TP ICAP

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TP ICAP

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Introduction & Highlights

Nicolas Breteau, Chief Executive Officer

Good morning, everyone and thank you for joining us today. This is our agenda for the morning.

I'll start with an overview. Robin will take you through the financial performance, and then I will update you on the good progress we're making exhibiting our strategy before we open up for questions.

In 2021 we faced a series of challenges including an unusually quite secondary market, especially in the first half as well as continuing disruption caused by COVID, Brexit and adverse currency movements.

Against this backdrop we delivered a resilient revenue performance with higher levels of activity in the second half. The grew overall market share and we increased broker productivity, 8% in Q4 compared to the prior Q4.

We also took action to mitigate margin pressure by delivering savings of £31m. In addition we made material progress, advancing our strategy transformation. Our ambition is to establish TP ICAP as a leading Electronic Market Infrastructure and Information provider.

In our broking businesses we are deploying cutting-edge technology to pivot our execution from high-touch to low-touch and give clients easy access to our global liquidity pools. This improves profitability and increases volumes.

We have branded our electronic execution platform, Fusion. Approximately one year into a five-year programme, 20% of in-scope Global Broking revenue is now live on Fusion.

We are well advanced in the process to integrate Liquidnet, delivering cost synergies ahead of target and on track in developing and executing our growth plans. And we continue to build Parameta Solutions. We rebranded a division last April and generated double-digit growth in its Data & Analytics business.

This transformation combined with the action were taking on cost is making the Group significantly more efficient and will improve margins.

We're also diversifying our client base and revenue profile. 42% Of our 2021 revenue came from outside Global Broking compared to 36% in 2020.

Before I turn to the financial highlights, I want to comment on the impact of the war in Ukraine. We've stopped trading with all Russian banks and sanction counter-parties, who counted for around half a percent of total revenue in 2021.

Robin will provide further detail on our exposure in this presentation.

Turning now to the financial headlines.

For most of the year secondary markets were quiet with continuing low-interest rates across the G7 and a flattened yield curve. There was a welcome pick up of activity in the final quarter as inflation increased and some central banks began raising interest rates.

Our revenues reflect a weak first half before recovering in the second half. Revenue for the year was 8% higher on a constant-currency basis, or 4% on a reported basis at approximately £9.1bn.

Excluding Liquidnet, revenue was about 1% lower than last year, in line with our guidance.

On an adjusted basis EBIT was 9% down in constant currency at £233m, or 14% lower on a reported basis.

The EBIT operating margin of 12.5% decreased 2.3% in constant currency, or 2.7% on a reported basis. This was driven mainly by a £20m decline in contribution due to a chance in revenue mix.

Earnings per share were 19.5 pence and we have declared a final dividend of 5.5 pence bringing the full-year dividend to 9.5 pence per share, in line with our policy.

I now will hand over to Robin to take you through our financial performance in detail.

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Financial Review

Robin Stewart, Chief Financial Officer

Thank you, Nico and good morning, everyone.

Against the backdrop of challenging market conditions, excluding Liquidnet, our revenue was broadly in line with the prior year in constant currency.

Despite ongoing investment in the business, we kept costs flat and completed the necessary actions to deliver annualised cost savings of £35m, in line with our target.

We also grew our market share and continue to hold a market-leading position.

So starting with the income statement. Revenue increased 4% on a reported basis to £1.9bn. This includes nine months of Liquidnet revenue. Excluding Liquidnet, revenue decreased 1% in constant currency to £1.7bn, in line with our guidance, with a strong recovery in the second half as trading conditions improved.

Adjusted EBITDA was down 4% at £315m, with EBITDA margin at 1.4 percentage points lower at 16.9%.

Adjusted EBIT decreased 14% to £233m, and EBIT margin was 2.7 percentage points lower at 12.5%.

These movements mainly reflect a reduced contribution as a result of a change in revenue mix despite keeping costs flat. I'll talk about the revenue mix later.

Net finance costs of £56m were 16% higher than 2020, almost half this increase was additional interest on lease liabilities for our new office in the City of London and for acquired Liquidnet property.

Taken together this resulted in adjusted earnings before significant items of £148m and adjusted earnings per share of 19.5 pence.

As Nico said, we intend to pay a final dividend of 5.5 pence, bringing the total dividend for the year to 9.5p. This is 58% ahead of last year's dividend when adjusting for the bonus element of the rights issue and is in line with our policy of being covered twice by adjusted earnings.

Turning now to the drivers of revenue on the next slide. The charts here show transaction volumes by asset class. As you can see, volumes declined across every asset class in the first half with an uptick in most during the second half.

You can also see exceptional volumes in every asset class in the first quarter of 2020 making 2020 both a strong comparator and an outlier.

Slide 9 shows market-movements by asset class in 2021 alongside our year-on-year change in revenue.

In Rates, London Clearing House notional SwapClear volumes were down 14%. There were also double-digit declines in Eurex equity market volumes, with a single-digit decrease in FX and Credit volumes.

Against this backdrop our performance was resilient and our revenue outperformed market volumes in most asset classes.

So let's turn now to our breakdown of revenue by division and asset class. From now on all my comments on revenue are in constant currency. The breakdown by division is shown on the left-hand side. I'll focus my comments on the right-hand side where you can see a significant change in revenue mix within Global Broking.

Rates is our largest and most profitable asset class and it declined 9%, whilst Equities in Global Broking, which has a lower contribution margin, increased 18%. This change in mix has resulted in lower overall contribution.

The Rates business decreased 9% to £429m as a result of the adverse impact of quantitative easing and low interest rates on trading volumes during the first half as well as disruption caused by Brexit and the end of LIBOR.

As I said earlier, this was a resilient performance considering the year-on-year decline in wholesale volumes. Volumes started to pick up towards to the end of the year as higher inflation led to the prospect of higher interest rates and tighter monetary policy.

FX and Money Markets declined 6%, broadly in line with lower market volumes.

