STRENGTH IN NUMBERS
MARTIN FOTHERINGHAM, CHIEF FINANCIAL OFFICER

Revenue
In 2020, revenue was £115.1m, an increase of £15.8m (15.9%) compared with 2019.

Despite what were undoubtedly less conducive conditions for new business we delivered net organic growth of 7.9% in the year (2019: 8.4%). The average organic growth for the last three years was 8.3%. The growth in 2020 comprised gross new business of 16.7% (2019: 15.4%), inorganic growth of 8.0% (2019: 20.1%) and attrition of 8.8% (2019: 7.0%). The higher attrition offset the increased gross new business and resulted in a reduction in the retention of revenues that were not end of life in 2020 to 96.6% (2019: 97.4%). In the last three years the average retention of not end of life revenues was 97.4%.

ICS net organic growth was 6.9% (2019: 9.4%). The average for the last three years was 9.2%. The vast majority of jurisdictions grew in 2020 with particularly strong performances in Cayman and the UK. Luxembourg and the US institutional businesses were hit harder by the macroeconomic environment and as a result we saw a reduced flow of new business. Attrition for the division for the year was 8.3% (2019: 6.8%). The slightly higher attrition mainly occurred in the Netherlands and was in connection with the NACT business. This was highlighted in the 2019 results and is consistent with the customer relationship impairment recorded in that period.

FINANCIAL REVIEW

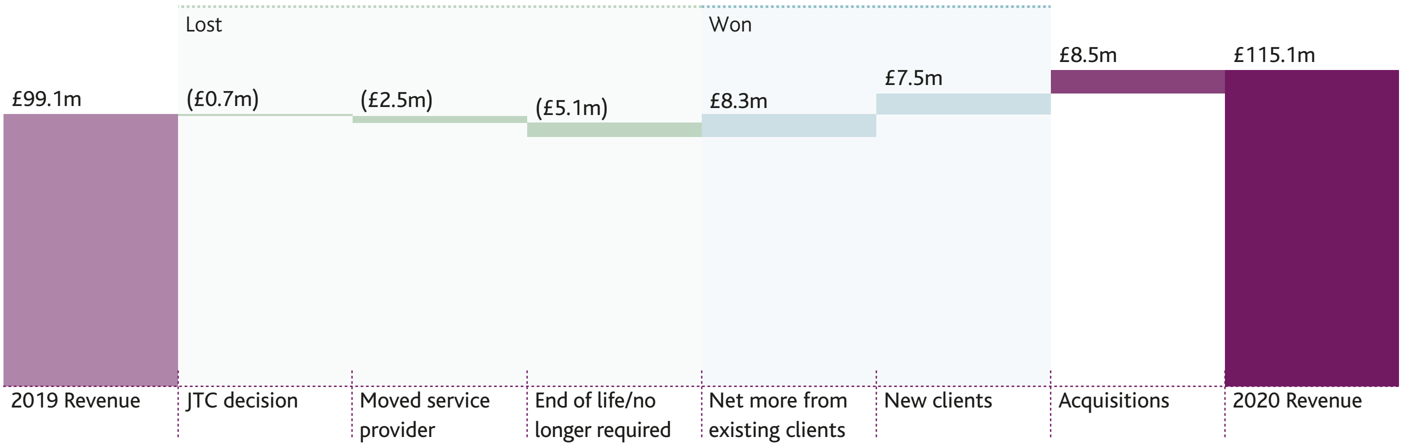
	AS REPORTED			UNDERLYING*		
	2020	2019	CHANGE	**2020**	2019	CHANGE
REVENUE (£M)	**115.1**	99.3	+15.9%	**115.1**	99.3	+15.9%
EBITDA (£M)	**34.9**	33.7	+3.5%	**38.7**	35.4	+9.4%
EBITDA MARGIN	**30.3%**	34.0%	-3.7pp	**33.6%**	35.6%	-2.0pp
OPERATING PROFIT/EBIT	**21.0**	23.0	-8.4%	**24.9**	24.6	+1.0%
PROFIT BEFORE TAX (£M)	**11.2**	17.6	-36.3%	**21.4**	19.7	+8.3%
EARNINGS PER SHARE (P)**	**9.02**	15.43	-41.5%	**22.49**	21.74	+3.4%
CASH CONVERSION	**91%**	81%	+10pp	**91%**	89%	+2pp
NET DEBT (£M)	**-76.0**	-66.5	-9.5	**-75.8**	-59.3	-16.5
DIVIDEND PER SHARE (P)	**6.75**	5.3	+1.45p	**6.75**	5.3	+1.45p

