

Tullett Prebon plc

Interim Results 2013

July 2013





Terry Smith
Chief Executive



Introduction

- Challenging market conditions
- Revenue down 4% at constant FX
- Benefit from cost reduction actions
- Operating margin 16.2%
- Interim dividend 5.6p per share – 50% of 2012 final dividend

Market Conditions

- Financial market activity subdued
- Some pick up towards end of H1
- More onerous regulatory environment for banks
- Continued uncertainty over OTC market regulations

Costs

- Benefit from cost reduction actions
 - broker compensation costs H1: 58.2% broking revenue
1.5% points lower than H1 2012
 - increase in technology headcount offset by reductions in other areas
- Regulatory readiness project costs: H1 2013 >1.5% revenue
H1 2012 ≈ 0.5% revenue

Broking Highlights

- Broker of the Year – 2013 Energy Risk Awards
- Europe and the Middle East
 - new offices Madrid, Geneva, Dubai
- Americas
 - Brazil revenue up 15%
 - approval to open in Mexico
- Asia
 - Hong Kong, Shanghai JV

eBroking

- Hybrid model
- Development work focused on SEF implementation
- tpSWAPDEAL participation agreement

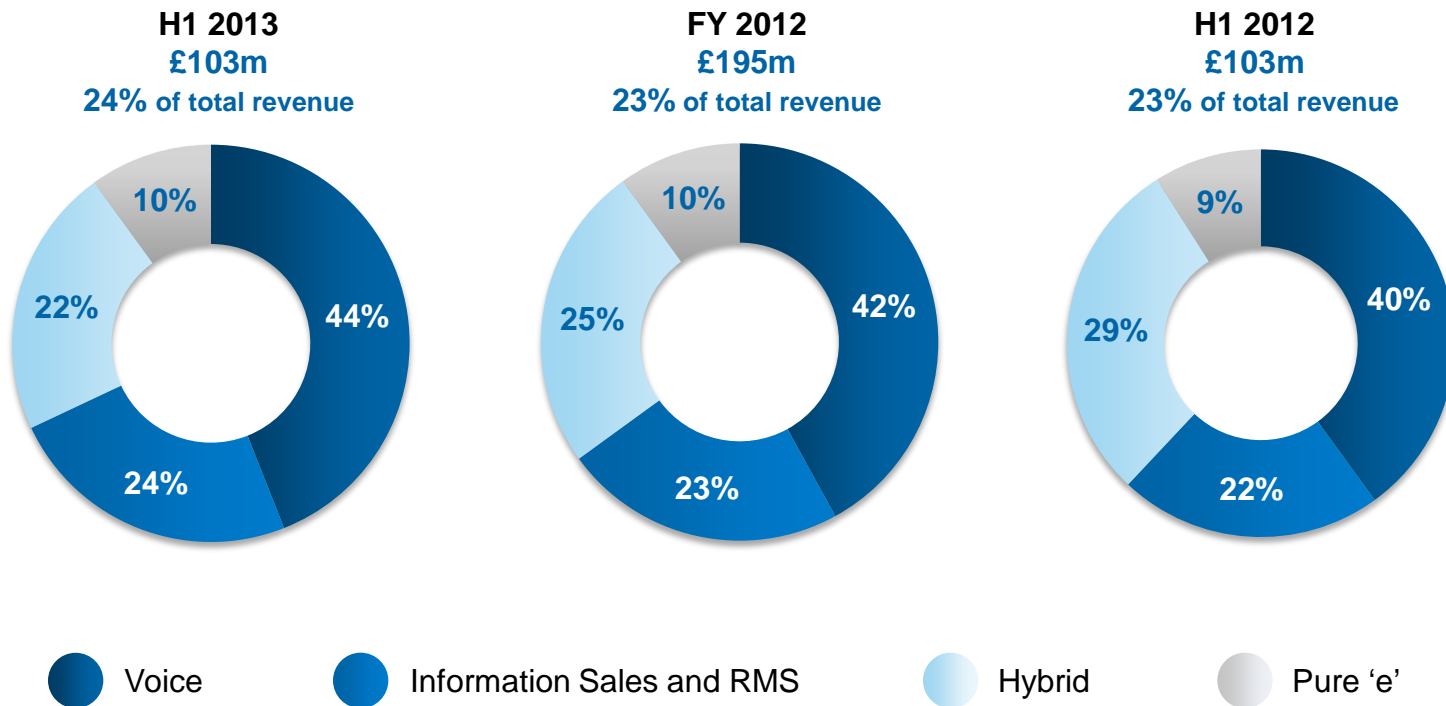
Information Sales and RMS

- Best Data Provider (Broker) Award – third consecutive year
- tpMATCH maintained market share
- tpMATCH NDF participation increased

