

# Tullett Prebon plc

## Interim Results 2012

### July 2012





**Terry Smith**  
Chief Executive



# Introduction

- Challenging market conditions
- Market activity lower than in H1 2011
- Revenue
  - as reported, in line with last year
  - excluding acquisitions and at constant FX, 5% lower than last year
- Actions taken to reduce fixed costs
- Interim dividend 5.6p per share – 50% of 2011 final dividend

# Europe

- Strong market positions
- Impact of lower risk appetite in some areas
- Madrid office
- Development in the Middle East
- Development of Energy: metals and commodities

# Americas

- Decline in market activity in 'traditional' products
- Rebalancing broker headcount
- Convenção
- Chapdelaine
- Development of Energy and Equities

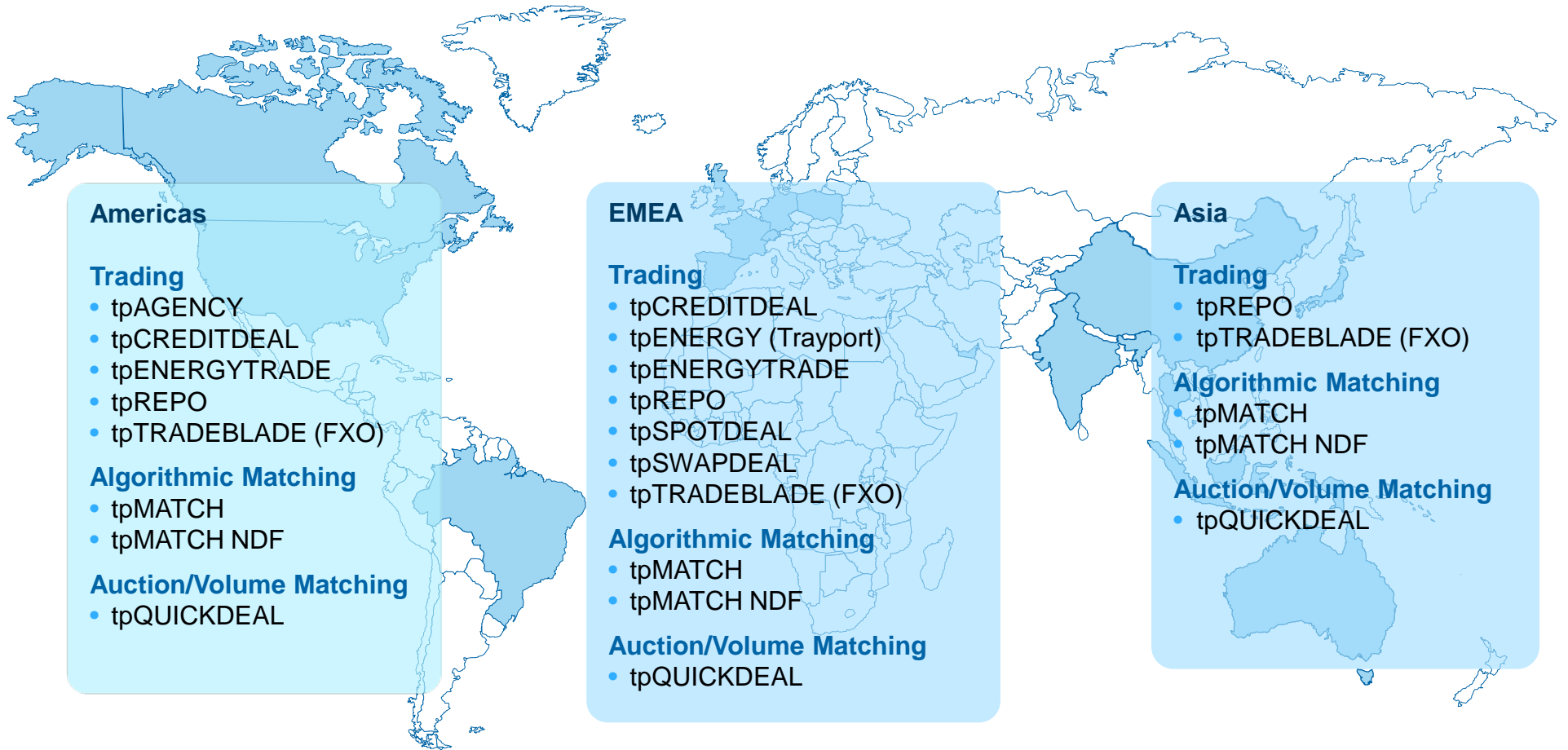
# Asia Pacific

- Reduction in market activity in two major centres
  - Singapore
  - Japan
- Growth in Hong Kong
  - Renminbi
  - Equity derivatives