* Reconciliation of performance measures to reported results (see page 19) for further information on underlying results
** Average number of shares for 2020: 116,736,585, 2019: 111,352,868

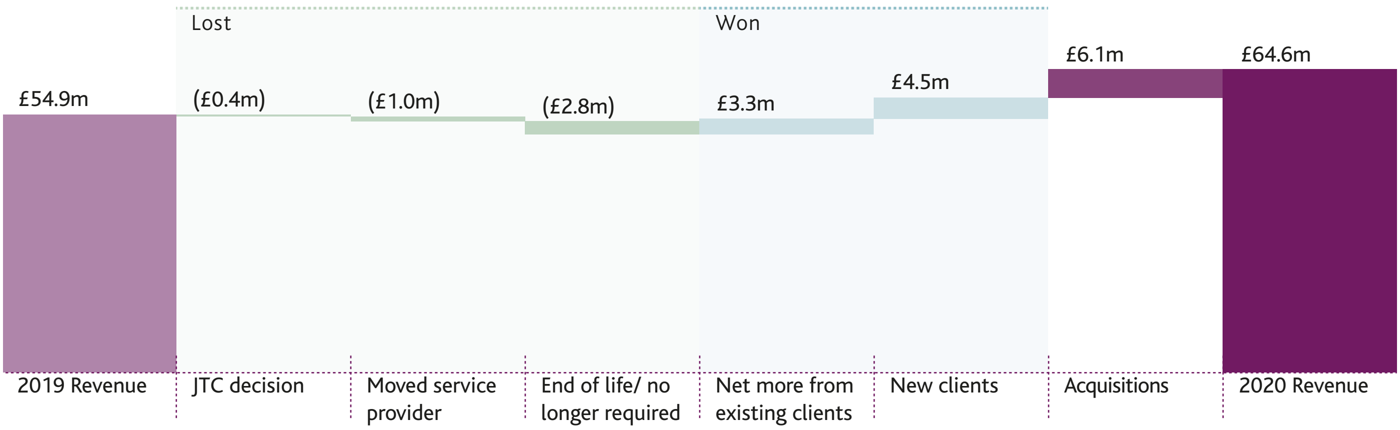
PCS net organic growth was 9.0% (2019: 7.2%). The average for the last three years was 7.4%. We continue to see strong demand for our Private Client offering and were pleased at the strong growth in Cayman, Guernsey, Jersey, Mauritius and the US. Attrition in PCS was 9.4% (2019: 7.4%) and this was higher than the prior period due to the reduction in the BVI business. This was a result of a conscious decision to exit a number of structures.

Revenue growth, on a constant currency basis, in the year is summarised in the chart below.

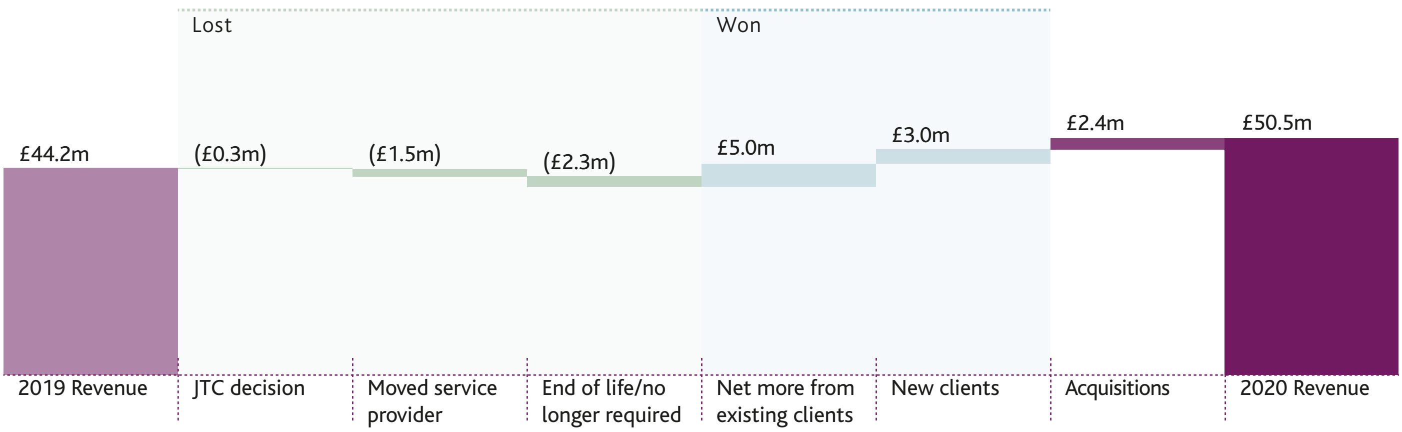
REVENUE BRIDGE (PLC)



