



TP ICAP plc Preliminary Results

For the twelve months ended 31 December 2019

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Nicolas Breteau

CEO



Agenda

Introduction

Nicolas Breteau

Key financials

Robin Stewart

Update

Nicolas Breteau

Q&A

Nicolas Breteau & Robin Stewart



FY 2019

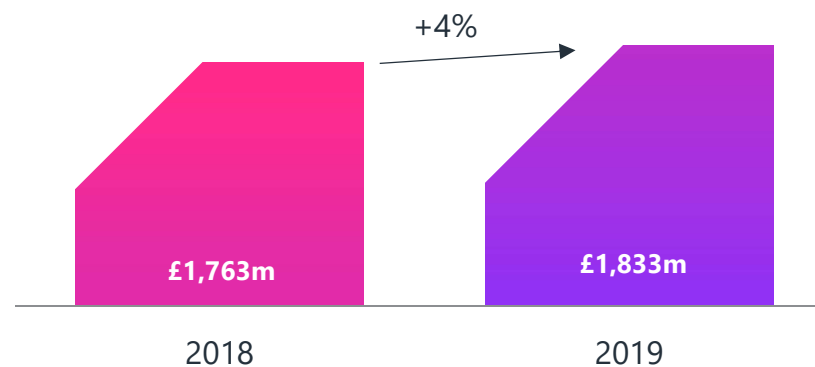
Financial highlights

- Revenue £1,833m
(2018: £1,763m)
- Underlying Operating profit £279m*, **
(2018: £276m)
- Underlying Operating margin 15.2%*
(2018: 15.7%)
- Underlying Profit before tax £230m*
(2018: £245m)
- Basic Underlying EPS 33.8p*
(2018: 34.2p)
- Full year dividend of 16.85p
(2018: 16.85p)

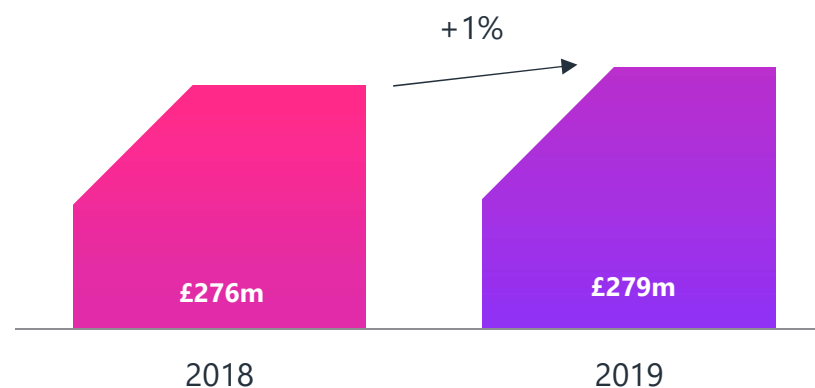
* FY 2019 includes impact of IFRS 16, FY 2018 does not

** Underlying numbers exclude exceptional and acquisition-related items

Revenues



Underlying Operating Profit



Delivered four immediate priorities

Laid foundations for long-term growth

- Integration completed
- Management and governance strengthened
- Risk management framework implemented
- Prepared for Brexit



Completed Integration

Laid foundations for long-term growth

- Delivered synergies of £80m, above revised target
- Management, property and systems are now integrated
- Gives us a platform that is scalable, efficient and capable of future innovation



Strengthened management and governance

Laid foundations for long-term growth

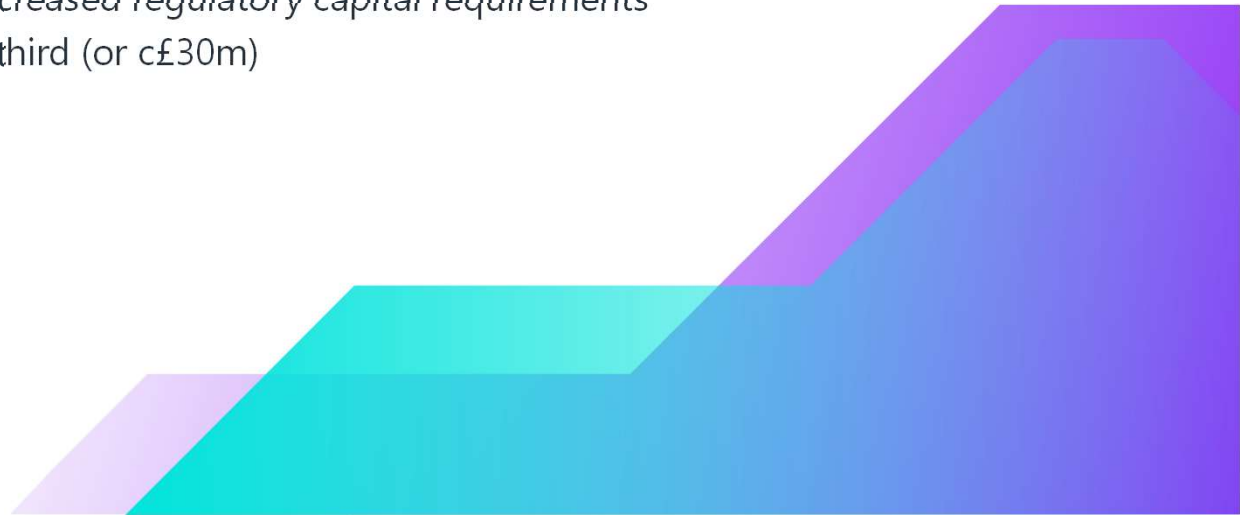
- Built senior team with capability needed to implement future strategy plans
- Responsibility for revenue generation from regions moved to four business divisions
- This change is reflected in our reporting for first time today
- Reduced number of legal entities by c80 to simplify business
- Proposal to incorporate new holding company in Jersey gives us more financial flexibility, ability to compete, and effective governance



