3%)
	Financial investments	25.2	10.7	135%
	Amounts due from brokers	109.8	88.1	25%
	Cash and cash equivalents	62.0	48.7	27%
	Current tax recoverable	4.2	3.4	25%
	<b>Total current assets</b>	<b>304.7</b>	<b>271.8</b>	<b>12%</b>
<b>Current liabilities</b>	Trade and other payables	91.8	100.6	(9%)
	Derivative financial instruments	7.2	4.3	68%
	Borrowings	1.1	1.1	1%
	Lease liabilities	5.2	-	-
	Short term provisions	0.2	0.2	(10%)
	<b>Total current liabilities</b>	<b>105.5</b>	<b>106.2</b>	<b>(1%)</b>
<b>Non-current liabilities</b>	Trade and other payables	-	4.8	(100%)
	Borrowings	0.8	1.2	(33%)
	Deferred tax liabilities	1.2	1.2	-
	Lease liabilities	16.3	-	-
	Long term provisions	2.0	2.0	-
	<b>Total non-current liabilities</b>	<b>20.3</b>	<b>9.2</b>	<b>120%</b>
	<b>Total equity</b>	<b>231.6</b>	<b>205.1</b>	<b>13%</b>

# Appendix 6

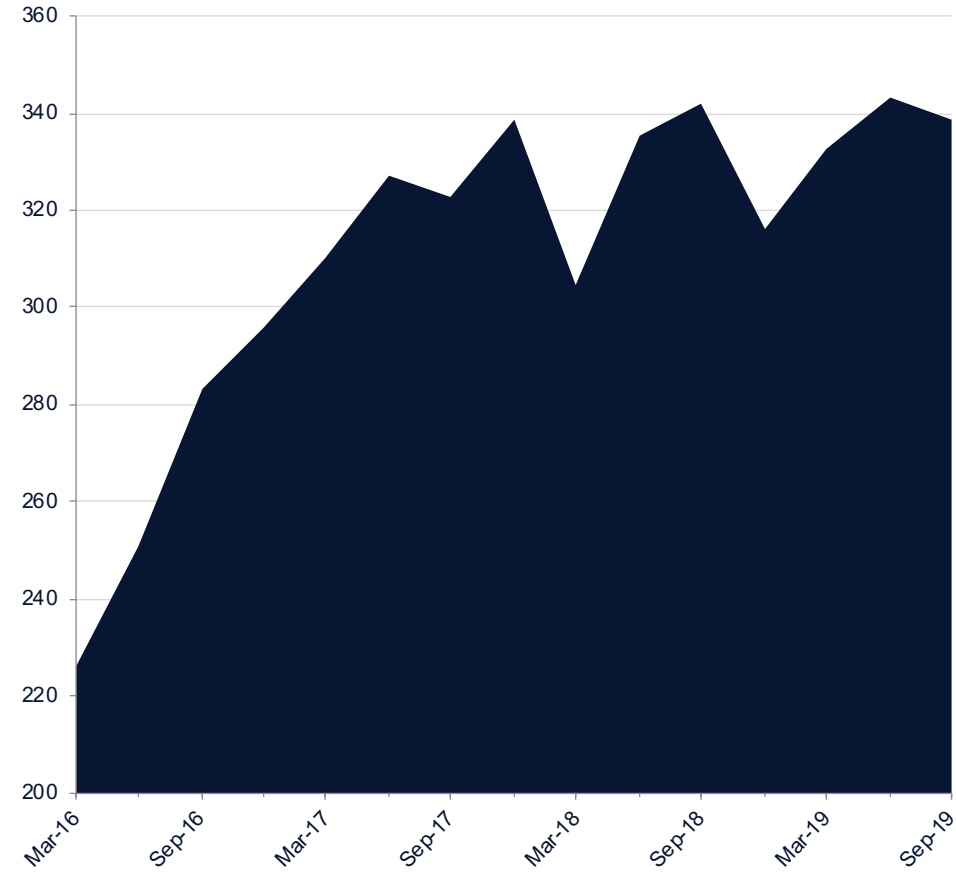
## Own funds flow statement

Group (£m)	H1 2020	H1 2019	YoY %
<b>Operating activities</b>			
<b>Profit before tax</b>	<b>30.1</b>	<b>7.2</b>	<b>318%</b>
Adjustments for:			
Finance costs	1.0	0.7	49%
Depreciation and amortisation	5.8	3.5	67%
