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TP ICAP

Preliminary Results Webcast
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TP ICAP

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Robin Stewart, Group CFO

Daniel Fields, CEO, Global Broking

Andrew Polydor, CEO, Energy & Commodities

Mark Govoni, CEO, Liquidnet

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Questions From

Kim Bergoe, Numis Securities

Stuart Duncan, Peel Hunt

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Eric Wilson, JP Morgan

Stephen Hayde, Close Brothers

Vivek Raja, Shore Capital

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Introduction & Key Highlights

Nicolas Breteau, Group, CEO
Good morning everyone and thank you for joining us today both in person and online.

Our agenda for the morning is as follows: Robin will take you through our financial performance.

The CEO's of our business divisions - Dan Fields, Andrew Polydor, Mark Govoni and Eric Sinclair - will report on their business. Then I will wrap up before we open up for questions.

But first, the headlines. We delivered a strong performance in 2022. Macro events drove inflation to the highest rate in decades. As a result, Central Banks increased interest rates to levels last seen before the financial crisis.

Against this backdrop revenue grew 7% in constant currency, and 13% on a reported basis.

Global Broking, in particular, benefitted from market volatility, with high single-digit growth, in constant currency, across all asset classes.

Productivity continued to improve: Revenue per broker was up 14%, and contribution per broker grew 20%, before the impact of charges taken as a result of Russian sanctions.

Our high-margin businesses performed well. Revenue in rates, our largest asset class in Global Broking, grew 7%. Parameta Solutions, our Data & Analytics business, was up 8%.

This strong performance increased our adjusted EBIT by 8% to £275m, and our underlying margin to 14.0%, excluding any impact from Russia. Including the Russian charges, our margin was 13.0%.

We are managing our capital dynamically. As we told you last August, we have identified around £100 million of cash which we will free up by the end of 2023 to pay down debt. By the end of 2022 we had released £30 million, and we are on track to deliver the remainder this year.

The Board continues to assess our balance sheet and investment requirements and is committed to returning any potential surplus capital to shareholders.

We are announcing today a final dividend per share of 7.9 pence bringing our total dividend for the year to 12.4 pence, an increase of 31%.

Moving now to our strategic highlights.

We are delivering our transformation at pace, including the roll out of our award-winning electronic platform Fusion. 40% of in-scope Global Broking revenue is now on the platform,

in line with our target. We are on track to complete our rollout by the end of 2025 which will cover about 55% of total Global Broking revenue.

With the technology already in place across many of our broking desks, client adoption is now a key priority.

Client feedback has been very encouraging and we have a dedicated Sales team to drive adoption which Dan will talk about later.

Despite the challenges of Covid, we are making good progress towards our 2023 targets set out at our Capital Markets Day in 2020, subject to market conditions.

Robin will brief you on the detail in his presentation.

We are also delivering our diversification strategy.

In Energy and Commodities our new institutional platform for spot crypto assets has now obtained FCA registration. Initial client feedback has been positive, and we are planning a full launch later this year. This is an exciting opportunity for the Group.

Liquidnet has had to manage challenges posed by cyclical falls in many stock markets, and high volatility which impacted block trading. These led to a decline in commission wallet.

The business is actively diversifying its equity proposition and growing in cross border, algo and programme trading.

Fixed Income is a substantial opportunity for both Liquidnet and the Group. We are making good progress on the Primary Markets offering: for example, we have partnered with around 30 syndicate banks.

Our Dealer to Client credit proposition went live as planned last summer. All the client-facing technology is in place; feedback is good; the key issue now is growing liquidity on the platform.

COVID has had a material impact on how dealers and potential clients prioritise the IT development needed to connect to the platform.

We are moving up their priority list and making good progress with the largest bank liquidity providers. But given these realities it will take longer to reach our 3 to 6% target market share.

In Parameta Solutions, we are developing new products, and building new partnerships.

That is why we are announcing today a collaboration with the leading global analytics company Numerix.

We will combine their analytical expertise with our market data to deliver high quality, independent fair valuations of OTC derivatives.

Finally, we continue to manage our cost base effectively despite inflation.