Implemented new risk management framework

Laid foundations for long-term growth

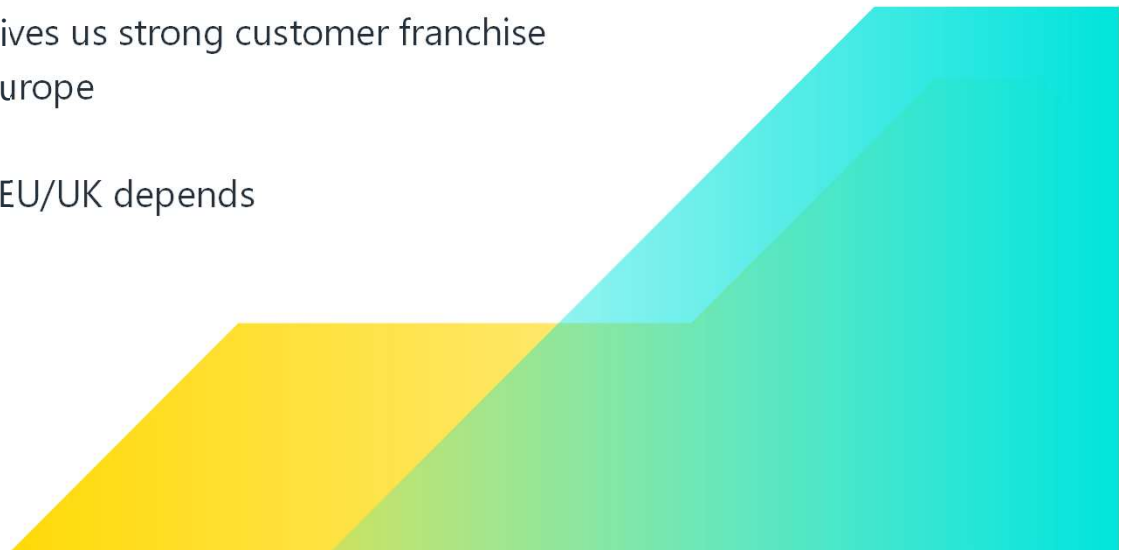
- Designed and implemented new Enterprise Risk Management Framework in 2019
- Now being embedded across the organisation
- Significant enabler for discharge of responsibilities under Senior Managers Regime
- New framework key factor in the assessment of regulatory capital requirement
- On basis of work done so far, *increased regulatory capital requirements* reduced by approximately one-third (or c£30m)



Prepared for Brexit

Laid foundations for long-term growth

- Plans in place to continue serving client in all scenarios, including no deal; 90% of broking revenues are largely unaffected
- As a result of our preparations, we now have a stronger footprint in Europe
 - New legal entity in Paris, TP ICAP Europe
 - 3 new MIFID compliant venues in Europe
 - Relocated electronic MTF, iSwap, to Amsterdam
- Proposed acquisition of Louis Capital gives us strong customer franchise and additional brokers in Continental Europe
- Eventual distribution of brokers across EU/UK depends on client requirements



Robin Stewart

CFO



2019 income statement

Overall operating profit increase

£m	2019*	2018	Change (%)
Revenue	1,833	1,763	+4%
Underlying Operating profit	279	276	+1%
<i>Underlying Operating profit margin</i>	15.2%	15.7%	-0.5% pts
Net finance costs	(49)	(31)	+58%
Underlying Profit before tax	230	245	-6%
Tax	(55)	(63)	-13%
<i>Effective tax rate</i>	23.9%	25.8%	-1.9% pts
Share of JVs and associates less non-controlling interests	14	9	+56%
Underlying earnings	189	191	-1%
Total acquisition, disposal & integration costs and exceptionals	(122)	(159)	-23%
Reported earnings	67	32	+109%
<i>Weighted average basic shares in issue (m)</i>	559.4	558.5	+0%
Underlying basic EPS	33.8p	34.2p	-1%
Reported EPS	12.0p	5.7p	+110%

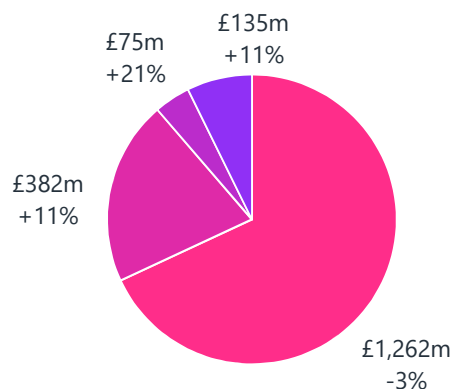
* 2019 includes impact of IFRS 16, 2018 does not



2019 Revenues Breakdown

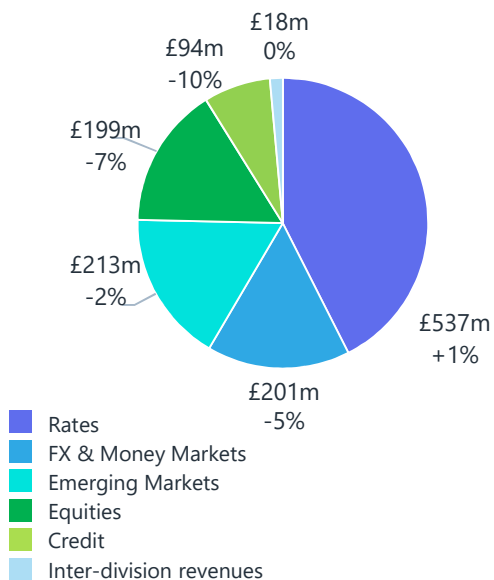
£m	Global Broking	Energy & Commodities	Institutional Services	Data & Analytics	Corporate Centre	Group
Revenues	1,262	382	75	135	(21)	1,833
External	1,244	379	75	135		1,833
Inter-division	18	3	-	-	(21)	-