Emerging Markets grew 2% to £179m and equities increased 18% to £226m, mainly due to the inclusion of a first full year of Louis Capital Markets. Excluding Louis Capital Markets, Equities grew 3%.

Revenue and Credit was down 5% to £82m, broadly in line with market volumes as strong bond issuance in the period did not lead to increased secondary trading.

Reported EBIT for 2021 was £233m compared to £272m in 2020.

I'll talk you through the movements on Slide 11. In 2020 the strengthening of sterling against the dollar had an adverse impact of £16m, bringing adjusted EBIT for the year to £256m in constant currency.

In 2021 there was a decline in contribution of £32m as a result of revenue mix which was partly offset by additional front office savings of £12m, delivered as part of our £35m annualised cost savings programme.

We kept management and support costs broadly flat year-on-year despite continued investment in technology, an adverse of £11m from foreign exchange and additional costs associated with our new office in the City of London. We achieved this by cutting back office costs by £7m as well as reducing bonuses.

Moving on now to results by business division. In Global Broking we grew our market share despite revenue decreasing 2% to £1.1bn. Within Global Broking, as you've seen, growth in Equities and Emerging Markets was offset by a decline in Rates, Credit and FX and Money Market. Contribution decreased 4% to £411m as a result of the change in revenue mix that I spoke about earlier.

Front office costs were 1% lower, and management and support costs fell 4% despite increased investment Fusion.

Adjusted EBIT was £173m and EBIT margin decreased from 16.2% to 15.6% driven by lower revenue, the less-favourable revenue mix and ongoing investment.

Energy & Commodities revenue decreased 1% to £370m against a strong year in 2020 that included record pandemic-driven oil volumes. Growth in environmental products, oil and bulk commodities during 2021 was offset by lower revenues in gas.

Front office costs were 1% lower, in line with revenue and management and support costs were flat. This resulted in adjusted EBIT of £47m. Adjusted EBIT margin reduced from 13.5% to 12.7% due to lower revenue.

Agency Execution revenue increased to £246m due to the inclusion of £159m from Liquidnet. Excluding Liquidnet, Agency Execution was down 1% reflecting weaker activity in the relative value business compared to an exceptional year in 2020. There was a strong recovery in relative value in the second half.

The contribution margin has decreased as a result of lower revenue and additional clearing fees as we outsourced our clearing arrangements to a third-party provider. This change was implemented to significantly reduce the liquidity risk of the Group as we are no longer subject to material margin calls.

Adjust EBIT broke even for the year as we continue to invest in the business to support future growth.

Liquidnet revenue of £159m for the nine months post acquisition was 6% down on the same period in 2020 on a pro forma basis and generated a contribution of £68m at a margin of 42.8%.

Revenue was slightly lower than guidance following an unusually quiet month in December. After costs of £70m the business made a loss of £2m excluding interest on the IFRS 16 lease charge. This contributed to the reduced EBIT margin in Agency Execution.

Margin will improve as cost synergies feed through. We delivered £12m of cost synergies in 2021, which means we are ahead of plan on our 2023 target of £20m. We now expect to make cost synergies of at least £25m.

On a pro forma basis, Liquidnet revenue for the full year was £221m, 9% down on 2020 in constant currency, reflecting lower wholesale equity market volumes across the US, Europe and Asia. Bear in mind there were unusually high volumes in the first quarter of the prior year due to the pandemic.

Liquidnet's overall market share of equity trading volumes in 2021 increased slightly in Europe and decreased slightly in the US.

Revenue in Parameta Solutions which includes Data & Analytics, and Post Trade Solutions grew 5% to £166m. The Data & Analytics business continue to grow in double digits, with revenue up 10% driven by the launch of new higher-margin products, growth and diversification of its client base, increased regional sales coverage and an expansion in distribution channels.

Post-trade solutions declined 23%, partly as a result of lower volumes in our MatchBook Rates business due to the end of LIBOR. This decline was partly offset by growth in ClearCompress, which provides electronic compression services, and in eRepo which enables the repurchase of government securities.

The decrease in adjusted EBIT margin from 43.2% to 41.6% reflects increased investment in new product development and additional hires in our regional sales team.

Moving on now to significant items, these are not included in the adjusted results so that we can better measure business performance and compare with other reporting periods.

Significant Items amounted to £143m after tax and associates, an increase of £56m on 2020. The majority of this increase is the result of restructuring and debt refinance costs that had been incurred to generate future run-rate savings, which I'll talk about on the next slide.

Restructuring costs of £42m included both cash and non-cash items. The largest non-cash item was a £16m impairment of property, plant and equipment and right of use assets as we vacated properties to consolidate our footprint.

The largest cash items included £9m of additional costs related to premises, £7m for the Liquidnet integration and £5m associated with the Group cost savings programme.

Disposals, acquisitions and investments of £79m were similar to the prior year and are mostly non-cash. £46m of this amortisation of acquired intangible assets, which relate to the value of brands and customer relationships. This will continue to amortise over the next 10 to 15 years.

Amortisation increased by £7m during the year as a result of the Liquidnet acquisition. There were also £14m of Liquidnet costs related to the acquisition.

Legal and regulatory costs amounted to £15m including £19m for litigation in Germany and Australia, and £4m from an AMF fine. We also incurred costs of £16m to refinance some of our debt, which will deliver a reduction in our financing costs. I'll talk about this in more detail later.

Moving now to cost savings. As I said earlier, by the end of the year we completed actions to achieve £35m of annualised cost savings under our cost savings programme. This programme delivered £19m of P&L savings in 2021 which comprised £12m in the front office and £7m in the back office, as you saw earlier on the adjusted EBIT bridge.

We also delivered £12m of Liquidnet synergy savings. This resulted in total P&L cost savings in the year of £31m. Looking forward we expect to deliver a further £38m of P&L savings by the end of 2024, including about £25m in 2022. Taken together this will result in annualised cost savings of £74m by the end of 2024 with a one-off cost to achieve of £77m.

