

Tullett Prebon plc

Preliminary Results 2012

March 2013





Terry Smith
Chief Executive



Introduction

- Challenging market conditions
- Market activity subdued – particularly in H2
- Revenue down 7%
- Action taken to reduce costs
- Operating margin 14.8%
- Dividend – unchanged final – total 16.85p per share – up 2%

Market Activity

- Low volatility
- More onerous regulatory environment for banks
- Uncertainty over OTC market regulations

Broking

- Europe and the Middle East
 - new offices Madrid, Geneva, Dubai
 - control of JV in Bahrain
- Americas
 - Chapdelaine & Co.
 - expansion in Brazil
- Asia
 - Hong Kong equity derivatives, offshore Renminbi

Broking – Quality of Service

- Risk Magazine's 2012 Interdealer Rankings
 - Number One IDB
 - first place in 36 product categories
 - Number One for second time in three years
- FX Week Best Bank Awards
 - Best Broker Forward FX, Currency Options
- Futures and Options World International Awards
 - IDB of the Year

Electronic Broking

- Liquidity for most OTC products depends on voice broker support
- Hybrid model
- Developments
 - tpSWAPDEAL
 - tpCREDITDEAL
 - tpQUICKDEAL “auctions”
 - tpSPOTDEAL
 - tpCADDEAL

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

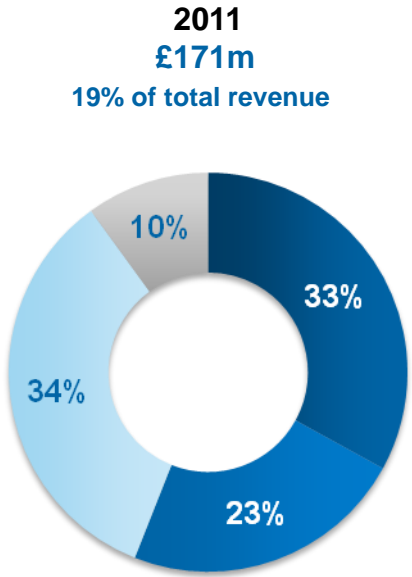
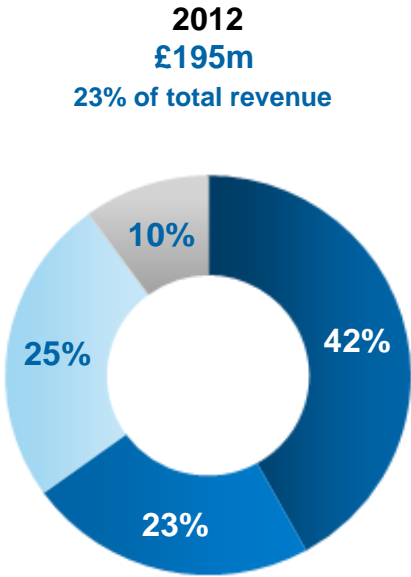
Risk Management Services

- tpMATCH
 - increase in currencies supported
 - gains in market share
- tpMATCH NDF

Electronic Broking - Revenues

Revenues from products supported by electronic platforms plus Information Sales

Proportion of Revenues by Type



- Voice
- Information Sales and RMS
- Hybrid
- Pure 'e'

OTC Market Regulation – Themes

- Central counterparty clearing of certain derivatives
- Reporting to trade repositories
- Pre and post trade transparency
- Regulated execution venues for derivatives trades required to be cleared

OTC Market Regulation – Status

- United States
 - clearing for certain products being phased in
 - final SEF rules imminent
 - well prepared for implementation
- Europe
 - EMIR (clearing and trade reporting) effective in 2014
 - MiFID II, MIFIR (trade execution, governance, conduct of business) implementation 2015
- Regulations reinforce the role of the intermediary

Regulatory Readiness Costs

- Electronic platforms and associated infrastructure
- SEF office costs
- P&L charge
 - 2012 <1% total revenue
 - 2013 \approx 2.5% current annual revenue

Restructuring

- Response to
 - challenging market conditions
 - cost pressures, regulatory readiness
- Action taken to
 - reduce fixed costs
 - maintain flexibility
 - preserve variable nature of broker compensation

Restructuring (cont'd)

