

# Tullett Prebon plc

## Preliminary Results 2014

March 2015





**John Phizackerley**  
**Chief Executive**



# Agenda

**2014 Summary** John Phizackerley

**Financial review** Paul Mainwaring

**Strategy and Outlook** John Phizackerley

**Q&A**

# Financial Highlights

## 2014: good operational discipline in a challenging market environment

- Revenue £703.5m (2013: £803.7m)
- Operating profit £100.7m (2013: £115.4m)
- Operating margin 14.3% (2013: 14.4%)
- Basic EPS 32.3p (2013: 36.0p)
- Total dividend for the year 16.85p, unchanged from 2013
- Reduction in annual fixed costs of over £45m

# Operational Highlights in 2014

- PVM acquisition
- BGC litigation brought to successful conclusion
- Completed cost improvement programme
- New clear standards on culture and conduct
- Developing a strategy for growth
- Industry recognition: multiple awards



**Paul Mainwaring**  
**Finance Director**



# Revenue

£m (2013 at constant exchange rates)

2014

2013

Change

H1

360.3

422.6

-15%

H2 – excluding PVM

335.7

354.6

-5%

– PVM

7.5

-

703.5

777.2

-9%

Exchange translation

-

26.5

703.5

803.7

-12%

# Revenue by Product Group

£m (2013 at constant exchange rates)

2014

2013

Change

Treasury Products

190.5

203.1

-6%

Interest Rate Derivatives

140.6

166.9

-16%

Fixed Income

186.5

218.0

-14%

Equities

39.5

41.6

-5%

Energy

100.0

101.6

-2%

Info Sales/Risk Management Services

46.4

46.0

+1%

703.5

777.2

-9%

Exchange translation

-

26.5

703.5

803.7

-12%



# Revenue by Region

£m (2013 at constant exchange rates)

2014

2013

Change

Europe and the Middle East

405.6

465.6

-13%

Americas

201.6

219.2

-8%

Asia Pacific

96.3

92.4

+4%

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703.5

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777.2

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-9%

Exchange translation

-

26.5

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703.5

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803.7

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-12%

# Underlying Operating Profit & Margin

	2014		2013	
	£m	Margin	£m	Margin
H1	50.3	14.0%	71.4	16.2%
H2 – excluding PVM	48.9	14.6%	44.0	12.1%
– PVM	1.5	20.0%	-	-
	<u>100.7</u>	<u>14.3%</u>	<u>115.4</u>	<u>14.4%</u>

# Underlying Operating Profit & Margin by Region

£m	Underlying Operating Profit			Margin	
	2014	2013	Change	2014	2013
Europe and the Middle East	80.1	97.9	-18%	19.8%	20.9%
Americas	10.5	10.4	+1%	5.2%	4.4%
Asia Pacific	10.1	7.1	+42%	10.5%	7.0%
	<u>100.7</u>	<u>115.4</u>	<u>-13%</u>	<u>14.3%</u>	<u>14.4%</u>

# Cost Improvement Programme

- Reduction in annual fixed costs of over £45m
- Headcount reduction:
  - 166 front office
  - 51 support and 'other'
- Vacating office space
- Annualised operating profit benefit £35m
- 2014 operating profit benefit c.50% of £35m
- Exceptional charge £46.7m (of which £22.0m is non-cash)

# Costs

## Broker compensation costs as % of broking revenue:

- 2014 : 56.1%
- 2013 : 58.3%
- 2012 : 59.8%

## Regulatory readiness project costs:

- 2014 : c.3% of revenue
- 2013 : c.2% of revenue
- 2012 : <1% of revenue

# Total Headcount - Movements

	Brokers	Support	Other*	Total
<b>At 31 December 2013</b>	1,687	747	162	2,596
Net hires / (attrition)	52	(6)	(7)	39
Cost improvement programme	(166)	(37)	(14)	(217)
<b>At 31 December 2014 – exc. PVM</b>	1,573	704	141	2,418
PVM	129	61	4	194
<b>At 31 December 2014</b>	1,702	765	145	2,612