However, the benefit of the 2022 savings will be impacted by realised and unrealised losses as a result of sanctions imposed on Russian counterparties and assets, additional Brexit costs and cost inflation.

Turning now to cash flow. There was a cash inflow of £118m during the year compared to an outflow of £14m in 2020 as a result of a net inflow after the acquisition of Liquidnet which includes the proceeds of the rights issue, lower dividend payments during the year as well as in inflow from the refinancing of our debt in November.

I'll comment on two other changes on this slide. There was a working capital outflow of £53m, which mainly reflects higher trade receivables as the number of day sales outstanding increased. And there was a return to more normal levels of taxation in 2021 after unusually high payments in 2020 when we paid tax for both 2020 and the second half of 2019.

Our total cash, cash equivalent and financial investments shown on Slide 19, increased from £783m in 2020 to £899m in 2021 as a result of the Liquidnet acquisition. £838m of this is held in regulated entities for regulatory purposes, £51m is held in non-regulated entities for working capital purposes and £10m is held in corporate entities.

You will recall as a result of our re-domiciliation, we no longer have to put aside around £25m a year to comply with CRD4. Cumulatively this would have amounted to around £150m by the end of 2026, when our waiver from consolidated capital supervision was due to expire.

You'll find the balance sheet in the appendix, so I'll move on now to talk about debt.

Gross debt before IFRS 16 lease liabilities increased 18% to £856m. During the first half we increased the drawdown on our revolving credit facility and issued £37m on vendor loan notes in order to make the Liquidnet acquisition.

In November we issued £250m of new debt at a rate of 2.625%. We used some of this new debt to redeem £184m of the January 2024 Sterling notes, which has a coupon of 5.25%. As a result we expect to make an annual saving in net-finance costs of around £4m per year over the seven-year life of the bond.

IFRS 16 Lease liabilities increased to £286m due to the leases on our new offices in the City of London and Liquidnet's property footprint. You'll recall that these liabilities are excluded from our banking covenant calculation.

Our investment grade credit rating was reaffirmed by Fitch last September at BBB- with Stable Outlook.

Moving on now to Guidance. Trading conditions this year have improved compared to the same period last year, and revenue up to 11th March was 4% up in constant currency excluding Liquidnet, or 16% including Liquidnet.

Despite more favourable market conditions year-to-date, the level of volatility and transaction volumes for the year is unpredictable, especially given the uncertainty caused by the war in Ukraine.

Let me remind you that we have stopped trading with sanctioned clients and that revenue from Russian clients accounted around half a percent of total revenue in 2021.

On 11th March the value of realised losses on failed settlements which sanctioned Russian clients, was £4m. We've also recognised potential unrealised losses of £9m in relation to failed settlements and written-down trade debtors with sanctioned Russian clients by £1m.

In addition, we have £12m of unsettled matched principal transactions in Russian financial instruments outstanding where neither counterparty has been able to settle and when no net loss has been recognised.

I'd also like to remind you that 60% of the Group's revenue is in US dollars compared to just 40% of our costs, so the strength or weakness of sterling against the dollar is a headwind or tailwind on our revenue and operating margin.

Having achieved £31m of P&L cost savings in 2021 we are targeting a further £25m of P&L cost savings in 2022, although this will be impacted by the additional cost headwinds I mentioned earlier.

We continue to work on reducing our cost base and if our revenue profile in 2022 is similar to 2021 these cost savings will drive a slight improvement in the Group's EBIT margin.

We've planned for lower significant items of around £125m, excluding any unanticipated legal and regulatory costs.

We expect the tax rate to increase slightly to 25.5%, and for the Group net finance expenses to come down to about £52m as a result of refinancing our debt.

We continue to invest prudently in the business to generate medium-term growth and plan to spend around £45m in strategic IT investments this year of which around £18m will be opex, and £27m will be capex.

Total capex is likely to be around £65m, which includes the strategic investment in technology I've just mentioned.

Finally, our dividend policy targets cover of approximately two-times adjusted earnings. This reflects a balanced approach to capital allocation, enabling investment while allowing dividends to increase as adjusted earnings grow.

Thank you very much. I'll now hand back to Nico.

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Nicolas Breteau, Chief Executive Officer

Thank you, Robin. Let me start with a brief reminder for our strategy to drive sustainable earnings growth over the medium term.

As of now, we are the world's largest supermarket of OTC instruments. From this position of strength, we are transforming our business through technology. By pivoting our broking businesses from high touch to low touch activity, we improve profitability.

We also enhanced the client experience by giving them easier access to our aggregated global liquidity. But to deliver higher and better quality earnings, we need to go further. So, in addition, we are expanding and diversifying our activities and client base.

Our Global Broking division is the largest provider for wholesale OTC marketplaces with a share of around 40%. We cover market-leading positions across a broad range of asset classes, as you can see from the 2021 Global Capital Awards, which include being recognised as Overall Interdealer Broker of the Year.

Our aim, in Global Broking, is to progressively electronify, so we are systematically rolling out state-of-the-art technology in a multi-year programme from 2021 to 2025.

Once complete, our clients will benefit from a single sign-on to access our entire suite of electronic solutions and our global liquidity pools across all our asset classes and brands.

We have developed this platform internally and branded it Fusion. Its quality is such that it has been recognised in 2022 as OTC Platform of the Year by Risk Magazine.

Engineering this shift from high touch to low touch, drives margin expansion and volumes, so protecting our leading market share. This improvement in margin is illustrated on the slide by two examples; first, Interest Rate options.

In 2021, 42% of Interest Rate options revenue went through Fusion. And the contribution margin was about 20 percentage points higher than the average across Global Broking.

In Government Bonds, when 100% of revenue went through Fusion, the contribution rate was about 25 percentage points higher. These examples validate our strategy. So, we are accelerating the migration of more products onto Fusion in both Global Broking and Energy & Commodities.

