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# TP ICAP

## Interim Results Presentation
10th August 2022

## TP ICAP

Nicolas Breteau, Group, CEO

Robin Stewart, Group CFO

Daniel Fields, CEO, Global Broking

Andrew Polydor, CEO, Energy & Commodities

Mark Govoni, CEO, Agency Execution

Eric Sinclair, CEO, Parameta Solutions

## Questions From

Portia Patel, Canaccord

Piers Brown, HSBC

Vivek Raja, Shore Capital

Kim Bergoe, Numis

Jacob Lichware (?) Goldman Sachs

*Introduction and Key Highlights*

**Nicolas Breteau, Group, CEO**
So good morning, everyone, and thank you for joining us today. It is great to be able to meet again in person after two years of online meetings. We are going to give a more in-depth presentation than usual this morning so you will hear from the CEOs of our business divisions as well as me and Robin.

This gives you the opportunity to meet two new senior colleagues. Dan Fields is our new CEO of Global Broking; Dan joined us in May. He has over 25 years' experience in capital markets, including having been Global Head of Markets at Société Générale. This experience, together with his strong client relationships, makes Dan well placed to drive forward the transformation of Global Broking.

Mark Govoni joined us in April as the CEO of Agency Execution. Mark comes from Instinet where his most recent role was President of US Brokerage. Mark brings real expertise in US equities, and we are delighted that he is leading our Agency Execution business.

Dan and Mark join us at an exciting time to accelerate the execution of our strategy.

You are already familiar with Andrew Polydor, CEO of Energy & Commodities, and Eric Sinclair, CEO of Parameta Solutions.

So here's our agenda for the morning. I will start with operational and strategic highlights before Robin covers the Group's financial performance. Dan, Andrew, Mark and Eric will then talk about each of our business divisions before I wrap up with a brief conclusion. We will then open the floor for questions.

So, turning to the highlights. It has been a strong first half, with significant volatility driven by macro events and rising inflation. Against this backdrop we increased revenue by 7%, or 12% including Liquidnet.

Within this, Global Broking revenue was up 8% with growth across all asset classes. We delivered a strong performance in Rates in particular, which as you know is our largest asset class.

Revenue per broker was up 14% and contribution per broker grew 21% before the impact of charges taken as a result of Russian sanctions.

We also delivered continued double digit revenue growth in our Data and Analytics business.

This strong performance raised our margin to 16.1%, excluding any impact from Russia. Including the impact, the margin was 13.1%.




+44 20 7243 7350
london@wtvglobal.com

World Television Ltd
18 King William street
London EC4N 7BP, UK
Registered in England and Wales
No. 2590549
VAT GB727 519614

Following our re-dom last year, we have carried out the first phase of a review and identified around £100m of cash which we will free up by the end of 2023 to pay down debt. This will increase our credit rating headroom and reduce future finance costs.

More broadly, the Board will continue to assess our balance sheet requirements and is committed to identifying and returning any surplus capital to shareholders. We are announcing today an interim dividend per share of 4.5 pence, up 13% on the first half last year.

Moving now to our strategic highlights. I am pleased to report good progress as we execute our strategy. We continue to transform Global Broking with the rollout of Fusion, our award-winning electronic platform, from which clients can access the Group's aggregated liquidity.

We are on track to meet our roll out targets for this year, in both Global Broking and Energy & Commodities.

In Agency Execution we launched Liquidnet's dealer to client credit proposition in June, as planned. This is a key growth opportunity and important milestone in our strategy to fully electronify the life cycle of a bond.

The initial launch was to a small number of clients, and this will be followed up with a wider campaign to the remaining client base during the second half. We are pleased with the progress to date; dealers are already connected, and the first trades have been completed.

Within Energy & Commodities, Fusion Digital Assets is an electronic marketplace for institutions. The launch of the platform is pending FCA approval. This is an exciting opportunity as this technology will enable blockchain trading in other asset classes in the future.

We have also announced today a new initiative developed by Parameta Solutions in partnership with Peer Nova, a Silicon Valley data management firm, and over a dozen of the world's largest investment banks. We are launching a new consensus pricing solution called ClearConsensus. This leverages our unique access to trade data to transform the way banks assess the fair value of their assets. This initiative helps further diversify our revenue and client base.

So as you can see, we are making meaningful progress in our strategy to transform and to diversify.

Now over to Robin to take you through our financial performance in more detail.

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***Financial Review***

**Robin Stewart, Group CFO**

Thank you, Nico, and good morning everyone.

We delivered a strong performance in the first half against a backdrop of heightened volatility caused by geopolitical events, tightening monetary policy and a slowdown in GDP growth.

Total revenue, excluding Liquidnet, was up 7% in constant currency, or 12% including Liquidnet.

We delivered growth across all our divisions and asset classes and continued to grow our overall market share.

A strong performance from Rates, resulted in an uplift in profitability.

As you heard from Nico, adjusted EBIT margin was 16.1% excluding the impact of Russia.

We continue to focus on managing our cost base effectively. We are on track to deliver £25m of Group savings for 2022. In addition we are also on track to deliver £25m of Liquidnet synergies by the end of 2023, in line with guidance.

Turning to the income statement, where my comparisons with the prior year are in constant currency. Revenue increased by 12% including Liquidnet. Adjusted EBITDA was up 14% with the margin up 0.3 percentage points.

Adjusted EBIT increased 15% to £142m and EBIT margin was also 0.3 percentage points higher at 13.1%. Excluding the impact of Russian exposures, the margin was 16.1%.

Net finance costs were £26m, 10% lower than the first half last year, as a result of our successful refinancing last November. This is in line with our full year guidance of £52m.

Adjusted earnings, before significant items, increased 33% to £100m and adjusted earnings per share grew from 10.2 to 12.8 pence. An interim dividend of 4.5 pence per share, which is up 13%, will be paid on 4 November. Our policy targets a 50% pay-out ratio for the full year. Typically, this will include a pay-out of 30% to 40% of first half adjusted earnings, with the balance paid in the final dividend.

Before I move on, I'd like to talk in more detail about the evolution of our Russian exposures since we last reported our position in March.