\*Corporate, Information Sales and RMS

# Underlying Profit & Loss

£m	2014			2013
	Base	PVM	Total	
Revenue	696.0	7.5	703.5	803.7
Operating profit	99.2	1.5	100.7	115.4
Net finance expense	(14.1)	-	(14.1)	(15.8)
Profit before tax	85.1	1.5	86.6	99.6
Tax	(16.5)	(0.4)	(16.9)	(22.4)
Associates	1.9	-	1.9	1.4
Minorities	(0.4)	-	(0.4)	(0.2)
Earnings	70.1	1.1	71.2	78.4
Weighted Average Shares in Issue	217.8m	2.6m	220.4m	217.8m
Basic EPS	32.2p	42.3p	32.3p	36.0p
Effective tax rate	19.4%	23.7%	19.5%	22.5%

# Underlying Profit & Loss – Full Year Proforma

£m	2014			2013
	Base	PVM	Total	
Revenue	696.0	76.2	772.2	803.7
Operating profit	99.2	12.9	112.1	115.4
Net finance income/(expense)	(14.1)	0.1	(14.0)	(15.8)
Profit before tax	85.1	13.0	98.1	99.6
Tax	(16.5)	(3.1)	(19.6)	(22.4)
Associates	1.9	-	1.9	1.4
Minorities	(0.4)	-	(0.4)	(0.2)
Earnings	70.1	9.9	80.0	78.4
Weighted Average Shares in Issue	217.8m	25.8m	243.6m	217.8m
Basic EPS	32.2p	38.4p	32.8p	36.0p
Effective tax rate	19.4%	23.7%	20.0%	22.5%



# Exceptional and Acquisition Related Items

£m	2014	2013
Cost improvement programme	(46.7)	-
Major legal actions	3.1	(15.2)
Acquisition costs	(1.8)	-
Amortisation of acquisition deferred consideration	(0.9)	-
Goodwill impairment	(6.8)	-
	<u>(53.1)</u>	<u>(15.2)</u>
Tax relief	<u>6.5</u>	<u>2.4</u>

# Major Legal Actions

## **FINRA arbitration**

- Outcome determined in July 2014
- \$33.3m awarded to the group's subsidiaries
- \$6.3m to be paid by the group's subsidiaries
- Net \$27.0m (£16.0m) received in August 2014

## **New Jersey Superior Court**

- Settlement agreement with BGC January 2015
- BGC will pay \$100m to the Company
- Settles all other outstanding litigation
- \$25m (£16.4m) received January 2015
- \$75m to be received before end March 2015

# Operating Cash Flow

£m	2014	2013
Underlying Operating profit	100.7	115.4
Share based compensation and other non-cash items	0.9	1.0
Depreciation/amortisation	13.6	13.4
EBITDA	115.2	129.8
Capital expenditure	(11.0)	(17.0)
Decrease in initial contract prepayments	8.7	16.6
Other working capital	(21.9)	(21.7)
Operating cash flow	91.0	107.7
% of operating profit	90%	93%

# Net Cash Flow

£m	2014	2013
Operating cash flow	91.0	107.7
Cost improvement programme 2014	(17.0)	-
Restructuring 2011/2012	(0.9)	(3.2)
Major legal actions	3.1	(15.2)
Interest	(15.2)	(14.9)
Taxation	(15.9)	(27.5)
Dividends received from associates/paid to minorities	0.8	0.7
Acquisitions/Investments	(8.7)	(2.3)
Cash flow before debt repayments and dividends	<u>37.2</u>	<u>45.3</u>

# Movement in Cash and Debt

£m	Cash	Debt	Net
At 31 December 2013	282.8	(227.6)	55.2
Cash flow	37.2	-	37.2
Dividends	(36.7)	-	(36.7)
Debt repayments	(8.5)	8.5	-
Amortisation of debt issue costs	-	(0.6)	(0.6)
Cash acquired with subsidiaries	17.5	-	17.5
Effect of movement in exchange rates	5.5	-	5.5
At 31 December 2014	<u>297.8</u>	<u>(219.7)</u>	<u>78.1</u>

