Tullett Prebon plc

Preliminary Results 2008

March 2009

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Terry Smith

Chief Executive

Introduction

- Excellent results for 2008
- High levels of volatility throughout the year
- Business well positioned to benefit from market conditions
- Robust business model
- Strong cash flow
- Reduction in net debt

Performance Drivers

- Historic strength in traditional products
  - FX
  - interest rate swaps
  - government bonds
- Broker hires
- Acquisitions
- Successful launch of electronic broking platforms

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Electronic Broking

- Development effort focused on ‘hybrid’ model
- All applications development (voice and electronic) under common management
- Creditdeal successful launch
- Comprehensive hybrid offering
- 2008 P&L investment up £8m on 2007

Financial Performance

£m	2008	2007	Change: Reported	Change: Constant Exchange
Revenue	943.6	753.8	+25%	+20%
Operating profit before exceptional items	175.1	131.8	+33%	+28%
Operating margin	18.6%	17.5%	+1.1% pts	

Revenue by Product Group – at constant exchange rates

£m	2008	2007	Change
Treasury Products	246.1	215.1	+14%
Interest Rate Derivatives	220.9	187.5	+18%
Fixed Income	282.1	219.6	+28%
Equities	94.2	83.9	+12%
Energy	81.5	66.1	+23%
Information Sales	18.8	14.9	+26%
At constant exchange rates	943.6	787.1	+20%
Translation	-	(33.3)	-
Reported	943.6	753.8	+25%

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Revenue by Region – at constant exchange rates

£m	2008	2007	Change
Europe	504.1	381.8	+32%
North America	339.6	320.7	+6%
Asia Pacific	99.9	84.6	+18%
At constant exchange rates	943.6	787.1	+20%
Translation	-	(33.3)	-
Reported	943.6	753.8	+25%

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Operating Profit by Region – at constant exchange rates

£m	2008	2007	Change
Europe	108.1	76.4	+41%
North America	57.8	50.0	+16%
Asia Pacific	9.2	10.6	-13%
At constant exchange rates	175.1	137.0	+28%
Translation	-	(5.2)	-
Reported	175.1	131.8	+33%

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Operating Margin by Region

£m	2008	2007
Europe	21.4%	20.0%
North America	17.0%	15.6%
Asia Pacific	9.2%	12.5%
	18.6%	17.5%

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Cost Review

- Position the business for potentially less favourable conditions
- Objectives
  - increase flexibility in front office costs
  - reduce absolute support costs
- Actions
  - closure of marginal desks
  - reduced broker headcount
  - reduced support staff headcount
- Cost £19.5m – exceptional item
- Cost base reduced by a similar amount

Performance Measures

	2008	2007	Change
Broker headcount (period end)	1,653	1,636	+1%
Average revenue per broker	£548k	£463k	+13%*
Broker employment costs: broking revenue	57.5%	56.4%	+1.1% pts
Non broker headcount (period end)	889	936	-5%

*at constant exchange rates

Broker Headcount

	Dec 2008	June 2008	Dec 2007
Europe	758	762	704
North America	547	568	573
Asia Pacific	348	376	359
	1,653	1,706	1,636

Comparison with Sector – most recent 12 months

Most recent published 12 months	Revenue 2008 £m	Revenue Growth 2008 vs 2007 %	Operating Margin 2008 %
ICAP (Electronic Broking)	304.0	27%	40.4%
ICAP (Voice Broking & Information Sales)	1,138.2	20%	20.3%
ICAP (All Activities)	1,442.2	21%	24.5%
Tullett Prebon	943.6	25%	18.6%
BGC Partners Inc.	606.2	10%	1.5%
Tradition	764.2	10%	11.0%
GFI	537.1	6%	10.8%

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Comparison with Sector – most recent 6 months

Most recent published 6 months	Revenue 2008 £m	Revenue Growth 2008 vs 2007 %	Operating Margin 2008 %
ICAP (Electronic Broking)	156.0	24%	40.4%
ICAP (Voice Broking & Information Sales)	608.0	22%	19.7%
ICAP (All Activities)	764.0	22%	24.0%
Tullett Prebon	475.3	24%	19.1%
BGC Partners Inc.	305.6	3%	3.9%
Tradition	387.8	4%	12.7%
GFI	249.7	-9%	3.0%

