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# TP ICAP plc Preliminary Results

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**For the year ended 31 December 2017**  
13 March 2018

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# John Phizackerley

## Chief Executive



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# Agenda

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Introduction

John Phizackerley

2017 highlights

John Phizackerley

Key financials

Robin Stewart

Business & operational update

John Phizackerley

Questions & answers

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## A good first year for TP ICAP

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- Diverse global product portfolio delivered a resilient performance in a low volatility environment
- Strong progress on integration
- MiFID II investment successfully delivered
- Revenue and contribution per broker increased in every region
- Continued investment in regulatory, governance and strategic initiatives
- Well-placed to benefit from any improvement in market conditions



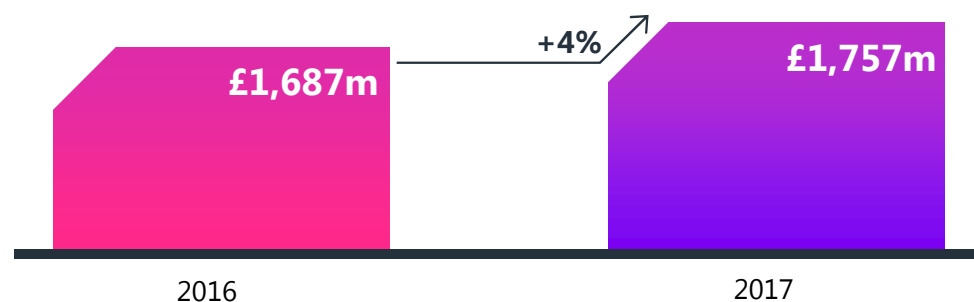
**The  
world's  
largest  
inter-dealer  
broker  
2017-2018**

# 2017 financial highlights

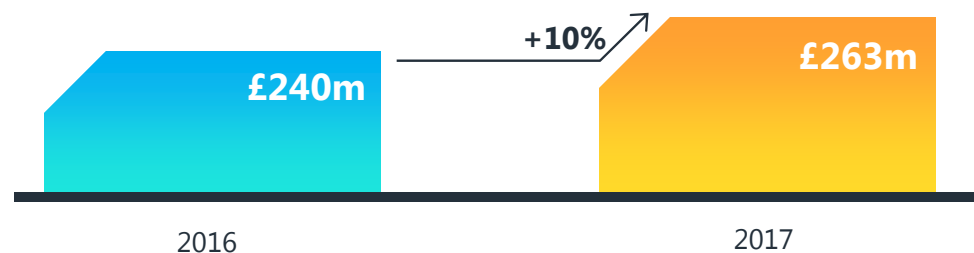
## Good start to life as TP ICAP

- Revenue £1,757m (Pro forma 2016: £1,687m)
- Operating profit £263m (Pro forma 2016: £240m)
- Operating margin 15.0% (Pro forma 2016: 14.2%)
- Profit before tax £233m (Pro forma 2016: £232m)
- Basic EPS 33.3p (Pro forma 2016: 34.0p)
- Final dividend 11.25p per share (2016: 11.25p)
- Total dividend 16.85p per share for 2017 (2016: 16.85p per share)

## Revenues



## Operating Profit



# This is a fundamentally different business today

	2015	2018	
<b>Scale</b>	Tullett Prebon 3rd of 5 major IDBs	TP ICAP is world's largest IDB, E&C broker and independent OTC data provider	<b>Greater operating leverage</b>
<b>Technology</b>	Traditional broking mode	Comprehensive adoption of technology	<b>More dynamic trading capabilities</b>
<b>Regulation</b>	Regulatory burden a "cost"	Regulation an enabler (MiFID II)	<b>Clear differentiator</b>
<b>Revenue Diversification</b>	UK centric, primarily Global Broking	Globally diverse; new divisions and leadership	<b>More robust revenue profile</b>
<b>Culture</b>	Introduction of new policies and procedures	Embedding cultural change	<b>Matching our clients' values</b>



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# 2017 integration highlights

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- £27m of synergies recognised; £52m of exit run rate savings
- Single global management team, support function leadership, policies and processes
- Increasing productivity; simplifying infrastructure
- Focus on sourcing and third party costs
- Property moves well under way
- Established new combined headquarters
- Continued management of separate and competing brands