Revenue by Business Division



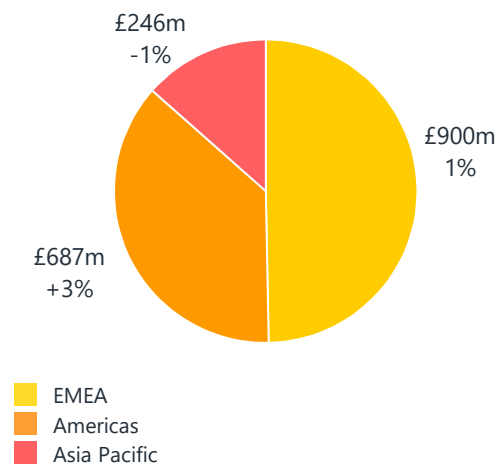
- Global Broking
- Energy & Commodities
- Institutional Services
- Data & Analytics

Global Broking Revenue by Product



- Rates
- FX & Money Markets
- Emerging Markets
- Equities
- Credit
- Inter-division revenues

Revenue by Region



- EMEA
- Americas
- Asia Pacific

* Revenues include inter-division revenues but exclude Corporate Centre inter-division eliminations | Note: All percentage changes at constant currency



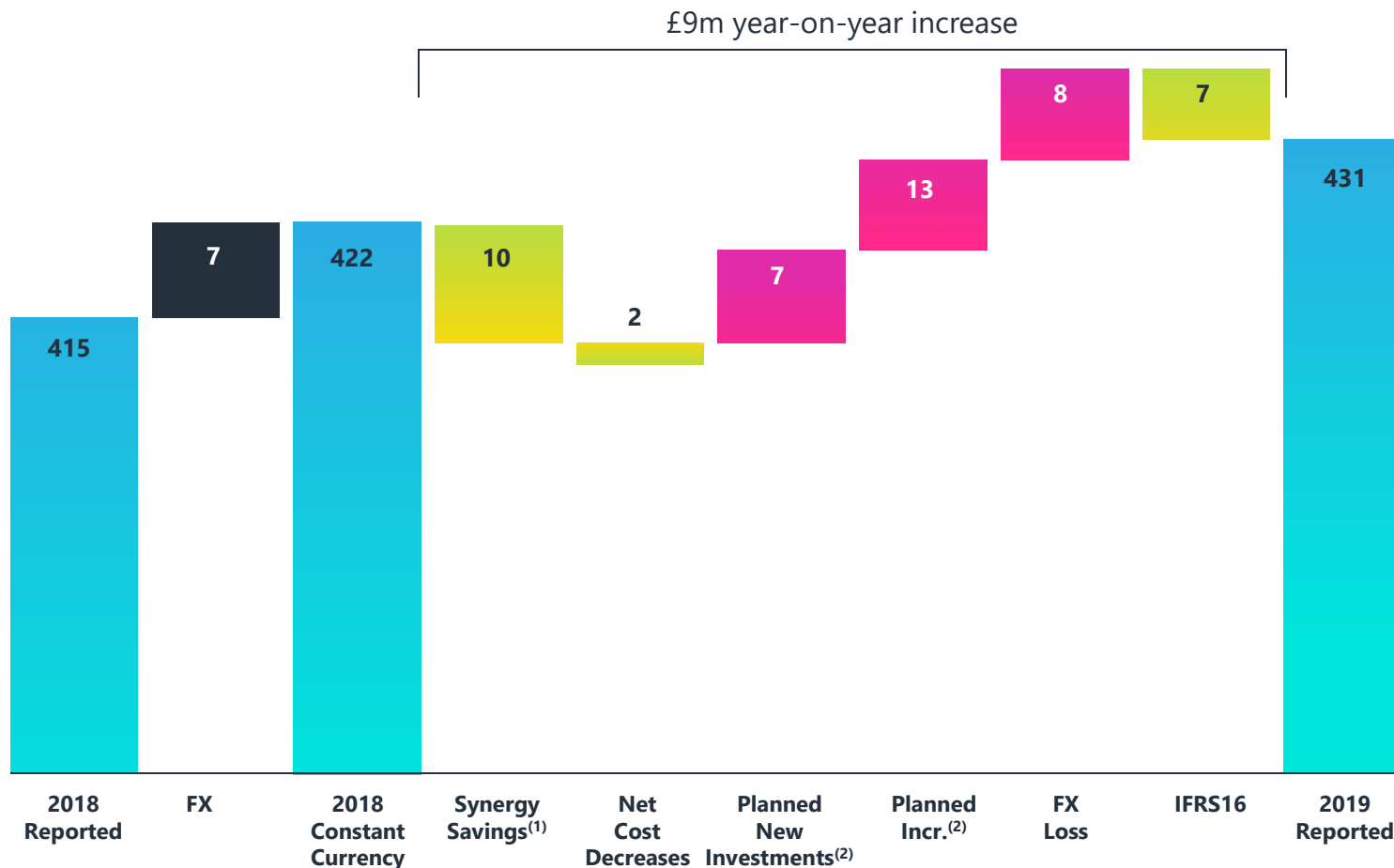
Divisional Contribution and Underlying Operating Profit

