



# Tullett Prebon plc

## Interim Results 2015

28 July 2015





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



# H1 2015 Financial highlights

## **H1 2015: Good performance in subdued market conditions**

- Revenues up in every geography
- Revenue up 15% to £415.7m (2014: £360.3m)
- Operating profit up 20% to £60.6m (2014: £50.3m)
- Operating margin 14.6% (2014: 14.0%)
- Profit before tax £52.9m (2014: £43.2m)
- Basic EPS 17.7p (2014: 16.0p)
- Interim dividend 5.6p per share – 50% of 2014 final dividend

# H1 2015 Operational highlights

- Outstanding result from PVM
- Acquisition of MOAB reinforces US energy franchise
- Resilient performance from core broking business
- Strong contribution from Information Sales & Risk Management Services
- TPI named Best Data Provider (Broker) at Inside Market Data Awards for 5<sup>th</sup> consecutive year

# Awards

Tullett Prebon Information: Best Data Provider at Inside Market Data Awards for 5<sup>th</sup> year running



# H1 2015 Overview: Market themes

## Main themes

- Overall markets mixed despite some evidence of stabilising
- Trading activity remains subdued
- Little sign of increase in risk appetite among core bank client base
- H1 volatility events did not generally translate to higher volumes
- H1 energy sector volatility did lead to higher volumes



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



# Revenue

£m	H1 2015	H1 2014	Change
Excluding PVM			
- Broking	336.5	337.4	-3%*
- Information Sales/RMS	26.9	22.9	+16%*
	<u>363.4</u>	<u>360.3</u>	<u>-1%*</u>
PVM	52.3	-	-
Total revenue	<u>415.7</u>	<u>360.3</u>	<u>+15%</u>

*\*At constant exchange rates*



# Revenue by product group

£m (2014 at constant exchange rates)	H1 2015	H1 2014	Change
Treasury Products	96.0	99.4	-3%
Interest Rate Derivatives	76.2	71.6	+6%
Fixed Income	93.6	105.6	-11%
Equities	21.5	21.6	-0%
Energy	101.2	47.3	+114%
Info Sales/Risk Management Services	27.2	23.2	+17%
	<hr/> 415.7	<hr/> 368.7	<hr/> +13%
Exchange translation	-	(8.4)	-
	<hr/> 415.7	<hr/> 360.3	<hr/> +15%

# Revenue by region

£m (2014 at constant exchange rates)	H1 2015	H1 2014	Change incl. PVM	Change excl. PVM
Europe and the Middle East	241.9	208.1	+16%	-4%
Americas	117.9	110.9	+6%	+1%
Asia Pacific	55.9	49.7	+12%	+5%
	<u>415.7</u>	<u>368.7</u>	<u>+13%</u>	<u>-1%</u>
Exchange translation	-	(8.4)	-	-
	<u>415.7</u>	<u>360.3</u>	<u>+15%</u>	<u>+1%</u>

# Underlying operating profit and margin by region

£m	Underlying operating profit			Margin	
	H1 2015	H1 2014	Change	H1 2015	H1 2014
Europe and the Middle East	46.3	43.0	+8%	19.1%	20.6%
Americas	7.1	2.7	+163%	6.0%	2.6%
Asia Pacific	7.2	4.6	+57%	12.9%	9.5%
	<u>60.6</u>	<u>50.3</u>	<u>+20%</u>	<u>14.6%</u>	<u>14.0%</u>

# Costs

## Change in fixed broker employment costs (H1 2015 vs H1 2014 excl. PVM):

• Europe and the Middle East	:	-10%
• North America	:	-17%
• Asia Pacific	:	-8%
• Total	:	-11%