# Robin Stewart

## Interim Chief Financial Officer

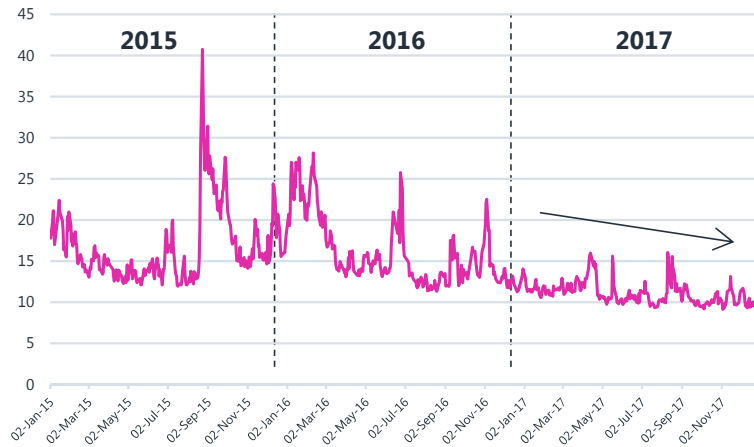


# Key financials

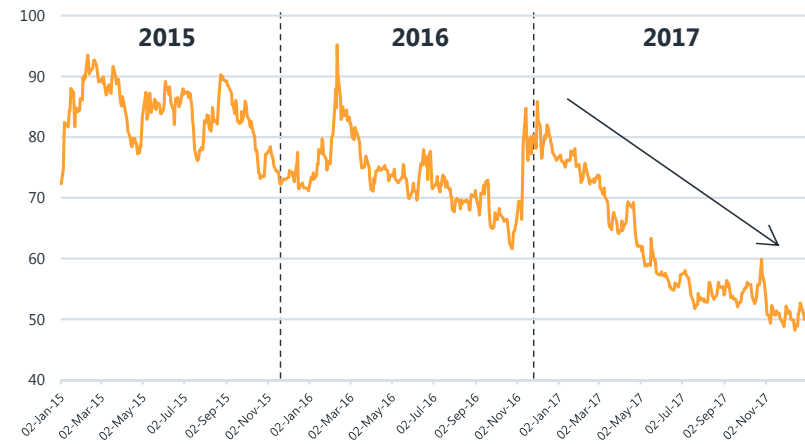


# Delivered +1% revenue growth in low volatility environment

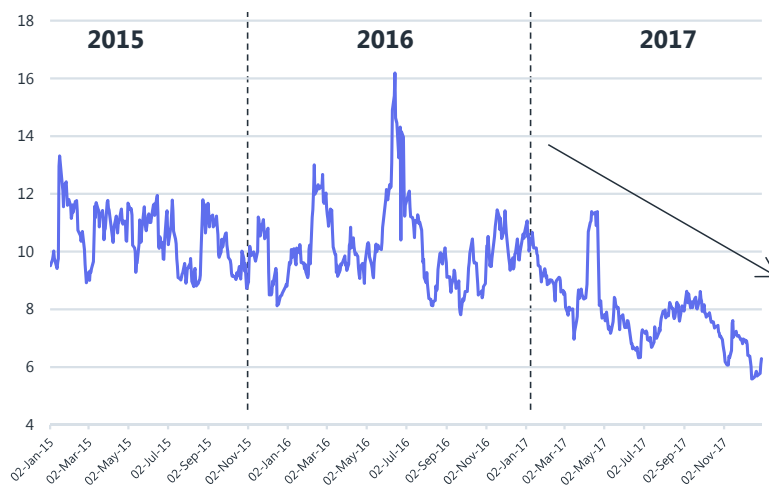
### VIX (Equity Volatility)



### MOVE (Rates Volatility)



### CVIX (Currency Volatility)



### BCOM Vol (Commodities Volatility)



Source: Bloomberg

## Revenue by business division

<b>£m (2016 at constant exchange rates)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
Global Broking	1,270	1,267	+0%
Energy & Commodities	343	359	-4%
Institutional Services	32	16	+100%
Data & Analytics	112	104	+8%
<b>Revenue at constant exchange rates</b>	<b>1,757</b>	<b>1,746</b>	<b>+1%</b>
Exchange translation		(59)	
<b>Revenue as reported</b>	<b>1,757</b>	<b>1,687</b>	<b>+4%</b>

# Revenue by product

## Global Broking

£m (2016 at constant exchange rates)	2017	2016	Change
Rates	528	524	+1%
Credit	117	124	-6%
FX & Money Markets	218	215	+1%
Emerging Markets	225	226	0%
Equities	182	178	+2%
<b>Global Broking revenue at constant exchange rates</b>	<b>1,270</b>	<b>1,267</b>	<b>+0%</b>
Exchange translation		(45)	
<b>Global Broking revenue as reported</b>	<b>1,270</b>	<b>1,222</b>	<b>+4%</b>

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## Revenue by region

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<b>£m (2016 at constant exchange rates)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
EMEA	877	857	+2%
Americas	628	642	-2%
Asia Pacific	252	247	+2%
<b>Revenue at constant exchange rates</b>	<b>1,757</b>	<b>1,746</b>	<b>+1%</b>
Exchange translation		(59)	
<b>Revenue as reported</b>	<b>1,757</b>	<b>1,687</b>	<b>+4%</b>

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## Underlying operating profit and margin by region

£m (at reported rates)	Underlying operating profit			Margin	
	2017	2016	Change	2017	2016
EMEA	170	160	+6%	19.4%	19.0%
Americas	64	57	+12%	10.2%	9.3%
Asia Pacific	29	23	+26%	11.5%	9.8%
	<b>263</b>	<b>240</b>	<b>+10%</b>	<b>15.0%</b>	<b>14.2%</b>

# Regulation and strategic initiatives

- There has been an increase in expenditure on regulation during the year as well as increased investment in strategic initiatives
- Regulatory spend on MiFID II (£7m P&L, £7m Capitalised), increased legal cost (£4m) and surveillance (£2m)
- Investment in value enhancing strategic initiatives such as:
  - Institutional Services
  - Procurement
  - Belfast support services centre
  - Early Talent Programme