About 55% of Global Broking revenue is in scope for this migration, covering Rates, Foreign Exchange, Credit and Emerging Markets. Equities, which account for about 20% of Global Broking revenue, are not in scope. They're already traded element electronically via exchanges. So, we are targeting OTC segments that are the most suited to electronification, and where we have the biggest opportunity to improve performance.

We made good progress in in 2021 and are on track with our five-year plan. As I said earlier, 20% of targeted revenue is already live on Fusion, specifically in Foreign Exchange, 35% out of a total of 90% of in scope revenue is now on Fusion. And, in Rates, 15% of revenue is now on Fusion with an objective to transfer 80%.

In 2022, we plan to have segments that represent a further 20% to 25% of revenue.

I'll now move on to Energy & Commodities. TP ICAP is the world leader in OTC Energy & Commodities markets with an especially strong position in oil.

Our aim, in Energy & Commodities, is to consolidate our global leadership position by shifting to low touch workflows through Fusion, just as we are doing in Global Broking.

We recognise that low touch workflows are new for Energy OTC markets, so we are targeting the most appropriate products for rollout to clients on Fusion.

For all products, about 70% of revenue is in scope, and for environmental products, about 80%.

In 2021, we launched our first Fusion Energy client-facing screen in a pilot programme for the Norwegian green certificates market. More than 120 clients are using it and engagement is very high.

We also developed a sophisticated order management system for Fusion Energy. This enables us to capture orders and trade data more effectively which creates commercial opportunities for Parameta Solutions. It also drives greater operational efficiency. This new OMS has been built for 75% of our target segments and we expect to complete its internal rollout by the end of this year.

The global drive for sustainability is also creating tangible growth opportunities for Energy & Commodities.

Commercially, our ambition is to be broker for transition, helping our clients accelerate their move to a low carbon economy.

In 2021, revenues from environmental products increased by 40% year on year.

Moving on now to agency execution where I will focus my comments on Liquidnet. Liquidnet is a global leader in large-size Cash Equities order execution with a market share of around 30% of the very largest transactions in Europe. But Liquidnet Equities has not yet realised its full potential.

Over the course of the year, we launched initiatives to take advantage of some immediate opportunities. TP ICAP has a global footprint, so we are leveraging our offices and people to give Liquidnet better distribution.

We also launched selective programme trading and cross-border trading initiatives.

Programme trading uses algorithms to trade baskets of stocks in large volume, sometimes high frequency. Liquidnet has the capabilities to be competitive, but it was not strictly deemed a core service. We are now organising a clear and compelling offering for clients.

Similarly, in cross-border trading, which involves taking orders in one region and executing them in another, Liquidnet has a global footprint, but lacked focus and resource. Again, we have addressed this.

Next, Liquidnet already has a leading suites of dark execution algorithms, which is well-recognised, as you can see from the recent awards on the slide. We are continuing to enhance and innovate in this area so that Liquidnet can maintain its competitive edge and capture additional market share.

In 2022, we will also be making some changes to our US market offering to help clients achieve higher fill rates on the orders.

Turning now to Liquidnet Credit, we have identified material revenue opportunities in corporate bond trading markets, and our goal is to achieve 3% to 6% market share by the third year post-acquisition. To achieve this, we are making it possible for dealers and buyside clients to trade with each other.

To create a successful marketplace it's necessary to have four building blocks in place; onboarded customers, technical connectivity, attractive trading tools and functionality, and liquidity. In less than a year, we have advanced in all four areas.

First onboarding – we have created internal workflows to enable Liquidnet buyside clients to transact with TP ICAP dealer without the need for additional legal paperwork. We have also connected the existing dealer and buyside user interfaces in TP ICAP and Liquidnet. So, buyside clients can continue to use the highly-rated Liquidnet front end while TP ICAP dealer clients use Fusion. So, onboarding is done. Front-end connectivity is done.

Next, platform services and functionality. We launched a new service, Liquidnet Primary Markets, in September last year, just six months after we closed the acquisition. This is ground-breaking for the market, and I will talk more about it in the next slide.

We're also extending the range of functionality this year, especially to capabilities targeted at the Secondary Market. Importantly, this includes the dealer-to-client request for quote protocol.

Lastly, we've been working closely with dealers to bring their liquidity onto the platform, and several large investment banks have already started the technical work necessary to stream prices.

So, the building blocks for a successful marketplace are well advanced. And you can see that buyside traders are using the platform must more actively. Buyside logins are up 68% since acquisition. Dark pool trading volumes have grown 50%, and high yield transactions are increasing at a faster rate than the market.

Now, let me talk in more detail about Primary Markets. I'm proud to say that Liquidnet Primary Markets is an industry first. Bond issuance is one of the last parts of the capital markets to electronify, so the process is currently largely manual, error-prone, inefficient and time-consuming. The aim of Primary Markets is to automate this process.

There are two core components of our launch in September last year. First, a tool that allows syndicate banks to automatically send all the information about a new bond directly to their buyside client's order management systems. This tool also allows buyside traders to send orders directly to the syndicate banks.

Second, an electronic trading platform or central limit order book. This addresses the problem of limited transparency on price and liquidity in the market. The buyside receive the platform first followed quickly by the banks who, from January this year, can access Liquidnet via our Fusion platform.

Over the first half of 2022, we're going to extend the range of securities the trading platform can handle to include sovereigns, covered bonds and SSAs.

Since launching Primary Markets, we have had several requests from vendors and platforms active in the new issue space to connect to the Liquidnet platform. We are pursuing an open architectural approach and will integrate some of these third-party platforms to extend our reach.

Turning to the Secondary Markets, which are of major focus in 2022, we're planning to rollout critical new protocols, such as request for quote, in conjunction with getting dealers to stream liquidity. The combination of request for quote and dealer liquidity will be a major step forward for Liquidnet Credit.