We have achieved our 2022 savings target of £25 million.

And we are on track to deliver at least £30m of Liquidnet integration synergies, exceeding our previous target of £25m.

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.

As you have heard, we delivered a strong financial performance in 2022.

I'll start with the income statement, where my comparisons with the prior year are in constant currency.

Total Group revenue increased 7% to 2.1 billion.

Adjusted EBITDA was up 4% at 357 million and adjusted EBITDA margin was slightly lower at 16.9%.

Adjusted EBIT increased 8% to 275 million and the adjusted EBIT margin was marginally higher at 13%.

Excluding the impact of Russian charges, which totalled 21 million net of recoveries, the margin was 14.0%.

Net finance costs of 49 million were 13% lower – slightly below our guidance for the year of 52 million. This is the result of actively managing our cash to benefit from rising interest rates.

Taken together, this resulted in adjusted earnings before significant items of 194 million, up 31%. Adjusted earnings per share grew from 19.5 to 24.9 pence.

As Nico said earlier, the Board is recommending a final dividend of 7.9 pence per share, which will be paid on 23 May, bringing the total dividend for the year to 12.4 pence, an increase of 31%.

Let's turn now to the year-on-year movements in our adjusted EBIT.

Adjusted EBIT was 275 million compared with 233 million in 2021. If you retranslate 2021 using 2022 exchange rates, it results in EBIT of 255 million.

Contribution, before the impact of Russia, increased by 40 million – mainly driven by growth in our Rates business.

Russian P&L charges reduced to 21 million at the year-end as we realised gains of 11 million in the second half.

Management and support costs increased by £27m, driven by the inclusion of an additional quarter of Liquidnet, partly offset by the delivery of our 25 million cost savings target against a backdrop of high inflation.

Strategic investment was 3 million lower year-on-year.

Finally, the weakness of sterling contributed to a 25 million foreign exchange gain on the retranslation of net financial assets.

Turning now to the business divisions where again my revenue comparisons are in constant currency to give you a clearer picture of the underlying trends.

I'll start with Global Broking. Total revenue in Global Broking was up 7% at 1.3 billion, with growth in all asset classes in a year of significant volatility driven by geopolitical events and a highly uncertain macro environment.

Rates remains our largest and most profitable asset class. Revenue here grew 7% to 566 million as central banks increased interest rates to combat inflation.

Credit revenue grew 8% to 118 million, FX & Money Markets 9% to 302 million and Equities 7% to 243 million.

Despite the impact of Russia, contribution margin increased to 37.6%. Excluding this impact, the margin was just over 39%.

Revenue per broker grew 14%, reflecting both higher revenue and a reduction in the average number of brokers.

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Contribution per broker was up 15%, or 20% before Russian provisions, which are booked as front office costs.

Adjusted EBIT was 213 million and the margin increased from 16.8 to 17.0%.

We also grew our market share, underlining our leading position amongst our listed peer group.

In Energy & Commodities, market conditions were more challenging and revenue declined 2% to 387 million, slightly outperforming ICE volumes, which were down 4% year-on-year.

There was exceptional volatility in the European Power and Gas market and we benefitted from elevated levels of trading activity in the first quarter.

But from the second quarter onwards, client trading was curtailed because of significant margin requirements, driven by the high price of Gas.
These liquidity constraints had a knock-on effect on Oil markets, where trading was also more subdued.

The contribution margin decreased by 1 percentage point to 32%. Adjusted EBIT margin was 0.8 percentage points lower at 12.7%.

European energy prices are now returning to more normalised levels, though a sustained recovery is, of course, dependent on developments in Ukraine.

Turning now to Liquidnet.

As we told you in our trading update at the third quarter, our Agency Execution division is now reported on a consolidated basis as Liquidnet.

Our Liquidnet division comprises the acquired business of Liquidnet (which we now call the Liquidnet platform) along with COEX and MidCap Partners which we acquired as part of Louis Capital in 2020 and have transferred from Global Broking.

Total revenue in this division increased by 18% to 325 million.

This includes the first full year of Liquidnet platform revenue as the acquisition completed in March 2021.