Other non-cash adjustments	1.0	0.8	20%
Tax paid	(6.5)	(4.6)	(43%)
<b>Own funds generated from operating activities</b>	<b>31.4</b>	<b>7.6</b>	<b>312%</b>
<b>Movement in working capital</b>	<b>10.4</b>	<b>(13.3)</b>	<b>178%</b>
<b>(Outflow)/Inflow from investing activities</b>			
Net Purchase of property, plant and equipment and intangible assets	(1.5)	(5.1)	71%
Other inflow/(outflow) from investing activities	(0.6)	(0.6)	8%
<b>Outflow from financing activities</b>			
Interest paid	(1.0)	(0.7)	(49%)
Dividends paid	(2.0)	(17.2)	89%
Other inflow/(outflow) from financing activities	(4.1)	26.9	(115%)
<b>Total inflow/(outflow) from investing and financing activities</b>	<b>(9.2)</b>	<b>3.3</b>	<b>(383%)</b>
<b>Increase/(decrease) in own funds</b>	<b>32.6</b>	<b>(2.4)</b>	<b>-</b>
Own funds at the beginning of the year	149.8	193.9	(23%)
Effect of foreign exchange rate changes	0.4	0.5	(25%)
<b>Own funds at the end of the year</b>	<b>182.8</b>	<b>192.0</b>	<b>(5%)</b>

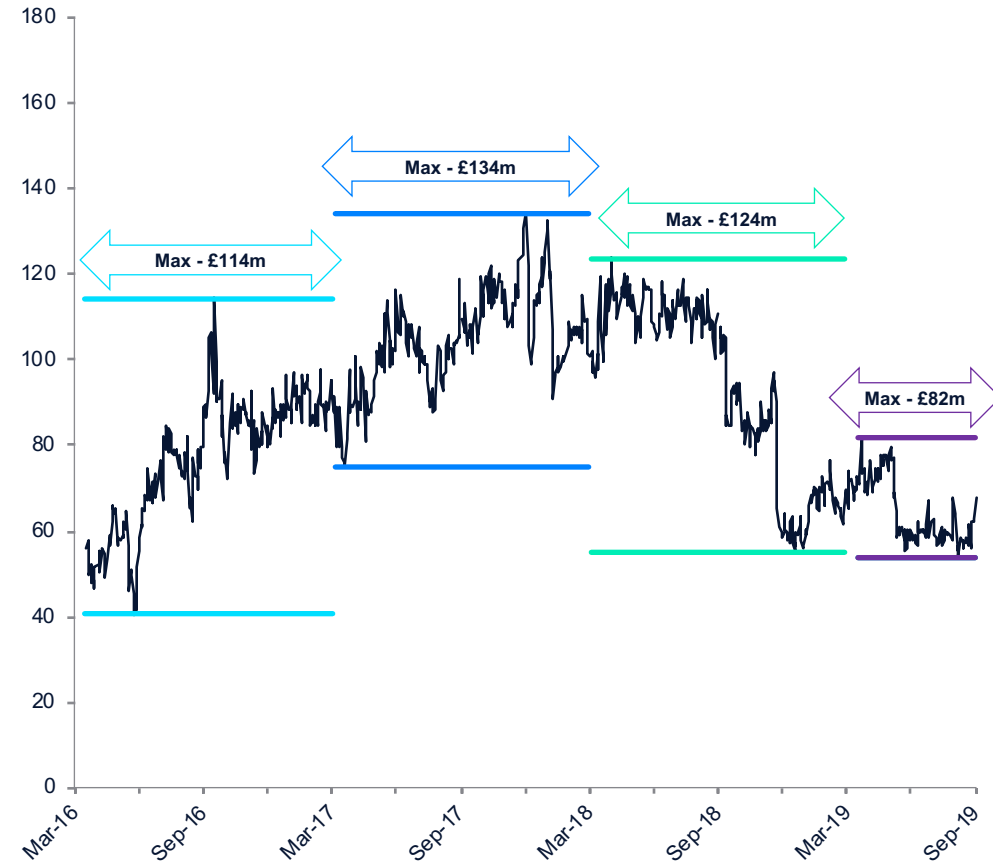
# Appendix 7

## Client assets and prime broker requirements

Client assets under management (£m)



