



**Tullett Prebon plc**  
**Preliminary Results 2007**  
March 2008



**Terry Smith**  
Chief Executive



## Objectives & Context

### 2007 objectives

- To accelerate the rate of revenue growth
- To develop Electronic Broking capability

### Context

- Market volatility throughout H2
- Weakness of US dollar
- Return of capital, increased financing costs
- Positive outlook

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## Operational Highlights

- Broker hires
- Chapdelaine acquisition
- Tokyo JV restructuring
- H2 performance
- Evolution of Electronic Broking strategy

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## Revenue

£m	2007	2006	Change	
			Reported	Constant Exchange
H1	371.6	348.0	+7%	+12%
H2	382.2	306.1	+25%	+29%
Full year	753.8	654.1	+15%	+20%

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## Operating Profit

£m	2007	2006	Change	
			Reported	Constant Exchange
H1	64.8	62.5	+4%	+8%
H2	67.0	52.3	+28%	+31%
Full year	131.8	114.8	+15%	+19%
Operating Margin	17.5%	17.6%	-0.1% pts	

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## Operating Margin

	2007	2006	Change
Before impact of investment in eBroking	19.4%	18.3%	+1.1% pts
Investment in eBroking	(1.9)%	(0.7)%	-1.2% pts
Reported	17.5%	17.6%	-0.1% pts

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## Revenue by Product Group

£m	2007	2006	Change
Treasury Products	204.0	185.0	+10%
Interest Rate Derivatives	180.1	160.3	+12%
Fixed Income	210.8	173.6	+21%
Equities	81.0	39.8	+104%
Energy	63.2	57.2	+10%
Information Sales	14.7	13.2	+11%
At constant exchange rates	753.8	629.1	+20%
Translation	-	25.0	-
Reported	753.8	654.1	+15%

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## Revenue by Region

£m	2007	2006	Change
Europe	377.6	334.5	+13%
North America	300.5	231.8	+30%
Asia Pacific	75.7	62.8	+21%
At constant exchange rates	753.8	629.1	+20%
Translation	-	25.0	-
Reported	753.8	654.1	+15%

## Operating Profit by Region

£m	2007	2006	Change
Europe	75.5	65.9	+15%
North America	46.8	40.6	+15%
Asia Pacific	9.5	4.3	+121%
At constant exchange rates	131.8	110.8	+19%
Translation	-	4.0	-
Reported	131.8	114.8	+15%

## Operating Margin by Region

£m	2007	2006
Europe	20.0%	19.7%
North America	15.6%	17.5%
Asia Pacific	12.5%	6.9%
	<u>17.5%</u>	<u>17.6%</u>

## Performance Measures

	2007	2006	Change
Broker headcount (period end)	1,636	1,512	+8%
Average revenue per broker *	£463k	£398k	+16%
Broker employment costs: broking revenue	56.4%	57.8%	-1.4% pts
Broking revenue per support staff head *	£1,136k	£964k	+18%

\*at constant exchange rates

## Broker Hires

- 125 new brokers contracted in 2007
- Investment commitment £24m
- Revenue benefit in 2007 £24m
- Expected annualised revenue £80m

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## Acquisitions - Chapdelaine

- Completed January 2007
- Corporate bonds and credit derivatives immediately integrated
- Equities remains standalone
- Revenue and contribution in line with original acquisition plan

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## Acquisitions – Tokyo JV

- Restructured JV arrangements with Central Tanshi
- Management control
- Expanded product coverage to complement Yen IRS and IRO
  - US\$ IRS
  - Yen forwards
- Increase in reported revenue – adds £12.9m proforma to 2007
- No change in Earnings
- Opportunities for further expansion

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## Electronic Broking

- Pure and hybrid models supported
- Pure: eBroking with no voice broker intervention
  - US\$ Repo, US Treasuries, agencies
- Hybrid: eBroking supported by voice brokers
  - FXOs
- Future developments focused on Hybrid model
- Investment in 2008 likely to be higher than in 2007