Like-for-like revenue for the Liquidnet platform decreased in line with market activity as volatile stock market conditions led to subdued trading of larger blocks of equity, where Liquidnet has a key presence.

The S&P 500 was down 19%, while the Stoxx 600 declined by 13%.

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US Mutual Fund outflows reached record levels, as investors rotated out of equities and into cash.

The global level of cash holdings was the highest since the turn of the century. This environment, together with investment in our Dealer to Client credit proposition, which was weighted to the second half, impacted profitability of the Liquidnet platform.

The rest of the division delivered strong revenue growth, driven by the Relative Value business as well as Rates, Futures and Foreign Exchange.

Overall, the EBIT margin for Liquidnet decreased by 8.5 percentage points.

In Parameta Solutions, revenue grew 8% to 177 million.

This reflects the Data and Analytics business only, as Post Trade Solutions has been transferred to Global Broking and Liquidnet where it is better aligned with the asset classes and customer base.

The vast majority of Parameta's revenue comes from recurring subscriptions and it is almost all US dollar- denominated.

Revenue growth was driven by the launch of new products, more regional sales coverage and broader distribution as well as an increasingly diversified client base.

Adjusted EBIT grew 20% to 79 million, at a margin of 44.6%, up 0.3 percentage points on the prior year.

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

Pre-tax significant items were 113 million, broadly in line with our guidance of 110 million.

After tax and associates, significant items amounted to 91 million, a 36% reduction on the prior year.

About 80% of these costs were non-cash, including 45 million from the amortisation of intangible assets.

This decrease was mainly driven by: A 9 million reduction in property rationalisation costs; and the non-recurrence of £29m of charges in the prior year relating to a US tax provision and debt re-financing costs. The reduction in significant items was partly offset by a 16 million increase in costs to achieve Group savings – largely redundancy costs.

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Turning now to reported cash flow.

Operating cash flow increased by 213 million to 324 million, driven by: growth in reported EBIT of 66 million, a 63 million positive swing in net matched principal balances, and a working capital inflow of 62 million compared to an outflow of 17 million in 2021. This reflects higher trade and other payables built up at the year end, partly offset by higher trade receivables.

The total for investing activities was 78 million. This includes 53 million of CAPEX on technology and strategic projects, slightly below the prior year.

It also includes 50 million for the purchase of additional financial assets held as collateral for our matched principal broking activity.

Financing activities were an outflow of 163 million, including shareholder dividends of 78 million and a repayment of 47 million on our Revolving Credit Facility.

The weakening of Sterling, particularly against the US Dollar, resulted in a foreign exchange gain of 38 million.

Taken together, this resulted in the Group's cash balance increasing 16% to 888 million.

At our half year results, we announced our intention to free up approximately 100 million of cash by the end of 2023 to reduce debt. We are on track to achieve this and in the second half of 2022 we released around £30 million.

As Nico said earlier, we continue to assess our balance sheet and investment requirements and are committed to returning further potential surplus capital to shareholders.

Turning now to look at contribution and EBIT margin. This slide shows progression in reported revenue and margins from 2018 onwards for Global Broking, Energy and Commodities and Parameta Solutions.

In the case of Global Broking, you can clearly see the negative impact on revenue from the pandemic in 2020 and 2021, followed by a strong recovery in 2022.

Because of our tight cost control, there was a much more muted impact on contribution margin and EBIT margin.

2022 margins in Global Broking are approaching our 2023 targets, excluding the impact of Russian charges, which underlines the strength of our franchise.

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We have maintained this cost discipline across the Group. Growth in costs across the period is in line with our assumptions, despite rising inflation in 2022.

And, as I mentioned earlier, we delivered our 25 million cost savings target.

Reported revenue progression is not linear in Energy and Commodities and Parameta Solutions, reflecting exchange rate fluctuations, as much of their revenue is USD based.

Energy and Commodities fared well during 2020 and 2021 but faced challenges in 2022 as a result of the war in Ukraine which impacted both the European Gas and Oil markets.

In Parameta Solutions the contribution margin trajectory reflects investment in new business, while the adjusted EBIT margin has grown steadily.