REVENUE BRIDGE (ICS)



REVENUE BRIDGE (PCS)



ACQUISITIONS

Acquisitions contributed £8.5m of new revenue in the period broken down as follows:

	PLC	ICS	PCS
NESF (Q2 2020)	£5.1m	£5.1m	–
SANNE (Q3 2020)	£2.4m	–	£2.4m
ANSON REGISTRARS (Q1 2020)	£0.2m	£0.2m	–
ACQUISITIONS < 12 MONTHS	£0.8m	£0.8m	–
TOTAL	**£8.5m**	**£6.1m**	**£2.4m**

When JTC acquires a business, the acquired book of clients is defined as inorganic. These clients continue to be treated as inorganic for the first two years of JTC ownership.

New Business/Pipeline

During 2020 JTC secured new work with an annual value of £17.9m (2019: £14.9m). During the year £9.0m of this was recognised. The divisional split of new work won was ICS £13.4m (2019: £8.9m) and PCS £4.5m (2019: £6.0m). Typically this revenue will have an average life-cycle of approximately 10 years. Whilst new business wins increased there was undoubtedly a slowdown in the launch of new funds with investors being deterred by the uncertainty caused by Covid-19 on the macroeconomic environment. PCS is a business that typically requires a high degree of interpersonal contact and travel and meeting restrictions undoubtedly had an adverse impact on the new business won in 2020.

The enquiry pipeline increased by £15.1m (49.7%) from £30.4m at 31 December 2019 to £45.5m at 31 December 2020. The major influence on the increased pipeline was the acquisition of NESF which at 31 December 2020 had added £11m to the group pipeline. The pipeline has a number of exciting prospects and we have in the last twelve months seen a trend towards larger opportunities in both Divisions. There was a clear slowdown in the launch of new funds within ICS and this was reflected above in the lower growth, particularly in Luxembourg and the US.

Underlying EBITDA and Margin Performance

Underlying EBITDA in 2020 was £38.7m, an increase of £3.3m (9.4%) from 2019. The underlying EBITDA margin for the Group was 33.6% (2019: 35.6%).

The underlying EBITDA margin % is the primary KPI used by the business and is a key measure of Management's ability to run the business effectively and in line with competitors and historic performance levels. The EBITDA margin has remained within the Group's medium term guidance range of 33-38%.

OUR RESULTS DEMONSTRATE OUR ABILITY TO CONTINUE TO GROW DESPITE A CHALLENGING AND DIFFICULT MACROECONOMIC ENVIRONMENT.

Employees of JTC Cayman Islands

ICS New Business Won 2020

£13.4m

PCS New Business Won 2020

£4.5m

WE CONTINUE TO INVEST IN THE BUSINESS AND HAVE BEEN ENCOURAGED BY THE STRONG GROWTH IN NEW BUSINESS WINS IN H2 2020 AND IN THE SIZE OF MANDATES BEING WON BY BOTH DIVISIONS.

ICS's underlying EBITDA margin decreased from 33.1% in 2019 to 27.9% in 2020. Excluding NESF the EBITDA margin for the division was 30.6%. In the first half of the year, the ICS margin was 27.1% and in response to this we undertook an exercise to review our operating processes within the division. Global travel restrictions have frustrated the rate of progress that was achieved. We identified the areas that required restructuring but were reluctant to effect the changes remotely. Our colleagues are key to our business and we did not want to compromise client service or employee welfare in a time of significant global uncertainty.

As highlighted above, the ICS margin was also adversely impacted by the acquisition of NESF in April 2020. We were conscious that this acquisition would initially be margin dilutive. We believe that there is a strong growth outlook for the US fund administration market. Unfortunately the anticipated growth was not evidenced in 2020 due to the Covid-19 impact as well as the weakness in the NESF billing model. The reduction in interest rates in the US had an immediate and material impact on US revenues and EBITDA. We have subsequently restructured the business in line with current revenues albeit the current EBITDA margin is still dilutive to the division. We remain confident about the growth opportunity and the medium-term prospects for ICS in the US.