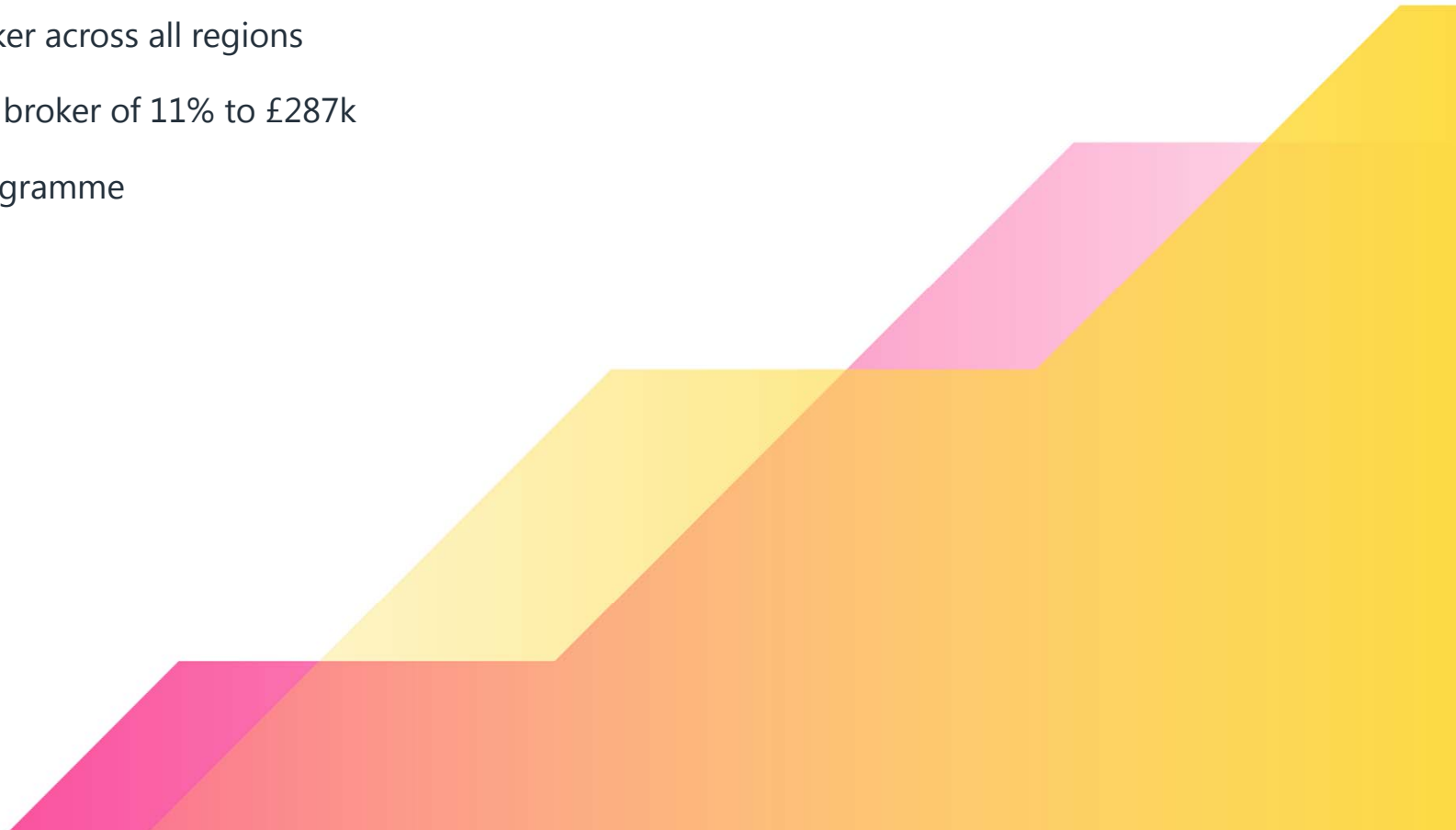


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# Broker productivity

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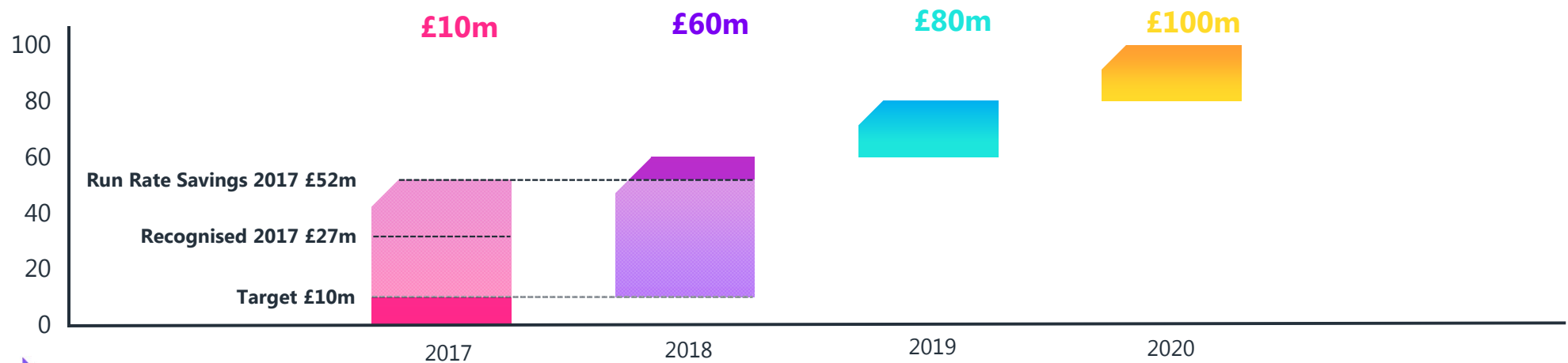
- Increase in revenue per broker of 10% to £579k
- Increase in revenue per broker across all regions
- Increase in contribution per broker of 11% to £287k
- 2017 cost improvement programme



# Progress on integration

- Integration progress so far:
  - £27m of synergy savings recognised in the 2017 P&L
  - We exited the year with £52m of run rate savings
  - Reduction of 295 headcount (excluding integration headcount)
- Overall integration savings target of £100m

## Illustrative Cumulative Synergies



# 2017 income statement

£m	2017	2016 <sup>1</sup>
<b>Revenue</b>	<b>1,757</b>	<b>1,687</b>
<b>Operating profit</b>	<b>263</b>	<b>240</b>
<b>Operating profit margin</b>	<b>15.0%</b>	<b>14.2%</b>
Finance income	6	8
Finance costs	(36)	(16)
<b>Profit before tax</b>	<b>233</b>	<b>232</b>
Tax	(61)	(52)
<b>Effective tax rate</b>	<b>26%</b>	<b>23%</b>
Share of JVs and associates less non-controlling interests	12	8
<b>Net income pre exceptionals</b>	<b>184</b>	<b>188</b>
Total exceptionals	(97)	(60)
<b>Net income after exceptionals</b>	<b>87</b>	<b>128</b>
<i>Weighted average basic shares in issue</i>	<i>551.8m</i>	<i>552.6m</i>
<b>Underlying basic EPS</b>	<b>33.3p</b>	<b>34.0p</b>
<b>Reported EPS</b>	<b>15.8p</b>	<b>23.2p</b>