- 2012 Actions
 - headcount reduction 140
 - £14.8m charge – exceptional item
 - similar reduction in fixed costs
- Total programme
 - headcount reduction 220 – over two thirds from front office
 - reduction in fixed costs of £30m

Litigation Update

- US
 - FINRA arbitration
 - RICO action
- Data misappropriation claim
 - arbitrator's award confirmed by New York Court
- £11.6m charge – exceptional item

Goodwill Impairment

- Annual test for impairment
- Projections reflect current performance without further actions
- North America goodwill reduced by £123m
- Non-cash exceptional item
- No impact on regulatory capital position
- No impact on any financing arrangements

Financial Performance

£m	2012	2011	Change
Revenue	850.8	910.2	-7%
Underlying Operating profit	126.0	148.4	-15%
Underlying Operating margin	14.8%	16.3%	-1.5%pts

Revenue by Product Group

£m (2011 at constant exchange rates)

2012

2011

Change

Treasury Products	226.8	255.2	-11%
Interest Rate Derivatives	174.7	202.4	-14%
Fixed Income	224.2	256.2	-12%
Equities	41.7	48.7	-14%
Energy	106.3	106.2	0%
Info Sales/Risk Management Services	45.8	39.1	+17%
	<u>819.5</u>	<u>907.8</u>	<u>-10%</u>
Convenção and Chapdelaine	31.3	4.5	
Exchange translation	-	(2.1)	
	<u>850.8</u>	<u>910.2</u>	<u>-7%</u>

Revenue by Region

£m (2011 at constant exchange rates)

2012

2011

Change

Europe and the Middle East

501.2

545.6

-8%

Americas

205.6

240.9

-15%

Asia Pacific

112.7

121.3

-7%

819.5

907.8

-10%

Convenção and Chapdelaine

31.3

4.5

Exchange translation

-

(2.1)

850.8

910.2

-7%

Underlying Operating Profit & Margin by Region

£m	Underlying Operating Profit			Margin	
	2012	2011	Change	2012	2011
Europe and the Middle East	111.7	124.6	-10%	22.3%	22.7%
Americas	2.4	9.1	-74%	1.0%	3.8%
Asia Pacific	11.9	14.7	-19%	10.6%	12.3%
	<u>126.0</u>	<u>148.4</u>	<u>-15%</u>	<u>14.8%</u>	<u>16.3%</u>

Performance Measures

	2012	2011	Change
Average broker headcount*	1,615	1,652	-2%
Average revenue per broker*	£479k	£524k	-9%
Broker employment costs: broking revenue*	59.6%	59.6%	no change
Broking support headcount (year end)	719	750	-4%

**excluding Convenção and Chapdelaine*

Broker Headcount

	December 2012	June 2012	December 2011
Europe and the Middle East	827	831	835
Americas	528	555	472
Asia Pacific	365	364	360
	<hr/> 1,720	<hr/> 1,750	<hr/> 1,667

Headcount

	Brokers	Broking Support	Other*
31 December 2011	1,667	750	167
Net hires	36	(5)	8
New offices	23	3	-
Chapdelaine	85	15	-
Restructuring	(91)	(44)	(5)
31 December 2012	1,720	719	170

* Information Sales, RMS, Corporate

Comparison with Sector – most recent 12 months

Most recent published 12 months (see appendix for basis)	Revenue £m	Revenue Change Year on Year %	Operating Margin %
ICAP (Electronic Broking)	275	-12%	40.7%
ICAP (Post Trade Risk and Information Services)	212	10%	43.9%
ICAP (Voice Broking)	1,073	-13%	11.0%
ICAP (All activities)	1,560	-10%	20.7%
Tullett Prebon	851	-7%	14.8%
BGC Partners Inc	760	-11%	2.6%
Tradition	688	-5%	4.9%
GFI	493	-10%	1.9%

Comparison with Sector – most recent 6 months

Most recent published 6 months (see appendix for basis)	Revenue £m	Revenue Change Year on Year %	Operating Margin %
ICAP (Electronic Broking)	134	-16%	39.6%
ICAP (Post Trade Risk and Information Services)	102	4%	42.2%
ICAP (Voice Broking)	510	-16%	9.4%
ICAP (All activities)	746	-14%	19.3%
Tullett Prebon	396	-13%	13.2%
BGC Partners Inc	353	-14%	0.4%
Tradition	315	-7%	5.0%
GFI	226	-16%	-2.5%