As we enrich the platform, we are also enhancing the dark pool. Many clients would like to use dark negotiation more, so we've made technical changes to make the negotiation process easier. We have also introduced a trade cover desk to help clients use the platform more effectively. As a result of these enhancements, we are adding an average of ten new buyside clients each month.

Moving on now to Parameta Solutions – Parameta Solutions is the world-leading provider of OTC data-driven products. The division is formed of two businesses, Data & Analytics and Post Trade Solutions. The Data & Analytics business is a fast-growing subscription-based, high margin business with a revenue retention rate of 98%. So, it offers excellent earnings diversification and sustainable growth opportunities.

Our strategy to grow this business is threefold. First, to develop new data and high value information products. Second, to diversify and grow our client base with a focus on the buyside and corporates. And third, to increase our channel partners and grow multi-channel distribution.

We made good process during 2021. I'll start with new products. Responding to regulatory change, we developed and launched a Global Risk Free Rate service which is driving significant new subscription revenues.

We also brought to market a dedicated order surveillance package to provide clients with deeper regulatory insight.

In addition, we expanded our suite of high-value information products by adding foreign exchange to complement our existing bond evaluated pricing, and we launched Trade Cost Analysis to support best execution.

Turning to our client base, we are expanding and diversifying by aligning our sales teams into specific market segments. This has delivered good results. 40% of net new sales in 2021 were to buyside and corporate clients.

On distribution, we have enhanced our partnerships and offerings so that clients can choose to access our data either directly via the Parameta Solutions webstore, through our channel partners or via the public cloud which offers speed and agility in a cost-efficient manner.

The Post Trade Solutions business continues to innovate and added ten new large dealer clients to its award-winning compression platform, ClearCompress.

Moving on now to an area of increasing strategic importance – digital assets. We started exploring digital assets more than five years ago. We brokered our first Bitcoin further block trade in 2019, followed by the first Bitcoin Option in 2020. Today, we have an established team in place executing transactions on crypto derivatives either listed or OTC.

In 2021, we announced plans to launch a wholesale spot trading venue for digital assets. This new venue will also provide connectivity to a network of blue chip digital asset custodians such as Fidelity or Zodia, by Standard Chartered.

Several well-known market makers will be on the venue from launch, which we expect to be live later this year subject to FCA registration.

Looking further ahead, this venue will enable us to trade more products as traditional assets become tokenised.

Before I conclude, I'd like to talk briefly about current trading. As Robin said earlier, constant currency revenue, until 11th March, was up 16% year on year, including Liquidnet, or 4% excluding Liquidnet. However, it's difficult to predict future market activity and, of course, extreme volatility can also reduce risk appetite and liquidity capacity. So, in an uncertain environment, we continued to focus on managing the other things in our control, as we did in 2021.

In challenging market conditions, we took action to protect our margin and reduce cost by £31m despite ongoing investment in the business. We delivered resilient revenue performance and grew our market share, and we continued to execute our strategy to advance our transformation.

We are on track with our five-year plan to migrate activity onto our Fusion platform in Global Broking and Energy & Commodities. This will enhance our margins and give our clients access to better pricing by aggregating liquidity across our brands.

The integration of Liquidnet is well-advanced and, within a year, we have started implementing growth plans in both Equities and Credit.

We have further diversified our client base and strengthened our revenue profile as Data & Analytics continues to grow in double-digits.

42% of our revenue came from our non-Global Broking businesses in 2021 compared to 36% in 2020.

This successful execution of our strategy positions the Group well to deliver increased returns to shareholders over time. Thank you very much for listening. We are happy to take any questions. Would you just, please, tell us your name and organisation before asking your question?

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Questions and Answers

Telephone Operator

Thank you. We will now begin the Q&A. If you'd like to ask a question, you can press *1 on your telephone keypad. If you'd like to withdraw your question, you can press *2. Please ensure you're unmuted locally when asking your question.

Our first question for today comes from Kim Bergoe of Numis. Kim, your line is now open.

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Kim Bergoe, Numis Securities

Morning. Just two questions from me, if I may – one relating to Rates, obviously, your single largest product. How is that going moving that over to Fusion? It seems like there was a big opportunity there, but you've made less progress, so if you could just, sort of, comment on that, why that is?

And also relating to Rates again, if you could talk a little bit more about, sort of, current trading, what does that look like? You talked about volatility. How does that impact Rates trading?

And then my second question, if you could just give a little bit more detail on, sort of, market shares throughout 2021, how's that moving both versus other, sort of, IDB? And also electronic versus voice, how do you see that play out and how has that moved during the year? Thank you.

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Nicolas Breteau, Chief Executive Officer

Thank you. Yes, first question regarding Rates. So, we have given our priority in terms of migration to a suite of solutions, Fusion, for Rates and Foreign Exchange.

In Rates, what we've seen is that we migrated the Interest Rate options business onto Fusion. The first brand to migrate was ICAP, and we tried to illustrate with an example, the benefit of the

growth in market share but also the benefit in much higher contribution as a result of that migration.

What we have seen recently is that, when we migrated Tullett Prebon onto the same stack of technology, we've seen a big improvement in terms of contribution but also, again, in market share by around 9% in the second part of 2021.

So, what we are trying to achieve here is to group our Rates products by currency. So, we will have completed, in 2022, the year, what we call the Sterling Hub. It means that, in Fusion, we are grouping across brands, families of products in Rates. So, we will continue that migration.

We are roughly at 20% of our objective around Rates. It will accelerate in the coming years because we've invested a lot in the technology, so we could now start to deploy it more easily across desks.

But your question also is about current trading on Rates. So, we have seen a bit of a contrasted activity actually. We've seen huge take-up in the EMEA, in the UK at the beginning of the year on our Rates activity. Less so in the US before March. One of the reasons is that the US was still impacted with a lot of our clients and our brokers, impacted by COVID in the first two months of the year. But, overall, we've seen a take-up of activity which is definitely led by pressures on inflation and the anticipation of rates going up this year.