# Balance Sheet

£m

December 2014

December 2013

Intangible assets arising on consolidation	336.6	275.6
Deferred consideration	(6.4)	(1.7)
Associates/investments	10.2	9.7
<b>Operating assets/(liabilities)</b>	<b>20.4</b>	<b>46.4</b>
Interest/facility fees	(4.7)	(4.2)
Tax	(11.1)	(15.4)
Pension scheme surplus net of deferred tax	40.4	32.8
	<hr/>	<hr/>
	385.4	343.2
<b>Net funds</b>	<b>78.1</b>	<b>55.2</b>
	<hr/>	<hr/>
Net assets/Shareholders' funds	463.5	398.4
	<hr/>	<hr/>

# Operating Assets/(Liabilities)

£m

December 2014

December 2013

Fixed assets		49.5	50.6
Trade receivables		87.8	70.2
Net settlement balances		1.8	0.7
Other debtors/prepayments		38.0	64.9
Payables/accruals		(140.4)	(133.9)
Provisions		(16.3)	(6.1)

**20.4**

**46.4**

Gross settlement balances	- Receivable		
	- Payable		

3,134.1

5,682.5

(3,132.3)

(5,681.8)

**1.8**

**0.7**



**John Phizackerley**  
**Chief Executive**

**Strategy and Outlook**





# PVM: a Leading Oil Brokerage

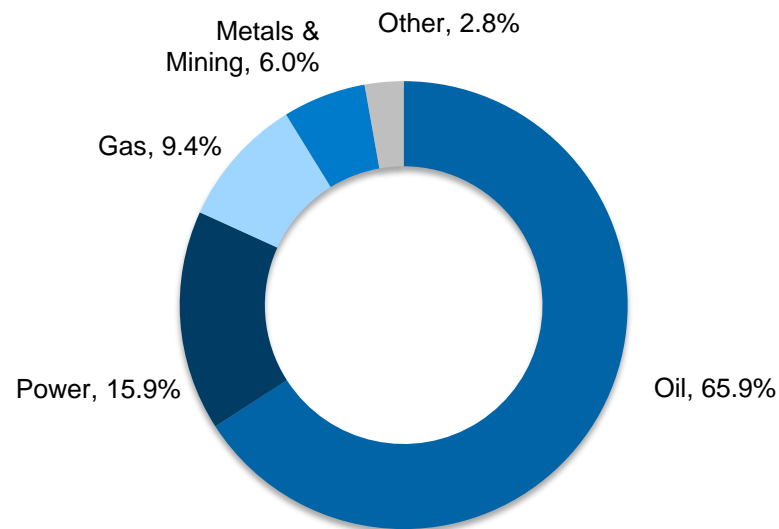
- 33 new broking desks and 130 specialist brokers
- 350+ clients
- Energy: 22% proforma Revenue
- Crude oil and petroleum products
- Biomass, biofuels, coal & carbon
- PVM Research – Energy Fundamentals Reports
- Additional data for TPI



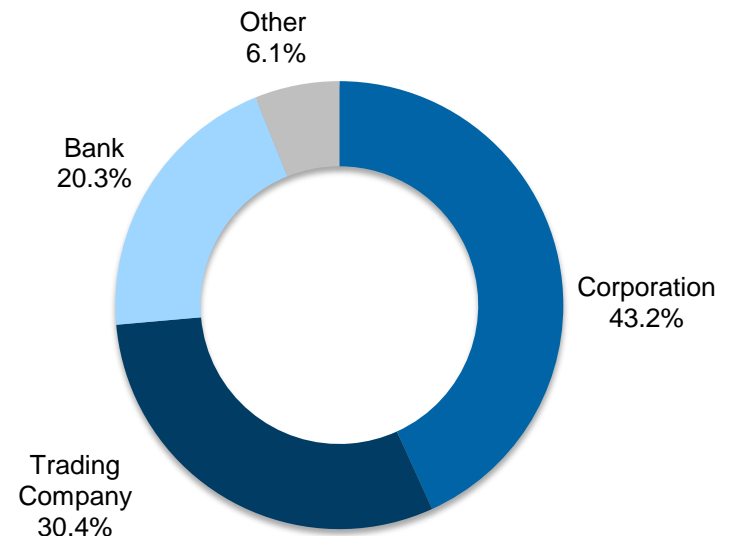
# Tullett Prebon: a Global Energy Business