Electronic Broking – Revenues

Revenues from products supported by electronic platforms plus Information Sales

Proportion of Revenues by Type



OTC Market Regulation – United States

- Final rules for SEFs published 4 June 2013
- Our current activities require us to register as a SEF
- Compliance date 2 October 2013
- Order book required for all swaps in scope
- Voice broking permitted
- In dialogue with CFTC about SEF structure and application

OTC Market Regulation – Europe

- Implementation of EMIR in final stages
 - reporting requirements from 2014
 - clearing obligation mid 2014
- Revision to MiFID still under negotiation
 - implementation expected 2015

Litigation Update

- United States
 - FINRA arbitration
 - RICO action
 - £10.3m charge – exceptional item

LIBOR

- RNS 20 June 2013 in response to press speculation
- Tullett Prebon has not been informed by any regulatory authority or government agency that it or any of its brokers are under investigation in relation to LIBOR

Financial Performance

£m	H1 2013	H1 2012	Change
Revenue	439.8	455.1	-3%
Underlying Operating profit	71.4	73.4	-3%
Underlying Operating margin	16.2%	16.1%	+0.1%pts

Revenue by Product Group

£m (2012 at constant exchange rates)

H1 2013

H1 2012

Change

Treasury Products	115.4	122.5	-6%
Interest Rate Derivatives	98.1	98.1	no change
Fixed Income	124.1	133.5	-7%
Equities	22.9	23.5	-3%
Energy	54.8	56.0	-2%
Info Sales/Risk Management Services	24.5	23.3	+5%
	<u>439.8</u>	<u>456.9</u>	<u>-4%</u>
Exchange translation		(1.8)	
	<u>439.8</u>	<u>455.1</u>	<u>-3%</u>

Revenue by Region

£m (2012 at constant exchange rates)

H1 2013

H1 2012

Change

Europe and the Middle East

255.5

268.5

-5%

Americas

127.8

129.1

-1%

Asia Pacific

56.5

59.3

-5%

439.8

456.9

-4%

Exchange translation

(1.8)

439.8

455.1

-3%

Underlying Operating Profit & Margin by Region

£m	Underlying Operating Profit			Underlying Margin	
	H1 2013	H1 2012	Change	H1 2013	H1 2012
Europe and the Middle East	57.9	61.5	-6%	22.7%	22.9%
Americas	7.7	4.5	+71%	6.0%	3.5%
Asia Pacific	5.8	7.4	-22%	10.3%	12.4%
	<u>71.4</u>	<u>73.4</u>	<u>-3%</u>	<u>16.2%</u>	<u>16.1%</u>

Performance Measures

£m	H1 2013	H1 2012	Change
Average broker headcount	1,710	1,752	-2%
Average revenue per broker	£243k	£247k	-2%
Broker employment costs : broking revenue	58.2%	59.7%	-1.5%pts
Broking support headcount (period end)	737	735	-

Broker Headcount

Period End

June 2013

December 2012

June 2012

Europe and the Middle East

821

827

831

Americas

520

528

555

Asia Pacific

363

365

364

1,704

1,720

1,750

Comparison with Sector – RoE

Return on Equity

5 year Average*

ICAP

11.7%

Tullett Prebon

25.5%

BGC Partners Inc

5.1%

Tradition

15.1%

GFI

3.4%

**source: Bloomberg*

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	-5%	44.8%
ICAP (Post Trade Risk and Information Services)	105	-4%	44.8%
ICAP (Voice Broking)	487	-14%	11.7%
ICAP (All activities)	726	-11%	22.6%
Tullett Prebon	440	-3%	16.2%
BGC Partners Inc	372	-7%	1.6%
Tradition	328	-7%	3.7%
GFI	256	-7%	4.1%



Paul Mainwaring
Finance Director



Profit & Loss

£m	H1 2013			H1 2012*		
	Underlying	Exceptional Items	Total	Underlying	Exceptional Items	Total
Revenue	439.8		439.8	455.1		455.1
Operating profit	71.4		71.4	73.4		73.4
Charge relating to major legal actions		(10.3)	(10.3)		(6.9)	(6.9)
Restructuring costs		-	-		(14.8)	(14.8)
Operating profit	71.4	(10.3)	61.1	73.4	(21.7)	51.7
Finance income/(expense)	(8.6)		(8.6)	(7.0)		(7.0)
Profit before tax	62.8		52.5	66.4	(21.7)	44.7
Tax	(14.6)	1.7	(12.9)	(17.5)	7.6	(9.9)
Associates	0.9		0.9	0.8		0.8
Minorities	(0.3)		(0.3)	(0.2)		(0.2)
Earnings	48.8	(8.6)	40.2	49.5	(14.1)	35.4