P&L charges have increased by £18m to £32m. This includes a £17m increase in unrealised losses and a £1m increase in the expected credit loss provision. There are no other sanctioned trade debtor exposures at risk to provide for so this £32m charge represents our maximum exposure. We have marked the entire portfolio to zero as there is very limited visibility on market prices. This follows a US ruling in June which prohibits all US banks from any further trading in Russian debt or equity instruments on the secondary market. These losses could, of course, reverse in the future if the market value of the assets increases.

This slide shows market volume movements by asset class in pale blue, alongside our year-on-year revenue growth in dark blue. As the charts illustrate, market volumes were mixed.

In Rates, LCH dealer volumes were up by nearly 20%. Historically, we have been more closely correlated to these volumes. The lack of correlation in the first half is due to market activity being concentrated in 0 to 2 year maturities, where the curve is steep. Transactions in shorter-dated contracts have a lower value.

In Credit, we outperformed strongly, while in Equities, we outperformed Euronext Volumes and underperformed Eurex.

In Foreign Exchange, we were broadly correlated with the number of Futures contracts traded on the CME.

And in Energy & Commodities, we underperformed ICE volumes.

Let me now take you through the key year-on-year movements in our adjusted EBIT. Reported EBIT was £142m compared with £117m in the first half last year. If you retranslate 2021 EBIT using current exchange rates, it results in EBIT of £123m. Contribution, before the impact of Russia and excluding Liquidnet, increased by £32m, reflecting the growth of the rates franchise in Global Broking.

Management and support costs increased by £2m and strategic investment was also £2m higher.

Liquidnet's EBIT contribution increased by £7m year-on-year.

Finally the weakness of sterling contributed to a £16m foreign exchange gain on the retranslation of net financial assets.

As you know, we successfully redomiciled from the UK to Jersey last year. Together with our continued progress on reducing legal entities, this has enabled us to identify opportunities to unlock cash. In aggregate, we expect to free up approximately £100m by the end of 2023. This will be used for the repayment of debt in order both to increase our investment grade rating headroom and reduce future finance costs, which is a priority in a rising interest rate environment.

We also continue to manage our liquidity needs effectively and have successfully renewed our RCF for a further 3 years, at a lower interest rate. We have added new lenders and increased the facility from £270m to £350m.

Let's turn now to the performance of the business divisions, starting with Global Broking. Again, my comparisons are in constant currency to give you a clearer picture of the underlying trends in the business.

Total revenue increased by 8% to £636m, benefiting from increased market volatility, with growth across all asset classes.

Rates, our largest and most profitable asset class, grew revenue by 8%. Both Credit and Foreign Exchange & Money Markets delivered double digit growth at 11 and 10% respectively, with 7% growth in Equities.

We no longer report Emerging Markets revenue separately and it has now been split across all the other asset classes.

The contribution margin decreased to 35.2%, reflecting the impact of Russian provisions. Excluding this impact, the margin was just over 40%.

Revenue per broker increased by 14%, reflecting both higher revenue and a reduction in the average number of brokers. Contribution per broker grew 6%, or 21% before Russian provisions which are booked as front office costs.

Adjusted EBIT was £106m and the margin increased from 16.1 to 16.7%.

In Energy & Commodities, revenue grew 2% to £197m. Energy and Commodity markets were especially volatile during the first quarter, mainly as a result of the war in Ukraine and supply and demand imbalances. The second quarter however saw less trading activity as clients went risk off due to significant price volatility. This impacted European Gas in particular. Adjusted EBIT of £25m was stable year-on-year, with an adjusted EBIT margin of 12.7%.

Agency Execution revenue increased 58% to £168m, driven by the inclusion of an additional quarter of Liquidnet revenue in the current period. Excluding Liquidnet, Agency Execution revenue increased 10%, driven by a strong performance from the Relative Value business, as well as from Rates. Adjusted EBIT of £3m was in line with the prior period.

Looking at Liquidnet only, on a pro forma basis, revenue decreased 6%, reflecting mixed market conditions. Volumes declined in the US and Asia but were up in Europe. Market share improved in the US and Europe, where the majority of revenue is generated. Liquidnet delivered a contribution of £44m, with a contribution margin of 38.6%. Adjusted EBIT was £5m, at a margin of 4.4%. We expect Liquidnet profitability to continue improving in the second half as we deliver more synergy savings.

In Parameta Solutions, which includes Data & Analytics and Post-Trade Solutions, revenue grew 6% to £91m.

The Data & Analytics business continued to grow in double digits with revenue up 11%, driven by the launch of new higher value products, an increasingly diversified client base, more regional sales coverage and growth in multichannel distribution.

Post-Trade Solutions revenue was £3m lower, at £8m.

The MatchBook service continues to be negatively impacted by the ending of LIBOR, and new products and solutions are being developed to counteract this. Adjusted EBIT of £36m was up 6%, at a margin of 39.6%.

Moving now to significant items. These are not included in the adjusted results so that we can better measure business performance and compare with other reporting periods.

Significant items amounted to £36m after tax and associates, which is less than half the amount in the first half last year. This decrease was driven primarily by a £16m price adjustment relating to Liquidnet. This follows a recent ruling of an independent arbitration on the purchase consideration. The non-recurrence of a £5m impairment of a shareholding in an associate in the first half of 2021. And finally a £17m swing on tax due to the non-recurrence of a £16m tax charge in the prior period. This charge was incurred because of the revaluation of deferred tax liabilities on acquisition intangibles, following a planned future increase in the UK corporate tax rate.

The reduction in significant items was partly offset by a £7m increase in restructuring costs, driven by an increase in Liquidnet-related property costs, largely the non-cash amortisation of right-of-use assets as we exit and sub-let floor space and an increase in costs to achieve Group savings, largely redundancy costs.

So we have reduced our full year guidance on significant items, excluding legal and regulatory costs, from £125m before tax, to £110m. And we expect them to reduce further in 2023. Our other guidance for the year remains unchanged.

So in summary, we've delivered a strong first half performance with revenue up 7% or 12% including Liquidnet. A strong performance in Rates has resulted in higher profitability. We are on track to reduce costs by £25m in 2022 and deliver Liquidnet synergies of £25m by the end of 2023. And as a result of our re-domiciliation we have identified £100m of cash that we will free up by the end of 2023 in order to pay down debt.