## Broker compensation costs as % of broking revenue:

• H1 2015	:	55.6% (55.7% incl. PVM)
• H1 2014	:	56.7%
• H1 2013	:	58.2%

# Underlying profit & loss

£m	H1 2015	H1 2014
<b>Revenue</b>	<b>415.7</b>	<b>360.3</b>
Operating profit	60.6	50.3
Net finance expense	(7.7)	(7.1)
<b>Profit before tax</b>	<b>52.9</b>	<b>43.2</b>
Tax	(10.8)	(9.3)
Associates	1.2	1.2
Minorities	(0.3)	(0.2)
<b>Earnings</b>	<b>43.0</b>	<b>34.9</b>
Weighted average shares in issue	243.6m	217.8m
Basic EPS	17.7p	16.0p

# Exceptional and acquisition related items

£m	H1 2015	H1 2014
Credit/(charge) relating to major legal actions	64.4	(4.4)
Amortisation of acquisition deferred consideration	(5.2)	-
Amortisation of intangible assets arising on acquisition	(0.7)	-
Loss on disposal of subsidiary	(0.3)	-
Cost improvement programme	-	(28.6)
Acquisition costs	-	(1.3)
	<u>58.2</u>	<u>(34.3)</u>
Tax (charge)/relief	<u>(12.9)</u>	<u>2.2</u>

# Operating cash flow

£m	H1 2015	H1 2014
Underlying operating profit	60.6	50.3
Share-based compensation and other non-cash items	0.3	0.5
Depreciation/amortisation	7.4	6.7
EBITDA	68.3	57.5
Capital expenditure	(6.3)	(4.0)
(Increase)/decrease in initial contract prepayment	(2.2)	7.4
Other working capital	(13.7)	(33.1)
Operating cash flow	46.1	27.8

# Net cash flow

£m	H1 2015	H1 2014
Operating cash flow	46.1	27.8
Exceptional and acquisition related items		
- Cost improvement programme 2014	(3.8)	(3.8)
- Restructuring 2011/2012	(0.2)	(0.7)
- Major legal actions	64.4	(4.4)
- Acquisition costs	-	(1.3)
Interest	(2.1)	(2.4)
Taxation	(4.6)	(9.9)
Net dividends received from associates/paid to minorities	-	0.1
Acquisitions/Investments	(0.5)	(1.2)
Cash flow before debt repayments and dividends	99.3	4.2



# Movement in cash and debt

£m	Cash	Debt	Net
At 31 December 2014	297.8	(219.7)	78.1
Cash flow	99.3	-	99.3
Dividends	(27.4)	-	(27.4)
Debt and bank facility arrangement fees	(1.7)	-	(1.7)
Amortisation of debt issue costs	-	(0.3)	(0.3)
Cash sold with subsidiaries	(0.3)	-	(0.3)
Effect of movement in exchange rates	(3.1)	-	(3.1)
At 30 June 2015	<u>364.6</u>	<u>(220.0)</u>	<u>144.6</u>

# Balance sheet

£m	June 2015	December 2014	June 2014
Intangible assets arising on acquisition	334.3	336.6	274.4
Deferred consideration	(6.5)	(6.4)	(0.9)
Associates/investments	14.4	10.2	10.5
Operating assets/(liabilities)	35.7	20.4	43.9
Interest/facility fees	(8.9)	(4.7)	(9.8)
Tax	(30.0)	(11.1)	(12.2)
Pension scheme surplus net of deferred tax	37.0	40.4	35.8
	376.0	385.4	341.7
Net funds	144.6	78.1	31.9
Net assets/Shareholders' funds	520.6	463.5	373.6



**John Phizackerley**

**Chief Executive**

**Strategy, Business Development  
and Outlook**



# MOAB: Expands our US energy presence

**MOAB Oil, Inc. is a market-leading brokerage firm with deep expertise in the brokerage of physical and financial instruments in the energy and commodities markets. It was established in 2003 and has 23 brokers.**

Acquisition adds expertise in:



Gasoline & Blendstocks



Biofuels



Natural Gas Futures



Distillates



# Costs

## **Broker compensation:**

- Improvement delivered
- Continued focus

## **Compliance, Risk Management and HR:**

- Competitive advantage
- Capital requirements
- Hired Global Chief Risk Officer
- Appointed Chair of Board Risk Committee

## **Support costs:**

- Optimise for the medium term
- IT 3 year strategic review

# Continuing to evolve our cultural framework

“Time for change”