**Restated for IAS19*

Finance Income/(Expense)

£m	H1 2013	H1 2012
Interest receivable on cash balances	0.8	1.0
Payable on Sterling Notes	(7.3)	(5.2)
Bank loan	(0.2)	(1.7)
RCF commitment fee	(0.7)	(0.6)
Amortisation of debt issue costs	(1.7)	(0.7)
Other interest	(0.2)	(0.2)
Cash interest and fees	(9.3)	(7.4)
Net pension scheme income	0.9	0.8
Amortisation of discount on deferred consideration	(0.2)	(0.4)
Non cash interest	0.7	0.4
	(8.6)	(7.0)

Taxation – Underlying

£m	H1 2013	H1 2012
Underlying Profit before tax	62.8	66.4
Effective rate of tax	23.2%	26.4%
Tax charge on underlying Profit before tax	(14.6)	(17.5)
FY 2012 effective rate of tax on underlying PBT: 23.6%		

Taxation – Exceptional Items

£m	H1 2013	H1 2012
Exceptional items	<u>(10.3)</u>	<u>(21.7)</u>
Effective rate of tax	16.5%	35.0%
Tax relief on exceptional items	<u>1.7</u>	<u>7.6</u>

EPS

	H1 2013	H1 2012
Underlying Earnings	<u>£48.8m</u>	<u>£49.5m</u>
Weighted average number of shares	217.8m	217.4m
Basic Underlying Earnings per share	<u>22.4p</u>	<u>22.8p</u>

Operating Cash Flow

£m	H1 2013	H1 2012
Underlying Operating profit	71.4	73.4
Share based compensation	0.6	0.8
Depreciation/amortisation	6.1	6.1
Accelerated depreciation – fire damage	1.5	-
EBITDA	79.6	80.3
Capital expenditure	(8.7)	(7.7)
Decrease/(increase) in initial contract prepayments	4.2	(19.0)
Working capital	(26.1)	(51.4)
Operating cash flow	49.0	2.2

Net Cash Flow

£m	H1 2013	H1 2012
Operating cash flow	49.0	2.2
Restructuring costs	(2.2)	(9.6)
Major legal actions	(10.3)	(6.9)
Interest	(2.3)	(1.7)
Taxation	(14.7)	(20.7)
Dividends received from associates/paid to minorities	-	-
Acquisitions/investments	(0.4)	(9.2)
Cash flow before debt repayments and dividends	<u>19.1</u>	<u>(45.9)</u>

Movement in Cash and Debt

£m	Cash	Debt	Net
At 31 December 2012	311.8	(255.8)	56.0
Cash flow	19.1	-	19.1
Dividends	(24.5)	-	(24.5)
Debt repayments	(30.0)	30.0	-
Bank facility arrangement fees	(1.7)	-	(1.7)
Amortisation of debt issue costs	-	(1.6)	(1.6)
Effect of movement in exchange rates	5.2	-	5.2
At 30 June 2013	<u>279.9</u>	<u>(227.4)</u>	<u>52.5</u>

Debt Profile

£m	H1 2013	FY 2012	H1 2012
Bank amortising term loan	-	30.0	90.0
6.52% Sterling Notes August 2014	8.5	8.5	8.5
7.04% Sterling Notes July 2016	141.1	141.1	141.1
5.25% Sterling Notes June 2019	80.0	80.0	-
Finance leases	-	-	0.1
Unamortised issue costs	(2.2)	(3.8)	(3.3)
	<u>227.4</u>	<u>255.8</u>	<u>236.4</u>

Balance Sheet

£m	June 2013	December 2012	June 2012
Goodwill	282.0	278.5	403.5
Deferred consideration	(5.6)	(5.8)	(7.7)
Associates/investments	10.9	10.0	9.8
Operating assets/(liabilities)	64.1	35.4	44.8
Interest/facility fees	(9.2)	(5.5)	(10.4)
Tax	(21.9)	(23.5)	(16.5)
Pension scheme surplus net of deferred tax	44.2	26.9	24.0
	364.5	316.0	447.5
Net funds	52.5	56.0	36.3
Net assets/Shareholders' funds	417.0	372.0	483.8