<sup>1</sup> Unaudited and on a pro forma basis

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19

## Exceptional and acquisition-related items

£m	2017	2016
ICAP acquisition-related costs	-	(17)
ICAP integration costs	(79)	(19)
Acquisition-related share-based payment charge	(9)	(17)
Amortisation of intangible assets arising on acquisition	(40)	(2)
Cost improvement programmes	(32)	(6)
Other acquisition, integration and exceptional items	(1)	(2)
Acquisition-related finance expense	-	(6)
Pension Settlement Gain	-	4
	(161)	(65)
Tax relief	64	5
<b>Total Exceptional and acquisition-related items</b>	<b>(97)</b>	<b>(60)</b>



## Earnings, EPS and dividends

£m	2017	2016
<b>Underlying Earnings</b>	<b>184</b>	<b>188</b>
Exceptional and acquisition-related items (net of tax)	(97)	(60)
<b>Reported Earnings</b>	<b>87</b>	<b>128</b>
Weighted average shares in issue	551.8m	552.6m
<b>Underlying EPS</b>	<b>33.3p</b>	<b>34.0p</b>
<b>Reported EPS</b>	<b>15.8p</b>	<b>23.2p</b>

- Full year dividend 16.85p (2016: 16.85p)

# Balance sheet

£m

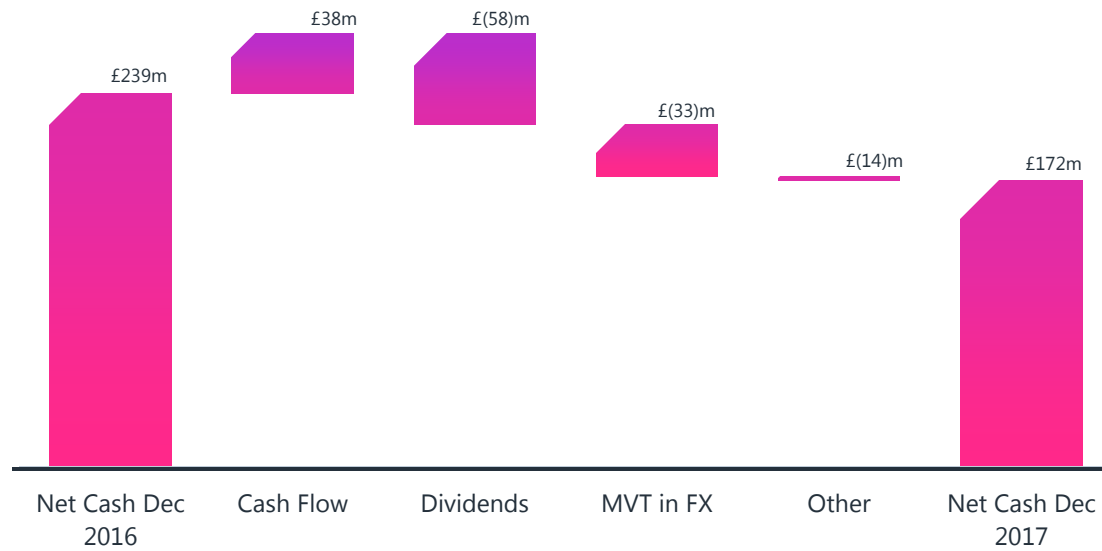
	December 2017	December 2016 <sup>1</sup>
Goodwill & other intangibles	1,711	1,785
Other non-current assets	154	184
Current assets less current and non-current liabilities	(141)	(189)
Cash and financial assets	761	786
Pension assets and obligations	53	97
Deferred tax liabilities	(116)	(197)
Interest bearing loans and borrowings	(589)	(547)
<b>Net assets</b>	<b>1,833</b>	<b>1,919</b>
Shareholders' equity	1,820	1,898
Attributable to non-controlling interests	13	21
<b>Attributable to shareholders</b>	<b>1,833</b>	<b>1,919</b>