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Paul Mainwaring

Finance Director

Profit & Loss

£m	2008	2007
Revenue	943.6	753.8
Operating profit before exceptional items	175.1	131.8
Cash finance income/(expense)	(19.7)	(17.4)
Adjusted Profit before tax	155.4	114.4
Tax	(56.0)	(43.5)
Associates	1.3	0.8
Minorities	(0.5)	(0.9)
Adjusted Earnings	100.2	70.8

Cash Finance Income/(Expense)

£m	2008	2007
Interest receivable on cash balances	9.8	12.9
Eurobond	(12.4)	(12.4)
Net swap interest	1.7	0.5
Bank loan	(17.2)	(16.0)
Amortisation of debt issue costs	(1.4)	(1.5)
Other interest	(0.3)	(0.9)
Derivative financial instruments net MTM gain	0.1	-
	(19.7)	(17.4)

Taxation

£m	2008	2007
Adjusted Profit before tax	155.4	114.4
Effective tax rate	36.0%	38.0%
Tax charge on adjusted profit	(56.0)	(43.5)

EPS

£m	2008	2007
Adjusted Earnings	100.2	70.8
Weighted average number of shares	212.8m	211.3m
Adjusted Earnings per share	47.1p	33.5p

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Operating Cash Flow

£m	2008	2007
Operating profit	175.1	131.8
Share based compensation	4.9	2.9
Depreciation/amortisation	7.8	7.2
EBITDA	187.8	141.9
Capital expenditure (net of NBV of disposals)	(14.9)	(6.4)
Working capital	20.2	5.0
Operating cash flow	193.1	140.5

Net Cash Flow

£m	2008	2007
Operating cash flow	193.1	140.5
Exceptional items – cash payments	(1.4)	-
Interest	(18.8)	(15.5)
Taxation	(39.1)	(32.9)
Pension funding	(3.2)	(2.5)
Share option related cash flows	-	(10.9)
Transaction costs	-	(1.0)
Dividends received from associates/(paid to minorities)	(0.5)	-
Acquisitions/investments	(5.5)	(30.2)
Cash flow before debt repayments and dividends	124.6	47.5

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Movement in Cash and Debt

£m	Cash	Debt	Net
At 31 December 2007	290.5	(450.5)	(160.0)
Cash flow	124.6	-	124.6
Dividends	(27.2)	-	(27.2)
Funds acquired with Primex	1.6	-	1.6
Debt repayments/draw downs	(30.1)	30.1	-
Effect of movement in exchange rates	45.8	(1.0)	44.8
Movement in fair values/amortisation of costs	-	(1.2)	(1.2)
At 31 December 2008	405.2	(422.6)	(17.4)

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Balance Sheet

£m	2008	2007
Goodwill	387.7	355.9
Deferred consideration	(23.8)	(18.2)
Associates/investments	8.2	5.0
Accrued interest	(5.7)	(5.7)
Current tax	(28.0)	(25.5)
Deferred tax	17.4	14.7
Pensions	(8.5)	(3.9)
Derivative financial instruments	(9.7)	7.2
Operating assets/(liabilities)	**(75.7)**	**(37.1)**
	261.9	292.4
Net debt	**(17.4)**	**(160.0)**
Net assets	244.5	132.4

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Operating Assets/(Liabilities)

£m		2008	2007
Fixed assets		33.4	21.5
Trade receivables		91.6	85.6
Net settlement balances		0.7	5.0
Other debtors/prepayments		41.0	34.2
Payables/accruals		(230.5)	(168.7)
Provisions		(11.9)	(14.7)
		(75.7)	(37.1)
Gross settlement balances	- Receivable	13,414.1	6,802.6
	- Payable	(13,413.4)	(6,797.6)
		0.7	5.0

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Terry Smith

Chief Executive

Market Developments

- Upheaval in financial markets
- Changes in the structure of the financial services industry
- OTC markets remain critical for the effective functioning of the financial system
- Role of IDBs vital
- OTC market infrastructure robust, but can be improved

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Central Counterparties (CCP)

- CCP already exists in the OTC market
- Discussion dominated by vested interests
- OTC products are complex and a CCP will come with costs as well as benefits
- Not dependent on exchange trading or electronic platforms. Needs to be open to all execution venues
- CCP should not be a monopoly in a for profit organisation. But ideally one CCP run as a utility