2019 (£m)	Global Broking	Energy & Commodities	Institutional Services	Data & Analytics	Corporate Centre	Group
Revenues	1,262	382	75	135	(21)	1,833
External	1,244	379	75	135		1,833
Inter-division	18	3	-	-	(21)	-
Total Front-Office costs	(775)	(261)	(57)	(67)	21	(1,139)
External	(775)	(261)	(57)	(46)		(1,139)
Inter-division	-	-	-	(21)	21	-
Contribution	487	121	18	68	-	694
<i>Contribution margin (%)</i>	38.6%	31.7%	24.0%	50.4%	n/a	37.9%
Net Management and Support Costs	(266)	(75)	(15)	(9)	(50)	(415)
Management and support costs	(268)	(75)	(15)	(9)	(64)	(431)
Other operating income	2	-	-	-	14	16
Underlying Operating profit / (loss)	221	46	3	59	(50)	279
<i>Underlying Operating profit margin</i>	17.5%	12.0%	4.0%	43.7%	n/a	15.2%
2018						
Contribution	508	104	12	55	n/a	679
Contribution margin (%)	39.9%	31.2%	19.7%	47.0%	n/a	38.5%
Underlying Operating profit margin	19.9%	9.6%	1.6%	41.9%	n/a	15.7%



Management and support costs

Breakdown of cost movements: 2018 vs 2019



(1) £80m of total synergy savings recognised to date | (2) As previously guided



Underlying operating profit and margin by region

£m	Underlying operating profit			Margin	
	2019	2018	Change	2019	2018
EMEA	164	173	-5%	18.2%	19.5%
Americas	94	81	+16%	13.7%	12.7%
Asia Pacific	21	22	-5%	8.5%	9.1%
Group	279	276	+1%	15.2%	15.7%

Exceptional and acquisition related items

£m	2019	2018
ICAP integration costs	34	44
Amortisation of intangible assets arising on consolidation	42	40
Impairment of intangible assets arising on consolidation	24	68
Net charge relating to legal settlements	10	3
Charge relating to employee long-term benefits	5	2
Charge relating to business reorganisation	7	18
Adjustments to deferred consideration	6	5
Other	9	3
Total Exceptional and acquisition related items (pre-tax)	137	183
Tax relief	(15)	(24)
Total Exceptional and acquisition related items	122	159

Earnings EPS and dividends

Maintenance of full year dividend throughout integration

£m	2019	2018
Underlying Earnings	189	191
Exceptional and acquisition-related items (net of tax)	(122)	(159)
Reported Earnings	67	32
Weighted average shares in issue	559.4m	558.5m
Underlying EPS	33.8p	34.2p
Reported EPS	12.0p	5.7p

- Proposed Dividend to remain at 16.85p as previously guided
- 2019 Dividend Payout is 49% of Underlying basic EPS (2018: 49%)
- A 11.25 per share final dividend (2018: 11.25p) will be paid on 19 May 2020 to shareholders

Operating cash flow

Increased cash from operations

£m	2019 Underlying Cash flow	2018 Underlying Cash flow
Underlying Operating profit	279	276
Share based compensation and pension admin fees	6	6
Depreciation and amortisation	36	35
Depreciation of right-of-use assets	20	-
Non-Cash items	1	-
EBITDA	342	317
Change in initial contract prepayments (ICPs)	(2)	(10)
Working capital movements	(21)	(29)
Cash generated from operations	319	278
Capital expenditure	(33)	(73)
Underlying Operating cash flow	286	205
Interest paid	(53)	(34)
Taxation	(73)	(41)
Underlying Free cash flow	160	130



Balance sheet

£m	Dec-19	Dec-18
Goodwill & other intangibles arising on consolidation	1,572	1,663
Other non-current assets	207	197
Current assets less current and non-current liabilities	(52)	(117)
Cash and financial investments	824	800
Pension assets / obligations	-	52
Deferred tax liabilities	(83)	(123)
Interest bearing loans and borrowings	(689)	(642)
IFRS 16 related balances:		
Right-of-use assets	91	-
Finance lease liabilities	(23)	-
Lease liabilities	(117)	-
Net assets	1,730	1,830
Shareholders' equity	1,712	1,814
Attributable to non-controlling interests	18	16
Attributable to shareholders	1,730	1,830