One important element is that we also have seen a lot of the increasing Rates activity being in short maturity, short-term swap trades.

So, we've seen a lot of volumes but sometimes this volume doesn't translate immediate in large higher revenues because we are charging clients based on the value of the transaction. So, that's important to have that in mind.

But, overall, in Rates, this is not only our stronger franchise in terms of market share but it's also the franchise where our contribution ratio is the highest in the firm. So, that leads to higher revenue but also higher contribution and a positive impact on the bottom line. So, we think that the environment will bring more tailwind this year for Rates.

Regarding your second question on market share, if we compare with traditional IDBs, obviously, we have gained market share in most asset classes. So, that's based on the disclosure of revenues from our competitors in terms of their revenue in Global Broking and by asset classes.

We have not seen any disruption, I would say, from new venues or electronic venues in our traditional asset classes. So, we continue if I may say, to disrupt ourselves. We continue to make surgery on ourselves to migrate more of our business from high touch voice into low touch.

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Kim Bergoe, Numis Securities

Thank you. That's very clear. If I can just quickly follow up, on Page 24 in your slide deck, you talk about Rates having reached 15%. What you were currently referring to is about, sort of, 20% now. And I'm not looking for, sort of, a number but just an indication of where, you know, coming out of '22, you know, where could we reasonably expect that to have gone to, that 15%? Is the right way of looking at it? Thanks.

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Nicolas Breteau, Chief Executive Officer

I think we will be between 20% to 25% overall in terms of Rates revenue at the end of '22.

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Kim Bergoe, Numis Securities

That has moved onto Fusion?

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Nicolas Breteau, Chief Executive Officer

From the 15%.

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Kim Bergoe, Numis Securities
Okay. All right. Thank you.

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Telephone Operator

Thank you. Our next question comes from Piers Brown of HSBC. Piers, your line is now open.

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Piers Brown, HSBC

Yeah. Good morning, everyone. Thanks for taking my questions. I've just got two. One is on the EBIT margin outlook. So, I guess, after several years where we were in a range of, sort of, 15%-odd – we're at 12.5% for full year '21, and it sounds like we'll be somewhere in that sort of region again for full year '22. And I appreciate there's various headwinds that you've had to deal with over the short term - currency, Brexit and now we've got the Russia situation. But just as we think further out into the mid-term and given the mix of businesses which you're currently running with, do you think it's still feasible to get back to the old levels of EBIT margin, or do you think we're structurally at a slightly lower run-rate now than what maybe the business previously was running at?

And the second question, just on Liquidnet, you've given a very helpful update on the various initiatives which are underway. I wonder, just in terms of milestones for this year, particularly in the Credit business, what is the key milestone we should be looking at that gets you further towards the 3% to 6% market share that you're targeting? Is it the rollout of the request for quote functionality or is it something else on the Credit side that you think is the key, sort of, enabler to move into that market share goal? Thanks.

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Robin Stewart, Chief Financial Officer

Thanks for the questions, Piers. Just on EBIT margin outlook, I think, as we said in the presentation, we can kind of guide to, in the short term, what the impact of the cost savings, that we've been working very hard on, would do were, all things being equal, revenue have a very similar profile to 2021, albeit that it's challenging to predict what the revenue in 2022 will be. So, that's why we certainly believe that, that being the case, we'd have a slight improvement in the margin.

But looking in the more medium term, as you asked, you know, we don't, at this point, have any reason to veer away from the increments that we believe we can achieve in our margin over time with the strategic investments that we've making and that transition of our business to more electronic.

We're starting from a lower base than we did when we did our Capital Markets Day because we were basing from 2019, but we think the incremental changes are still aspirations that we believe we'll achieve.

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Nicolas Breteau, Chief Executive Officer

If I take Liquidnet, your question about our progress and what to expect in terms of key milestones, I think, clearly, in Credit, if we just focus on Credit this year, so we have three things to look forward to. I think the first one is, continue to grow the Primary platform, the Primary issuance platform.

So, as we said just a few minutes ago, we managed to connect electronically the dealers, the investment bank dealers with the buyside to trade on the central limit order books in January. So, this is relatively recent. So, we need to look for additional volume of trading in this area, and we should start making revenues from it in the second part of the year.

And most importantly, on the Secondary Markets, there are two elements; one, as you mentioned, is the development of the request for quote functionality. So, that's a piece of technology that we are working on. Our objective is to deliver it for July. In the meantime, some banks are doing the technical developments to be able to stream prices via our API, so that's a very important element to monitor because that will condition the timing on the success of seeing liquidity on the platform.

So, we've done onboarding, as I said. We've done the electronic connectivity. We are finalising the development of the request for quote and the streaming, the functionality. So, the next step will be getting the liquidity from those banks. So, we are, on that last segment, dependent on the banks delivering the developments, the IT developments.

And the last point is the dark pool. I think it's still very important to grow our fill rates on the Credit dark pool because many clients, asset managers, are very keen to match within the dark pool. And, for that, we have done two things mainly. One is in, coordination with our members, clients, we are making the rulebooks evolving, making it simpler for clients to match. And we've also lined up teams to help the clients to manage the liquidity and to help the clients. So, we have a cover team which is also a big change in Credit.

So, overall, we have to look forward to a change in the revenue in Credit in the second part of 2022.

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Piers Brown, HSBC

Do you mind if I just ask a follow-up? On the market share, the number of the 3% to 6%, is it too simplistic to think about an absolute revenue number that would accrue from that sort of market share band, or is there a number which you have in mind that, you know, you would get to were you able to achieve that sort of share win?

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Nicolas Breteau, Chief Executive Officer

What we have projected is, three full years post-completion, that sort of market share would generate to £100m of revenue equivalent. So, that's our target.

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Piers Brown, HSBC

Okay. That’s very helpful. Thank you.

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Telephone Operator

Thank you. Our next question comes from Vivek Raja of Shore Capital. Vivek, your line is now open.

