

# Tullett Prebon plc

Building the world's best operator  
in hybrid voice broking and  
information services

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# Introduction

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John Phizackerley  
Chief Executive



## Agenda

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- Introduction
- A transformational acquisition for Tullett Prebon
- Key terms of the acquisition
- Financial overview
- The benefits of the acquisition for Tullett Prebon
- Approvals and timetable
- Q&A

## A unique and transformational acquisition for Tullett Prebon

- Combines the complementary strengths of two leading global hybrid voice broking franchises to create the largest player in the industry
- Talented employees
- A leading brand name
- Experienced senior management
- Strategically valuable technology platforms

Right for Tullett Prebon and our stakeholders



## A unique and transformational acquisition for Tullett Prebon

- Achieves significant cost synergies of at least £60m
- From elimination of duplicated management and support costs
- Additional efficiencies expected over time
- EPS accretive for Tullett Prebon on a fully-phased basis
- Maintain dividend of 16.85p during the integration period and grow it over time
- Accelerates the delivery of Tullett Prebon's strategy, launched in June 2015

Delivering Tullett Prebon's objective of becoming the world's most trusted source of liquidity in hybrid OTC markets and the best operator in global hybrid voice broking

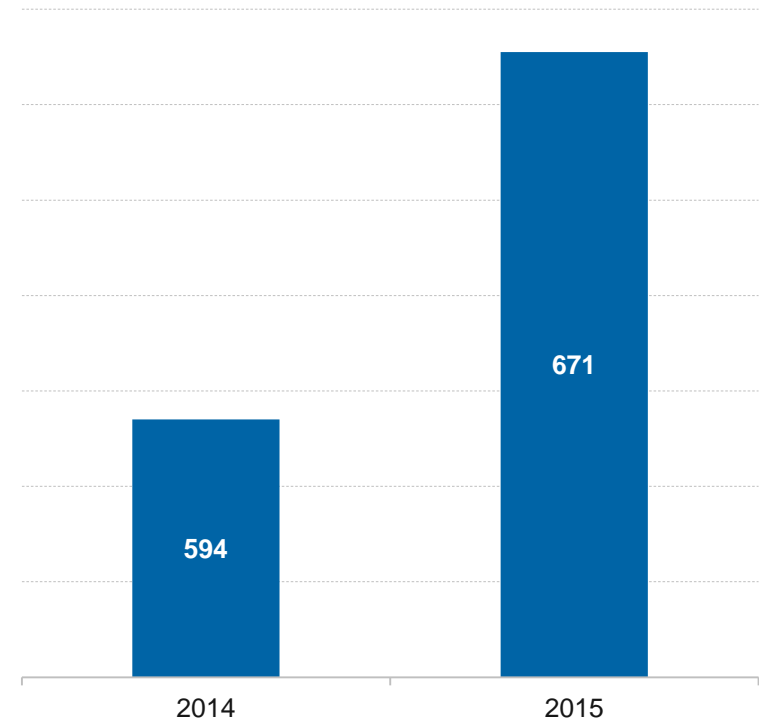


## Tullett Prebon's recent trading performance

- We have grown revenues and diversified into new products, regions and clients
- Rising cost of regulation and technology
- Full year operating margin now expected to be c.1.5 percentage points lower than in 2014

This transaction will allow us to re-establish our operating margin

Revenues for 10 months to 31 Oct (£m)



## Key terms of the acquisition

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- Acquisition of ICAP Global Broking and Information Business<sup>1</sup> (“IGBB”)
- Over 2,500 employees in 35 locations across 22 countries
- Revenue of £773m<sup>2</sup> and operating profit of £111m<sup>3</sup>
- In consideration for the acquisition, Tullett Prebon will issue new shares to ICAP shareholders and ICAP
  - Tullett Prebon’s existing shareholders will own 44% of the Enlarged Group
  - Existing ICAP shareholders will own 36.1% of the Enlarged Group
  - ICAP will own 19.9% of the Enlarged Group
- IGBB will be acquired with gross debt of £330m and with sufficient regulatory capital, cash and working capital to meet regulatory requirements and ordinary course operational requirements
  - IGBB’s cash balance at completion is expected to be equivalent to its gross debt
- Tullett Prebon acquires the right to the ICAP name

### Notes

1. Including ICAP’s associated technology and broking platforms (including iSwap and Fusion), and certain of ICAP’s joint ventures and associates
2. 12 months to 30 September 2015
3. Trading operating profit for 12 months to 30 September 2015, adjusted to exclude indirect costs which will no longer be charged to IGBB following completion