PCS's underlying EBITDA margin improved from 38.8% to 41.0% in the year. This was driven by the highly efficient operational model and the talent within the division. We continue to take advantage of the operational leverage we have built into the business and to identify additional service offerings. The acquisition of the Sanne Private Client business in July 2020 was a case in point, and we have integrated it seamlessly into our business with no adverse impact on the divisional margin.

We saw an increase in credit impairment losses in the year but believe this to be unique to the financial year and economic conditions. We also saw an increase in a number of indirect costs which the business has had to absorb.

We continue to invest in the business and have been encouraged by the strong growth in new business wins in H2 2020 and in the size of mandates being won by both Divisions.

Depreciation and Amortisation

The depreciation charge increased to £5.9m in 2020 from £4.6m in 2019. £1.0m of this increase was as a result of an increased charge for right-of-use assets. This reflects the increased footprint of the business in the US and Ireland.

The Group has £228.7m (2019: £172.9m) of balance sheet assets consisting of goodwill (2020: £173.8m, 2019: £124.9m), customer relationships (2020: £50.2m, 2019: £46.7m) and software (2020: £4.0m, 2019: £1.2m). The increases in the year were as a result of the acquisitions that we made. We regularly test these assets for impairment and monitor the recoverability of the carrying amounts. There were no impairments required in the year. We recognise that in the current uncertain Covid-19 business environment there may be an increased need to monitor for impairment indicators and where there is evidence of impairment, we shall review carrying amounts in our balance sheet.

The acquisition of NESF brought us in-house technology capabilities. We are in the process of standardising processes where possible and intend in time to use technology to automate many of these. There will be a commensurate investment in the business that we believe will ultimately deliver additional revenues and increase operational efficiency. To date we have not capitalised any costs in this regard.

Statutory Operating Profit

The Group recognises that statutory operating profit is a more commonly accepted reporting metric and hence shows these results for the benefit of external stakeholders.

Statutory operating profit is impacted by non-underlying costs which are higher than 2019, primarily as a result of the requirement to revalue the equity settled financial liability in relation to the contingent consideration for the NESF acquisition. When we agreed to purchase NESF we ensured that there was a two year capped earn-out and that all future contingent consideration would be settled in JTC equity. The variable number of shares offered for the earn-out was driven by a £4.23 share price. This ensured that all parties interests were absolutely aligned to focus on creating shareholder value.

As the earn-out arrangement includes a variable number of shares the contingent consideration is classified as a financial liability, in accordance with accounting standards, and is required to be re-measured to fair value at each reporting period end with the change recognised in the income statement. We are also required to estimate the value of the earn-out at each reporting period end.

We estimated the earn-out value at acquisition and the commensurate number of shares and we have not had cause to change these estimates. However, the improvement in the JTC share price since the date of

Reported profit before tax

£11.2m

Underlying profit before tax

£21.4m

the acquisition has ultimately resulted in an increase of the fair value of the contingent consideration and a subsequent charge of £6.5m has been recognised in the income statement. It should be noted that there is neither a trading nor cash impact of this charge and hence it is treated as non-underlying. We will continue to account for the fair value component of the contingent consideration in this way until the earn-out is determined and the equity obligation is settled.

Acquisition and integration costs were higher than in 2019, because of the increased volume and complexity of the transactions undertaken. Details of these non-underlying costs are set out below.

Non-underlying Items

Non-underlying items incurred in the period totalled £10.1m (2019: £2.1m). These comprised the following:

- £6.5m loss on revaluation of contingent consideration (2019: nil)
- £3.3m of acquisition and integration costs (2019: £2.0m)
- £0.3m other costs/charges (2019: £0.4m credit)
- £nil impairment of customer relationship intangible asset (2019: £0.5m)

Of the £10.1m (2019: £2.1m) of non-underlying costs, £3.8m (2019: £1.7m) are incurred at EBITDA level and £6.3m (2019: £0.4m) are included within other gains and losses.

Acquisition and integration costs reflect costs incurred on the completed acquisitions as well as transactions which are ongoing or did not complete.

Profit Before Tax

The reported profit before tax for the period ended 31 December 2020 was £11.2m (2019: £17.6m).

Adjusting for non-underlying items the underlying profit before tax for 2020 was £21.4m (2019: £19.7m). The improvement reflects the growth in revenues although the margin decreased in the period. However, the relative profitability was positively impacted by a £0.8m foreign exchange gain (2019: £1.2m loss). This is due to the translation of substantial US dollar and Euro monetary balance sheet items held at the year end. The gain reduced during the course of the year – it was £2.2m at mid-year and reflects the impact of the continued strengthening of GBP sterling in H2.