Turning now to guidance on our 2023 targets. In Global Broking, we expect to be close to the contribution margin target of 40%, and relatively close to the EBIT margin target of 19%. Close means within a percentage point of the target and relatively close is within one to two percentage points.

In Energy and Commodities, we anticipate being relatively close to both the contribution margin of 35% and EBIT margin target of 15%.

As Liquidnet is a newly formed division, we have set a target for contribution margin of 30% this year.

Parameta Solutions is expected to exceed both its targets.

Turning to the Group EBIT margin, we have had to manage a number of highly disruptive events since we set this target in 2020. The world is a different place now.

In particular, unfavourable market conditions from the pandemic in 2021 had a negative impact on our Global Broking business.

The war in Ukraine led to a difficult trading environment for Energy & Commodities in 2022.

The Liquidnet equities business was impacted by sharp declines in many equity markets last year and high levels of volatility, which caused institutions to curtail their activity.

Against this backdrop, and in line with market consensus, we are updating the 2023 Group EBIT margin target from 18 to 14%.

I'd like to end with our remaining 2023 guidance based on the current market outlook.

As the UK corporate tax rate rises from 19 to 25% in April we expect the effective tax rate on adjusted earnings to increase to about 28%.

We anticipate Group net finance expenses of around 49 million, broadly in line with 2022, despite rising interest rates.

At the half year we will tell you more about how we are managing our debt portfolio as we free up excess capital and focus on refinancing our January 2024 bond. We plan for lower significant items of approximately £85m, pre-tax, excluding any unanticipated legal and regulatory charges.

We expect to deliver at least 30 million of Liquidnet integration synergies this year and to complete the integration by the year end.

Finally, our dividend policy remains unchanged. The policy targets cover of approximately 2 times adjusted post-tax earnings, with a pay-out range at the half year typically between 30 and 40%.

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 will provide some further colour on Global Broking's performance in 2022, the outlook for 2023 - and some of our strategic priorities.

Global Broking is the largest inter-dealer broker in the world. Generally, where we are present, we are number one or two in the market. And in Rates, we are the global industry benchmark. In 2022, we leveraged these inherent strengths to capitalise on favourable market conditions.

As you have heard, we grew revenues in all asset classes and extended our industry-leading market share to 42% relative to our listed peers.

We also continued to invest in our franchise, deploying new technology so our brokers can service our clients better. It is this combination of tech and talent that is compelling for clients - especially in times of market stress, as we saw last year.

Our priorities in 2023 are to remain focused on enhancing our position as a world-leading liquidity provider and advancing the aggregation of our liquidity pools.

As Central Banks continue quantitative tapering our liquidity is increasingly relevant to market participants.

We are also focused on developing the quality of our revenues by increasing the stickiness of our client relationships, being selective in where we transact and improving broker productivity.

The ongoing rollout of Fusion, our award-winning, electronic liquidity platform, underpins these priorities.

So let me turn now to the market conditions in which we are operating.

I will start with our largest and most profitable asset class, Rates.

In 2022, interest rates increased from near zero ...
to pre-Financial Crisis levels, and many of our clients looked to us and our expertise for support.

Rising inflation led to Central Banks increasing short-term rates dramatically, as shown by the US Yield Curve on the top right-hand side of the slide.

This created a significant amount of volatility, opportunity,
and volume in our short-term rates businesses, especially in the first half of the year, as you can see in the chart on the bottom right.

Looking ahead, we see rate increases and inflation moderating.
We also expect ongoing Quantitative Tapering and elevated levels of government debt issuance.

We could therefore see a shift of activity and a steepening of the medium and long end of the yield curve.

This is good for us, given that there is more margin in the longer-term product.

While we don’t expect the same level of volatility and volumes that occurred in the first quarter last year, we expect to be operating in a favourable rates environment in 2023.

I’ll now turn to Credit, Equities and Foreign Exchange.

The transformational shift in interest rates supported activity levels across all asset classes in 2022 and we expect this to continue.

In our Credit business, Credit Default Swap volumes increased, though bond volumes decreased with lower levels of issuance.