- Energy now 22% of group revenues
- Diversifies revenue and client base

Energy Revenues – by product type



Energy Revenues – by customer type

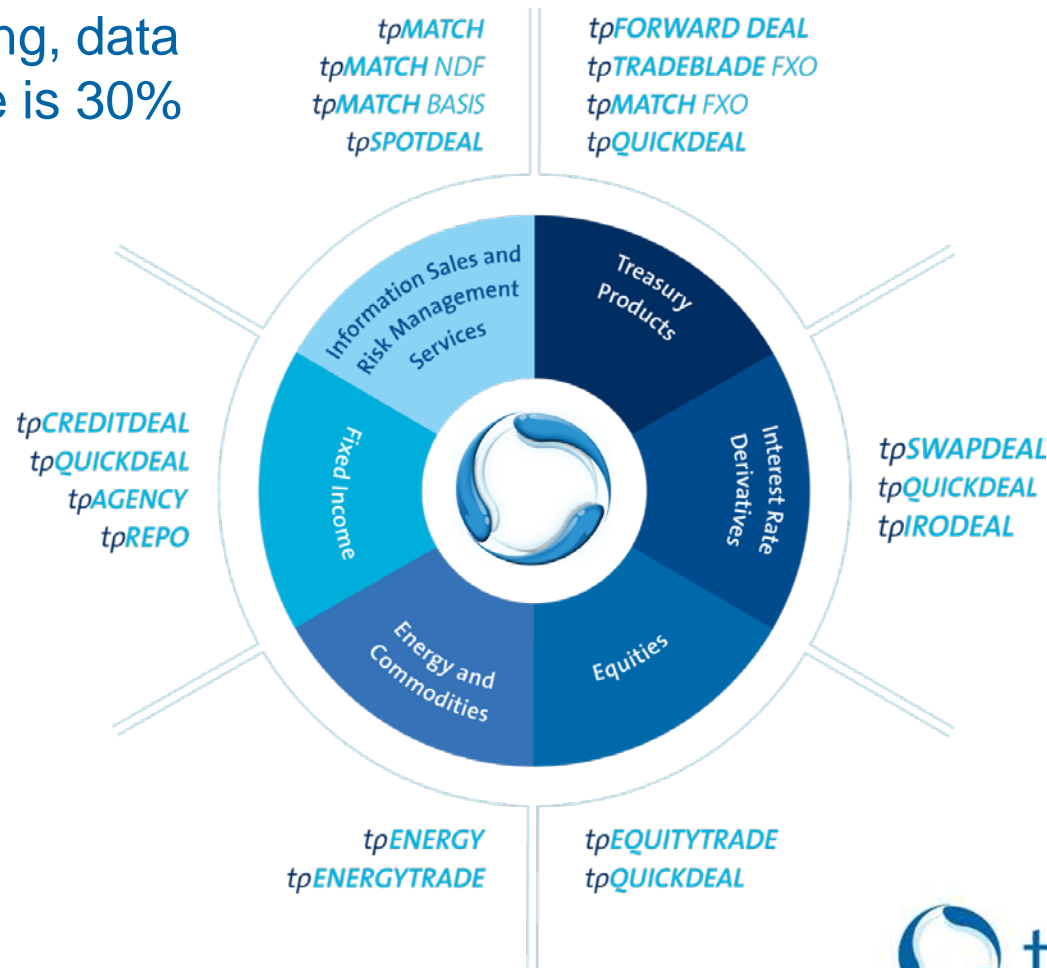


# Rebuilding the US Franchise

- 40 new fixed income brokers from Murphy & Durieu
- Corporate bonds, convertibles, municipals, high yield
- Broker headcount in the Americas now c.550
- BGC settlement removes a distraction and legal costs