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## Comparison with Sector

Most recent published 12 months	Revenue	Revenue Growth	Operating Margin
	2007 £m	2007 vs 2006 %	2007 %
ICAP (Electronic Broking) ICAP (Voice Broking & Information Sales)			
ICAP (All Activities)	1,189.7	17%	24.3%
Tullett Prebon	753.8	15%	17.5%
BGC/eSpeed	593.7	31%	7.8%
Tradition	590.5	20%	9.6%
GFI	480.4	30%	15.4%

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**Paul Mainwaring**  
Finance Director

## Profit & Loss

£m	2007	2006
Revenue	753.8	654.1
Operating profit	131.8	114.8
Cash finance income/(expense)	(17.4)	(4.0)
Adjusted Profit before tax	114.4	110.8
Tax	(43.5)	(43.9)
Associates	0.8	-
Minorities	(0.9)	(0.4)
Adjusted Earnings	70.8	66.5

## Cash Finance Income/(Expense)

£m	2007	2006
Interest receivable	13.4	10.0
Interest payable		
• Eurobond	(12.4)	(12.4)
• Bank loan	(16.0)	-
• Amortisation of debt issue costs	(1.5)	(0.4)
• Other interest	(0.9)	(1.2)
	(17.4)	(4.0)

## Taxation

£m	2007	2006
Adjusted Profit before tax	114.4	110.8
Effective tax rate	38.0%	39.6%
Tax charge on adjusted profit	(43.5)	(43.9)

## EPS

£m	2007	2006
Adjusted Earnings	70.8	66.5
Weighted average number of shares	211.3m	210.7m
Adjusted Earnings per share	33.5p	31.6p

## Operating Cash Flow

£m	2007	2006
Operating profit	131.8	114.8
Share based compensation	2.9	5.0
Depreciation/amortisation	7.2	8.0
EBITDA	141.9	127.8
Capital expenditure (net of NBV of disposals)	(6.4)	(3.7)
Working capital	5.0	12.8
Operating cash flow	140.5	136.9

## Net Cash Flow

£m	2007	2006
Operating cash flow	140.5	136.9
Interest	(15.5)	(3.6)
Taxation	(32.9)	(27.7)
Pension funding	(2.5)	(2.1)
Transaction costs	(1.0)	(2.2)
Share option related cash flows	(10.9)	(14.6)
Dividends paid	(21.1)	(33.8)
Dividends received from associates/paid to minorities	-	(0.2)
Acquisitions/investments	(30.2)	-
Net cash flow	26.4	52.7

## Movement in Net Funds/(Debt)

£m

At 1 January 2007	111.2
Net cash flow	26.4
Funds acquired with Chapdelaine/Tokyo	5.8
Return of capital to shareholders	(301.5)
Effect of movement in exchange rates	(0.7)
Movement in fair values/amortisation of costs	(1.2)
At 31 December 2007	<u>(160.0)</u>

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## Balance Sheet

£m

	2007	2006
Goodwill	355.9	311.7
Deferred consideration	(18.2)	-
Associates/investments	5.0	5.3
Operating assets/(liabilities)	(37.1)	(27.4)
Accrued interest	(5.7)	(5.7)
Current tax	(25.5)	(29.1)
Deferred tax	14.7	26.9
Pensions	(3.9)	(26.2)
Derivative financial instruments	7.2	15.6
	<u>292.4</u>	<u>271.1</u>
Net (debt)/funds	(160.0)	111.2
Net assets	<u>132.4</u>	<u>382.3</u>

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## Operating Assets/(Liabilities)

£m	2007	2006
Fixed assets	21.5	20.3
Trade receivables	85.6	63.3
Net settlement balances	5.0	2.8
Other debtors/prepayments	34.2	33.0
Payables/accruals	(168.7)	(139.0)
Provisions	(14.7)	(7.8)
	<u>(37.1)</u>	<u>(27.4)</u>
Gross settlement balances - Receivable	6,802.6	12,528.4
- Payable	(6,797.6)	(12,525.6)
	<u>5.0</u>	<u>2.8</u>