Thank you very much. I'll now hand over to Dan to talk about Global Broking.

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***Global Broking***

**Daniel Fields, CEO, Global Broking**
Thank you, Robin, and good morning everyone. I'll begin by sharing a bit of personal background, talk about why I'm here, and outline my priorities for the Global Broking businesses.

So, I've spent 30 years in finance, many of them at Société Générale, where I ran various businesses, including Global Head of Trading, Global Head of Flow Sales and Global Head of Markets.

I ran global markets through the turbulent post-global financial crisis period, so I'm very familiar with the market's ecosystem. And I've known TP ICAP and its broking businesses, ICAP, Tullett Prebon and others throughout those 30 years. I've known it as a service provider, a competitor, and an important part of the market's infrastructure, I have long respected the global strength of the TP ICAP Group.

So moving now to the clients of TP ICAP. I know the banks and the dealers as colleagues, as counterparties and as competitors. And the feedback I've gotten from them is that TP ICAP continues to grow as a strong brand across the entire financial ecosystem.

It is this quality, allied with the potential of the TP ICAP platform, which made me want to join the Group. I do so at what is an interesting time in the development of global markets.

Markets and clients' needs are changing. This creates opportunity. Specifically, I see the opportunity to help grow and evolve Global Broking. The goal being to increase its size and importance in the global market's infrastructure due to its unique liquidity pool.

To do this, I think about the attributes that will characterise Global Broking 2.0. The most important thing in any organisation is its culture. Its people. As I walk the broking floors, I see first-hand how our brokers are incredibly focused on finding the right solution for their clients. Be that in terms of liquidity, product, market venue or transactional process.

A top priority therefore is to support and enhance this innovative and entrepreneurial culture. Obviously, what goes along with that is FUSION and our digital transformation.

Fusion is an essential tool that we're providing to the industry. It helps to create deeper liquidity pools, and enables clients to trade in new, more efficient and safer ways. I'll focus more on Fusion later in my presentation.

The sum of these parts is that I want Global Broking to continue to have the best brokers, equipped with the best tech, working with the biggest and best clients in the world.

Just a few words on the business I am proud and excited to lead. Global Broking is the largest IDB in the world. Generally, where we transact, we are number one or two in the market. In




+44 20 7243 7350
london@wtvglobal.com
World Television Ltd
18 King William street
London EC4N 7BP, UK

Rates, we are the industry benchmark. That scale is important in a business where liquidity begets liquidity.

We are one of the world's largest operator of venues. The company we keep includes the CME, ICE, and the London Stock Exchange. This clearly positions TP ICAP as being a critical part of the market infrastructure.

Clients value our connectivity to the markets. They choose to do business with us because they know that we're plugged in everywhere, meaning we are best placed to connect them to liquidity.

This is illustrated by volume of deals that we do, five million transactions last year with a notional value of £217tr.

Being the largest IDB in the world means that Global Broking is also the world leading source of scarce, neutral, OTC pricing data. The exhaust from the Global Broking engine is the fuel for our partners in Parameta Solutions, home to the Group's Data & Analytics business.

So, as market participants' demand for data increases – which it is, as Eric will outline later – the value of Global Broking as a content generator grows.

I'll now share a few thoughts about current market conditions across the various asset classes.

First, Rates, our largest and most profitable asset class. The real focus on rates, and on markets as a whole, has been the removal of liquidity by central banks. This has led to the dramatic increase in short-term rates, as shown by the US Yield Curve on the top right-hand side of the slide. That's created a huge amount of volatility, opportunity and volume for us in our short-term rates businesses.

By way of comparison, the chart beneath shows that market volumes in long term rates are muted, reflecting the flat curve at the longer end. The point is this, while volume at the short end is very good, it is not necessarily peak, or optimal, market conditions for our business. There is the opportunity to grow and be bigger and better in the next stage of what I would call the likely market cycle. This is where the focus of the industry moves from short-term to the longer-term yield curve, as the different economic outlooks evolve.

So, while there's a lot of volume in the short term that's good for us, there's more margin in the longer-term product. And I think it's possible that we could have a more favourable environment down the road.

I'll now turn to the other asset classes we cover, Credit, Equities and FX.

In Credit, there was a very good start to the year, with an enormous amount of issuance by many issuers seeking funding in a low-rate environment. That issuance slowed notably in Q2, given the uncertain movement on the Rates. But as that headwind has lessened, we know that the pipeline is filling up and there is likely to be a new flood of issuance in Q3 and Q4.

In Equities, we've benefited on the volume and volatility side of the move in rates. This has forced a reconsideration of portfolio construction and asset allocation. This should continue throughout the rest of the year, generating both volume and volatility in Equities, from which we should benefit.

Finally, on FX, similar to Rates, there's been a lot of relative movement between one currency class and another, and we would expect that to continue.

Turning now to Fusion. We have developed and continue to develop Fusion so that we can evolve with our clients' needs. As the world gets more sophisticated, our clients are looking at asset classes differently. They are looking across product, across asset class and across transactions. Specifically, they are looking at correlation and the opportunities it offers.

In Fusion, we are rolling out the tech that clients need to trade correlation. And that offers exciting growth potential for us. To realise this potential, we're staying close to our clients to best understand what they need from a modern trading platform. Those requirements are summarised on the left of this slide - connectivity, analytics, efficiency with STP, etc.

Fusion delivers against these needs, as highlighted on the right. Superior UX, efficient workflow, quality reporting and analytics.

A key deliverable is silo deconstruction. Fusion will list correlated instruments alongside each other for the most liquid products traded through each desk. Clients can then tailor their screens according to areas of interest, whether to observe or transact. This will allow us to surface and sell correlation in a much more active way than we ever have done before.

Finally, Fusion has been well received by clients, by brokers and by the industry, with Risk Magazine awarding it OTC Trading Platform of the Year for 2022. Our immediate focus is to continue its systematic deployment.

Moving to the next slide, where we can see the value of Fusion in action. In a recent rate matching session, we managed more than 250 orders from 30 different traders in less than 50 minutes. This resulted in multiple single-sided trade matches. This type of volume and liquidity is beneficial to everybody. And it just can't happen in a pure voice framework. That shows the power and value of the platform.