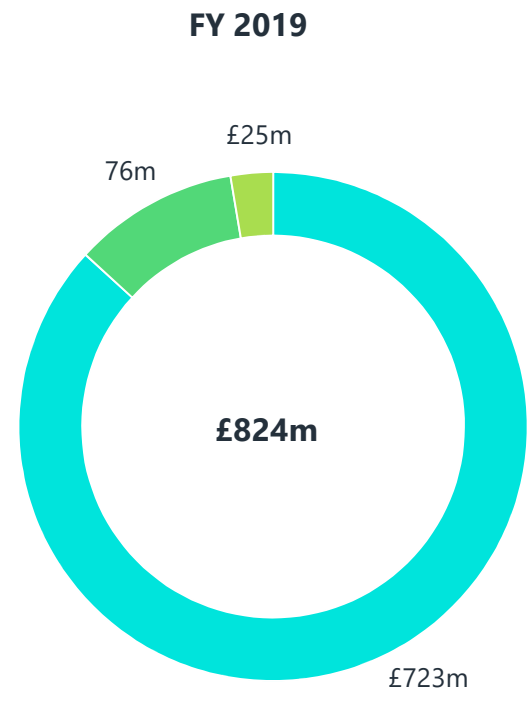


Debt profile and refinancing

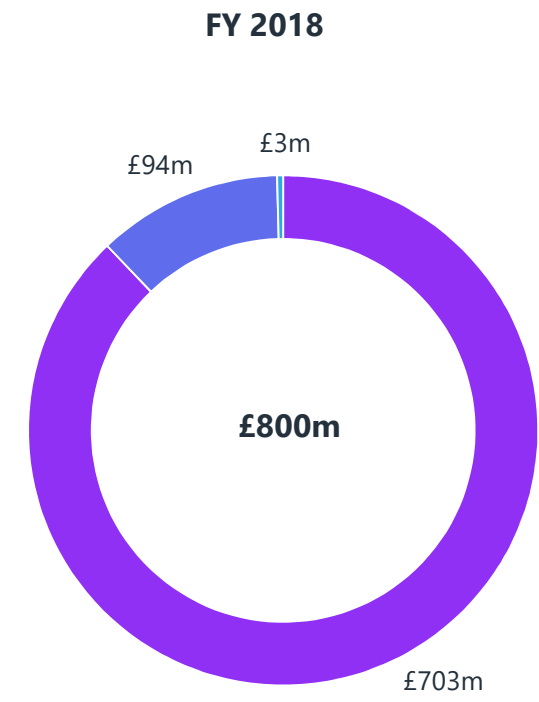
£m	Dec-19	Dec-18
5.25% Sterling Notes June 2019	-	80
5.25% Sterling Notes January 2024	431	500
5.25% Sterling Notes May 2026	250	-
Revolving credit facility draw down	-	52
Unamortised debt issue costs	(3)	(2)
Accrued interest	11	12
Gross Debt pre-IFRS 16	689	642
IFRS 16 Lease liabilities	140	-
Total Debt	829	642

Cash & cash equivalents and financial investments

- Cash held for working capital, regulatory, liquidity and corporate purposes
- Capital requirements of the regulated legal entities are generally met by net tangible assets held in cash
- This cash is restricted for regulatory and operational purposes



■ Regulated entities
■ Non-regulated entities
■ Corporate



■ Regulated entities
■ Non-regulated entities
■ Corporate



Net funds /(debt)

£m	Cash & cash equivalents	Financial investments	Total funds	Debt	Net
At 31 December 2019	667	133	800	(642)	158
Reported net cash flow from operating activities	148	-	148	-	148
Net cash flow from investment activities	(55)	20	(35)	-	(35)
Dividends paid	(94)	-	(94)	-	(94)
Net repayment of RCF	(52)	-	(52)	52	-
Issue of Sterling Notes	250	-	250	(250)	-
Repayment of Sterling Notes	(149)	-	(149)	149	-
Other financing activities	(5)	-	(5)		(5)
New finance leases	-	-	-	(20)	(20)
Finance lease payments	(21)	-	(21)	21	-
Effect of movements in FX rates	(13)	(5)	(18)	1	(17)
Net funds pre-IFRS 16	676	148	824	(689)	135
IFRS 16 lease liabilities				(140)	(140)
At 31 December 2019	676	148	824	(829)	(5)



CRD IV Compliance

- FCA has granted TP ICAP ten year waiver from supervision under CRD IV on a consolidated basis
- The Group now only has to comply with Financial Holding Company Test
- Currently we have a deficit under the Consolidated Supervision Test, as Goodwill is not eligible capital under CRD IV
- The only eligible capital resources that count under CRD IV are Net Tangible Assets
- We need to set aside c. £25 million of retained earnings per annum in order to comply by 2026
- Agreed allowable deficit reduced by 25% from 1 July 2019 – the Group remains well within limits of agreed plan

2020 guidance

Revenue

Low single digit growth

Broker compensation

Expected to be at least 53%

Net finance expense

c.£50m in 2020

Tax rate

Expected to be 25%

Strategic Incremental Investments

£45m of cash investments in 2020
(£15m opex, £30m capex)

Total Capex

Expected to be c£80m (including Strategic Investments capex)

Dividend

Minimum dividend at 16.85p

Nicolas Breteau

CEO



Strategic themes

From a position of strength to long-term growth

- We start from a position of strength as we are the world's largest IDB
- Industry is changing rapidly, with fast-moving market structures, regulation and clients looking for new ways to transact
- Our strategy has three key themes to capitalise on these trends

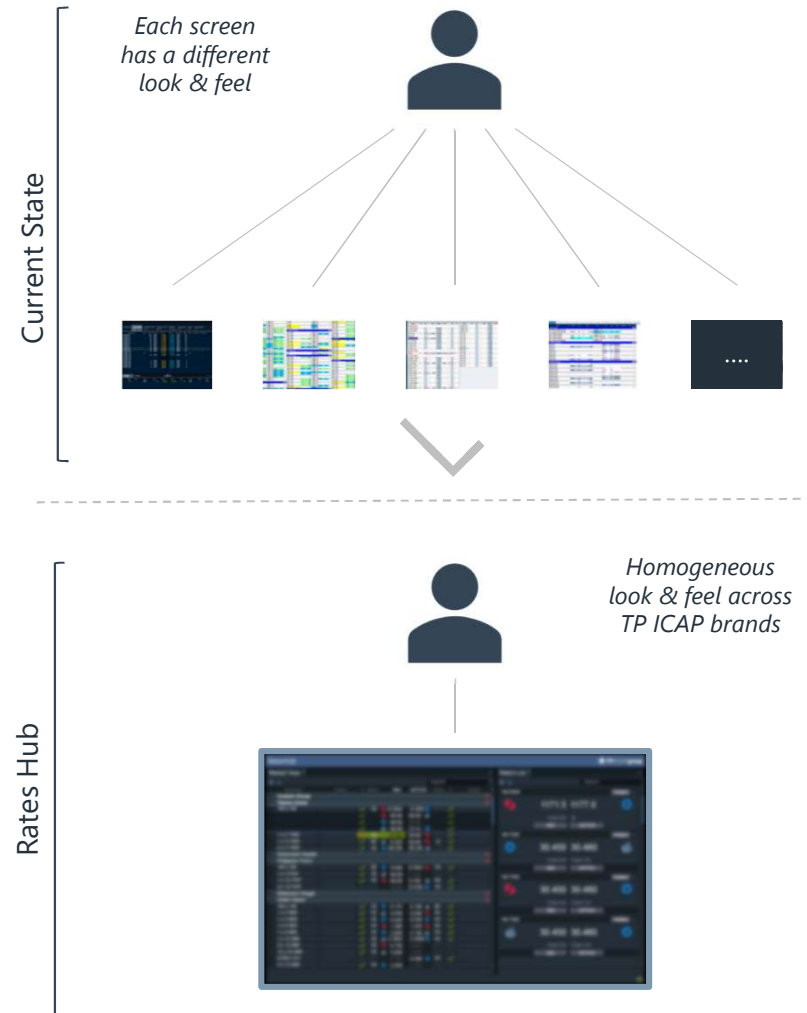
1 Aggregation	2 Electronification	3 Diversification
Provide clients with access to aggregated liquidity from across our brands	Increase the proportion of low-touch activity, improve client connectivity, post-trade processing	Build out earnings from buy-side, corporates, data businesses

