

# Tullett Prebon plc

## Preliminary Results 2011

March 2012





**Terry Smith**  
Chief Executive



# Introduction

- Market activity more subdued in 2011 than 2010
- Revenue up 2%  
(at constant exchange rates, adjusting for Convenção and satellite offices)
- Development of the Americas
- Strong cash flow
- Dividend 16.5p – up 5%

# Europe

- Strong market position
- Investment in Credit and Energy
- Broadening the business in Continental Europe
- Quality and value of service recognised by awards

# Americas

- Significant progress made in the development of the business
- 26 strong credit broking team joined January 2011
- New senior management team June 2011
- Convenção acquisition completed August 2011
- Chapdelaine acquisition completed January 2012

# Asia Pacific

- Reduction in market activity in Japan
- Investment in Hong Kong – activity in Renminbi products

# Electronic Broking

- Liquidity for most OTC products depends on voice broker support
- Hybrid model
- tpSWAPDEAL launched
- Development of further platforms

# Information Sales and RMS

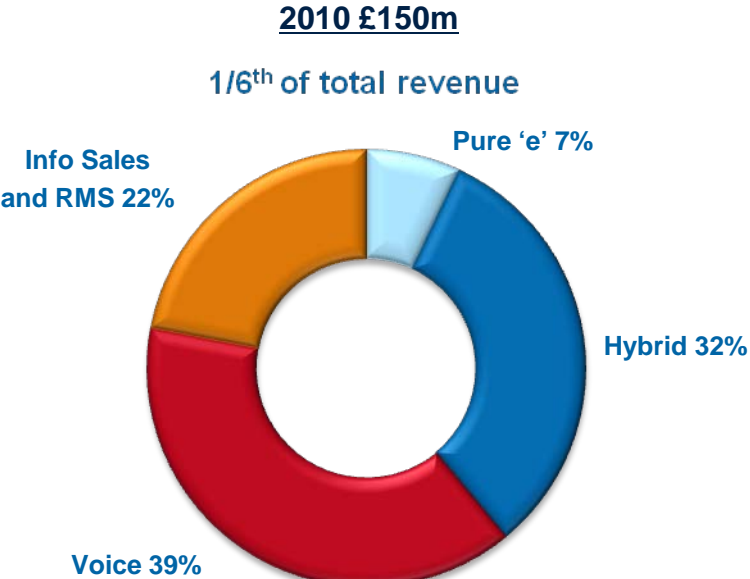
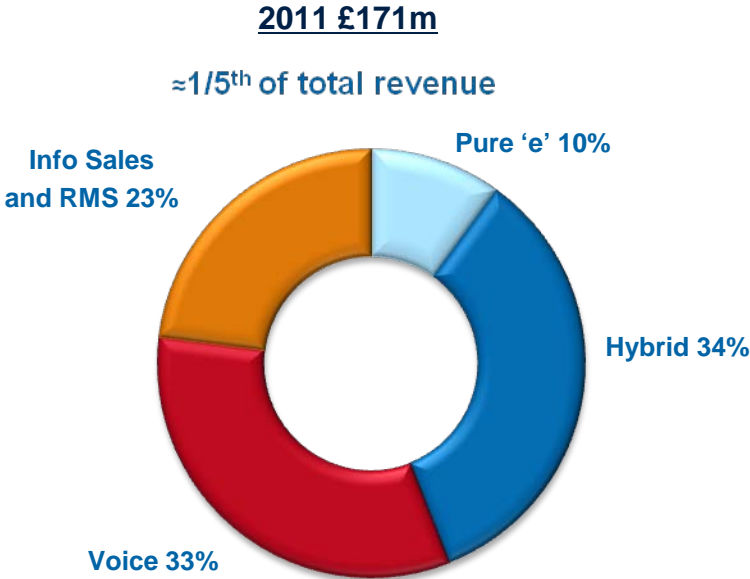
- Information Sales
  - Benefit from investment to increase breadth of data
  - Broader customer base
- RMS
  - tpMATCH increased number of currencies
  - tpMATCH NDF launched



# Electronic Broking - Revenues

## Revenues from products supported by electronic platforms plus Information Sales

### Proportions of Revenues by type



# OTC Market Regulation – Objectives

- Process and product standardisation
- Central clearing of suitable derivatives
- Organised (regulated) trading platforms
- Reporting to trade repositories
- Capital requirements for non-centrally cleared trades

# OTC Market Regulation – Status

- United States
  - Dodd-Frank Act July 2010
  - CFTC and SEC drafting detailed rules and regulations
  - Rules for SEFs expected by mid-year
- Europe
  - EMIR (clearing and trade reporting)
  - MIFIR, MiFID II (trade execution and conduct of business)
  - Still subject to adoption