# Technology Rich Client Offering

Hybrid e-trading, data and post trade is 30% of Revenues



# Industry Recognition: 2014 Awards



## **Risk Magazine's 2014 Annual Interdealer Rankings**

More No. 1 positions than any other single interdealer broker

Voted best overall IDB in Currency



## **FX Week Best Banks Awards 2014**

Best Broker for Forward FX  
14<sup>th</sup> year running



## **Inside Market Data Awards 2014**

Best Data Provider (Broker)  
4<sup>th</sup> year running

# Industry Recognition: 2014 Energy Awards



## Risk and Energy Risk Commodity Rankings 2014

Overall Top Broker in Electricity Products for 6<sup>th</sup> year running

Overall Top Broker in Oil Products



## Futures and Options Awards 2014

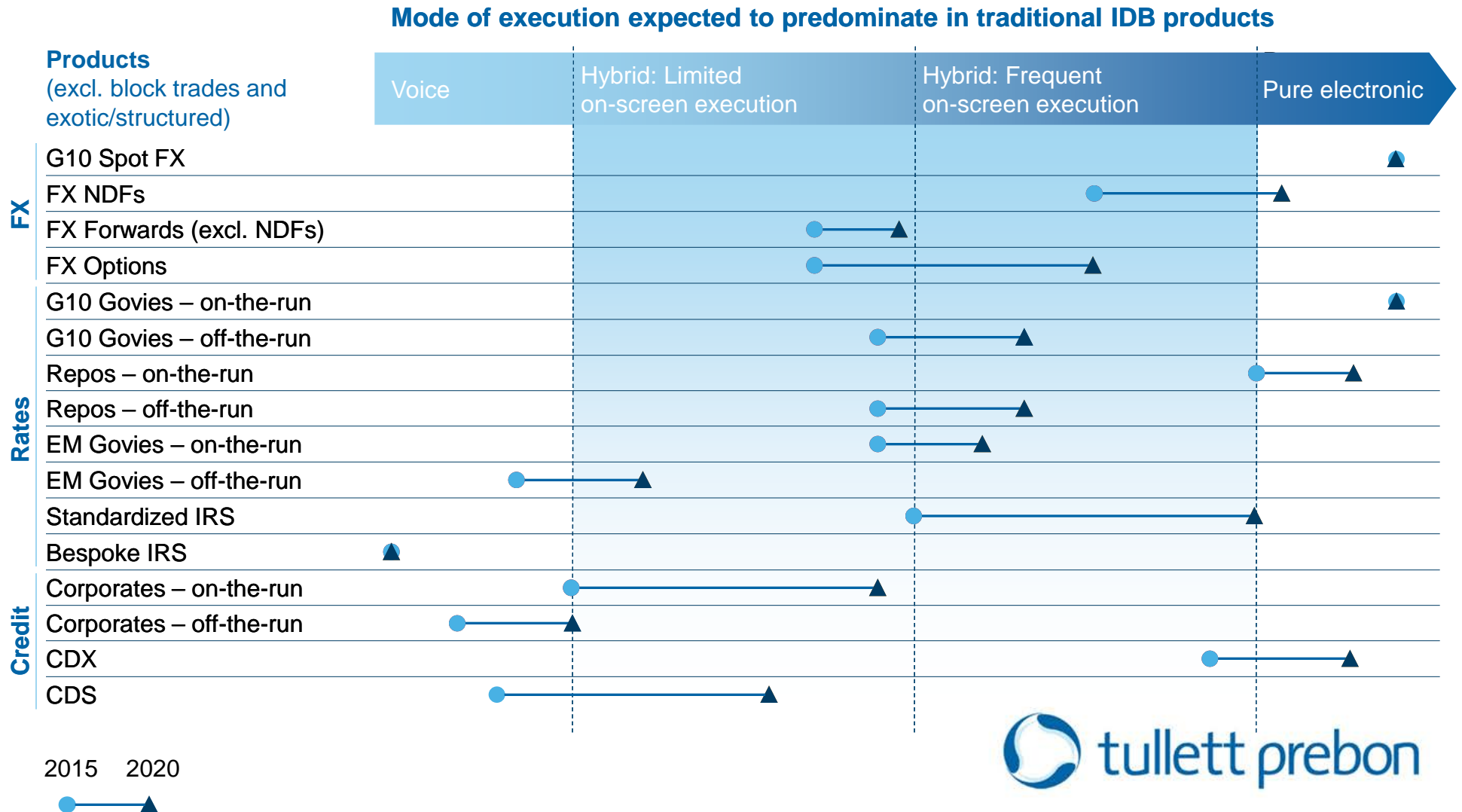
Commodities Broker of the Year and Best Innovation by a Broker