Global Broking: Cross-Product Hubs

Aggregation

Electronification

- **TP ICAP is the world's largest IDB**
 - Strong market positions across key products, regions
 - Operator of more than 10 regulated venues (MTF, OTF, SEF)
- **Core customers are the Tier 1 banks**
 - We are a critical provider of services and solutions to facilitate dealer risk management in OTC markets
- **Market structures are changing**
 - Sell-side economic pressures (costs, B/S & capital)
 - Growing share of activity driven by smaller banks
- **Multi-year plan to create a Macro Hub**
 - Easy access to liquidity across brands & products
 - Common look and feel
 - Streamlined connectivity & processing
 - Sophisticated pre-/post-trade analytics & solutions
- **Key organic earnings drivers**
 - Address customer "pain points" more fully
 - Transaction volume shift from high to low-touch
 - Broaden our offering to a wider universe of dealers



E&C: Oils Hub & Machine-learning

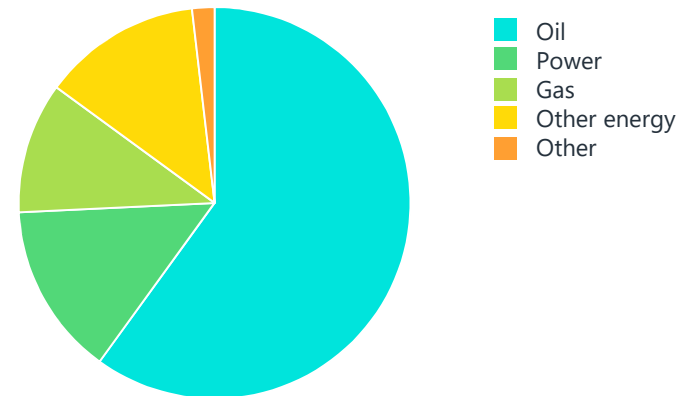
Aggregation

Electronification

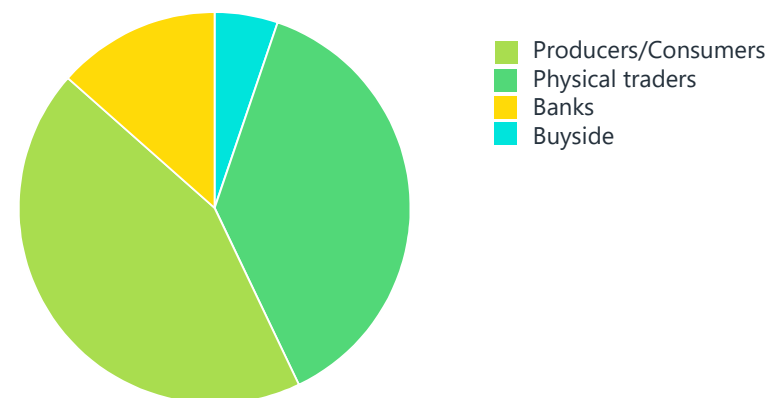
Diversification

- **TP ICAP is a leader in OTC energy markets**
 - European, UK, US power
 - European, UK, US gas
 - Global oils & oil products
- **Customer universe is well-diversified**
 - Low concentration
 - Broad mix of customer types
- **Commodity markets continue to evolve**
 - Asset managers/hedge fund participants increasing
 - OTC and exchange-traded markets work together
- **Key organic earnings drivers**
 - Creation of Oils Hub (efficiency, stickiness)
 - Enrichment of offering with use of machine learning tools
 - New products & customers (more buyside)