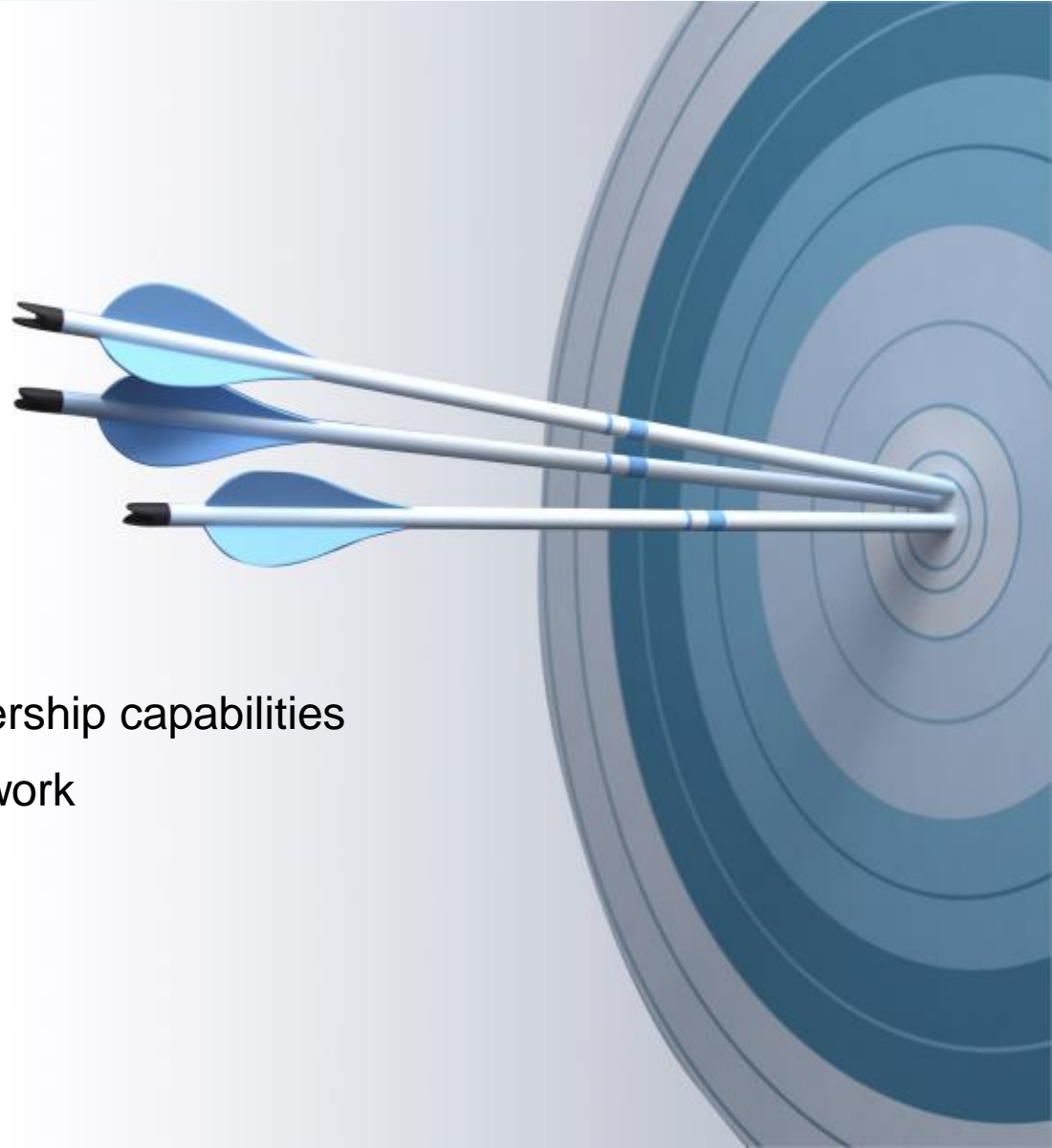
## Our culture

“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.”