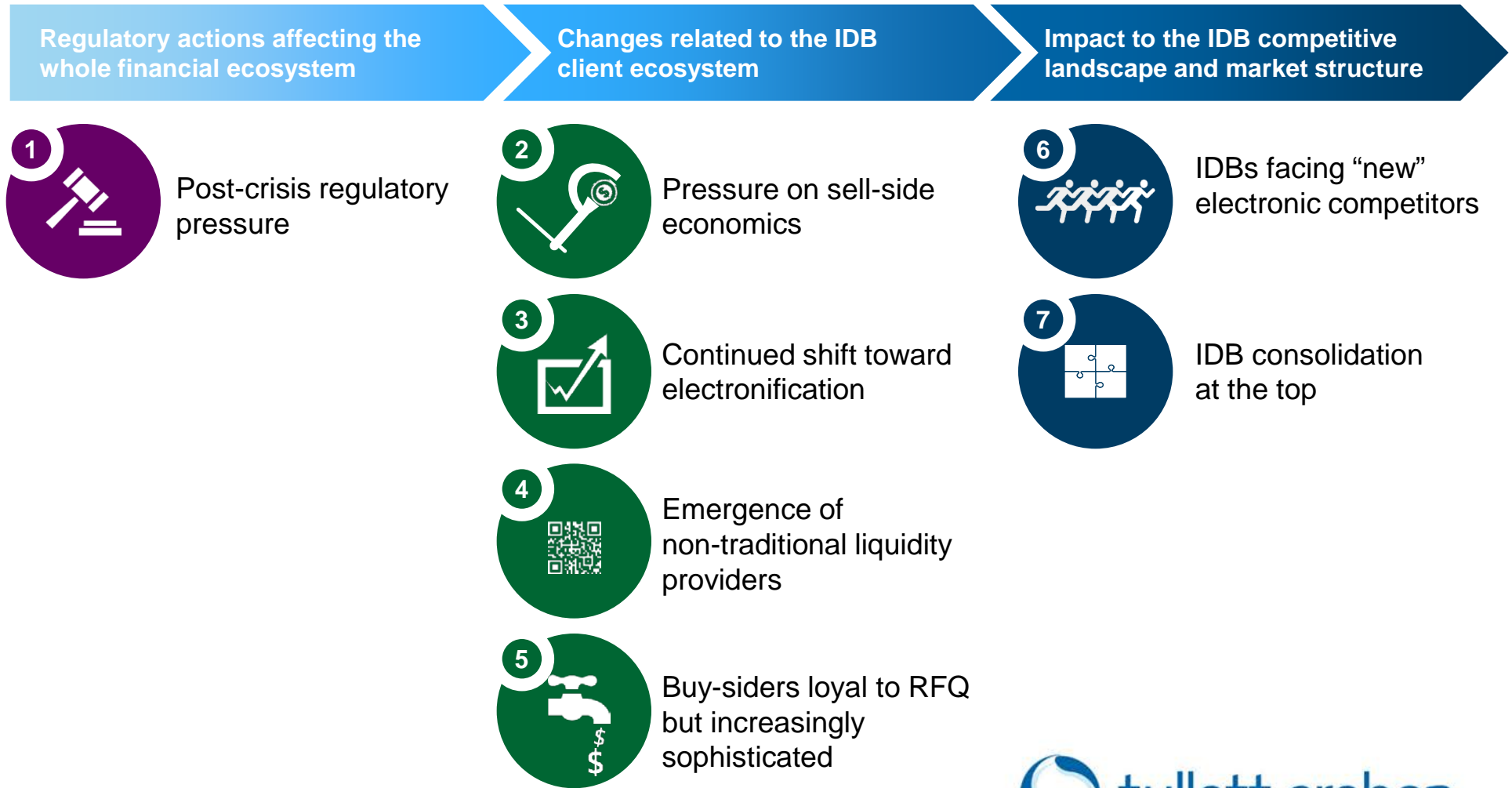
## GlobalCapital's 2014 Global Derivatives Awards

Commodity Derivatives Interdealer Broker of the Year

# In traditional interdealer markets, electronification is expected to increase



# We identified 7 main trends affecting our industry





# Developing a Strategy to Drive Growth

## Understanding what our people think



# Developing a Strategy to Drive Growth

## Understanding what our clients want



# Segmenting our global businesses

- Optimising our current businesses
- Segmented and modelled 71 global business lines by:
  - fee pools
  - competition
  - margins
  - regulation
  - technology
  - macro outlook