Revenue mix



Customer mix



Institutional Services: Agency Expansion

Aggregation

Electronification

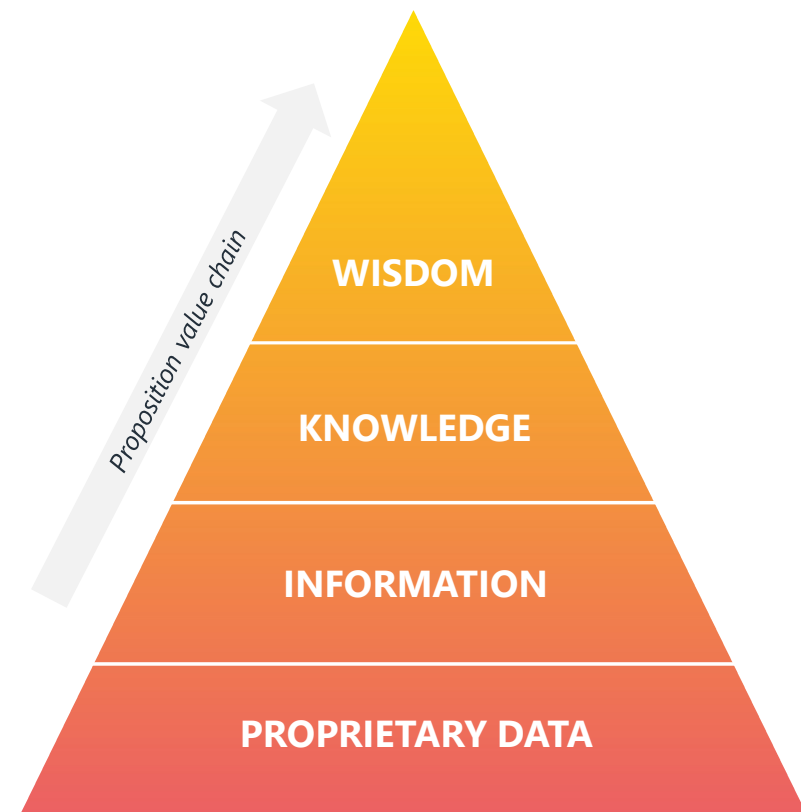
Diversification

- **IS is a buy-side-facing agency broker**
 - Focus on liquid markets
 - Low- and high- touch services
 - Multi-dealer/multi-venue
- **Our customer base comprises some of the largest buy-side firms**
 - We focus on large hedge funds and asset managers
- **Our product offering is wide and expanding**
 - Foreign exchange, exchange-traded and cleared derivatives
 - Government bonds and cash equities
- **Market structure change has created the opportunity for our agency-type offering**
 - Regulatory change and other pressures
 - Electronic trading adoption
 - Shift from active to passive
 - Specialisation of sell-side service model
- **Key organic growth drivers**
 - Broadening asset market coverage
 - Expanding geographical presence
 - Continued roll-out of low touch trade infrastructure



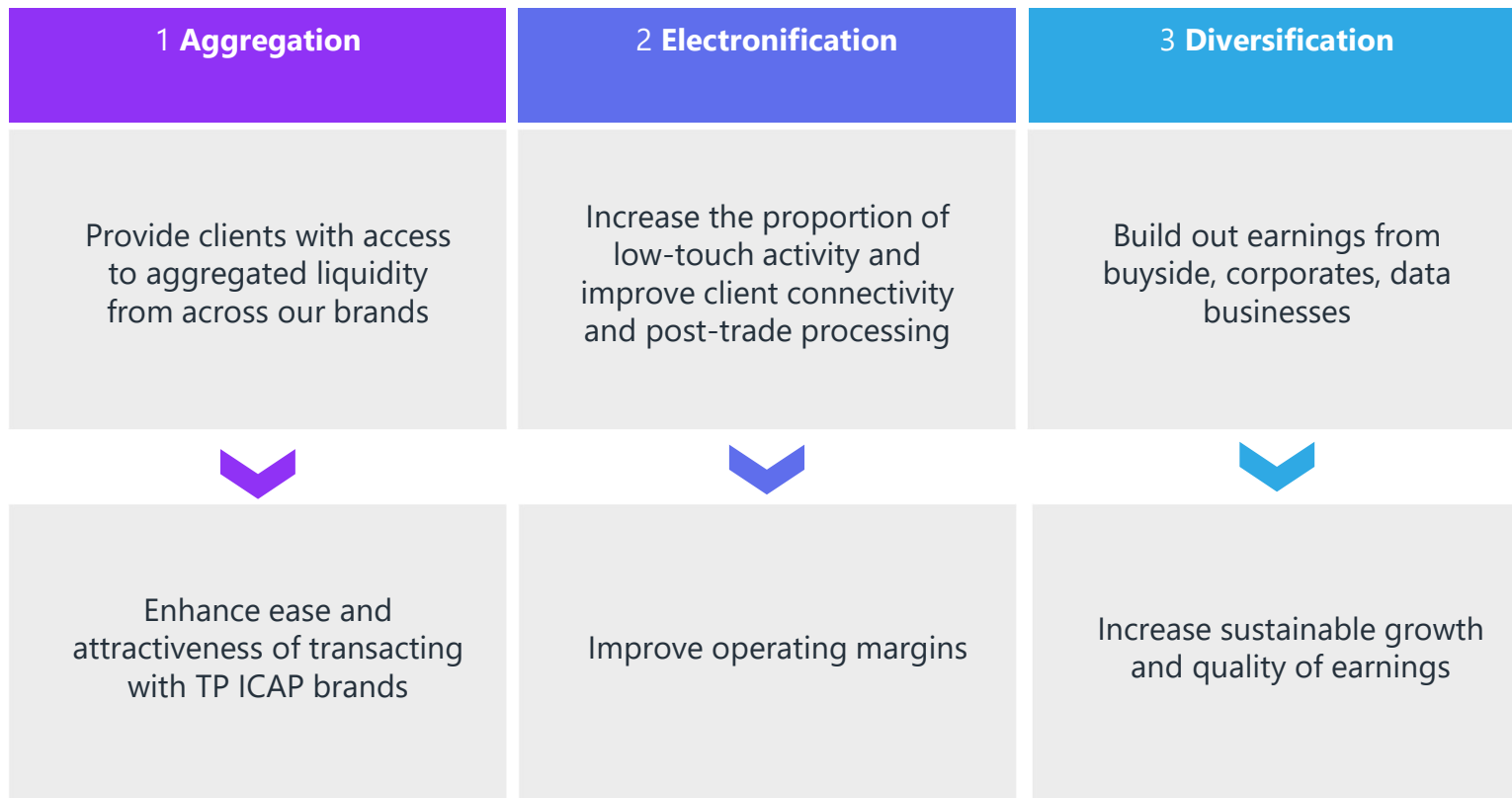
- **TP ICAP is a leading global provider of OTC data**
 - Wide asset class coverage
 - Indicative, Order, Trade, and Historical
 - Multiple distribution channels
- **Our client universe is diverse**
 - Banks (front & middle), Buy-Side
 - Market data vendors, software carriers and cloud providers
- **Customer requirements are growing**
 - Regulatory obligations
 - Cost pressure (sell- and buy-side)
 - Risk and capital management
 - Benchmarks & Index products
- **Key organic revenue drivers**
 - Broaden data sets (including 3rd-party content)
 - Diversify customer base
 - Add new products (particularly higher value)
 - Channel management