## Creating the largest player in the industry

- Multi-platform hybrid voice business operating across all major asset classes
- 3,245 brokers and c.5,500 total staff
- Historical revenue in excess of £1.5bn
- Historical adjusted trading operating profit of £232m
- Portfolio of powerful brands
- High quality technology platforms including iSwap and Fusion

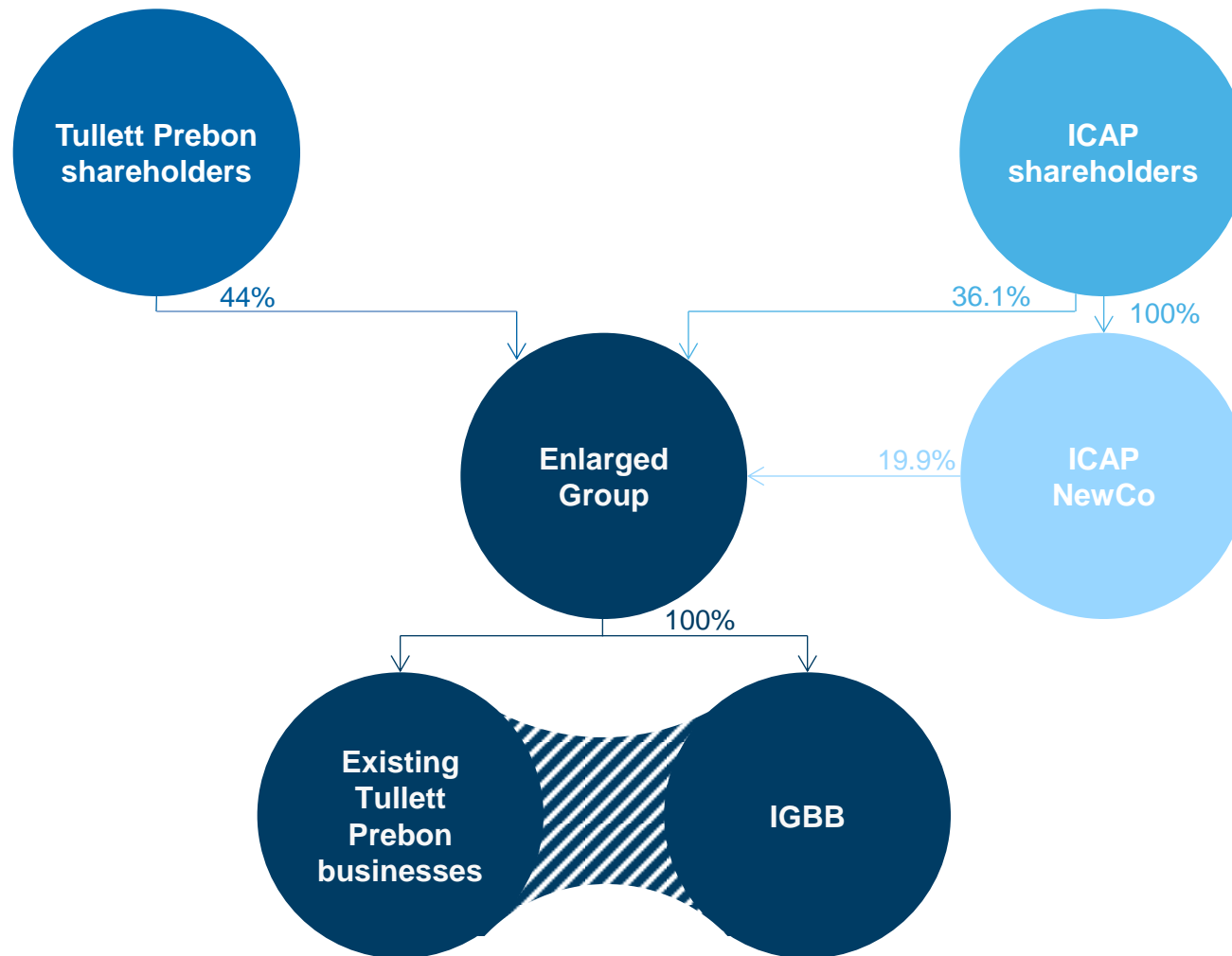


● **Tullett Prebon**  
30 locations, 25 Countries

● **IGBB**  
35 locations, 22 Countries

Greater client and product coverage and a stronger global footprint

## New ownership of Enlarged Tullett Prebon



## Additions to Tullett Prebon's senior management and Board

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- On completion, it is intended that Ken Pigaga, currently Group Chief Operating Officer of ICAP, will be appointed to the Board of the Enlarged Group as a Director<sup>1</sup> and Chief Operating Officer
- ICAP will appoint a new Non-executive Director to the Board of the Enlarged Group<sup>1, 2</sup>
- Michael Spencer will have the honorary title of President and will be available to advise the Board, but will not be a member of the Board