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Vivek Raja, Shore Capital

Hi. Good morning, gents. Thanks for taking my questions. A couple of areas that I wanted to explore, please. The first, sort of, scratching my head about the cost savings a little bit. For the current year, so FY'22, I just wonder if you could outline what cost savings you expect to achieve in Global Broking or, the sort of, core business? I couldn't catch whether there are incremental synergies from Liquidnet to come through. How much of those overall cost savings are related to property? And then, importantly, what the cost to achieve the current year cost savings is going be. Sorry, that's a rather clumsy sentence. What are those costs to achieve as well? What exactly do you expect to be spending money on there?

And then the second area was Liquidnet. Hopefully simple questions, but sort of, circa £160m of revenue you delivered in '21, how much of that was outside the Equities franchise? And just, sort of, cutting through all the comments you've been making about growing the sort of, Credit franchise, what do you expect in terms of an uplift in revenues and Liquidnet outside the Equities franchise in '22?

And just, sort of, connected to that, I remember previously you'd mentioned £25m to £30m of strategic investment over the 1 to 2 years post-completion in Liquidnet. Where are you with that spend? Just wondered if you could update us on that? Thanks.

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Robin Stewart, Chief Financial Officer

Thanks, Vivek. A good chunk of questions there. Let's see if we can get those answered and, if I miss one, certainly shout them back out.

In terms of cost savings, we've outlined that, over the next three years, we would seek to achieve another £38m of savings on cost initiatives with a cost to achieve of £43m.

For 2022, we're talking about an incremental £25m of targeted cost saves. They will be spread across two main areas in 2022, the run-rate, sort of, incremental savings on the £35m cost saving programme that we talked about. So, we'll achieve the residual balance of those, but also additional Liquidnet synergy savings. So, it's split between the two. The property rationalisation that we talk about of £14m in that period will probably only start to kick in. There'll be small elements of value in that in 2022. We're see more that kick in towards the back end of the year. So, it's really across those three core components.

The cost to achieve though –

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Nicolas Breteau, Chief Executive Officer

Before that there was a question about Liquidnet synergies. So, we guided to £20m overall of Liquidnet synergies. We executed £12m. So that's the P&L impact in 2021, positive P&L impact in 2021. We will achieve more than £20m, so we're guiding at least £25m in Liquidnet synergies.

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Robin Stewart, Chief Financial Officer

You know, the cost of achieve those in 2022, we would anticipate around about £20m in the period on new saving initiatives, but £40m of cost to achieve cost saving programmes initiated in 2021 as well. So, that's outlined in our guidance in the RNS.

The next questions that you had were on Liquidnet's revenue. I think it's fair to say that the lion's share of that revenue was in Equities. There was only a small element, less than 5% in other asset classes. And so that's why we think, you know, in the longer term, the uptick in revenue, as well as the efforts that we're making on improving the Equities line, will be much more beneficial to the bottom line having made the synergy savings in the cost base.

The spend in technology on Liquidnet, must of the spend that we'd already indicated – we indicated about £30m, as you said, over time – a lot of that spend was frontloaded into the Credit offering, and I think we talked about around about two-thirds of that expenditure being spent in the first 18 to 24 months after acquisition, and then we'll start spending on Rates. But we want to get the Credit offering up and running, and that's our principal focus.

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Vivek Raja, Shore Capital
Thank you for that, Robin. Could you just specify what you have already spent of that £25m to £30m then? What's been spent to date? I appreciate that, you know, there is some time still to come before that 18 to 24 month timeline completes, but how much of that has actually been spent so far?

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Robin Stewart, Chief Financial Officer

I mean, much of that has already been spent, and that's gone through the opex line in 2021.

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Vivek Raja, Shore Capital

Okay. Thanks. And, finally, just to clarify, on those costs to achieve, the £20m in '22, the £40m in '21, what exactly are those costs to achieve? What are you spending money on?

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Robin Stewart, Chief Financial Officer

One of the main items to spend money on is, certainly on the property side, is probably the biggest piece of that, and, again, the lion's share of that is non-cash.

As a consequence of COVID and post the acquisition of Liquidnet, as we indicated at the end of last year, we've looked at a global project of reducing TP ICAP's premises' footprint by around about 25%. That will yield significant savings over time. But, in doing that, we've had to, and we've started to vacant premises, particularly in the Liquidnet estate. We'll do some more in 2022. And, by vacating premises and making them available to let, that triggers a write-down of the right of use assets which we took on board. So, very much most of that cost is in doing that.

And then the additional costs that we will incur on the Liquidnet side. We've taken a lot of cost already out on headcount, so a lot of that now is in rationalising technology, but also restructuring some of the platforms that we have and integrate the business into the TP ICAP estate. So, hopefully, that gives you a sense of what those cost types are.

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Vivek Raja, Shore Capital

That's great. Thank you very much for your answers.

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Telephone Operator

Thank you. As a reminder, if you'd like to ask a question, that's *1 on our telephone keypad.

Our next question comes from Gurjit Kambo of JP Morgan. Gurjit, your line is now open.

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Gurjit Kambo, JP Morgan

Hi. Good morning. Just a few questions. Firstly, in terms of the migration to Fusion across the different asset classes, you know, how do we think about that in terms of potential, you know, reductions in the high value cost, you know, whether broker cost can come down and how quickly they can come down? So, I'm just trying to understand. Is there a period where you have, kind of, lower revenues on the low touch but you have the cost still for the high touch? So, just how that, sort of, migration moves. That's the first question.

The second one is just on the underlying, kind of, EBITDA margin for 2022. Look, nobody knows what's going to happen for the rest of the year, but, you know, where we are today, you clearly have a bit of benefit, a bit of tailwind from dollar – I think it's about 2% improvement versus the average last year – I guess you get the negative EBIT from Liquidnet disappearing. Hopefully Liquidnet becomes profitable in 2022 and then, you know, the revenue makes up – you know, at the moment, clearly, Rates should be quite supportive to that revenue mix. Am I right in thinking - are you incorporating any of those things into the kind of, modest EBITDA improvement guidance or not? So, that's, sort of, the second one.