<sup>1</sup> Restated

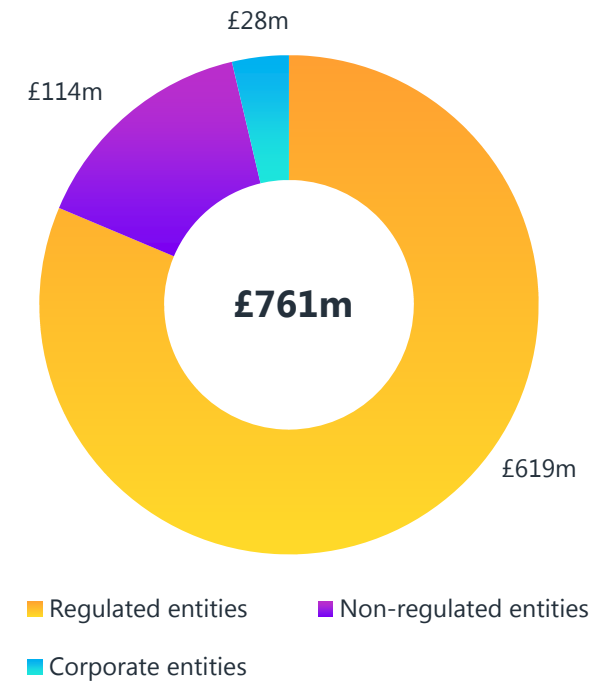


# Net funds

## Movement in net funds



## Cash and financial assets



# Operating cash flow

	FY 2017	FY 2016
<b>Underlying Operating profit</b>	<b>263</b>	<b>132</b>
Share-based compensation and other non-cash items	6	5
Depreciation and amortisation	41	16
<b>EBITDA</b>	<b>310</b>	<b>153</b>
Capital expenditure (net of disposals)	(41)	(17)
Change in initial contract prepayments	(26)	-
Other working capital	(33)	(6)
<b>Operating cashflow</b>	<b>210</b>	<b>130</b>
Cost Improvement Programme: 2017	(32)	-
Cost Improvement Programmes 2011-2015	(3)	(22)
Other exceptionals	(1)	-
ICAP integration costs	(73)	(17)
ICAP acquisition costs	(6)	(11)
Share award purchases	(4)	(6)
Share issue costs	(7)	-
Net interest	(19)	(19)
Taxation	(27)	(17)
Dividends from associates and joint ventures	13	2
Dividends and return of equity to NCIs	(7)	(1)
Acquisition consideration and investments (net of disposals)	(6)	(3)
<b>Cash flow</b>	<b>38</b>	<b>36</b>





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## Debt profile, refinancing and interest cost

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£m	December 2017	December 2016
Bank bridge loan	-	470
5.25% Sterling notes June 2019	80	80
5.25% Unsecured Sterling notes January 2024	500	-
Accrued interest	12	-
Unamortised issue costs	(3)	(3)
	<hr/>	<hr/>
	589	547

### Net interest costs

- Net interest costs of £30m include £2m for the one-off cost of the bridge loan fees

### Committed facility

- £250m RCF currently undrawn

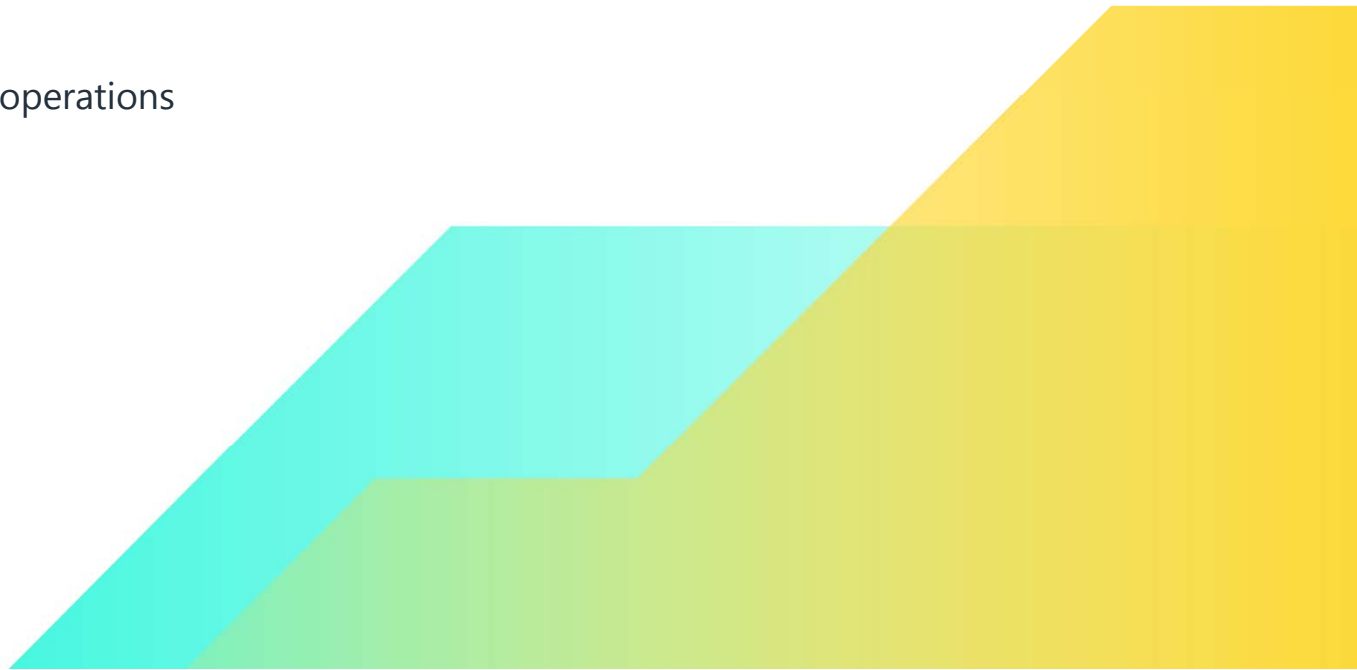
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# Summary

## Good first year for TP ICAP

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- Good result in a low volatility environment
- Revenue and contribution per broker all increased
- Good start to the integration although next phase is more complex
- We expect £10m of P&L synergy savings in 2018 in line with original guidance
- MiFID II compliant
- We will continue to invest in enhancing our operations