Moving to my last slide, strategic priorities. In terms of my strategic priorities for the rest of the year, they centre on what I touched on at the beginning of my remarks. brokers, tech and clients.

Central to this is the deployment of Fusion, and we are on track to meet our full year 2022 rollout target. By equipping the best brokers with the best tech, we will remain best placed to bring value to our clients across the board.

Enhancing our inherent strengths and continuing to evolve mean that we will become even more relevant to our clients. Especially in these market conditions.

In summary then, Global Broking is well placed to maintain, and indeed extend our market leading position in the IDB space, across all classes, globally.

Thank you for listening. I'll now handover to Andrew.

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***Energy & Commodities***

**Andrew Polydor, CEO, Energy & Commodities**
Thank you, Dan and good morning. As you know we are the leading broker globally in Energy & Commodities. We have a very diverse client base with only a small proportion of our revenue coming from traditional bank client base.

The majority of our revenue is generated by producers, such as BP and Shell, trading houses like Vitol and Trafigura and increasingly funds.

We currently generate 60% of our revenue from oil products but we are starting to see a shift in this balance as we begin to grow out other products in areas such as weather and the environmental space.

With our global footprint we are well positioned to continue to benefit from the growth in these markets, along with digital assets, which I will touch on later.

We continue to execute our electronification strategy by rolling out the Fusion Energy OMS for oil. We currently have 41% of the oil desks actively using it and the plan is to have the remainder of the desks rolled out by the end of this year. This should greatly improve the workflow for both our customers and brokers creating both stickiness and seat value for the Group.

We have also rolled out Fusion Energy in the environmental markets, with a live screen deployed in Norway for the Green certificate market. This has been well received by the customers who like the ease of use and transparency that the platform provides.

We have further plans in H2 to rollout the screen for the Voluntary Emissions Market and the Australian Renewable Market, linking up our global network to create an Environmental Hub.

As we have mentioned previously, due to our global presence in Gas and Environmental products we are positioning ourselves as the broker for the transition to a low carbon world.

This, along with leveraging our market infrastructure expertise for Digital assets will provide us with a solid footing for both product and revenue growth in the years ahead.

Now I would like to touch on some current market trends.  As mentioned, there was extreme volatility and volumes traded in the first three and a half months of the year predominately due to Russia's impending and then subsequent invasion of the Ukraine.

As Robin mentioned this has now led to a risk off environment due to price volatility which has led to the widening of price spreads and an increase in margining by exchanges.  The effect of this is reduced trading limits for our customers which has led to fewer deals in the market.

These events have mostly impacted the European markets, with the US and Asia performing well in H1 but there is little doubt that the disruption to the oil and gas supply lines has had some global impact.

In Europe, gas is where we have seen most of the disruption, with prices currently trading around €160, which is six and a half times its normal level.  This has had a knock on effect on European power prices as a number of traders use power as a proxy for gas.

This graph shows the average volumes traded on ICE against the Bloomberg Petroleum sub index, which is a basket of products containing WTI crude and Brent Crude, Gasoline and Diesel.

As you can see here, after a small period of volatility in the beginning of March where volume traded, the continued extreme volatility post this period has resulted in volumes dropping off significantly.

One point to mention here is that very little of our revenue is in sterling so the weakening of the pound is having a positive effect on our reported revenues.

As I mentioned earlier, we are positioning ourselves to be the broker for the transition to a greener future.  Because of this we are seeing increased enquires for Renewable Energy products, hydrogen and rare earth metals, which are used in battery production.

We are also seeing rapid demand and growth in the Environmental space globally.  Here we have seen a circa 40% growth year on year in our revenues and we anticipate that this rate of growth will continue for the next year or so.




+44 20 7243 7350
london@wtvglobal.com
World Television Ltd
18 King William street
London EC4N 7BP, UK

Another area of interest and growth for us is the weather market, where we hold a leading position. We see the weather and emissions markets working closely together in the future, further enhancing our Environmental Hub offering.

Now a couple of words on digital assets. With all the press recently regarding digital currencies, you may think that our timing for launching a venue maybe a little off. Well, we actually think that due to what is going on in this space it's the perfect time to launch, and I will tell you why.

We are not entering the retail space, and as you know we do not take or hold positions and we do not hold customer money. The non-segregation of these roles, that is, operating a venue and holding customer funds, is where the current issues lie.

Over the past 12 months we have seen a significant increase in enquires for digital products from our customers. Our proposal in this space, is to provide a service to these customers in traditional financial products. The segregation of venue operation and holding customer funds is also key to our offering.

This offering will combine TPICAP's market infrastructure expertise, with top tier custodians like Fidelity, Zodia and BitGo to name a few, at a time where unregulated and less experienced venue operators have caused a great deal of negative noise.

We also have a number of committed Market makers, such as Virtu, Flow Traders, Jane Street, known names in the financial markets, committed to provide liquidity.

We believe that this combination will give our customers the confidence to enter these markets in a meaningful way. We feel that this is what the market is looking for, a known and trusted market operator with the backing of recognised custodians.

Longer term we are very excited about the prospect of tokenising physical and financial assets, and this is why Digital Assets sits in Energy & Commodities.

We believe that commodities will be the first asset class to be tokenised and in fact there is currently an emerging tradeable tokenised gold market.

The tokenisation of these assets will reduce cost and allow the market to settle trades in near real time, which would be a game changer.

So, in closing the areas of focus for the second half of the year are, the continued rollout of Fusion Energy, this will make the workflows more efficient for both the customer and the broker creating stickiness and seat value.

Continue to drive broker productivity and margin improvement by improving our brokers workflow and efficiency and at the same time enhancing the clients experience when interacting with us via the Fusion Energy.

Continue to support our clients through this tough and volatile period, especially in Europe.

Leverage our strong position in environmental products and gas, helping our clients with their energy transition. Our global footprint and technology will help us achieve this

And launch the Digital Assets Exchange, providing the market with a regulated venue that is run by a trusted market operator, in TPICAP.

Thank you for your time and I will now hand you over to Mark.