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**Terry Smith**  
Chief Executive

## Future Developments and Outlook

- Volatility continues
- Development of eBroking
- Hires and acquisitions
- Outlook positive

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## Appendices

### Reconciliation: PBT adjusted to reported

£m	2007	2006
Adjusted Profit before tax	114.4	110.8
Non cash finance income/(expense)	(0.6)	14.2
Reported Profit before tax	<u>113.8</u>	<u>125.0</u>



## Reconciliation: Earnings adjusted to reported

£m	2007	2006
Adjusted Earnings	70.8	66.5
Non cash finance income/(expense)	(0.6)	14.2
Deferred tax on non cash finance income/(expense)	(0.3)	(0.1)
Prior year tax items	5.1	3.0
Capital tax items	(1.6)	-
Reported Earnings	<u>73.4</u>	<u>83.6</u>

## Net (Debt)/Funds

£m	2007	2006
Cash and cash equivalents	262.2	236.4
Other financial assets	28.3	27.0
Overdrafts	(0.1)	(0.2)
	290.4	263.2
Eurobond	(150.0)	(150.0)
Unamortised issue costs	0.6	1.0
Fair value	0.2	0.3
	(149.2)	(148.7)
Bank loans	(300.0)	-
Unamortised issue costs	2.1	-
	(297.9)	-
Finance leases	(3.2)	(3.2)
Loan notes	(0.1)	(0.1)
Net (debt)/funds	<u>(160.0)</u>	<u>111.2</u>

## Return on Capital Employed

£m	Dec 2006	June 2007	Dec 2007	Average
Shareholders' funds	382.3	113.5	132.4	
Net (funds)/debt	(111.2)	205.5	160.0	
	271.1	319.0	292.4	
Post tax reorganisation costs	53.8	53.8	53.8	
Goodwill previously amortised	7.2	7.2	7.2	
Capital employed	332.1	380.0	353.4	355.2
Operating profit				131.8
Return on average capital employed				37.1%

## Competitor Analysis - Sources

- Operating profits are shown before exceptional items and net interest
- ICAP is 12 months to September 2007 with prior year comparatives
- GFI and BGC/eSpeed are 12 months to December 2007 with prior year comparatives
- Tradition revenue is 12 months to December 2007 and operating profit is 12 months to June 2007
- BGC/eSpeed are aggregated results
- GFI and BGC/eSpeed @ US\$2 = £1
- Tradition @ CHF 2.4 = £1

## Major Shareholders as at 19 February 2008

Investor	Holding	(%)
1 Morley Fund Management	21,021,742	9.87
2 Scottish Widow Investment Partnership	17,945,270	8.43
3 Legal & General Investment Management	9,351,028	4.39
4 Directors & Related Holdings	8,915,078	4.19
5 State Street Global Advisors	8,779,995	4.12
6 HSBC Investments	6,653,340	3.12
7 TIAA-CREF	6,469,720	3.04
8 Neptune Investment Management	6,352,800	2.98
9 Jupiter Asset Management	5,971,444	2.80
10 Oppenheimerfunds	4,609,563	2.16
11 Rabobank Nederland	4,395,000	2.06
12 JP Morgan Asset Management	3,963,870	1.86
13 RCM (UK)	3,297,098	1.55
14 AQR Capital Management	3,285,582	1.54
15 Franklin Templeton Investments	2,979,520	1.40
16 Henderson Global Investors	2,871,666	1.35
17 Martin Currie Investment Management	2,853,073	1.34
18 Old Mutual Asset Managers (UK)	2,703,000	1.27
19 Barclays Global Investors	2,682,558	1.26
20 Investec Asset Management	2,284,588	1.07
Source: Capital Registrars	127,385,935	59.8