Whilst we see volatility dampening into 2023, we expect both improved bond issuance and risk appetite.

In Equities, we are finding growth through leveraging our global offering, and our distinctive blend of exchange-traded volatility businesses and OTC liquidity services.

In Foreign Exchange, there were three key drivers of volatility and volumes in 2022: the strength of the US Dollar; the Pound hitting all-time lows, in conjunction with inflationary pressure; and geopolitical uncertainty.

Looking ahead, we expect recessionary pressures and interest rates to continue driving currency volatility. We also anticipate potential US Dollar weakness benefiting Emerging Markets and G10 currencies. And as the interest rate outlook becomes clearer in the second half, we believe this will lead to increased risk appetite.

I will turn now to the progress we are making to transform our business through Fusion.

Our Fusion platform is formed of three complementary, and integrated, elements.

FusionMarkets is the electronic platform through which clients can access the aggregated liquidity of all our brands in a seamless and secure way. By pooling our brands' liquidity across asset classes, more clients will choose to do more business with us.

But Fusion is much more than a front-end order book.

FusionConnect focuses on building the automated connectivity and straight-through-processing capability of the Group.

This streamlines the client onboarding process to our suite of platforms, which means we can move faster from initial engagement to 'go live'. It also fosters a seamless flow of real-time pre-trade, trade, and post trade data between market participants.

FusionClear captures our post trade services. It provides automated post-trade processing and settlement solutions to help clients accelerate trade confirmation, reduce operational risk, and eliminate bottlenecks.

Our brokers sit at the heart of Fusion, drawing on its capabilities to construct the most relevant liquidity solutions to best meet the needs of our clients.

So, in short, Fusion enables us to meet more of our clients' needs across the full lifecycle of a transaction. This seamless, integrated approach is what characterises modern market infrastructure.

As the platform is cloud-based, it has the flexibility to add new tools and functionality so that it is aligned to the changing needs of clients and market participants. This makes TP ICAP well positioned as the environment evolves.

Equities is already on Fusion, so the scope of our roll out covers our other asset classes: Rates, Credit and Foreign Exchange.

At the end of 2022, Fusion was live on desks that cover 40% of in-scope revenue, versus 20% in the prior year. We are on track to complete our rollout by the end of 2025.

Fusion helps to drive client stickiness, broker productivity and contribution. We are focused on deploying it in areas where it will have maximum impact and on driving client adoption.

Key launches in 2023 include Credit as well as adding volume matching functionality on our sterling interest rate swap desks.

In those areas where Fusion is already rolled out it has been very well received. To quote: "Fusion is the most modern, intuitive and easy platform to navigate". This is just one of many positive comments from clients.

We have a systematic approach to drive client adoption of Fusion with a new dedicated Sales team.

They develop the necessary marketing and pre-launch materials to explain the benefits of Fusion.

They then work in partnership with our brokers to engage clients. This goes beyond simply explaining the service offering, to include helping clients with their tech set up and supporting them at the outset.

The Sales Team also acts as the primary point of contact for client feedback, channelling this to our product and development teams to tailor Fusion to meet specific client needs.

Importantly, the team will also monitor usage and establish a set of internal KPIs, focusing on revenues, contribution, and volumes.

We will provide a further update in a Global Broking teach-in this autumn. The purpose of this session is to give more detail on our business.

So, in conclusion, our strategic priorities in Global Broking this year are to improve revenue quality, broker productivity and contribution.

We also want to leverage our position as a leading liquidity provider.

And of course, we will continue to rollout Fusion, for the benefit of our business, clients, and the financial ecosystem.

We are executing these priorities against an encouraging backdrop for our business.

The interest rate environment is supportive of secondary market volumes. As I mentioned earlier, less Central Bank liquidity means more demand for our liquidity.

And we see a potential steepening of the medium to long end of the yield curve, which will be good for our business.

In short, Global Broking is well positioned to benefit from current market trends, whilst continuing to shape the market infrastructure of tomorrow.

Thank you very much - I will now hand over to Andrew Polydor to talk about Energy and Commodities.