And then just finally, quickly, on the E&C side of things, clearly, there's been a lot of, you know, volatility, prices are very high, do you generate income on the value or the volume within the Energy & Commodities businesses? Thank you.

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Nicolas Breteau, Chief Executive Officer

So, migration to Fusion, yes, each time we deploy technology, and we migrate onto our Fusion platform, we see benefits in terms of productivity and the cost of doing this business. So, that's why we wanted to illustrate these improvements in contribution with two examples because you can see that, on average, we have a 20% difference in terms of contribution level versus the average of Global Broking. So, we, over time, need to employ liquidity managers, so lesser number of brokers and then we can recoup some contribution for the benefit of our shareholders. So, that's really part of our strategy.

Your second question is about the positive foreign exchange impact.

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Robin Stewart, Chief Financial Officer

On EBIT margin and some of the aspects that we're seeing today, certainly we're not guiding, in terms of margin, on those sorts or principles. We've talked about what the impact on our margin would be, all things being equal with last year.

You're right, FX, or sterling weakening slightly against the dollar, is a marginal tailwind on the top line. It's also offset a little bit because it's a headwind on the cost base because of the mix. And, obviously, we are seeing some pick up volatility and some revenues over the last three weeks or so given the events that are going on in the world, but that's really a sort of, very recent uptick.

We've got a slight beneficial mix at the moment on the back of that, but again, we're very early into the year. We're only, you know, in the beginning of the third month, so that's a very difficult long-term view to predict whether that's going to be the shape of the revenue for the full year, which is why we're really very focused on guiding on what the impact would be if everything was, all things being equal, the same as last year.

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Nicolas Breteau, Chief Executive Officer
E&C, we've seen, obviously, a massive pick up, particularly in the last three weeks. If we look at the month of March, just a few days, but just on the few days in March, we are up 40% in terms of revenue. But what is important to have in mind is that this is triggered by the extreme movements in terms of prices, of some commodities – oil, power and gas – and we see that a lot of players, a lot of clients, are taking risk of positions because they're facing these extreme movements. So, on Energy & Commodities, it's not something that will remain at such a high level of increase of revenue.

When prices go up like this, what we observe is that some of our clients get lower risk limits because their risk limits are based on the value of the underlying assets, and also these huge appreciation in prices could lead to very large margin calls, and those margin calls impact the available liquidity for our clients. So, that is very good in the short term but difficult to predict the consequences in the medium term.

But I'm, overall, more positive in terms of, as we discussed earlier, our Rates franchise because we can see that this is a trend, this is a tailwind that will continue post these extreme events that we're facing in the world.

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Telephone Operator

Super. Thank you. We have no further questions, so I'll hand back to Nicolas Breteau for any closing remarks.

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Moderator

Many thanks, this isn't Nicolas, but we have a few questions that have come in via the chat. So if I may first post a question from Stuart Duncan, from Peel Hunt?

Gentlemen, are there opportunities to make bolt-on type acquisitions in the Global Broking / Energy & Commodity businesses, being one way to further increase market share?

Nicolas Breteau, Chief Executive Officer

Sure, in Global Broking we are already number one, at least in the top three on every product we trade, so I would say the potential for bolt-on acquisitions in Global Broking - the opportunities are limited. In Energy & Commodities it's a more fragmented industry so there are opportunities.

Having said that, we are focusing very strongly on two things - one is productivity overall and the second, our level of contribution. As you know because Energy & Commodities, is more fragmented, much more competitive and still a very voice based business that commands lower levels of contribution. So we are very, very cautious about making acquisitions that would lead to an increase in revenue but a deterioration of our contribution going forward.

So at the moment we are more focused on executing our strategy and pushing the electronification ratio of our business.

Moderator

Many thanks. And then one final question from Stephen Peak from Esher Properties. He asks, the Liquidnet acquisition right issues were strategic events, the movement in the market cap if TP ICAP has been disappointing subsequently. When would it be fair for shareholders to assess this acquisition?

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Robin Stewart, Chief Financial Officer

I'll pick that one up, it's Robin, yes, I agree the market cap movement over the recent period in the light of the challenging market has been disappointing. I think for us we talked when we originally did the rights issue that we anticipated that the acquisition would be earnings accretive by the end of the third year. And I think that's for us still the timeline that we would judge the - I suppose the success of the transaction.

You know we're very much on track with all of the strategic synergies that we're trying to make and the build out of the credit business that we want to add on to that. So I think we'll start to see that picking up towards the back end of this year and into next and then we can judge it then.

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Moderator

Many thanks. I have no more questions on the chat.

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Nicolas Breteau, Chief Executive Officer

Thanks for your time. I will just finish with a few words, saying that definitely 2021 was a very challenging year because of subdued volume of activities. If you look at all asset classes, we are covering they all went down and overall we managed to deliver a resilient revenue level. Unfortunately the mix of businesses meant that we have lost contribution in doing that.

So we focused on two important things, one is to a ferocious focus on our cost base, and we continue to deliver cost savings. We have delivered £31m in 2021 in front office and in back offices. We have a programme to deliver between 2022 and 2024 another £38m of incremental cost savings. This means that we will have delivered post integration of ICAP more cost savings than the full integration delivered. So we will continue to focus on that.

At the same time, as we have explained today, we are very focused on executing our strategy to deploy technology to improve productivity of our core business and defend our market shares. We are well advanced in the integration of Liquidnet, we are extracting costs to make it profitable, but beyond that we are executing our plans to make it a strong Equity business, but also start generating decent revenues and significant revenues over time on the Credit.

So I think executing our strategy of electronification, diversification of our revenues and you can see the continued success of Parameta Solutions, with double digit growth of its revenues in 2021, associated with a very strong cost reduction programme will benefit our margin going forward.

Thank you very much for your attention.

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