Broker margin requirements (£m)



# Appendix 8

## Our institutional offering

	1 White label	2 Grey label	3 Liquidity services (Market access via API connection or Institutional User Interface)
<b>Clients</b>	Large banks and brokers	Introducing brokers / managers	Banks, brokers, hedge funds, trading desks
<b>Purpose</b>	“Own-branded” front-to-back brokerage solution	Introduce and/or trade on behalf of clients using Next Generation platform	Provide Direct Market Access (“DMA”) and / or additional OTC liquidity
<b>Products</b>	All retail products	All retail products	FX spot CFD Index, Equities, Commodity and Treasury
<b>RPC</b>	<b>Institutional:</b> High ↑ <b>Partner:</b> Similar to retail →	<b>Institutional:</b> High ↑ <b>Partner:</b> Similar to retail →	Variable – wholesale clients trading high volumes at a lower cost
<b>Active clients</b>		<b>Institutional:</b> Fewer, larger clients ↓ <b>Partners:</b> Similar number of clients to retail as can be corporates or individuals →	
<b>Cost implication</b>		Low marketing spend ↓ Wholesale pricing ↑	

### Benefits for CMC

- ✓ Provides presence in territories without a local CMC office
- ✓ Access to new client pools and types
- ✓ Parallel service which does not detract from ability to service core retail clients
- ✓ Diversification

### Benefits for Institutional clients

- ✓ Access to platform technology and infrastructure
- ✓ Liquidity provision
- ✓ Well-capitalised financial counterparty
- ✓ Dedicated tools and reporting

Different regulators apply different criteria:

Region (Regulator)	Designation		Criteria			No. of criteria to fulfil	Evidence required	Leverage limits apply from
			Wealth	Experience	Other			
<b>UK &amp; Europe (ESMA)</b>	Elective Professional		Financial instrument portfolio ≥ €500,000	≥ 1 year of relevant work experience in the financial sector	≥ 10 trades of a significant size per quarter in the last year	2 out of 3	Various - at provider's discretion	Aug 2018
<b>Singapore (MAS)</b>	Accredited Investor		<ul style="list-style-type: none"> <li>Gross income ≥ \$300k</li> <li>Net assets ≥ \$2.0m, (Property value capped at \$1.0m)</li> <li>Net financial assets ≥ \$1.0m</li> </ul>	N/A	N/A	1	Various - at provider's discretion	Oct 2019
<b>APAC (ASIC)</b>	Wholesale Investor	Meets wealth criteria	<ul style="list-style-type: none"> <li>Gross income ≥ \$250k in the previous 2 years</li> <li>Net assets ≥ \$2.5m</li> </ul>	N/A	N/A	1	Accountant's certificate (dated within 2yrs)	TBC
		Meets Professional investor criteria	Controls gross assets ≥ \$10m (either personally or through control of a company)	Financial services licensee	<ul style="list-style-type: none"> <li>Listed entities</li> <li>Bodies regulated by APRA</li> <li>Superannuation funds</li> </ul>	1	Not specified	

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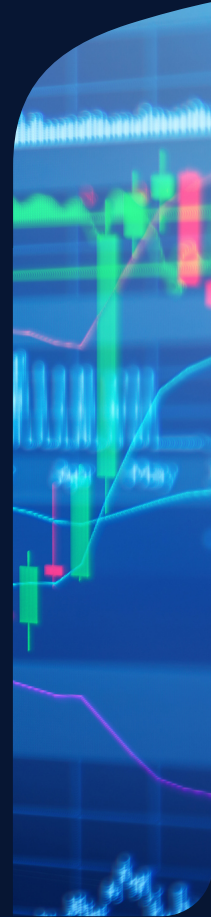
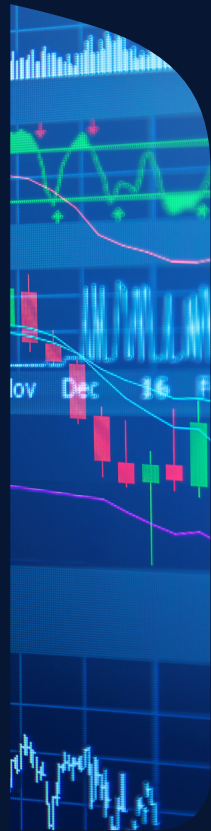
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