Comparison with Sector – RoE

Return on Equity	5 year Average*
ICAP	15.1%
Tullett Prebon	34.0%
BGC Partners Inc	5.3%
Tradition	20.1%
GFI	8.7%

**source: Bloomberg*



Paul Mainwaring
Finance Director



Profit & Loss

£m	2012			2011		
	Underlying	Exceptional Items	Reported	Underlying	Exceptional Items	Reported
Revenue	850.8		850.8	910.2		910.2
Operating profit	126.0		126.0	148.4		148.4
Charge relating to major legal actions		(11.6)	(11.6)		(6.6)	(6.6)
Restructuring costs		(14.8)	(14.8)		(11.5)	(11.5)
Goodwill impairment		(123.0)	(123.0)		-	-
Operating profit	126.0	(149.4)	(23.4)	148.4	(18.1)	130.3
Finance income/(expense)	(11.3)		(11.3)	(12.3)		(12.3)
Other gains and losses		-	-		1.2	1.2
Profit before tax	114.7	(149.4)	(34.7)	136.1	(16.9)	119.2
Tax	(27.5)	2.3	(25.2)	(36.9)	6.6	(30.3)
Associates	1.2		1.2	1.2		1.2
Minorities	(0.3)		(0.3)	(0.7)		(0.7)
Earnings	88.1	(147.1)	(59.0)	99.7	(10.3)	89.4

Finance Income/(Expense)

£m	2012	2011
Interest receivable on cash balances	1.8	2.3
Payable on Sterling Notes	(10.7)	(10.5)
Bank loan and RCF commitment fee	(4.5)	(5.1)
Amortisation of debt issue costs	(1.5)	(1.4)
Other interest	(0.2)	(0.3)
Cash interest and fees	(15.1)	(15.0)
Net pension scheme income	4.6	2.9
Amortisation of discount on deferred consideration	(0.8)	(0.2)
Non cash interest	3.8	2.7
	(11.3)	(12.3)

Taxation – Underlying

£m	2012	2011
Underlying Profit before tax	<u>114.7</u>	<u>136.1</u>
Effective rate of tax	24.0%	27.1%
Tax charge on underlying Profit before tax	<u>(27.5)</u>	<u>(36.9)</u>

Taxation – Exceptional Items

£m	2012	2011
Exceptional items	<u>(149.4)</u>	<u>(16.9)</u>
Effective rate of tax	1.5%	39.1%
Tax relief on exceptional items	<u>2.3</u>	<u>6.6</u>

EPS

	2012	2011
Underlying Earnings	<u>£88.1m</u>	<u>£99.7m</u>
Weighted average number of shares	217.6m	216.5m
Basic Underlying Earnings per share	<u>40.5p</u>	<u>46.1p</u>

Operating Cash Flow

£m	2012	2011
Underlying Operating profit	126.0	148.4
Share based compensation	1.4	1.4
Depreciation/amortisation	11.8	8.8
EBITDA	139.2	158.6
Capital expenditure	(17.6)	(12.4)
Increase in initial contract prepayment	(10.3)	(14.1)
Other working capital	(38.0)	4.7
Operating cash flow	73.3	136.8
% of operating profit	58%	92%

Net Cash Flow

£m	2012	2011
Operating cash flow	73.3	136.8
Restructuring costs	(14.5)	(2.9)
Major legal actions	(16.8)	(0.5)
Interest	(13.6)	(13.4)
Taxation	(27.3)	(34.2)
Pension scheme costs	(0.5)	(0.8)
Dividends received from associates/paid to minorities	0.1	0.5
Acquisitions/Investments	(10.9)	(16.1)
Cash flow before debt repayments and dividends	<u>(10.2)</u>	<u>69.4</u>

Movement in Cash and Debt

£m	Cash	Debt	Net
At 31 December 2011	372.8	(265.7)	107.1
Cash flow	(10.2)	-	(10.2)
Dividends	(36.6)	-	(36.6)
Debt repayments	(90.1)	90.1	-
Issue of Sterling Notes	80.0	(80.0)	-
Debt issue fees	(1.3)	1.3	-
Amortisation of debt issue costs	-	(1.5)	(1.5)
Cash acquired with subsidiaries	2.5	-	2.5
Effect of movement in exchange rates	(5.3)	-	(5.3)
At 31 December 2012	<u>311.8</u>	<u>(255.8)</u>	<u>56.0</u>