# Restructuring

- Challenging market and competitive conditions
- Cost pressures in some areas
- Action taken to
  - reduce costs
  - maintain flexibility

# Restructuring

## 2011 Actions

- Headcount reduction 80
- Cost £11.5m
- Similar reduction in fixed costs

## 2012 Actions

- Headcount reduction of another c.80
- Cost around £7m
- Similar reduction in fixed costs

# Litigation Update

- UK – action settled
- US
  - FINRA arbitration
  - RICO action
- Data misappropriation claim

# Financial Performance

£m	2011	2010	Change
Revenue	910.2	908.5	0%
Underlying Operating profit	148.4	160.1	-7%
Underlying Operating margin	16.3%	17.6%	-1.3%pts

# Revenue by Product Group

£m (2010 at constant exchange rates)

2011

2010

Change

Treasury Products	254.3	248.8	+2%
Interest Rate Derivatives	200.9	205.3	-2%
Fixed Income	256.3	245.3	+4%
Equities	48.3	51.4	-6%
Energy	106.0	103.2	+3%
Info Sales/Risk Management Services	39.0	32.9	+19%
	<u>904.8</u>	<u>886.9</u>	<u>+2%</u>
Convenção	5.4	-	
Satellite Offices	-	18.4	
At constant exchange rates	<u>910.2</u>	<u>905.3</u>	<u>+1%</u>



# Revenue by Region

£m (2010 at constant exchange rates)

2011

2010

Change

Europe

548.3

538.2

+2%

Americas

237.1

230.8

+3%

Asia Pacific

119.4

117.9

+1%

904.8

886.9

+2%

Convenção

5.4

-

Satellite Offices

-

18.4

At constant exchange rates

910.2

905.3

+1%

# Underlying Operating Profit & Margin by Region

£m	Underlying Operating Profit			Underlying Margin	
	2011	2010	Change	2011	2010
Europe	124.6	126.7	-2%	22.7%	23.6%
Americas	9.1	24.2	-62%	3.8%	9.3%
Asia Pacific	14.7	9.2	+60%	12.3%	8.1%
	<u>148.4</u>	<u>160.1</u>	<u>-7%</u>	<u>16.3%</u>	<u>17.6%</u>

# Performance Measures

£m	2011	2010	Change
Broker headcount (year end)	1,667	1,601	+4%
Average revenue per broker*	£524k	£540k	-3%
Broker employment costs: broking revenue	59.6%	58.5%	+1.1%pts
Broking support headcount (year end)	750	679	+10%

*\*excluding Convenção and satellite offices*

# Broker Headcount

	December 2011	June 2011	December 2010
Europe	835	833	807
Americas	472	466	437
Asia Pacific	360	367	357
	<hr/> 1,667	<hr/> 1,666	<hr/> 1,601

# Headcount

	Brokers	Broking Support
<b>31 December 2010</b>	<b>1,601</b>	<b>679</b>
Net Hires	85	43
Convenção	43	34
2011 Restructuring*	(62)	(6)
<b>31 December 2011</b>	<b>1,667</b>	<b>750</b>
Chapdelaine	80	26
2012 Restructuring*	(34)	(44)
<b>Ongoing</b>	<b>1,713</b>	<b>732</b>

\* Excludes headcount reductions relating to OTC Valuations (12 in 2011, 4 in 2012)

# Comparison with Sector – a methodology

*“ The primary test of managerial economic performance is the achievement of a high earnings rate on equity capital employed (without undue leverage, accounting gimmickry, etc.) and not the achievement of consistent gains in earnings per share. ”*

Berkshire Hathaway Inc. Chairman's Letter - 1979

# Comparison with Sector

Return on Equity	5 year Average*
ICAP	16.3%
Tullett Prebon	35.5%
BGC Partners Inc	5.3%
Tradition	24.0%
GFI	13.2%