### Notes

1. Subject to FCA approval
2. ICAP NewCo has the right to nominate 1 NED to the Board of the Enlarged Group, as long as ICAP NewCo's shareholding in the Enlarged Group is greater than 10%

## Integration drives value creation

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- Project Management Office will be established to manage the integration and deliver synergies
  - Building on Tullett Prebon's successful track record of targeted cost reductions
  - Track synergies from multiple workstreams
  - Board will monitor progress
  - Integration planning well under way



# Financial overview

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PAUL MAINWARING

Paul Mainwaring  
Finance Director



# Tullett Prebon: underlying profit & loss

Adjusted for full year of acquired businesses – 12 months to June 2015

| £m   | Reported | Adjustments for full year of acquired businesses |                           |                         | Adjusted |
|--|----------|--|---------------------------|-------------------------|----------|
|  |          | PVM<br>(+) 5m Jul to Nov-14                      | MOAB<br>(+) 12m to Jun-15 | M&D<br>(+) 6m to Dec-14 |          |
| Revenue  | 759      | 33   | 15                        | 4                       | 811      |
| Contribution                                   | 268      | 10   | 5                         | 1                       | 284      |
| Management & support costs                     | (157)    | (4)  | (2)                       | -                       | (163)    |
| Operating profit                               | 111      | 6  | 3                         | 1                       | 121      |
| Share of post-tax profit of JVs and Associates | 2        | -  | -                         | -                       | 2        |

## IGBB: underlying profit & loss

| £m   | Carve-out financials<br>adjusted for indirect costs not transferring |               |
|--|--|---------------|
|  | 12m to Mar-15  | 12m to Sep-15 |
| Revenue                                      | 808  | 773           |
| Contribution                                 | 280  | 286           |
| Management & support costs                   | (182)  | (174)         |
| Operating profit                             | 98   | 111           |
| Share of post-tax profit of JVs & Associates | 8  | 7             |

| Illustrative Tullett Prebon<br>estimate of adjusted IGBB |
|--|
| 12m to Jun-15  |
| 763  |
| 305  |
| (196)  |
| 109  |
| 8  |

# Illustrative Enlarged Group: underlying profit & loss

## Excluding synergies

| £m   | Adjusted Tullett Prebon | Illustrative Tullett Prebon<br>estimate of adjusted IGBB | Illustrative<br>Enlarged Group |
|--|-------------------------|--|--------------------------------|
|  | 12m to Jun-15           | 12m to Jun-15  | 12m to Jun-15                  |
| Revenue                                      | 811                     | 763  | 1,574                          |
| Contribution                                 | 284                     | 305  | 589                            |
| Management & support costs                   | (163)                   | (196)  | (359)                          |
| Operating profit                             | 121                     | 109  | 230                            |
| Share of post-tax profit of JVs & Associates | 2                       | 8  | 10                             |
| Contribution margin (%)                      | 35.0%                   | 39.9%  | 37.4%                          |
| Operating profit margin (%)                  | 14.9%                   | 14.3%  | 14.6%                          |

*This table does not represent pro forma financial information*



# Illustrative Enlarged Group

## Contribution analysis

| £m   | Adjusted Tullett Prebon | Illustrative Tullett Prebon<br>estimate of adjusted IGBB | Illustrative<br>Enlarged Group |
|--|-------------------------|--|--------------------------------|
|  | 12m to Jun-15           | 12m to Jun-15  | 12m to Jun-15                  |
| Broking revenue                              | 760                     | 715  | 1,475                          |
| Information sales / RMS / iSwap revenue      | 51                      | 48   | 99                             |
| Total revenue                                | 811                     | 763  | 1,574                          |
| Broker compensation                          | (421)                   | (356)  | (777)                          |
| Other front office costs                     | (106)                   | (102)  | (208)                          |
| Contribution                                 | 284                     | 305  | 589                            |
| Broking compensation as % of broking revenue | 55.4%                   | 49.8%  | 52.7%                          |
| Broker headcount (period end Jun-15)         | 1,773                   | 1,472  | 3,245                          |