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Energy and Commodities

Andrew Polydor, CEO, Energy & Commodities
As you know, we are the leading broker in Energy and Commodities with a global footprint, diverse client base and wide product range across three brands: Tullett Prebon, ICAP and PVM.

Our market leading margins reflect the scale and diversity of our platform.

The majority of our client base consists of physical trading companies and energy and commodity producers, but we also have an increasing number of clients from the buyside.

Oil generates around 55% of our revenues and we have a global footprint in both Power - and Gas.

Environmental products are a small but growing proportion of our revenue mix.

Our new Digital Assets offering also sits within the Energy and Commodities business.

Turning to our priorities for 2023… we continue to focus on expanding in growth areas such as environmental products and digital assets as well as rolling out Fusion Energy Order Management for Oil.

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2022 proved to be a challenging year for Energy and Commodities as the war in Ukraine disrupted supply lines.

The main issue was with European Natural gas and the rush to secure supply for the winter months.

This drove prices up to historic highs, which in turn caused credit and margin issues in the market, leading to lower volumes.

It also had a knock-on effect on European Power and Oil and in particular Gasoil.

As you can see from this chart there was a direct correlation between an increase in the Dutch TTF price, which is the main benchmark for European gas, shown here in green and a decrease in market volumes shown in red.

Towards the end of the year gas prices dropped significantly as the result of a mild winter across Europe and gas storage being almost full.

This resulted in freeing up margin and credit… allowing the market to trade more freely … which increased volumes.

Gas is currently trading at around €49 on the TTF. This compares to €350 at its peak last year and around 20 before the war.

The outlook for both gas and oil looks much healthier in 2023.

And the opening up of China, after an extended period in Covid lockdown, should also bring volume back into the market.

I'd like now to turn to one of our strategic priorities - expanding in the environmental space.

We are well placed as markets transition to a low carbon future.

Last year, Gas was designated a low emissions energy source at Cop27, so our global footprint in gas, together with other products such as emission credits, will help us play a leading role.

To further enhance our position, we are linking all our Liquid Natural Gas, renewable energy and emissions businesses globally so that we can serve our clients more effectively in these growing markets.

In Norway, the government issues green certificates to renewable energy producers which electricity suppliers are legally obliged to buy.

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We have recently rolled out our Fusion platform to serve clients successfully in this Green Certificate market.

We are now looking to roll out Fusion, for these new green markets in other regions - such as Australia and South America.

We expect renewables to become the largest source of electricity generation, with estimates suggesting that 38% will come from renewable sources by 2027.

Despite this, oil will continue to play an important role, with demand expected to grow 8% by 2050.

Our power and gas clients are also starting to actively trade renewables and emissions.

This allows us to use our current teams and infrastructure to service this growing market without having to add headcount.

Moving on now to Digital assets.

The collapse of FTX clearly raised concerns about regulation of the crypto industry. As a result investors are turning to firms that are regulated and capable of serving the institutional market place.

We have now received our FCA registration after an 18 month process, and we are starting to see demand from our larger institutional clients.

A recent survey shows that the majority of professional investors believe institutions will hold 60% of all digital assets within seven years, compared to just 3% today.

So the market is pivoting from retail to institutional participants.

We are working closely with both Global Broking and Liquidnet to take advantage of this, and in particular, the move towards tokenisation of assets.

As a reminder, we run a segregated model, we do not hold client funds, and we do not take positions.

Our institutional clients like this model, as well as the fact that we have a known custodian in Fidelity and a number of market makers, such as FlowTraders, committed to showing liquidity.

So in conclusion: Markets are returning to some sense of normality after a period of disruption.

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We plan to take advantage of more favourable market conditions as we continue to harness growth in Environmental products and digital assets … and to roll out Fusion to new regions… whilst also working to increase our margin by improving broker productivity.

Thank you very much - I'd like to hand over now to Mark Govoni to talk about Liquidnet.

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Liquidnet

Mark Govoni, CEO, Liquidnet
Thank you, Andrew, and good morning everyone.

Let's begin with an overview of our strategic priorities for this year.

Liquidnet is a trusted, award-winning business, with a network of over 1,000 institutional investors spanning 46 countries. We have a strong market position that we are building on.