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# Revenue outlook

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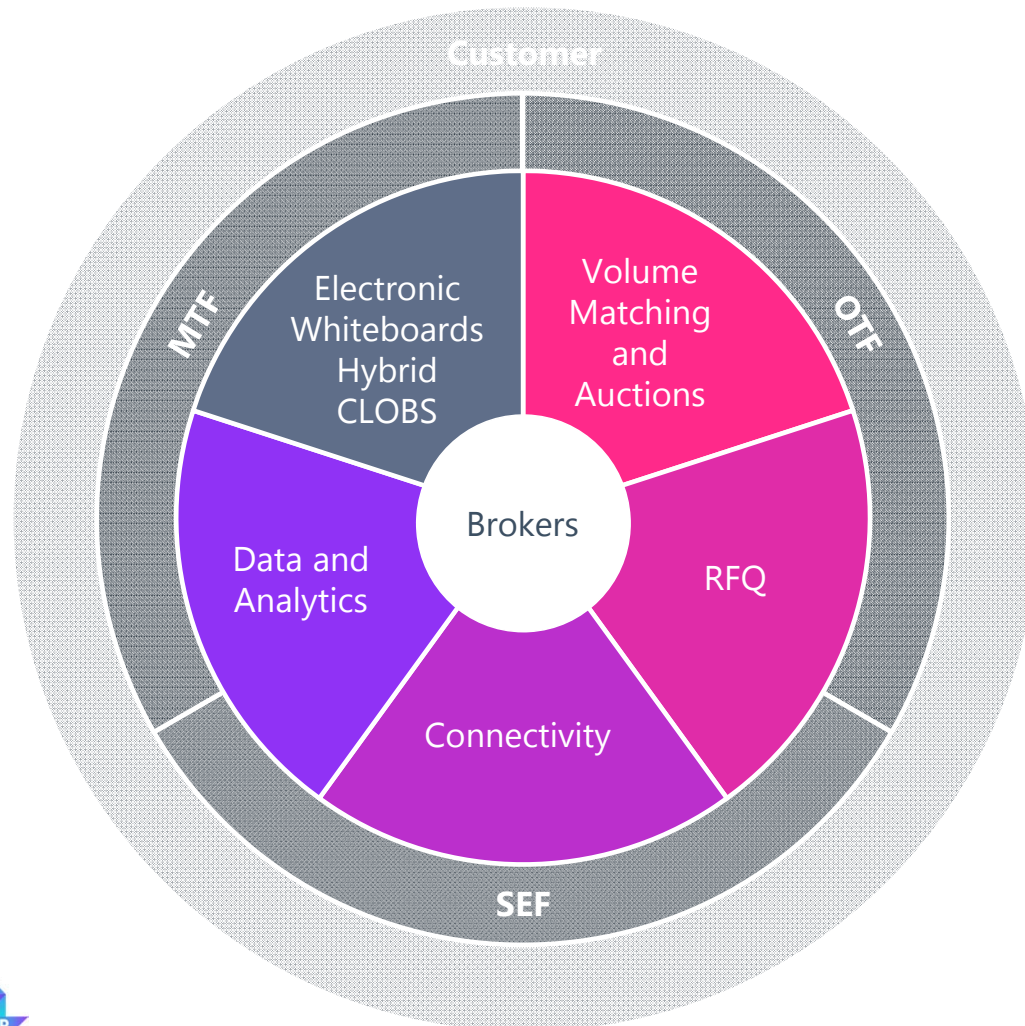
- January and February has seen increased volatility and rising US rates
- Although it has been a good start to the year it is too early to tell whether conditions will be sustained throughout the year
- At current FX rates we would expect a headwind in our reported revenue (current average \$/£ rate of 1.39 vs 1.29 in 2017)
- On a constant currency basis we expect revenue growth in the low single digits



# Business & operational update



# Continuing to invest in our execution capabilities to deliver the best service for customers



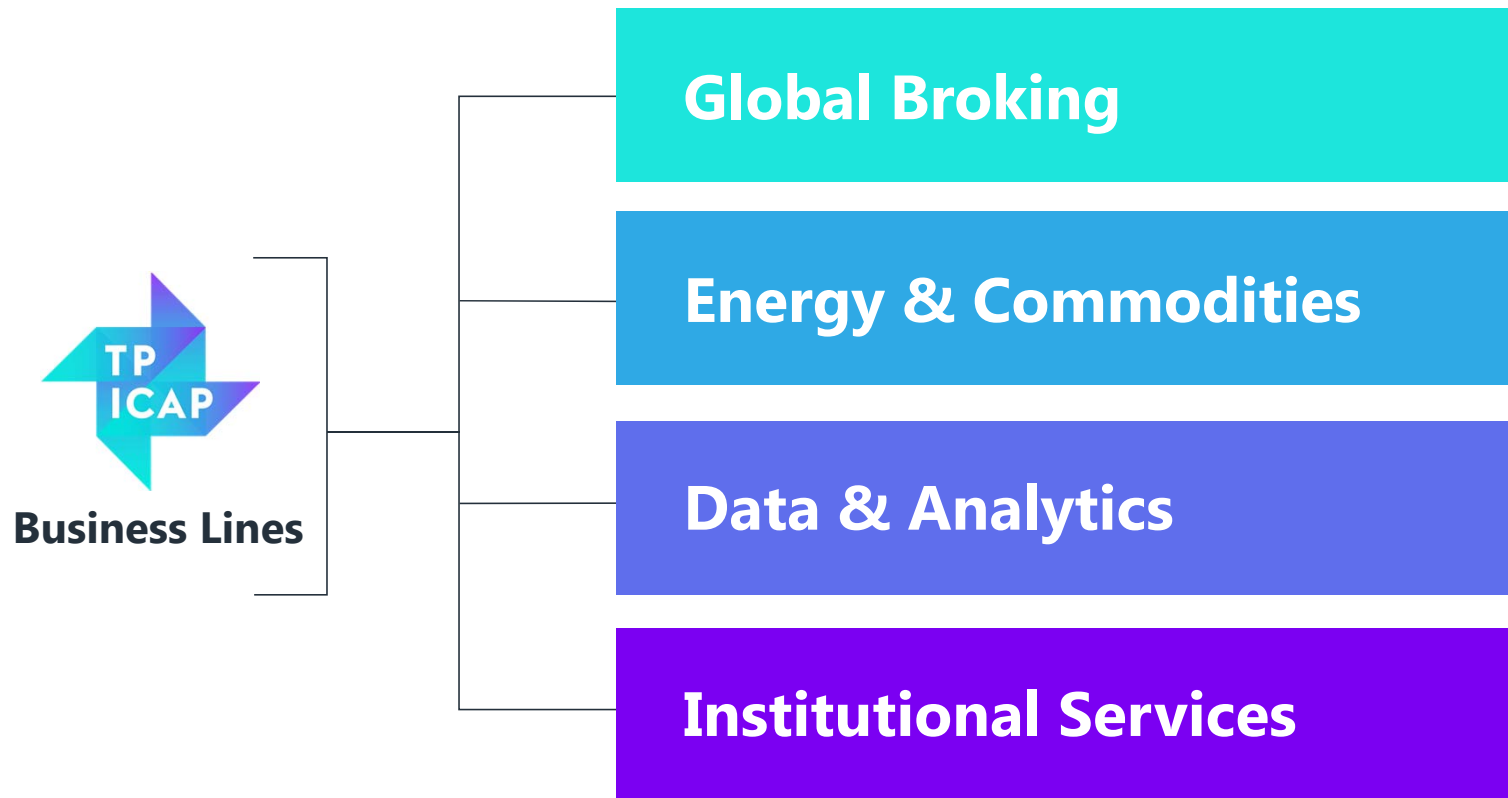
“Fixed income markets continue to show us that no single trading protocol works for everyone. Choice is key, and order book trading will over time be yet another tool for investors alongside RFQ, auction, aggregated streams and yes, the phone.”