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***Agency Execution***

**Mark Govoni, CEO, Agency Execution**
Thank you, Andrew, and good morning. In terms of my presentation today, I will introduce myself, share some insight on market dynamics, and then outline progress and priorities for the Agency Execution business.

By way of introduction, I have spent over two decades in financial services, managing the entire lifecycle of investment and trading decisions. My experience spans multi-asset sales and trading, risk trading, workflow solutions and execution technologies.

Since coming on board three months ago, I've spent time getting to know the Group and I'm excited to share a few early observations.

First, the Liquidnet brand, built on a foundation of innovative technology, a client-led franchise, and best in class service, the Liquidnet brand today is one of the most powerful in the market.

Second, our offer is distinct, meaning we are well positioned for future growth. Leveraging our buyside connectivity, and the world's largest dealer liquidity at TP ICAP, means that we can bring differentiated products and services across the asset structure.

Over the short to medium term, my focus will be centred on, first, the completion of the integration of Liquidnet within TP ICAP. Much of the hard work has already been done. Our focus now is on harnessing the firepower of the Group to deliver products and workflows that are different, that create value, and iterate on our breadth of offerings.

Next priority is to ensure our core Equities franchise is delivering. That includes a disciplined approach of product and business development lifecycles to drive revenue outcomes.

And finally, as we have highlighted in the past, the expansion of our D2C offering. This platform is currently live with a small number of clients, and I am excited to report that we have executed trades via RFQ. Our focus now is to build on this success.

Turning to market dynamics, starting with Equities. Overall, this market today is mature and competitive. However, The Electronic Commission Wallet is expanding and above pre-COVID levels. And the proportion of flow directed to low touch electronic channels is also close to all-time highs.

For Liquidnet, this means increasing addressable market. Dark volumes continue to be an important part of the market. They are growing in proportion to commission wallets globally. Given Liquidnet's global footprint and product set, this offers a further addressable market play.

Turning to our core clientele, what buy-side firms seek from their agency partners is performance, global liquidity and client service. These three components are amongst our key differentiators.

And looking at the barriers to entry in Block Crossing, they are trust, vendor connectivity, scale of network participants, and global reach. These features are Agency Execution's key strengths, meaning we have a competitive advantage and the runway to grow market share.

Now moving on to the fixed income market. Electronic trading volumes continue to grow, but trading protocols are still in early-stage innovation. The credit markets are not homogenous and as such, different solutions are needed for different trades. Taken as a whole, an estimated 65 to 70% of the market is still categorised as non e-trading.

Furthermore, the lines continue to blur between D2C and D2D, with the largest hurdle to market share siting with buyside and dealer connectivity - two distinct levers inside the Group.

Against this backdrop, once again, we have the necessary attributes – the innovation, the technology, the connectivity, to be highly competitive.

Turning now to the integration of Liquidnet into TP ICAP Group, we continue to make good progress. We are on track to meet our £25m synergies target, which includes the rationalisation of the property portfolio.

Where beneficial for our clients, we are bringing together Liquidnet and TP ICAP liquidity, while preserving strict physical and information barriers between the two businesses.

Leveraging TP ICAP's extensive geographic footprint has allowed Liquidnet to expand its commercial franchise. I'll provide more detail on the next slide.

**TP ICAP Classification: Internal**

We are combining the culture of the two brands to develop a more client centric and transactional focused approach. We have a tighter focus on costs, and continue to create operational leverage within the broader TP ICAP Group

I will now turn to our strategic progress and priorities, starting with our Equities business. To diversify our revenue streams, we continue to build new and complementary solutions around our core block offering. This is a major focus. To that end, we have made strategic hires to increase our global programme trading offering. As a result, we have grown market share, been more systematic in leveraging our global footprint to better serve global clients. Year to date, cross border activity now accounts for 19% of global Equity revenue. Expanded our footprint to cover Paris and Madrid. Next up is Germany and Johannesburg.

Leveraging the existing TP ICAP global infrastructure, we can be more efficient and effective in penetrating geographies across the globe.

Continuing to innovate. In the first half of the year, we rolled out of our benchmark cross in Asia. This is a one of kind offering in the region, which allows clients to access new liquidity opportunities to preserve alpha.

Turning to strategic priorities, these centre on two critical pillars. Developing our offering and growing our client base. As such, we will continue to focus on the US Equities franchise.

With an established brand and presence in the world's largest fee pool, we can increase market share across high and low touch channels.

We will increase our focus on APAC and innovate, as the market continues on its journey to become more automated.

Programme trading and cross border are verticals that can drive diversified revenue growth.

Lastly, on the topic of innovation and technology, we will continue to work with our clients to deliver, enhance and simplify the global execution experience.

Moving on to fixed income, we are progressing well on our strategy. We remain focused on serving our clients' needs throughout the entire lifecycle of the bond – from issuance to trading.

We previously announced the launch of our Primary Markets offering, which includes the industry's first electronic solution to trade new issue in Europe. We're seeing great adoption. Our clients are finding ways to take advantage of our primary market workflow far beyond the basics of exchanging data.

We are also making great progress on our partnership programme. This programme is built upon open architecture. It allows our partners to leverage our network to deliver their solutions





+44 20 7243 7350
london@wtvglobal.com

World Television Ltd
18 King William street
London EC4N 7BP, UK

directly to clients. It will allow us to enhance our trading platform, commercialise our network and deliver solutions more efficiently.

In the Secondary Market, the addition of the RFQ protocol gives us a platform that is becoming more relevant to our clients and distinct in the market. This went live, as planned, in June, initially with a small number of clients ahead of a wider campaign. Trades have already been completed and key dealers are connected electronically via API.

Turning to our strategic priorities, we will continue to develop our unique positioning in this space. We have already integrated both sides of the market, whilst maintaining complete transparency and being in accordance with stringent information and trading rules.
We can now complete the roll out to the full TP ICAP dealer network and integrate deeper to more investors in more geographies.

New solutions add efficiency, they're a must have for clients and can create a more sustainable market. We are here for the long term. We will continue to innovate with new solutions, while ensuring we seamlessly integrate into our clients existing workflows.

In summary, our offering is unique in the market. The combination of our established buy-side community, robust desktop presence, multi-asset offering, and global footprint is rare and compelling.