*This table does not represent pro forma financial information*

# Significant cost synergies

From de-duplication of management and support costs

| £m           | Tullett Prebon |            | IGBB         |              | Combined     |              | Combined                    |
|--------------|----------------|------------|--------------|--------------|--------------|--------------|-----------------------------|
|              | Addressable    |            | Addressable  |              | Addressable  |              | Fully-phased cost synergies |
|              | Cost base      | Headcount  | Cost base    | Headcount    | Cost base    | Headcount    |                             |
| Technology   | (52)           | 300        | (66)         | 377          | (118)        | 677          | 24                          |
| Other        | (92)           | 445        | (130)        | 704          | (222)        | 1,149        | 36                          |
| <b>Total</b> | <b>(144)</b>   | <b>745</b> | <b>(196)</b> | <b>1,081</b> | <b>(340)</b> | <b>1,826</b> | <b>60</b>                   |

- Management and support cost synergies driven by the elimination of duplicated costs
- c.40% of synergies from technology
- Remainder across functions including regional management, operations, finance, facilities, legal, compliance, risk and internal audit
- Synergies equate to c.18% of combined addressable management and support costs
- Estimated phasing: c.10% in Year 1, c.67% – 75% in Year 2 and 100% in Year 3
- One-off integration spend of c.£60m, expected to be incurred in the first two years post completion

## Illustrative Enlarged Group balance sheet

| £m  | Tullett Prebon<br>Jun-15 | IGBB<br>Sep-15<br>(adjusted) | Additional intangible<br>assets arising | Illustrative combined |
|---|--------------------------|------------------------------|---|-----------------------|
| Intangible assets arising on consolidation                              | 334                      | 82                           | 953                                     | 1,369                 |
| Other non-current assets  | 65                       | 105                          |   | 170                   |
| Current assets less current and non-current liabilities                 | (58)                     | (12)                         |   | (70)                  |
| Cash and financial assets   | 365                      | 330                          |   | 695                   |
| Pensions assets / obligations   | 57                       | (3)                          |   | 54                    |
| Deferred tax liabilities  | (22)                     | (12)                         |   | (34)                  |
| Debt  | (220)                    | (330)                        |   | (550)                 |
| <b>Net assets</b>   | <b>521</b>               | <b>160</b>                   | <b>953</b>                              | <b>1,634</b>          |
| <b>Equity consideration basis: 309.9m Tullett Prebon shares at 359p</b> |                          | <b>1,113</b>                 |   |                       |

*Share price as at 10 November 2015 close (Bloomberg)*

## Debt finance and costs

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- Bank bridge facility of £470m to:
  - a) Repay IGBB £330m debt to ICAP group
  - b) Fund maturity of Tullett Prebon £141m July 2016 notes
- Revolving credit facility of £250m
- Capital market issuance to refinance bank bridge facility
- Illustrative cash interest cost of £550m gross debt post capital market issuance: c.£30m

## Investment firm consolidation waiver

|                                  | Current IFCW   | Proposed new IFCW  |
|----------------------------------|--|--|
| <b>Duration</b>                  | 10 years from 24 September 2014  | 10 years from date of grant  |
| <b>Required financial ratios</b> | <p>Net debt / EBITDA of &lt;2.5x</p> <p>EBIT / net interest payable of &gt;4.0x</p> <p>Limit on net debt – less than greater of £500m and 2 x total equity</p> | <p>Net debt / EBITDA &lt;2.5x</p> <p>EBIT / net interest payable &gt;4.0x</p> <p>Limit on net debt – less than lower of £500m and 2 x total equity</p> |
| <b>Debt maturity</b>             | >1/3 of outstanding debt maturing in 2 years or later (when outstanding debt >£150m)   | >1/2 of outstanding debt maturing in 18 months or later* (when outstanding debt >£250m)  |

\* Tested only after bridge facility refinanced

## Effective rate of tax (ERT)

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- Tullett Prebon projected ERT on underlying PBT for 2015: 20.5%
- IGBB reported ERT on trading PBT 6m to Sep-15: 21.6%
- Illustrative Enlarged Group ERT on underlying PBT: c.22%

## Dividend illustration

Tullett Prebon intends to maintain its annual dividend of 16.85 pence per share during the integration period, with an ambition to grow the dividend over time