# Electronic Broking

- Liquidity for most OTC products depends on voice broker support
- Hybrid model
- tpSWAPDEAL
- New products on tpCREDITDEAL
- tpQUICKDEAL “auctions”
- Launch of beta version of tpSPOTDEAL

# Electronic Offering





# Information Sales

- Strong performance
- Best Data Provider (Broker) award
- Partnership agreement in India
- Licence to distribute in China
- New products
- Continued expansion of customer base

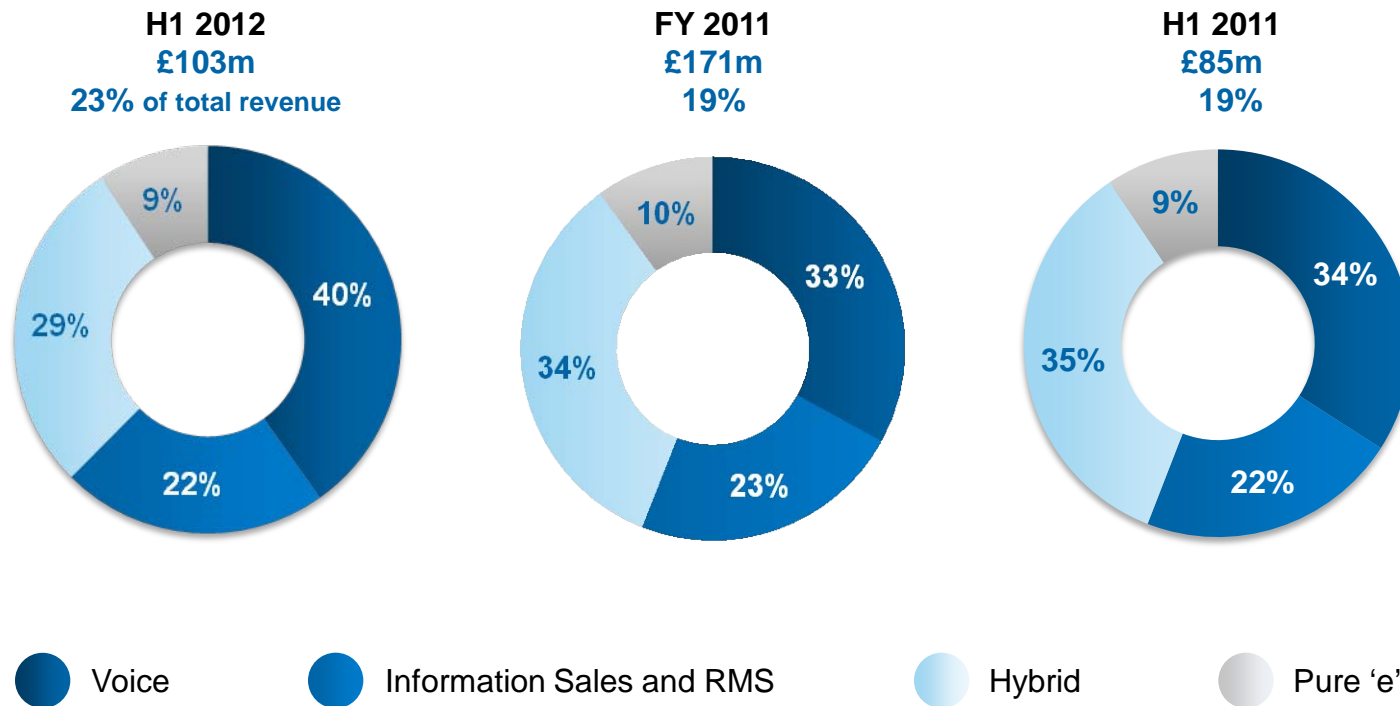
# Risk Management Services

- tpMATCH
  - increase in currencies supported
  - gains in market share
- tpMATCH NDF
  - launched end 2011

# Electronic Broking - Revenues

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

Proportion of Revenues by Type



# OTC Market Regulation

- United States
  - final detailed rules and regulations expected in H2
  - SEF application
- Europe
  - EMIR (clearing and reporting) adopted by European Parliament
  - MIFID II, MIFIR (trade execution, governance, conduct of business) continue through legislative process
- Well positioned

# Restructuring

- Response to
  - challenging market conditions
  - cost pressures – electronic platforms development, regulatory changes
- Action taken to
  - reduce fixed costs
  - maintain flexibility
  - preserve variable nature of broker compensation