By focusing on leveraging these core strengths, continuing to collaborate with clients, and consistently delivering on our strategy, we will drive and diversify revenue growth.

Thank you for your time. I will now turn it over to Eric.

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***Parameta Solutions***

**Eric Sinclair, CEO, Parameta Solutions**
Okay, well many thanks Mark and welcome to the team, even if you are a Red Sox fan.

Robin Stewart has highlighted the financial performance of both areas of Parameta Solutions, Data & Analytics, and Post Trade Solutions. Today, I will focus on the Data & Analytics business.

There are three key attributes we want to highlight. As the world's largest IDB, we have the largest proprietary source of scarce, neutral OTC data that generates high margin subscription revenues.

As agent, we are not placing bets on the instruments we are pricing, providing us with a neutral position in the market. It is scarcity that drives the value of financial market data, and we benefit from this.

Although we have the largest data revenue amongst IDBs, we would not be living up to our full potential if we did not exploit new opportunities that leverage our competitive advantage.

Our strategy is not to boil the ocean, but to be surgically precise in pursuing opportunities that provide added value to a diversified client base and meet unmet needs.

Over a quarter of our H1 sales have come from new products including our Global RFR package and our Surveillance solution.

We continue to diversify our client base, adding over 40 new clients in H1, 35 of these being non-sell-side clients including, buy side, Energy & Commodities, governments, and corporates.

We are expanding our channel partners and deploying new cloud technologies to increase our penetration of new client types, including Quants, as part of our multichannel distribution strategy.

And finally, we enjoy double digit revenue growth, with high margins. Clients typically sign an initial 2 year license agreement, with a re-newel rate in excess of 98%. This makes this recurring revenue very sticky.

The financial market data industry has revenues of over $43bn per year. It is composed of content providers, those that generate derived works, and redistributors. Parameta Solutions Data & Analytics has largely been an OTC content provider. As Dan mentioned, our partners in Global Broking enjoy 41% global market share, while Data & Analytics enjoys over two-thirds IDB data market share.

However, IDB data revenues remain relatively small representing less than 1% of revenues in the global financial market data industry.

Our strategy remains focused on areas of the wider industry that have the highest growth rates and the greatest opportunity to exploit our competitive advantage, especially our observable transactions data.

In Benchmarks and Indices we already have market leading interest rate benchmarks that are relied upon by key functions within the capital markets.

Regulatory oversight is driving demand for observable transactions data in risk management with the quality of that data directly impacting clients' decision making, including managing their capital requirements. This creates opportunities for use in the evaluated pricing space.

There are further areas where we can target our unique access to transaction information, which will allow us to support clients with greater insights.

As Nico mentioned, we are excited to announce the launch of ClearConsensus, a truly differentiated risk management and valuation solution. We have partnered with Peer Nova, a leading cloud-based data management and analytics software firm based in Silicon Valley. Peer Nova's Cuneiform platform enables users to manage and monitor data quality and integrity in real-time.

Together we have been working with over a dozen of the worlds' leading banks to build a solution that directly addresses the pain points they have identified with the current Independent Price Verification Process, or IPV. IPV is a critical function that banks must undertake as part of their required risk management, mark-to-market, and P&L processes. Regulations demand greater transparency of data and its quality in risk assessments. ClearConsensus combines Parameta Solutions' highly valuable observable transactions data with Peer Nova's data management and analytics, into a fully integrated service.

The process is transparent. We achieve a richer, higher quality consensus enhanced by market observable and participant trade data. The result, a dynamic, timely and uniquely differentiated solution driving more frequent and enhanced capital allocation optimisation, with greater operational efficiencies.

We are live with FX including Forwards, NDFs, Options and Exotics and are actively working on Rates with our bank working group, for roll-out in H2.

As the world's largest IDB, we are a natural provider of OTC Benchmarks and Indices, based on our neutral, independent OTC data. We are centrally positioned to create reference standards representing the economic reality of OTC markets. This positions us to provide clients with Benchmarks and Indices for a variety of use cases including use in securities issuance and structured products. Achieving FCA Benchmark Administration status is a critical component of our Benchmark and Index strategy.

We now have the governance and structure in place to develop Benchmark and Index opportunities. We have established best practices for the transparent and independent governance of our benchmarks and our authorisation shows our commitment to facilitate robust financial markets.

The changing complexion of global interest rates and inflation is driving demand for indices in these areas and given our market leading position in these OTC instruments it is a natural area for us to target.

In H1, we have licensed our Benchmarks for structured products and put in place our first AUM based license agreement.

We are actively working on indices in volatility, transition fuels and have the potential to leverage our broking colleagues' pre-eminent position in key Environmental markets to build representative indices.

We adhere to IOSCO principles for Benchmarks on a global basis, and have begun seeking Benchmark Administrator status, in Europe, before the end of 2023.

Our multichannel distribution strategy leverages our direct relationships with a diverse set of over a thousand clients. We offer direct services, services via our channel partners, and through the public cloud.

Our channel programme continues to target adding 45 more partners to further increase the breadth of solutions leveraging our content.

In H1 we have added new market data vendors, extranets, and ISVs as new channel partners. In addition, we have expanded the content sets made available through the challenger market data vendors.

We continue to win new business with the quants at new clients who seek agile access to our data via Parameta Solutions Data Share. This has been of great success with new clients not burdened by a heavy, on premises infrastructure, such as hedge funds.

However, in H1 we won our first Tier 1 bank Data Share client, as they execute their cloud first strategy.

In addition to Data Share, in H1 we added real-time data, delivered via the cloud, through Parameta Solutions Streamer solution.

The key take-aways for Parameta Solutions, Data & Analytics include, in H1 we continued double digit growth, outperforming the financial market data industry. We will outperform the industry from expanding our product suite, outside the traditional IDB data space, exploiting opportunities where we have a competitive advantage. Working with partners and content providers leveraging our collective strengths. Diversifying our client base beyond the sell-side. And executing our multichannel distribution strategy, with more channel partners and more cloud distribution capabilities.

And now, I would like to hand it back to Nico. Thank you.