*\*source: Bloomberg*



**Paul Mainwaring**  
Finance Director





# Profit & Loss

Profit and Loss £m	2011			2010		
	Underlying	Exceptional Items	Reported	Underlying	Exceptional Items	Reported
<b>Revenue</b>	<b>910.2</b>		<b>910.2</b>	<b>908.5</b>		<b>908.5</b>
Operating profit	148.4		148.4	160.1		160.1
Charge relating to major legal actions		(6.6)	(6.6)		(7.7)	(7.7)
Restructuring costs		(11.5)	(11.5)		-	-
<b>Operating profit</b>	<b>148.4</b>	<b>(18.1)</b>	<b>130.3</b>	<b>160.1</b>	<b>(7.7)</b>	<b>152.4</b>
Finance income/(expense)	(12.3)		(12.3)	(11.1)		(11.1)
Other gains and losses		1.2	1.2		-	-
<b>Profit before tax</b>	<b>136.1</b>	<b>(16.9)</b>	<b>119.2</b>	<b>149.0</b>	<b>(7.7)</b>	<b>141.3</b>
Tax	(36.9)	6.6	(30.3)	(42.2)	8.5	(33.7)
Associates	1.2		1.2	1.5		1.5
Minorities	(0.7)		(0.7)	(0.6)		(0.6)
<b>Earnings</b>	<b>99.7</b>	<b>(10.3)</b>	<b>89.4</b>	<b>107.7</b>	<b>0.8</b>	<b>108.5</b>

# Finance Income/(Expense)

£m	2011	2010
Interest receivable on cash balances	2.3	1.6
Eurobonds	(10.5)	(10.5)
Bank loan and RCF commitment fee	(5.1)	(2.6)
Amortisation of debt issue costs	(1.4)	(1.2)
Other interest	(0.3)	-
Cash interest and fees	(15.0)	(12.7)
Net pension scheme income	2.9	1.6
Amortisation of discount on deferred consideration	(0.2)	-
	<u>(12.3)</u>	<u>(11.1)</u>

# Taxation – Underlying

£m	2011	2010
Underlying Profit before tax	<u>136.1</u>	<u>149.0</u>
Effective rate of tax	27.1%	28.3%
Tax charge on underlying Profit before tax	<u>(36.9)</u>	<u>(42.2)</u>

# Taxation – Exceptional Items

£m	2011	2010
Exceptional items	<u>(16.9)</u>	<u>(7.7)</u>
Effective rate of tax	39.1%	32.5%
Tax relief on exceptional items	6.6	2.5
Tax on capital items	<u>-</u>	<u>6.0</u>
	<u>6.6</u>	<u>8.5</u>

# EPS

	2011	2010
Underlying Earnings	<u>£99.7m</u>	<u>£107.7m</u>
Weighted average number of shares	216.5m	214.9m
Basic Underlying Earnings per share	<u>46.1p</u>	<u>50.1p</u>

# Operating Cash Flow

£m	2011	2010
Underlying Operating profit	148.4	160.1
Share based compensation	1.4	(0.9)
Depreciation/amortisation	8.8	9.4
EBITDA	158.6	168.6
Capital expenditure (net of disposals)	(12.4)	(12.4)
Increase in initial contract prepayment	(14.1)	(7.6)
Other working capital	4.7	(8.9)
Operating cash flow	136.8	139.7
% of operating profit	92%	87%

# Net Cash Flow

£m	2011	2010
Operating cash flow	136.8	139.7
Restructuring costs – cash payments	(2.9)	-
Major legal actions	(0.5)	(7.7)
Interest	(13.4)	(11.5)
Taxation	(34.2)	(27.5)
Pension funding	(0.8)	(8.8)
ESOT transactions	-	1.7
Dividends received from associates/paid to minorities	0.5	1.1
Acquisitions	(12.6)	(2.4)
Investments	(3.5)	1.7
Cash flow before debt repayments and dividends	69.4	86.3

# Movement in Cash and Debt

£m	Cash	Debt	Net
At 31 December 2010	425.7	(357.9)	67.8
Cash flow	69.4	-	69.4
Dividends	(33.9)	-	(33.9)
Debt repayments/draw downs	(90.2)	90.2	-
Debt issue fees	(3.4)	3.4	-
Amortisation of debt issue costs	-	(1.4)	(1.4)
Cash acquired with subsidiaries	5.0	-	5.0
Effect of movement in exchange rates	0.2	-	0.2
At 31 December 2011	<u>372.8</u>	<u>(265.7)</u>	<u>107.1</u>



# Debt Profile at Year End

£m

December 2011

7.04% Senior Notes	141.1	Due July 2016
6.52% Subordinated Notes	8.5	Due August 2014
Bank loan	120.0	£30m February 2012 and 2013 £60m February 2014
Finance leases	0.1	
Unamortised issue costs	(4.0)	
	<hr/>	
	265.7	
	<hr/>	

# Balance Sheet

£m	2011	2010
Goodwill	396.6	376.5
Deferred consideration	(10.0)	(4.2)
Associates/investments	10.8	7.7
<b>Operating assets/(liabilities)</b>	<b>(18.5)</b>	<b>(14.6)</b>
Accrued interest	(5.5)	(5.2)
Current tax	(31.3)	(33.3)
Deferred tax	(9.2)	(6.5)
Pensions	35.5	23.6
	368.4	344.0
<b>Net funds/(debt)</b>	<b>107.1</b>	<b>67.8</b>
Net assets/Shareholders' funds	475.5	411.8