# Restructuring (cont'd)

## 2012 Actions

- Headcount reduction 140
- Cost £14.8m
- Similar reduction in fixed costs

## Total programme

- Headcount reduction 220 – over two thirds from front office
- Reduction in fixed costs of £30m

# Litigation Update

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

# Financial Performance

£m	H1 2012	H1 2011	Change
Revenue	455.1	454.8	0%
Underlying Operating profit	73.7	79.4	-7%
Underlying Operating margin	16.2%	17.5%	-1.3%pts



# Revenue by Product Group

£m (2011 at constant exchange rates)

H1 2012

H1 2011

Change

Treasury Products	119.8	129.0	-7%
Interest Rate Derivatives	92.9	105.3	-12%
Fixed Income	123.6	127.3	-3%
Equities	22.8	24.0	-5%
Energy	55.7	54.1	+3%
Info Sales/Risk Management Services	23.0	19.0	+21%
	<u>437.8</u>	<u>458.7</u>	<u>-5%</u>
Convenção and Chapdelaine	17.3	-	
At constant exchange rates	<u>455.1</u>	<u>458.7</u>	<u>-1%</u>

# Revenue by Region

£m (2011 at constant exchange rates)	H1 2012	H1 2011	Change
Europe	268.0	269.3	0%
Americas	110.3	126.2	-13%
Asia Pacific	59.5	63.2	-6%
	<u>437.8</u>	<u>458.7</u>	<u>-5%</u>
Convenção and Chapdelaine	17.3	-	
At constant exchange rates	<u>455.1</u>	<u>458.7</u>	<u>-1%</u>

# Underlying Operating Profit & Margin by Region

£m	Underlying Operating Profit			Underlying Margin	
	H1 2012	H1 2011	Change	H1 2012	H1 2011
Europe	61.8	63.4	-3%	23.1%	23.5%
Americas	4.5	8.7	-48%	3.5%	7.1%
Asia Pacific	7.4	7.3	+1%	12.4%	11.9%
	<u>73.7</u>	<u>79.4</u>	<u>-7%</u>	<u>16.2%</u>	<u>17.5%</u>

# Performance Measures

£m	H1 2012	H1 2011	Change
Broker headcount (period end)	1,750	1,666	+5%
Average revenue per broker <sup>(1)</sup> <sup>(2)</sup>	£256k	£268k	-4%
Broker employment costs: broking revenue <sup>(2)</sup>	59.4%	58.7%	+0.7%pts
Broking support headcount (period end)	735	688	+7%

<sup>(1)</sup> at constant exchange rates  
<sup>(2)</sup> excluding Convenção and Chapdelaine

# Broker Headcount

	June 2012	December 2011	June 2011
Europe	831	835	833
Americas	555	472	466
Asia Pacific	364	360	367
	<hr/> 1,750	<hr/> 1,667	<hr/> 1,666

# Headcount

	Brokers	Broking Support	Other*
<b>30 June 2011</b>	1,666	688	172
Net Hires	4	29	7
New Offices	16	5	-
Convenção	43	34	-
Restructuring	(62)	(6)	(12)
<b>31 December 2011</b>	<b>1,667</b>	<b>750</b>	<b>167</b>
Net Hires	44	-	3
New Offices	16	3	-
Chapdelaine	85	15	-
Restructuring	(62)	(33)	(5)
<b>30 June 2012</b>	<b>1,750</b>	<b>735</b>	<b>165</b>
Restructuring to go	(30)	(10)	-

\* Information Sales, RMS, Corporate

# Comparison with Sector

Return on Equity	5 year Average*
ICAP	15.1%
Tullett Prebon	34.0%
BGC Partners Inc	5.3%
Tradition	24.0%
GFI	8.7%

*\*source: Bloomberg*

# Comparison with Sector – most recent 6 months

Most recent published 6 months (basis: see appendices)	Revenue £m	Revenue Growth Year on Year %	Operating Margin %
ICAP (Electronic Broking)	141	-7%	42.6%
ICAP (Post Trade and Information)	109	16%	45.9%
ICAP (Voice Broking)	564	-10%	12.2%
ICAP (All activities)	814	-7%	22.0%
Tullett Prebon	455	0%	16.2%
BGC Partners Inc (Financial Services only)	410	-7%	4.9%*
Tradition	373	-3%	4.7%
GFI	269	-5%	5.7%