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***Concluding Remarks***

**Nicolas Breteau, Group, CEO**

Thank you, Eric.  So in conclusion we have delivered a strong revenue performance against a background of market volatility. Our Fusion rollout is on track across Global Broking and Energy & Commodities, and we continue to innovate with new initiatives in Parameta Solutions and Agency Execution.

We are actively managing capital in order to free up £100m by the end of 2023 to pay down debt. Our active approach to capital management, combined with our liquidity and connectivity, makes us well positioned for current market conditions.

Thank you.  I would like now to invite Robin and our divisional CEOs to join me as we open the floor for questions.

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***Questions and Answers***

**Portia Patel, Canaccord**
Morning.  Thank you for the divisional presentations, very helpful.  I wanted to ask about inflation please, and any comments you can provide on inflation with respect to both compensation and non-compensation costs?  And how we should think about that in the second half?

And I guess a related question with respect to Global Broking.  Are you seeing increased competition for brokers, and are you having to work harder to retain them in the current inflationary environment?  Thank you.

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**Robin Stewart, Group CFO**
Thanks, Portia.  Yes, inflation is a sort of - we see inflation as both a positive on the business side. It's certainly we've seen some revenue pick up in the Global Broking areas on the back of inflation and with them I suppose the interest environment you see around that to counter it is also helpful.

But addressing the other side of the coin in a sense on the cost side.  We're very focussed on how inflation might impact the cost base and we're seeing a little bit of activity there on the costs on the group.  In the main we feel that might be something which will be more of an impact in the second half on our staff costs, as we see hot competition for people in the service functions. But in terms of the outsource contracts that we have, a lot of the major contracts that we have with third party vendors tend to be multiyear and they tend to have inbuilt CPI inflation already within it.  So that's more manageable in the short term.

It's something which we keep an eye on and we're monitoring, and we'll probably give you more information on how that is, and how it pans out by the end of the year.

**Daniel Fields, CEO, Global Broking**
And perhaps from a Global Broking point of view there's always competition for talent and that competition is usually pretty fierce. But we have an exceptional platform that we're delivering from a digital platform and from a brand point of view, and that allows us to both attract and retain talent.

**Piers Brown, HSBC**
Yes hi, maybe one for Robin and one for Dan. So Robin on the £100m of cash you've identified that you're using to pay down debt. How should we think about the sort of optimal place debt ratios will get to, or that you would like them to get to? And I guess if we were to see any further cash being freed up, would that also be used to pay down debt or may you look at any other alternatives for that? That's the first question.

And then maybe for Dan on the Global Broking presentation which is very and thank you for that. Just in terms of the margin dynamics. I mean you mentioned the sort of shorter term, cyclical positives of the potential move from shorter products to longer duration productions. When you think about this sort of longer term structural movements in the industry, and I'm tying this into what you were talking about in terms of the Fusion roll out and the electronification particularly within the rate space. Do you see that as putting longer term downward structural pressure on margins? And I guess is Fusion ultimately net beneficial to the business, does it open up a greater set of tradable assets or volumes which will offset any margin pressure that it might actually bring with it?

**Robin Stewart, Group CFO**
Dan, go with the second question first while it's fresh in people's minds.

**Daniel Fields, CEO, Global Broking**
I think there's a lot of questions embedded in that question. I think that Fusion is a company our clients' need, is the most important statement, and we're bringing value to those clients in evolving and the way that they look at the financial markets across the board. I think there's always a role for a trusted advisors to clients who are giving us the opportunity to execute their liquidity for them. We get paid because we bring value to those clients. And I think that Fusion is a value additive product, it's a valued added tool that we're giving to our brokers to help their clients trade better.

All of that to say there's a lot of value in that kind of value chain and margins will stay attractive, both to the shareholder for TP ICAP and for the clients who are paying us. We're giving our brokers a better tool to serve the client's needs, and that's a positive and win, win for everybody.

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**Robin Stewart, Group CFO**
On the first question. I think it's worth just reminding everyone that our ability to free up cash and to utilise it in an agile way is very much predicated on the re-domiciliation that we did last year. Prior to that we are on a journey where we were having to effectively bank an increased tangible capital on the balance sheet. As we were grandfathering out the waiver that we had under consolidated capital division. So we're now in an environment where we are able to look at alternatives.

Right now I think the prioritisation of that is repayment of debt. So the £100m that we've identified, which we'll generate and free up over the next 12 months or so, by the end of next year, I think very much focussed on repaying debt. We are very conscious right now in I suppose a volatile interest rate environment that it's helped to both reduce our financing costs. But also fundamentally to secure our investment grade credit rating.

The hurdle for us to effectively to not cross within our discussions and with Fitch is not to have gross debt more than two and a half times EBITDA, and right now we are at or around that level. So for us we want to get that rate somewhere between two, and two and a half times.

Once we've done that £100m to the extent that we continue to review and look at efficiencies we'll evaluate what to do with that at that time. It will be based upon the needs of the organisation and what we think is the most optimal way to utilise that cash for ourselves, but also for our shareholders.

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**Moderator**
Hi, there don't appear to be any more questions in the room at this stage. Conference call operator are there any questions coming through on the phone lines please?

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**Telephone Operator**
Press * followed by 1 on your telephone keypads. If you change your mind, please press * followed by 2. While preparing to ask your questions please ensure that your phone is unmuted locally. Our first question comes from Vivek Raja, from Shore Capital. Vivek, please go ahead.

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**Vivek Raja, Shore Capital**
Hello, good morning gentlemen. Can you hear me okay? Good, apologies I couldn't be with you in the room, I'm glad you're back there in person. I had three areas if I could explore, please.

The first one is on the operating margin. So if I'm understanding this correctly, circa 16 - operating margin if you reverse out the losses following Russian sanctions. So just trying to think through to what could be achievable in the second half, and all the sort of things you've talked about today. So you've got presumably further Group savings to come through from the target of cost savings for this year. We've got Liquidnet synergies to come through. I think you're signalling that you've now written all the sort of Russian exposures so there shouldn't be any further costs associated with that in the second half. FX translation should be beneficial. You've talked about, well I think I mentioned it already Liquidnet synergies. So what's sort of achievable, is 16% achievable in the second half? I think you also talked about, Robin talked about costs, headwinds probably increasing in the second half. So can you help us think through what's achievable for the second half operating margin please?