Since I joined Liquidnet a year ago, I have had a close look at our business and updated our strategy to reflect current market conditions. This strategy centres on four areas.

First, we're committed to completing the integration of Liquidnet and achieving at least £30 million of cost synergies, on an annualized basis. This includes the ongoing rationalization of the property portfolio.

Second, we aim to grow and diversify our Equities franchise by expanding our algorithmic and program trading offerings. This specifically addresses the cyclical challenges facing the institutional Equities markets right now. 2022 was a tough year for the stock markets.

We'll also continue to expand our cross-border offering which allows traders to execute trades in other regions leveraging our global footprint.

Third, we plan to expand our Dealer-to-Client business which was launched last year, by connecting more dealers to more buy-side clients, expanding geographies, and enhancing our Request for Quote platform. This is a substantial opportunity. And of course, we remain focused on the delivery of our 2023 contribution margin target.

In short, we are combining electronic trading with the skills of our traders to grow and diversify our revenues, while also completing the integration of Liquidnet and delivering our financial targets.

I will now turn to some of the key trends that impacted Equity markets, which were challenging last year.

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Block trading was negatively impacted by the underperformance of active Equity investors, while cashflows into ETFs and passive strategies remained stable.

These factors inform both our future growth initiatives and our focus on diversifying revenues.

We are Number Two in both the US Agency Alternative Trading System and EMEA Large-in-Scale markets. And we are the market leader in the larger block market in EMEA, which is defined as 5x Large In Scale.

From a US perspective, block trading, our key segment, reached its lowest point for a decade, representing just 6% of total market volumes. This impacted our activity.

EMEA Large-in-Scale volumes declined by 15% year on year, while 5x Large In Scale volumes decreased 39% in the second half.

So while our positioning inside this segment is very strong, tough equity market conditions had a significant impact on levels of block trading globally.

Turning now to our Equities business. Since I joined, our focus has been on building a robust equities franchise to deal with cyclical markets.

Institutional volumes faced significant challenges last year and this could persist, depending on the macro environment, so we are focused on diversifying into new areas to build resilience in our business during all market cycles.

We are growing our client base. Last year we added 80 new clients globally; we are leveraging TP ICAP's footprint to penetrate additional geographies, so we now have a local presence in Paris, Frankfurt, Madrid, and Johannesburg; we've strengthened our Trade Coverage model, and we've simplified and enhanced the trading experience for clients.

We are also expanding our offering: First, to allow more clients to source differentiated liquidity. For example, we launched the very first Volume Weighted Average Price Cross offering in Asia Pacific. Second, we've focussed on Cross Border trading which represented 18% of revenue in 2022. Third, we increased Program Trading revenue 15% last year and fourth, we've enhanced our algorithmic trading which was 31% of total revenue.

Turning to our Fixed Income business. The combination of evolving market structures and listening to our clients shows there is a substantial opportunity here.

Our Primary Markets offering had a great year. We launched in September 2021 and within a year, the number of banks sending deal announcements to the platform more than doubled – it is now at 30. We're capturing over 80% of new issues on any given day, up from 60% at launch.

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And last year we saw over: 830 new bond deals trade, 180 users engaged with the order book, and $12B in firm orders.

We were also recognised with an award for launching an outstanding electronic trading initiative.

In the secondary market, we made strong progress. Our traditional dark pool negotiation engine continues to consolidate its position.

We are attracting new members that leverage our automated workflow solutions into our dark pool. This is a big differentiator for us.

Last year this resulted in a 35% uplift in new members and Dealers increasing by 53%, leading to volumes growing 120%. I'm very pleased with this growth.

Our success this year will be built on dealer connectivity, evolving our Request for Quote platform, and starting order book trading so that our primary market workflow is complete.

I will now turn to Dealer to Client Credit. I've been working closely with the team as we roll out this proposition. As you heard from Nico, progress on the technology front – which is a key deliverable – is good.

The client facing technology is in place today. Client feedback is excellent as you can see from the quotes on the slide.

The key issue for us now is growing liquidity on the platform. COVID-19 has slowed progress on IT projects across the board for both dealers and clients. We have been impacted by that.