£m

|  |                    |
|--|--------------------|
| Number of outstanding Tullett Prebon shares (m)      | 243.5              |
| Number of new Tullett Prebon shares to be issued (m) | 309.9              |
| New number of outstanding Tullett Prebon shares (m)  | <u>553.4</u>       |
| Current Tullett Prebon dividend per share (p)        | 16.85              |
| Illustrative total dividend (full year basis)        | <u><u>93.3</u></u> |

# Accelerating the delivery of Tullett Prebon's strategy

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John Phizackerley  
Chief Executive





## Changes in our industry spell opportunity

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Secular pressure from increased regulation



Cyclical pressures from low interest rates and lack of volatility



Technology trends and interaction between hybrid voice and electronic broking



IDB consolidation, BGC-GFI



Culture and conduct reform

## A strategic review of our industry

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Outlook for hybrid voice broking



Outlook for electronic broking



Fee pools



Competition



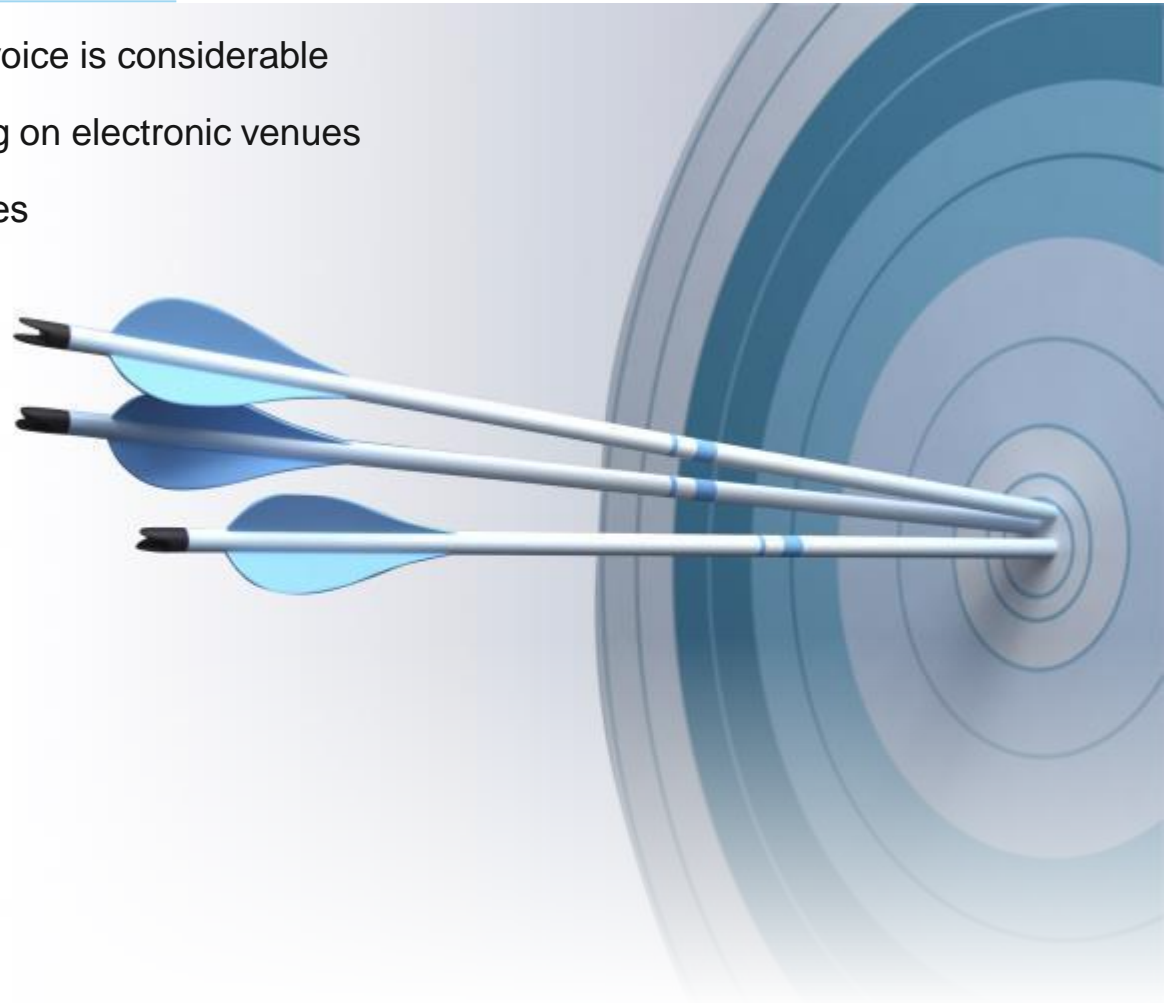
Mapping our products by profile



Survey of clients and employees

## Conclusions from our strategic review

- The scale of the fee pool available for hybrid voice is considerable
- Many asset classes are not suitable for trading on electronic venues
- We launched our 10 Strategic “Arrow” initiatives