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**Robin Stewart, Group CFO**
A lot of dynamics in there Vivek and obviously forward looking operating margins is not something I'm going to seek to predict or disclose.

However, I think things to think about in that. Yes, we believe that that Russian loss is now capped. And the impact of it will spread over the second half. We obviously see very high volatility and revenue in the first half and that's given us a boost as well. I think the increased revenue that we've seen and the contribution from that has effectively equalised the impact of Russia in the first half.

But remember historically the seasonality of the revenue in the IDB industry, historically around about 53% to 55% of revenue tends to be in H1 and the balance in H2. So ordinarily if you look at the trend over time H1 margin is always higher than the four year margin.

But I can't predict what revenue will be in the second half, it's a market environment. We've talked about the fundamentals today and we're cautiously optimistic about those, but we can't predict what that outcome will be.

And whilst we are cautiously optimistic for revenue in the second half. Like I said in response to Portia's question earlier on in inflation there are one or two unknowns there in the cost base. So all in all right now I think, I'm not forgetting also the FX environment, which is very favourable right now, there's a big swing in H1 numbers.

But all in all I think because of those unknowns on the up and the down I think we're comfortable, subject to people's views on FX, that the consensus is about in the right place.

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**Vivek Raja, Shore Capital**
Okay that feels very cautious. I guess let me just try again with that question. I mean presumably there's further group savings that's come through from the efficiencies and Liquidnet synergies which will be incremental to operating profit in the second half, aside from obviously underlying cost impression. Is that fair?

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**Robin Stewart, Group CFO**
Yes, we've seen that we'll get that £25m of costs off that. The £38m that we said we'd get between 2021 and 2024 at the year-end last year, the bulk of that does come through in this year and we're on track to deliver.

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**Vivek Raja, Shore Capital**
Okay. The other thing I wanted to ask please is the opportunities that you've identified for that £100m, you may have answered this Robin, but I couldn't hear the word that you said. But where has that money come from and where have those efficiencies come from exactly?

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**Robin Stewart, Group CFO**
They come from a multitude of sources including we are looking at generating some proceeds from the sale of some assets so our property in Paris. We're looking at efficiencies incurring a settlement. We believe we've got some cash to release on deregulating some dormant entities that we've had that we're waiting for FCA approval on. We've got a pension surplus that should be repaid by the end of this year.

So there's a multiple set of areas that would generate the cash. And like I said earlier we wouldn't be able to do that prior to the re-domiciliation in terms of utilising that in the freedom that we have.

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**Vivek Raja, Shore Capital**
Yes, okay. The last thing I want to explore please is Liquidnet and the D2C potential in fixed income. So you've obviously got the APIs with I think you described it as a handful, I got sense of




+44 20 7243 7350
london@wtvglobal.com
World Television Ltd
18 King William street
London EC4N 7BP, UK

sort of three or so of your key clients, you're going to widen that to your broader client base. I guess the question is when should we start seeing meaningful revenues from that? Is that likely to be a feature this year in the final quarter, or is it going to be a more '23 thing? Thanks.

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**Robin Stewart, Group CFO**
Mark can give you some more detail. But in the context of where we think that will be on a broad basis on the numbers. We always anticipated that we'll see some revenue in Q4 this year that's something which we can talk about possibly. I think Mark can probably give you a bit more insight into what the launch is so far and where we see that progressing.

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**Mark Govoni, CEO, Agency Execution**
Yes, with respect to D2C obviously live with a handful of accounts now. The campaign will grow in velocity over the second half of the year. So in line with Robin's comments, I think we'll start to realise increased revenue in the second half of this year and going forward.

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**Vivek Raja, Shore Capital**
Okay, and presumably you're operating, when you talk about drop through of Liquidnet improving, that is just about the synergies, that's not necessarily connected to potential increment and revenue streams right?

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**Robin Stewart, Group CFO**
It's a bit of both actually Vivek. The synergy savings that we make on the integration of Liquidnet effectively are shared across the Group as a whole. And allocation of them do then go into Liquidnet itself, because obviously now there are Group savings. But there is a pick-up in profitability in terms of where we think we'll be because of that increased revenue stream on the D2C at the backend of the year.

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**Vivek Raja, Shore Capital**
Okay, gentlemen thank you very much for answering all my questions.

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**Telephone Operator**

Thank you. Just a reminder to ask any further questions please press * followed by 1. Okay, we currently have no further questions registered so I'll now hand you back over to Dominic.

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**Moderator**
Thank you, operator. Yes, we have a couple of questions coming in on the online platform. The first question which will be one for Dan, is from Kim Bergoe, at Numis. Kim would like to know how the competitive landscape within Global Broking is developing.

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**Daniel Fields, CEO, Global Broking**
I think that comes back to the earlier question about competition for brokers. At the end of the day there's high competition for brokers. We see ourselves as an exceptional platform putting forward the best technology and are able therefore to attract and retain talent and therefore clients. It's a competitive landscape, it's a concentrated landscape.

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**Moderator**
Then a question for Robin from Jacob Lichware (?) from Goldman Sachs. It's again related to debt. It related to the renewal of the RCF on more favourable terms at 1.75%. It seems considerably cheaper than some of the debt outstanding on your cost of wholesale funding. Would you consider optimising your debt cost by reducing some of the outstanding notes?

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**Robin Stewart, Group CFO**
I mean we've just done a liability management exercise at the end of last year, which has effectively restructured our debts so that, our goal historically would be to be a perpetual issuer every couple of years of our market size debt instruments. It's right now having just done the RCF we've got access to greater liquidity, so it's increased from 270 to 350 at a better rate. We could potentially look at that, but ultimately for us it's about flexibility or retaining flexibility in our liquidity needs as we move forwards. It will always be something we'll keep an eye on but not immediately.

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**Moderator**
I don't have any further questions online. I don't see any hands up in the room. So unless operator further questions have come in on the telephone lines, I'd like to thank everyone for joining us this morning. As Nico said it's nice to see everyone in person. Thank you also to

everyone who joined on the webcast, we look forward to talking to you all again in March next year.  Thank you.

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END

**DISCLAIMER**

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