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OTC Market Activity

- Potential negative factors
  - fewer counterparties
  - de-leveraging
  - less capital for trading
  - lower risk appetite
- Positive factors
  - Volatility in interest rates and foreign exchange
  - Government bond issuance
  - Increased use of IDBs by banks

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Outlook

- Volumes in some areas expected to reduce
- Volatility in interest rates and exchange rates persists
- Government bond issuance set to increase
- Reasonable start to the year
- Forecasting market activity remains difficult
- Well positioned to cope with less favourable conditions

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Appendices

Reconciliation: PBT adjusted to reported

£m	2008	2007
Adjusted Profit before tax	155.4	114.4
Non cash finance income/(expense)	1.1	(0.6)
Exceptional items	(19.5)	-
Reported Profit before tax	137.0	113.8

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Reconciliation: Earnings adjusted to reported

£m	2008	2007
Adjusted Earnings	100.2	70.8
Non cash finance income/(expense)	1.1	(0.6)
Deferred tax on non cash finance income/(expense)	(0.4)	(0.3)
Prior year tax items	7.3	5.1
Capital tax items	-	(1.6)
Exceptional items	(19.5)	-
Tax on exceptional items	5.8	-
Reported Earnings	94.5	73.4

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Net Debt

£m	2008	2007
Cash and cash equivalents	375.0	262.2
Other financial assets	30.2	28.3
	405.2	290.5
Eurobond	(150.0)	(150.0)
Unamortised issue costs	0.2	0.6
Fair value	-	0.2
	(149.8)	(149.2)
Bank loans	(270.0)	(300.0)
Unamortised issue costs	1.5	2.1
	(268.5)	(297.9)
Overdrafts	(0.1)	(0.1)
Finance leases	(4.2)	(3.2)
Loan notes	-	(0.1)
Net debt	(17.4)	(160.0)

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Return on Capital Employed

£m	Dec 2007	June 2008	Dec 2008	Average
Shareholders' funds	132.4	166.1	244.5	
Net debt	160.0	139.1	17.4	
	292.4	305.2	261.9	
Post tax reorganisation costs and exceptional items	53.8	53.8	67.5	
Goodwill previously amortised	7.2	7.2	7.2	
Capital employed	353.4	366.2	336.6	352.1
Operating profit				175.1
Return on average capital employed				49.7%

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Competitor Analysis - Sources

- Operating profits are shown before exceptional items, restructuring costs and net interest
- ICAP is 6 and 12 months to September 2008 with prior year comparatives
- GFI and BGC Partners Inc. are 6 and 12 months to December 2008 with prior year comparatives; Revenue includes Broking, Market Data and Software Solutions revenues
- Tradition revenue is 6 and 12 months to December 2008 and operating profit is 6 and 12 months to June 2008
- GFI and BGC Partners Inc. for the full year @ US$1.89 = £1, for the 6 months to December 2008 @ US$1.79 = £1
- Tradition for the full year @ CHF 2.04 = £1, for the 6 months to December 2008 @ CHF 1.98 = £1

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Major Shareholders as at 18 February 2009

	Investor	Holding	(%)
1	Aviva Investors Global Services	27,148,004	12.61
2	Scottish Widows Investment Partnership	20,109,947	9.34
3	Legal & General Investment Management	9,750,058	4.53
4	Director & Related Holding(s)	8,895,078	4.13
5	HSBC Global Asset Management (UK)	8,770,709	4.07
6	Jupiter Asset Management	7,485,782	3.48
7	Oppenheimerfunds	7,291,477	3.39
8	JP Morgan Asset Management	6,673,444	3.10
9	UBS Global Asset Management	4,789,679	2.22
10	RCM (UK)	4,490,029	2.09
11	State Street Global Advisors	4,212,674	1.96
12	Henderson Global Investors	4,073,061	1.89
13	Neptune Investment Management	3,692,500	1.71
14	Investec Asset Management	3,562,774	1.65
15	IG International Management	3,428,211	1.59
16	Goldman Sachs	3,188,871	1.48
17	Norges Bank Investment Management	3,056,209	1.42
18	Barclays Global Investors (UK)	2,731,845	1.27
19	Franklin Templeton Investments	2,353,045	1.09
20	Liontrust Asset Management	2,284,957	1.06
		137,988,354	64.08

Source: Capital Registrars

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