# Operating Assets/(Liabilities)

£m		2011	2010
Fixed assets		40.4	36.4
Trade receivables		76.0	79.8
Net settlement balances		0.4	0.4
Other debtors/prepayments		72.4	62.2
Payables/accruals		(188.9)	(189.0)
Provisions		(18.8)	(4.4)
		<b>(18.5)</b>	<b>(14.6)</b>
Gross settlement balances	- Receivable	5,102.1	4,037.9
	- Payable	(5,101.7)	(4,037.5)
		<b>0.4</b>	<b>0.4</b>

# Pensions

£m	2011	2010	2004
Scheme assets	183.9	169.5	75.4
IAS19 valuation of liabilities	(148.4)	(145.9)	(113.8)
Surplus/(deficit)	<u>35.5</u>	<u>23.6</u>	<u>(38.4)</u>



**Terry Smith**  
Chief Executive



# Outlook

- Market and competitive conditions challenging
- Cost pressures
- Financial markets remain unsettled
- Periods of heightened activity expected
- Revenue in first 2 months down 1%  
(at constant exchange rates, adjusting for acquisitions)

# Tullett Prebon plc

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## Appendices





# Comparison with Sector – most recent 12 months

Most recent published 12 months	Revenue 2011 £m	Revenue Growth/Decline 2011 vs 2010 %	Operating Margin 2011 %
ICAP (Electronic Broking)	311	10%	40.2%
ICAP (Post Trade Risk and Information Services)	193	18%	42.5%
ICAP (Voice Broking)	1,237	0%	13.3%
ICAP (All activities)	1,741	4%	21.3%
Tullett Prebon	910	0%	16.3%
BGC Partners Inc	869	11%	5.7%
Tradition	753	-12%	3.3%
GFI	543	8%	1.7%

# Comparison with Sector – most recent 6 months

Most recent published 6 months	Revenue 2011 £m	Revenue Growth/Decline 2011 vs 2010 %	Operating Margin 2011 %
ICAP (Electronic Broking)	160	5%	41.9%
ICAP (Post Trade Risk and Information Services)	99	10%	41.4%
ICAP (Voice Broking)	608	-3%	14.0%
ICAP (All activities)	867	0%	22.3%
Tullett Prebon	455	5%	15.2%
BGC Partners Inc	438	16%	3.2%
Tradition	372	-8%	4.9%
GFI	268	11%	-0.9%

# Competitor Analysis – Sources

- Unless noted below operating profit margins are calculated using reported profit before net interest and associates
- ICAP is 12 and 6 months to September 2011 with prior year comparatives. Operating profit margin is shown before “acquisition and disposal costs” (which include amortisation of acquisition intangibles) and exceptional items
- Tullett Prebon is 12 and 6 months to December 2011 with prior year comparatives. Operating profit margin is shown before exceptional items
- BGC Partners Inc. is 12 and 6 months to December 2011 with prior year comparatives. Revenue includes Broking (including Real Estate Broking), Market Data and Software Solutions revenues
- Tradition revenue is 12 and 6 months to December 2011 with prior year comparatives. Operating profit margin is 12 and 6 months to June 2011
- GFI is 12 and 6 months to December 2011 with prior year comparatives. Revenue includes Broking, Clearing Services (net), Software, Analytics and Market Data
- Average exchange rates applied for each period

# Major Shareholders as at 17 February 2012

Investor	Holding	(%)
1 Scottish Widows Investment Partnership	25,693,714	11.81
2 Jupiter Asset Management	18,338,761	8.43
3 Director & Related Holdings(s)	9,956,148	4.58
4 Aberforth Partners	8,639,103	3.97
5 Legal & General Investment Management	7,858,090	3.61
6 LSV Asset Management	7,494,513	3.44
7 Standard Life Investments	6,443,924	2.96
8 Invesco Trimark	6,320,350	2.90
9 Liontrust Asset Management	6,119,004	2.81
10 Oppenheimerfunds	5,463,726	2.51
11 Norges Bank Investment Management	5,365,090	2.47
12 M&G Investments	5,137,387	2.36
13 J O Hambro Capital Management	4,720,300	2.17
14 JP Morgan Asset Management	4,483,031	2.06
15 HSBC Global Asset Management (UK)	3,841,680	1.77
16 Henderson Global Investors	3,784,264	1.74
17 BlackRock Investment Management (UK)	3,506,125	1.61
18 F&C Asset Management	3,438,836	1.58
19 State Street Global Advisors	3,085,198	1.42
20 Premier Asset Management	2,801,776	1.29
	<hr/> 142,491,020	<hr/> 65.49