Expanding the Base & Building the Pyramid



Strategic growth themes

Long-term outcomes



Questions & answers

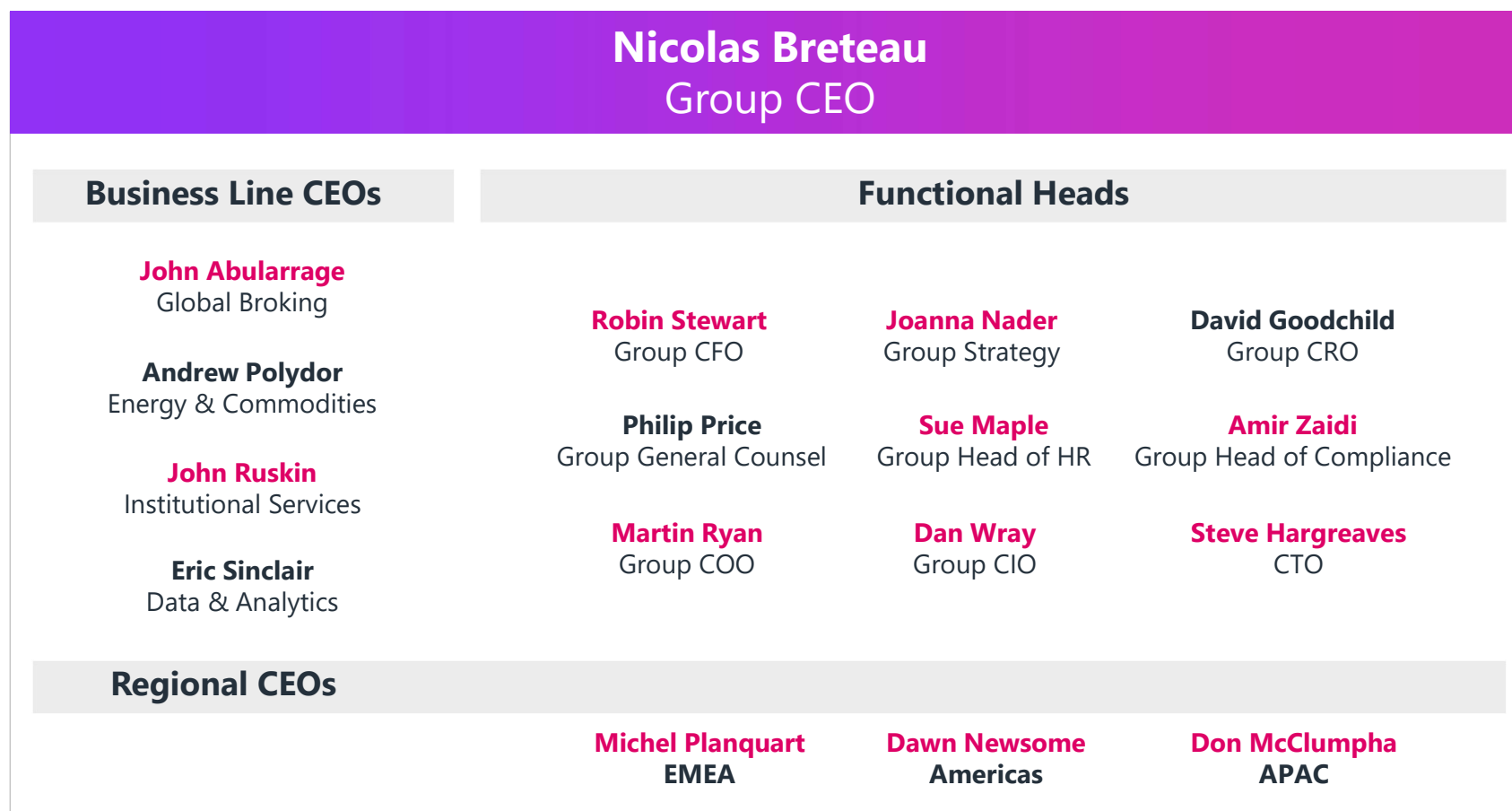


Appendix



Strengthened management and governance

Laid foundations for long-term growth



Key: ■ Appointed by current management



Administrative expenses

2019 (£m)	2019	2018	Change	Change (%)	
				Reported	Constant Currency
Broker compensation	900	859	41	+5%	+2%
Other front office Costs	193	183	10	+5%	+3%
Data & Analytics Costs	46	42	4	+10%	+7%
Total front office Costs	1,139	1,084	55	+5%	+2%
Support Staff Costs	215	226	(11)	-5%	-6%
Third Party Technology	59	52	7	+13%	+11%
Premises	53	52	1	+2%	0%
Depreciation & Amortisation	34	33	1	+3%	0%
Other	77	52	25	+48%	+45%
IFRS 16 adoption	(7)	-	(7)	n/m	n/m
Management & Support Costs	431	415	16	+4%	+2%
Underlying total costs	1,570	1,499	71	+5%	+2%



Impact of IFRS 16 on the income statement

IFRS 16 reduced underlying basic EPS

£m	2019 Pre-IFRS 16	IFRS 16	2019 Reported	2018	Change
Revenue	1,833	-	1,833	1,763	+4%
Net administrative expenses	(1,561)	7	(1,554)	(1,487)	+4%
Underlying operating profit	272	7	279	276	+1%
<i>Underlying operating profit margin</i>	<i>14.8%</i>		<i>15.2%</i>	<i>15.7%</i>	<i>-0.5% pts</i>
Net finance expenses	(38)	(11)	(49)	(31)	+58%
Underlying profit before tax	234	(4)	230	245	-6%
Underlying basic earnings	192	(3)	189	191	-1%
Underlying basic EPS	34.3p	(0.5p)	33.8p	34.2p	-0.4p