# 10 Arrows

1. Strategically add brokers
2. Build our energy business
3. Win new all-to-all client business
4. Further monetise Tullett Prebon Information
5. Invest strategically in our IT
6. Adopt a focussed and disciplined CRM approach
7. Develop our acquisition and partnership capabilities
8. Create a robust investment framework
9. Recharge our HR
10. Design and market our brand



# Looking forward

- Markets remain challenging for traditional IDB business
- Investing in Energy and commodities
- Investing in the organisation
- Diversifying the client base
- Investing in growth opportunities
- Deliver the strategy to increase revenue and earnings for the medium and long term



**“The best operator in  
the hybrid voice sector”**

# Appendices



# Net finance expense

£m	H1 2015	H1 2014
Interest receivable on cash balances	0.8	0.7
Payable on Sterling notes	(7.0)	(7.3)
RCF commitment fee	(0.8)	(0.8)
Amortisation of debt issue and bank facility costs	(1.1)	(0.6)
Other interest	(0.2)	(0.2)
Cash interest and fees	(8.3)	(8.2)
Deemed pension scheme income	1.1	1.1
Unwind of discounted liabilities and provisions	(0.5)	-
Non cash interest	0.6	1.1
	<b>(7.7)</b>	<b>(7.1)</b>

# Debt profile

£m	June 2015	December 2014	June 2014
6.52% Sterling notes August 2014	-	-	8.5
7.04% Sterling notes July 2016	141.1	141.1	141.1
5.25% Sterling notes June 2019	80.0	80.0	80.0
Unamortised issue costs	(1.1)	(1.4)	(1.7)
	<u>220.0</u>	<u>219.7</u>	<u>227.9</u>

# Operating assets/(liabilities)

£m		June 2015	December 2014	June 2014
Fixed assets		48.0	49.5	47.4
Trade receivables		92.2	87.8	77.9
Net settlement balances		2.0	1.8	1.7
Other debtors/prepayments		39.5	38.0	38.6
Payables/accruals		(133.9)	(140.4)	(112.2)
Provisions		(12.1)	(16.3)	(9.5)
		<b>35.7</b>	<b>20.4</b>	<b>43.9</b>
Gross settlement balances	- Receivable	10,027.6	3,134.1	18,486.4
	- Payable	(10,025.6)	(3,132.3)	(18,484.7)
		<b>2.0</b>	<b>1.8</b>	<b>1.7</b>

# Pension scheme surplus

£m	June 2015	December 2014	June 2014
Scheme assets	257.9	255.7	237.0
IAS19 valuation of liabilities	(201.0)	(193.6)	(182.0)
Accounting surplus	56.9	62.1	55.0
Related deferred tax liability	(19.9)	(21.7)	(19.2)
	37.0	40.4	35.8
Discount rate applied	3.6%	3.7%	4.2%

# Major shareholders as at 9 July 2015

Investor	Holding	%
1. Schroder Investment Management	28,668,670	11.77
2. Jupiter Asset Management	21,341,496	8.76
3. Allianz KAG Frankfurt	13,813,666	5.67
4. Oppenheimerfunds	12,896,985	5.30
5. Majedie Asset Management	11,740,453	4.82
6. Invesco Trimark	11,494,082	4.72
7. Liontrust Asset Management	11,045,334	4.54
8. Aberdeen Asset Management Limited	10,732,538	4.41
9. Terry Smith	9,645,510	3.96
10. LSV Asset Management	6,596,245	2.71
11. Henderson Global Investors	6,367,609	2.61
12. Legal & General Investment Management	6,203,507	2.55
13. Neptune Investment Management	5,101,793	2.10
14. BlackRock Investment Management (UK)	5,022,666	2.06
15. Dimensional Fund Advisors	4,979,211	2.04
16. David Hufton	4,766,308	1.96
17. Norges Bank Investment Management	4,631,729	1.90
18. GLG Partners	3,061,564	1.26
19. Vanguard Group	2,960,303	1.22
20. State Street Global Advisors	2,924,350	1.20
	<u>183,994,019</u>	<u>75.56</u>