\* BGC Partners Inc Operating Margin is for total group





**Paul Mainwaring**  
Finance Director



# Profit & Loss

Profit and Loss £m	H1 2012			H1 2011		
	Underlying	Exceptional Items	Reported	Underlying	Exceptional Items	Reported
<b>Revenue</b>	<b>455.1</b>		<b>455.1</b>	<b>454.8</b>		<b>454.8</b>
Operating profit	73.7		73.7	79.4		79.4
Charge/credit relating to major legal actions		(6.9)	(6.9)		0.8	0.8
Restructuring costs		(14.8)	(14.8)		-	-
<b>Operating profit</b>	<b>73.7</b>	<b>(21.7)</b>	<b>52.0</b>	<b>79.4</b>	<b>0.8</b>	<b>80.2</b>
Finance income/(expense)	(5.4)		(5.4)	(5.6)		(5.6)
<b>Profit before tax</b>	<b>68.3</b>	<b>(21.7)</b>	<b>46.6</b>	<b>73.8</b>	<b>0.8</b>	<b>74.6</b>
Tax	(18.2)	7.6	(10.6)	(21.3)	-	(21.3)
Associates	0.8		0.8	0.8		0.8
Minorities	(0.2)		(0.2)	(0.3)		(0.3)
<b>Earnings</b>	<b>50.7</b>	<b>(14.1)</b>	<b>36.6</b>	<b>53.0</b>	<b>0.8</b>	<b>53.8</b>

# Finance Income/(Expense)

£m	H1 2012	H1 2011
Interest receivable on cash balances	1.0	1.2
Eurobonds	(5.2)	(5.2)
Bank loan and RCF commitment fee	(2.3)	(2.4)
Amortisation of debt issue costs	(0.7)	(0.7)
Other interest	(0.2)	-
Cash interest and fees	(7.4)	(7.1)
Net pension scheme income	2.4	1.5
Amortisation of discount on deferred consideration	(0.4)	-
	<u>(5.4)</u>	<u>(5.6)</u>

# Taxation – Underlying

£m	H1 2012	H1 2011
Underlying Profit before tax	<u>68.3</u>	<u>73.8</u>
Effective rate of tax	26.6%	28.9%
Tax charge on underlying Profit before tax	<u>(18.2)</u>	<u>(21.3)</u>
FY 2011 effective rate of tax on underlying profit before tax: 27.1%		

# Taxation – Exceptional Items

£m	H1 2012	H1 2011
Exceptional items	<u>(21.7)</u>	0.8
Effective rate of tax	35.0%	-
Tax relief on exceptional items	<u>7.6</u>	-

# EPS

	H1 2012	H1 2011
Underlying Earnings	<u>£50.7m</u>	<u>£53.0m</u>
Weighted average number of shares	217.4m	216.5m
Basic Underlying Earnings per share	<u>23.3p</u>	<u>24.5p</u>

# Operating Cash Flow

£m	H1 2012	H1 2011
Operating profit	73.7	79.4
Share based compensation	0.8	0.6
Depreciation/amortisation	6.1	4.2
EBITDA	80.6	84.2
Capital expenditure (net of NBV of disposals)	(7.7)	(5.6)
Increase in initial contract prepayment	(19.0)	(16.2)
Other working capital	(51.4)	(35.5)
Operating cash flow	2.5	26.9

# Net Cash Flow

£m	H1 2012	H1 2011
Operating cash flow	2.5	26.9
Restructuring costs – cash payments	(9.6)	-
Major legal actions	(6.9)	6.7
Interest	(1.7)	(1.3)
Taxation	(20.7)	(22.9)
Pension funding	(0.3)	(0.5)
Dividends received from associates/paid to minorities	-	0.9
Acquisitions/investments	(9.2)	(6.6)
Cash flow before debt repayments and dividends	<u>(45.9)</u>	<u>3.2</u>



# Movement in Cash and Debt

£m	Cash	Debt	Net
At 31 December 2011	372.8	(265.7)	107.1
Cash flow	(45.9)	-	(45.9)
Dividends	(24.5)	-	(24.5)
Debt repayments/draw downs	(30.0)	30.0	-
Amortisation of debt issue costs	-	(0.7)	(0.7)
Cash acquired with subsidiaries	2.5	-	2.5
Effect of movement in exchange rates	(2.2)	-	(2.2)
At 30 June 2012	<u>272.7</u>	<u>(236.4)</u>	<u>36.3</u>