Source: Greenwich Associates

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# TP ICAP global business lines

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# Global Broking

## Well-positioned for changing market conditions

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- Focus on increasing productivity
- New hybrid platform functionality
- Pure e and volume matching revenues up 30% YoY
- Brokers remain key
- Stands to benefit the most from increasing market volatility

**Revenues - £1,270m**



# Energy & Commodities

## A solid year

- 87% of revenue from non-bank customers
- Acquisition of SCS strengthens our position as the market continues to consolidate
- Consolidating seven support office systems into one global platform
- Working with third parties to deploy enhanced analytics to our brokers
- Focus on continuing to grow market share - through hiring and bolt-on acquisitions

**Revenues - £343m**

**Oil**



**Gas**



**Power**



**Renewables**



**Ferrous metals**



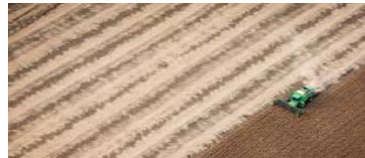
**Base metals**



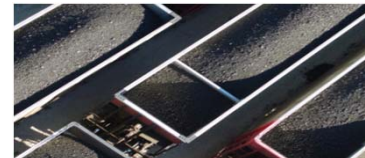
**Precious metals**



**Soft commodities**



**Coal**



**Freight**





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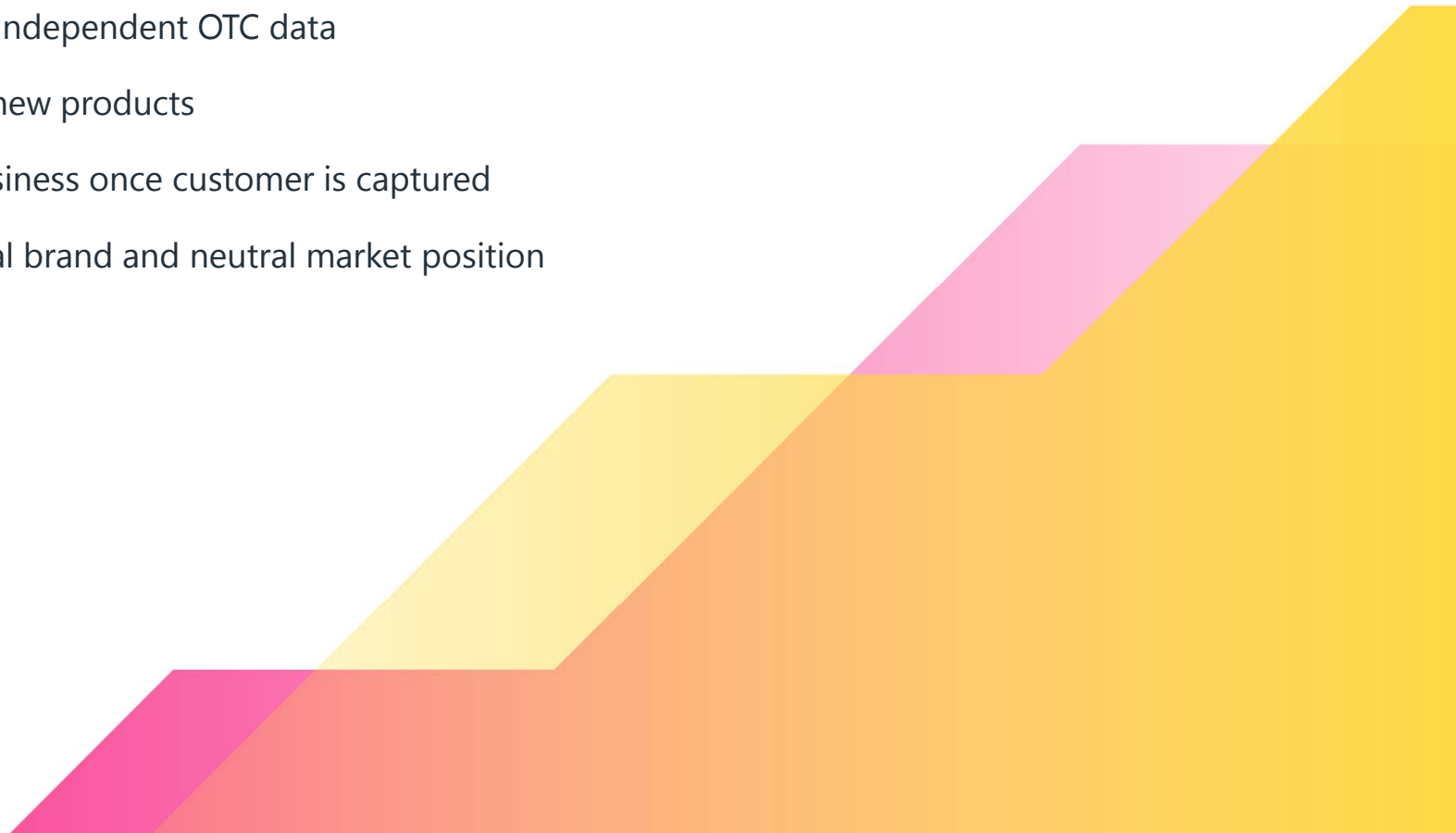
## Data & Analytics