**1 Spot FX London**

**2 Forward FX London**

**3 Cash & Deposits / Non-banking London**

**71 'cells' have been defined with the Regional CEOs as the relevant components of the business, 66 were assessed to date**

Market	Revenue	Profit	Market Share	TP Market Share
Total UK market revenue, Q3	34			
Proposed market revenue growth, %	-3.6%			
TP Market Share	20%			
TP position in the ranking	1			

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# Launched New Cultural Framework

## Time For Change



## Our culture

“We are known in the market for our **Honesty, Integrity and Excellence** in the provision of services to clients. Above all else, we **Respect** our clients and each other, without bias.”

# Launched New Cultural Framework

## Principles embedded throughout the business

acting as a good intermediary

We act honestly, fairly and professionally in serving our clients.

clean pricing

We always communicate prices and market data based on levels that reflect market supply and demand, market liquidity and risk.

appropriate disclosure of information

We always uphold client confidentiality and do not provide misleading or false information.

financial crime

We shall ensure that our services are not used to facilitate financial crime and we report all suspicious transactions and activities to the relevant authorities.

quality of market infrastructure

We provide resilient infrastructure to meet our client and market obligations. We invest in new technologies to innovate and protect against threats such as cyber crime.



# Summary

- Strong operating performance
- Important milestones delivered
- Financial discipline
- Building a strategic roadmap for growth
- Strong commitment to regulatory agenda
- A dynamic environment which offers many opportunities

# Appendices



# Net Finance Expense

£m	2014	2013
Interest receivable on cash balances	1.4	1.8
Payable on Sterling Notes	(14.5)	(14.7)
Bank loan and RCF commitment fee	(1.5)	(1.7)
Amortisation of debt issue costs	(1.1)	(2.3)
Other interest	(0.5)	(0.3)
Cash interest and fees	(16.2)	(17.2)
Deemed pension scheme income	2.2	1.9
Amortisation of discount on deferred consideration	(0.1)	(0.5)
Non cash interest	2.1	1.4
	<b>(14.1)</b>	<b>(15.8)</b>



# Debt Profile at Year End

£m	2014	2013
6.52% Sterling Notes August 2014	-	8.5
7.04% Sterling Notes July 2016	141.1	141.1
5.25% Sterling Notes June 2019	80.0	80.0
Unamortised issue costs	(1.4)	(2.0)
	<u>219.7</u>	<u>227.6</u>

# Pension Scheme Surplus

£m	December 2014	December 2013
Scheme assets	255.7	226.1
IAS19 valuation of liabilities	(193.6)	(175.6)
Accounting surplus	62.1	50.5
Related deferred tax liability	(21.7)	(17.7)
	40.4	32.8
Discount rate applied	3.7%	4.4%

# Major Shareholders as at 16 February 2015

Investor	Holding	(%)
1 Schroder Investment Management	30,846,799	12.67
2 Jupiter Asset Management	21,394,134	8.79
3 Aberforth Partners LLP	15,340,130	6.30
4 Majedie Asset Management	13,027,423	5.35
5 Oppenheimerfunds	12,789,305	5.25
6 Invesco Trimark	11,255,747	4.62
7 Aberdeen Asset Management Limited	10,565,143	4.34
8 Terry Smith	9,645,510	3.96
9 Henderson Global Investors	9,118,815	3.74
10 Allianz KAG Frankfurt	8,371,881	3.44
11 Liontrust Asset Management	7,895,047	3.24
12 LSV Asset Management	6,630,454	2.72
13 Legal & General Investment Management	6,027,907	2.48
14 Norges Bank Investment Management	5,222,530	2.14
15 David Hufton	4,757,825	1.95
16 BlackRock Investment Management (UK)	4,534,662	1.86
17 Dimensional Fund Advisors	3,851,543	1.58
18 Simon Andrews	3,397,787	1.40
19 Neptune Investment Management	3,169,272	1.30
20 Charles Stanley & Co Limited	3,069,648	1.26
	<u>190,911,562</u>	<u>78.40</u>