Finance costs in the year comprise £1.6m of amortisation/non-cash flow items (2019: £1.6m) and £2.8m of costs which impact cash flow (2019: £2.4m).

Tax

The tax charge in the year was £0.7m (2019: £0.5m). The cash tax charge is £1.8m (2019: £1.2m) but this is reduced by significant deferred tax credits of £1.1m (2019: £0.8m) as a result of the movements in relation to the value of customer relationships held on the balance sheet. The Group continuously reviews its transfer pricing policy and updates this to reflect the evolving nature of the business and the way it operates. The policy continues to be fully compliant with OECD guidelines.

Underlying Earnings per Share

Underlying basic EPS increased by 3.4% and was 22.49p (2019: 21.74). Underlying basic EPS is the profit for the year adjusted to remove the impact of non-underlying items within profit after tax, amortisation of customer relationships and associated deferred tax impact, amortisation of loan arrangement fees and unwinding of NPV discounts.

Cash flow and Debt

Cash generated from underlying operating activities was £35.3m (2019: £31.3m) and the underlying cash conversion was 91% (2019: 89%). This is consistent with our market guidance and reflects the highly cash generative nature of the business.

Net debt at the period end was £76.0m compared with £66.5m at 31 December 2019. The underlying net debt of £75.8m (2019: £59.3m) excludes regulatory capital (which is not included for banking covenant testing). Underlying leverage is therefore 2.0 times underlying EBITDA (2019: 1.7 times). At 31 December 2020 the bank covenant test for leverage was 3.25 times pro-forma EBITDA. The covenant test moves to 3.0 times pro-forma EBITDA on 31 March 2021 and remains at this level until the expiry of the facility.

Our banking facility was increased by £50.0m to £150m on 9 January 2020 giving a total undrawn facility balance at 31 December 2020 of £44.4m. The facilities expire on 8 March 2023.

MARTIN FOTHERINGHAM,
CHIEF FINANCIAL OFFICER

APPENDIX: RECONCILIATION OF REPORTED RESULTS TO APMs

In order to assist the reader's understanding of the financial performance of the Group, alternative performance measures ('APMs') have been included to better reflect the underlying activities of the Group excluding specific items as set out in Note 7 to the financial statements. The Group appreciates that APMs are not considered to be a substitute for, or superior to, IFRS measures but believes that the selected use of these may provide stakeholders with additional information which will assist in the understanding of the business. Where applicable, any prior period APMs have been restated to include the impact of IFRS 16 in order to provide an appropriate comparison to the current year performance.

1. EBITDA

	2020 £M	2019 £M
REPORTED EBITDA	**34.9**	33.7
NON-UNDERLYING ITEMS		
CAPITAL DISTRIBUTION FROM EBT	**-**	-0.4
ACQUISITION AND INTEGRATION COSTS	**3.2**	2.0
OTHER COSTS	**0.6**	0.1
UNDERLYING EBITDA	**38.7**	35.4

2. CASH CONVERSION

	2020 £M	2019 £M
NET CASH FROM OPERATING ACTIVITIES	**27.6**	21.6
NON-UNDERLYING CASH ITEMS	**6.3**	5.1
TAXES PAID	**1.4**	2.0
	35.3	28.7
ACQUISITION NORMALISATION(*)	**–**	2.6
UNDERLYING CASH FROM OPERATING ACTIVITIES	**35.3**	31.3
UNDERLYING EBITDA	**38.7**	35.4
UNDERLYING CASH CONVERSION	**91%**	89%

* Acquisition normalisation refers to the following: In 2019, £2.0m of Executive revenues and £0.6m of Aufisco revenues were collected by the previous owners in advance of JTC ownership.

3. NET DEBT/LEVERAGE

	2020 £M	2019 £M
CASH BALANCES	**31.1**	26.3
BANK DEBT	**-104.4**	-86.7
OTHER DEBT	**-2.5**	-0.5
CASH HELD ON BEHALF OF JTC EBT	**–**	-2.6
ADVANCE NESF DEAL FUNDING	**–**	4.2
NET DEBT – UNDERLYING	**-75.8**	-59.3
UNDERLYING EBITDA	**38.7**	35.4
LEVERAGE	**1.96**	1.68