### Accelerating profitable growth

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- Enhances Group margin (margin at 62%), with growing recurring revenues
- Leading source of high value independent OTC data
- Development and roll out of new products
- High probability of repeat business once customer is captured
- Starting to leverage our global brand and neutral market position

**Revenues - £112m**



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# Institutional Services

## Starting to grow

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- Agency execution to hedge funds, asset managers and other buy-side institutions
- Withdrawal of traditional service providers has opened a significant buy-side fee pool
- 50% of assets managed by Hedge Funds <\$1bn AUM
- Added FX, FX options, listed futures & options and rates in 2017
- Structured Products such as asset backed loans, private equity and real estate derivatives
- Acquired Coex Partners as part of strategy for growth

**Revenues - £32m**

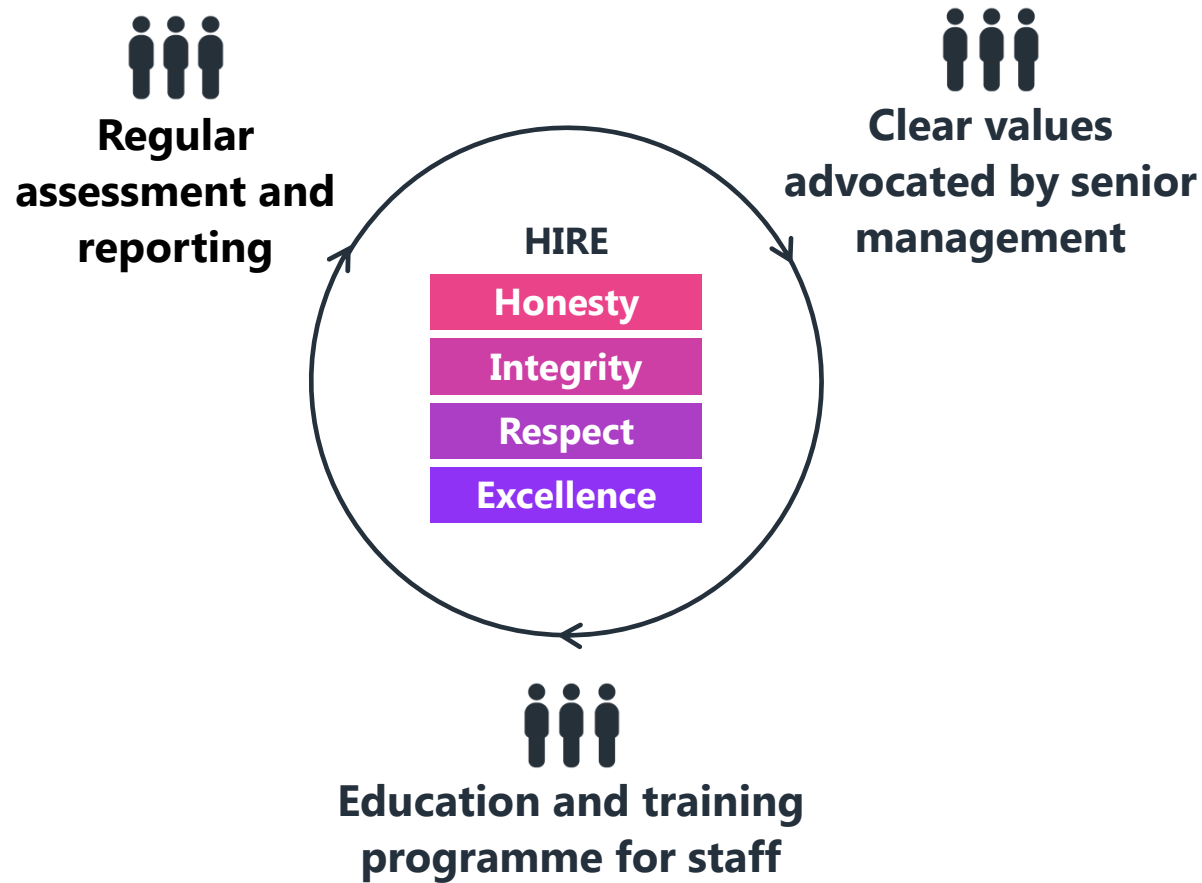


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# Conduct and culture

At the heart of how we do business

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# Brexit

## Will be a significant workstream in 2018

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- Political uncertainty persists
- Ongoing dialogue with our clients and with regulators
- Our priorities:
  - Provide continuity of customer service
  - Maintain liquidity and support smooth functioning of financial markets
- Operating model in Europe potentially becomes more costly

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## Summary

### A good first year for TP ICAP

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- Diverse business with strong market positions
- Integration remains on track
- Technology is at the heart of everything we do
- Well-positioned for any improvements in market conditions
- A central role providing liquidity at the heart of the global financial and energy markets



# Questions & answers



Winner  
Overall #1



Winner  
Best overall  
broker



Winner  
Overall  
broker



Best Data Provider  
(Broker)

Tullett Prebon  
Information



**FOW**  
AWARDS 2014  
**WINNER**  
COMMODITIES BROKER  
OF THE YEAR  
BEST INNOVATION  
BY A BROKER



GlobalCapital  
Americas  
Derivatives Awards