# Balance Sheet

£m	June 2012	December 2011	June 2011
Goodwill	403.5	396.6	380.1
Deferred consideration	(7.7)	(10.0)	(4.1)
Associates/investments	9.8	10.8	9.2
<b>Operating assets/(liabilities)</b>	<b>44.8</b>	<b>(18.5)</b>	<b>31.2</b>
Accrued interest	(10.4)	(5.5)	(10.3)
Tax	(29.4)	(40.5)	(43.5)
Pensions	36.9	35.5	47.0
	447.5	368.4	409.6
<b>Net funds</b>	<b>36.3</b>	<b>107.1</b>	<b>47.9</b>
Net assets/Shareholders' funds	483.8	475.5	457.5

# Operating Assets/(Liabilities)

£m		June 2012	December 2011	June 2011
Fixed assets		43.7	40.4	37.7
Trade receivables		85.3	76.0	95.9
Net settlement balances		2.7	0.4	6.2
Other debtors/prepayments		91.5	72.4	74.0
Payables/accruals		(168.2)	(201.4)	(182.6)
Restructuring provision		(10.2)	(6.3)	-
		44.8	(18.5)	31.2
Gross settlement balances	- Receivable	29,450.7	5,102.1	28,011.0
	- Payable	(29,448.0)	(5,101.7)	(28,004.8)
		2.7	0.4	6.2

# Pensions

£m	June 2012	December 2011	June 2011
Scheme assets	195.8	183.9	182.3
IAS19 valuation of liabilities	(158.9)	(148.4)	(135.3)
Surplus	36.9	35.5	47.0
Discount rate applied	4.4%	4.7%	5.5%



**Terry Smith**  
Chief Executive



# Outlook

- Market conditions challenging
- Financial markets remain unsettled ...
- ... but market activity remains subdued
- Action taken to reduce fixed costs
- Well positioned to respond to less favourable market conditions

# Tullett Prebon plc

## Interim Results 2012

July 2012



## Appendices





# Net Funds

£m	June 2012	December 2011	June 2011
Eurobond August 2014	(8.5)	(8.5)	(8.5)
Eurobond July 2016	(141.1)	(141.1)	(141.1)
Bank term loan	(90.0)	(120.0)	(120.0)
Finance leases	(0.1)	(0.1)	(0.2)
Unamortised debt issue costs	3.3	4.0	4.7
	(236.4)	(265.7)	(265.1)
Cash and cash equivalents	238.4	342.0	284.5
Other financial assets	34.3	30.8	28.5
	272.7	372.8	313.0
Net Funds	36.3	107.1	47.9

# Comparison with Sector – most recent 12 months

Most recent published 12 months (basis: see page 43)	Revenue £m	Revenue Growth Year on Year %	Operating Margin %
ICAP (Electronic Broking)	301	-1%	42.2%
ICAP (Post Trade and Information)	208	13%	43.8%
ICAP (Voice Broking)	1,172	-7%	13.1%
ICAP (All activities)	1,681	-3%	22.1%
Tullett Prebon	911	3%	15.7%
BGC Partners Inc (Financial Services only)	819	0%	4.1%*
Tradition	748	-5%	4.8%
GFI	537	3%	2.3%

\* BGC Partners Inc Operating Margin is for total group

# 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 March 2012 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 June 2012 with prior year comparatives. Operating profit margin is shown before exceptional items
- BGC Partners Inc. is 12 and 6 months to June 2012 with prior year comparatives. Revenue includes Financial Services Broking, Market Data and Software Solutions revenues
- Tradition revenue is 12 and 6 months to June 2012 with prior year comparatives. Operating profit margin is 12 and 6 months to December 2011
- GFI is 12 and 6 months to June 2012 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 13 July 2012

Investor	Holding	(%)	
1	Scottish Widows Investment Partnership	24,804,791	11.40
2	Jupiter Asset Management	21,872,734	10.05
3	Oppenheimerfunds	12,501,011	5.74
4	Director & Related Holdings(s)	9,963,148	4.58
5	Aberforth Partners	8,311,356	3.82
6	Standard Life Investments	7,962,708	3.66
7	LSV Asset Management	7,386,613	3.39
8	Legal & General Investment Management	7,371,713	3.39
9	Henderson Global Investors	6,967,155	3.20
10	Invesco Trimark	6,455,096	2.97
11	Norges Bank Investment Management	5,666,032	2.60
12	M&G Investments	5,196,870	2.39
13	J O Hambro Capital Management	5,147,377	2.37
14	BlackRock Investment Management (UK)	3,831,547	1.76
15	F&C Asset Management	3,494,224	1.61
16	Liontrust Asset Management	3,290,801	1.51
17	State Street Global Advisors	3,068,902	1.41
18	JP Morgan Asset Management	3,024,350	1.39
19	IG International Management	2,760,613	1.27
20	Premier Asset Management	2,566,776	1.18
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		151,643,817	69.69