# High level wins

## Strengthening our broking bench and extending our franchise



### Strengthening our broking bench and extending our franchise

- A highly respected brand in ICAP and an operation which fills in gaps in Tullett Prebon's brokerage coverage map
- Build scale in the US and leverage our support backbone to recover margins
- A more balanced global portfolio
- A bigger platform in equities



Growing our businesses to global significance



Enhancing our technology



Recharging our corporate functions

# High level wins

## Growing our businesses to global significance



Strengthening our broking bench and extending our franchise



### Growing our businesses to global significance

- Build Tullett Prebon's energy and commodities business
- Enlarged energy and commodities revenue of approximately £320 million
- A bigger information business
- Enriched range, quality and relevance of combined data
- A broader footprint in Asia



Enhancing our technology



Recharging our corporate functions

# High level wins

## Enhancing our technology



Strengthening our broking bench and extending our franchise



Growing our businesses to global significance



### Enhancing our technology

- Technology is in our DNA
- Exciting platforms such as iSwap and Fusion
- IT integration – a key synergies workstream
- Operating principle – select the best



Recharging our corporate functions

# High level wins

## Recharging our corporate functions



Strengthening our broking bench and extending our franchise



Growing our businesses to global significance



Enhancing our technology



### Recharging our corporate functions

- High quality corporate and regulatory infrastructure
  - As important to our clients as to us
- Best employer globally for talented brokers
- Recruit broking talent
- A tech savvy workforce who will cross-sell and target new client groups
- Culture and reputation underpinned by trust and integrity
- Equitable compensation

# Approvals and timetable

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John Phizackerley  
Chief Executive

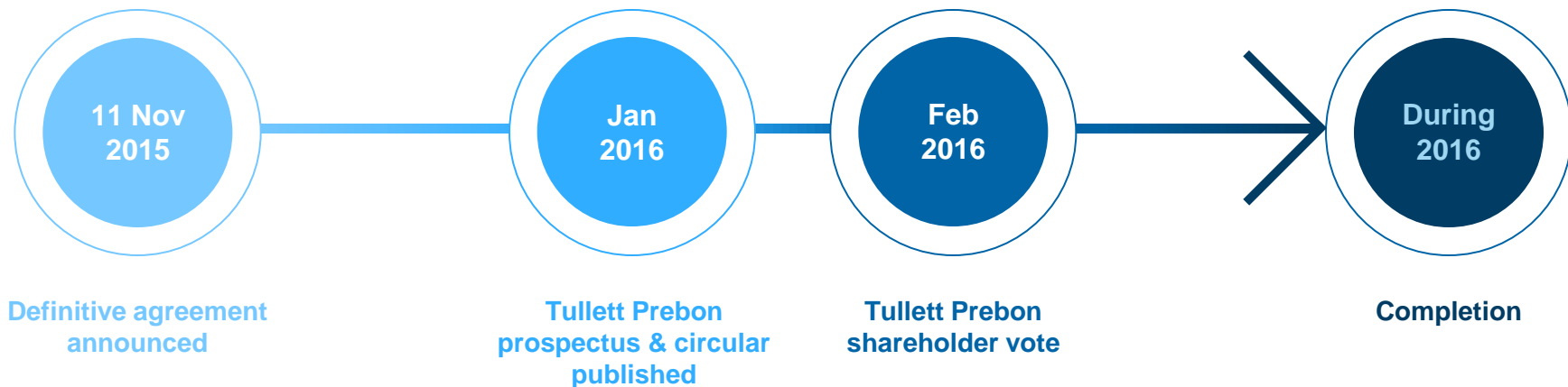




## Approvals and timetable

### Completion of the acquisition is conditional on, inter alia:

- Tullett Prebon shareholder approval
- ICAP shareholder approval
- Anti-trust approval, including from the Competition and Markets Authority and the US antitrust agencies
- Approval by various regulatory bodies including the Financial Conduct Authority



Delivering Tullett Prebon's objectives of becoming the world's most trusted source of liquidity in hybrid OTC markets and the best operator in global hybrid voice broking

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# Q&A

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