Debt Profile at Year End

£m	2012	2011
Bank amortising term loan	30.0	120.0
6.52% Sterling Notes August 2014	8.5	8.5
7.04% Sterling Notes July 2016	141.1	141.1
5.25% Sterling Notes June 2019	80.0	-
Finance leases	-	0.1
Unamortised issue costs	(3.8)	(4.0)
	<u>255.8</u>	<u>265.7</u>

Balance Sheet

£m	2012	2011
Goodwill	278.5	396.6
Deferred consideration	(5.8)	(10.0)
Associates/investments	10.0	10.8
Operating assets/(liabilities)	35.4	(18.5)
Accrued interest	(5.5)	(5.5)
Current tax	(26.6)	(31.3)
Deferred tax	(11.4)	(9.2)
Pensions	41.4	35.5
	316.0	368.4
Net funds/(debt)	56.0	107.1
Net assets/Shareholders' funds	372.0	475.5

Operating Assets/(Liabilities)

£m		2012	2011
Fixed assets		47.3	40.4
Trade receivables		69.4	76.0
Net settlement balances		0.6	0.4
Other debtors/prepayments		81.0	72.4
Payables/accruals		(151.6)	(188.9)
Provisions		(11.3)	(18.8)
		35.4	(18.5)
Gross settlement balances	- Receivable	5,721.9	5,102.1
	- Payable	(5,721.3)	(5,101.7)
		0.6	0.4

Pensions

£m	Annuity Policies	Invested Assets	Liabilities	Surplus
At 31 December 2011	9.8	174.1	(148.4)	35.5
Return	1.0	23.5	-	24.5
'Interest'	-	-	(7.0)	(7.0)
Benefits paid	-	(4.1)	4.1	-
Changes in assumptions	-	-	(11.6)	(11.6)
At 31 December 2012	<u>10.8</u>	<u>193.5</u>	<u>(162.9)</u>	<u>41.4</u>



Terry Smith
Chief Executive



Outlook

- Market conditions challenging
- Financial market activity subdued
- Action taken on costs
- Increase in regulatory readiness costs
- Revenue in first 2 months down 5%
(at constant exchange rates)

Tullett Prebon plc

Preliminary Results 2012

March 2013



Appendices



Competitor Analysis – Basis

- Unless noted below operating profit margins are calculated using reported profit before net interest and associates
- ICAP is 12 and 6 months to September 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 December 2012 with prior year comparatives. Operating profit margin is shown before exceptional items
- BGC Partners Inc. is 12 and 6 months to December 2012 with prior year comparatives. Revenue includes Financial Services Broking, Market Data and Software Solutions revenues. Operating profit margin includes Real Estate Broking and excludes the gain on the sale of LME shares
- Tradition revenue is 12 and 6 months to December 2012 with prior year comparatives. Operating profit margin is 12 and 6 months to June 2012
- GFI is 12 and 6 months to December 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 17 February 2013

Investor	Holding	(%)	
1	Scottish Widows Investment Partnership	23,033,773	10.58
2	Jupiter Asset Management	22,698,303	10.43
3	Aberforth Partners	13,627,847	6.26
4	Oppenheimerfunds	12,445,583	5.72
5	Director & Related Holdings(s)	9,961,148	4.58
6	Schroder Investment Management	9,571,382	4.40
7	Invesco Trimark	8,687,027	3.99
8	Henderson Global Investors	8,380,493	3.85
9	LSV Asset Management	7,508,472	3.45
10	Legal & General Investment Management	7,400,996	3.40
11	Norges Bank Investment Management	6,900,964	3.17
12	Liontrust Asset Management	4,670,925	2.15
13	BlackRock Investment Management (UK)	3,934,096	1.81
14	Premier Asset Management	3,409,988	1.57
15	M&G Investments	3,353,114	1.54
16	State Street Global Advisors	3,097,721	1.42
17	IG International Management	2,760,613	1.27
18	Dimensional Fund Advisors	2,539,779	1.17
19	Goldman Sachs	2,447,021	1.12
20	Majedie Asset Management	2,289,746	1.05
		<hr/>	
		158,718,991	72.93