Operating Assets/(Liabilities)

£m		June 2013	December 2012	June 2012
Fixed assets		49.7	47.3	43.7
Trade receivables		94.8	69.4	85.3
Net settlement balances		2.7	0.6	2.7
Other debtors/prepayments		80.3	81.0	91.5
Payables/accruals		(154.4)	(151.6)	(153.8)
Provisions - Property and other		(6.2)	(6.4)	(14.4)
- Restructuring		(2.8)	(4.9)	(10.2)
		64.1	35.4	44.8
Gross settlement balances	- Receivable	37,162.7	5,721.9	29,450.7
	- Payable	(37,160.0)	(5,721.3)	(29,448.0)
		2.7	0.6	2.7

Pension Scheme Surplus

£m	June 2013	December 2012	June 2012
Scheme assets	228.4	204.3	195.8
IAS19 valuation of liabilities	(160.4)	(162.9)	(158.9)
Accounting Surplus	68.0	41.4	36.9
Related deferred tax liability	(23.8)	(14.5)	(12.9)
	44.2	26.9	24.0
Discount rate applied	4.6%	4.4%	4.4%



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Chief Executive



Outlook

- Market conditions challenging
- Continued benefit from cost reduction actions
- Increase in regulatory readiness project costs
- Impact of SEF implementation

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Appendices



Profit & Loss Restatement for IAS 19

£m	H1 2012			FY 2012		
	Underlying	Adjustment	Restated	Underlying	Adjustment	Restated
Revenue	455.1		455.1	850.8		850.8
Operating profit	73.7	(0.3)	73.4	126.0	(0.5)	125.5
Finance income/(expense) - cash	(7.4)		(7.4)	(15.1)		(15.1)
- non cash	2.0	(1.6)	0.4	3.8	(2.9)	0.9
Profit before tax	68.3	(1.9)	66.4	114.7	(3.4)	111.3
Tax	(18.2)	0.7	(17.5)	(27.5)	1.2	(26.3)
Associates	0.8		0.8	1.2		1.2
Minorities	(0.2)		(0.2)	(0.3)		(0.3)
Earnings	50.7	(1.2)	49.5	88.1	(2.2)	85.9

Comparison with Sector – most recent 12 months

Most recent published 12 months (basis: see page 41)	Revenue £m	Revenue Growth Year on Year %	Operating Margin %
ICAP (Electronic Broking)	268	-11%	42.2%
ICAP (Post Trade and Information)	207	0%	43.5%
ICAP (Voice Broking)	997	-15%	10.5%
ICAP (All activities)	1,472	-12%	20.9%
Tullett Prebon	836	-8%	14.8%
BGC Partners Inc (Financial Services only)	742	-12%	2.4%
Tradition	643	-7%	4.4%
GFI	481	-12%	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 March 2013 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 2013 with prior year comparatives. Operating profit margin is shown before exceptional items
- BGC Partners Inc. is 12 and 6 months to March 2013 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 June 2013 with prior year comparatives on the most recently reported basis. Operating profit margin is 12 and 6 months to December 2012
- GFI is 12 and 6 months to June 2013 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 12 July 2013

Investor	Holding	(%)
1 Jupiter Asset Management	23,011,713	10.57
2 Scottish Widows Investment Partnership	21,272,061	9.77
3 Aberforth Partners LLP	14,341,397	6.59
4 Schroder Investment Management	12,469,541	5.73
5 Oppenheimerfunds	12,316,833	5.66
6 Director & Related Holding(s)	9,939,251	4.56
7 Invesco Trimark	9,216,881	4.23
8 Henderson Global Investors	8,842,034	4.06
9 Norges Bank Investment Management	7,321,716	3.36
10 LSV Asset Management	7,167,900	3.29
11 Legal & General Investment Management	7,154,923	3.29
12 Liontrust Asset Management	5,377,017	2.47
13 Liberty Square Asset Management	5,315,428	2.44
14 Majedie Asset Management	4,374,982	2.01
15 M&G Investments	4,072,804	1.87
16 BlackRock Investment Management (UK)	3,315,909	1.52
17 Premier Asset Management	3,130,202	1.44
18 Dimensional Fund Advisors	2,721,320	1.25
19 State Street Global Advisors	2,514,233	1.15
20 BP Investment Management	2,432,026	1.12
	<hr/> 166,308,171	<hr/> 76.38