Getting to our target market share of 3 to 6% will take longer than initially planned as we factor in these covid-related backlogs.

However, we have made good progress connecting dealers and clients. Major banks are already connected via API and we are being moved up the priority list in technology queues.

We are now working closely with Global Broking to leverage their dealer connectivity and drive the delivery of this proposition.

The size of this opportunity remains exciting, and substantial.

To conclude, macro factors have challenged the segment in which we compete. We expect volatility to remain until inflation pressures ease.

However, we believe this trend is cyclical, not structural, so we expect extended volatility periods to subside and equity allocations to revert back to the mean over time.

Our offering is unique in the market.   And our priorities are clear: growing and diversifying our Equities franchise, connecting dealers and clients to our Dealer to Client platform and completing the Liquidnet integration.

I believe we have the right strategy and the right resources to disrupt the market.

Thank you very much - I will now handover to Eric Sinclair to talk about Parameta Solutions.

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Parameta Solutions

Eric Sinclair, CEO, Parameta Solutions
Thank you, Mark, and good morning everyone.

Parameta Solutions has some key attributes which contribute to its current success and future opportunity.

They include - a unique set of proprietary OTC data, from the world's largest Inter Dealer Broker; a subscription-based model with a retention rate of 98%, and more than 850 clients; high quality talent combined with investment in technology which provides significant operating leverage; - and a strategy based on new products, multi-channel distribution and further diversification of our client base.

This has delivered high contribution margins of 50% and a business that's growing faster than the rate of the industry.

In addition, we are creating value by developing commercial partnerships which combine the expertise of others with our unique data to give us a faster time to market.

Our strategy, which focuses on expanding our product offering, broadening distribution channels and diversifying our client base, is driving both growth and strong contribution margins.

In Product we have achieved some key milestones. Our "Evidential Pricing Service" is a game changer. It leverages neutral data from real observable transactions rather than opinions.

We have already launched this service for bonds and Foreign Exchange and we plan to launch it for Rates in the first half this year.

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We are also the first Interdealer Broker to be authorised by the FCA as a Benchmark Administrator.

We now have 9 benchmarks with licensed clients using them for activities such as product issuance.

This validates the value of our rates franchise in the capital markets.

We now want to pursue opportunities in Europe and have applied for benchmark authorisation from the EU.

In 2023, we expect over half of our Sales to come from New Products

Multi-channel distribution is another important driver of growth and of attracting new clients.

Five years ago, 95% of our revenues were generated by distributing our services via Market Data Vendors.

Today, that is 80% and the remaining twenty percent comes from direct distribution to clients, including via the cloud.

Direct distribution improves both margins and opportunities for cross-selling.

Our Client base is well diversified and it includes Banks, Market Data Vendors, the Buy Side, Governments, Energy & Commodities companies and Corporates.

I want to turn now to the partnerships which are helping us to leverage our data and drive growth:

Last August we launched "ClearConsensus" in partnership with "Peer Nova", a leading data management and analytics software firm based in Silicon Valley.

"ClearConsensus" combines our observable transaction data from our Evidential Pricing Service, with PeerNova's technology. This offers clients operational efficiency gains, improved measurement of Fair Value, enhanced risk management, and potential capital optimisation.

We are announcing two new commercial partnerships today.

Clients have been telling us that they need a successful solution for the valuation of OTC derivatives as a result of changes in risk and accounting regulation.

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So our first collaboration is with global analytics company, Numerix. Together, we are committed to building a differentiated and cost-effective service for the valuation of OTC Derivatives, integrating the best data with the best analytics to target an addressable market of $6 billion dollars.

We are also partnering with, General Index, a benchmark provider in the energy and commodities markets, seeking to disrupt the traditional benchmark industry.

By partnering with General Index, we can build a new proposition with our leading content for Liquified Natural Gas.

General Index will act as our EU Benchmark Administrator - and they will also manage the calculation activity.

In conclusion, we have made excellent progress on the execution of our strategy in 2022.

We are delivering new products, broadening our distribution and diversifying our client base.

Our partnerships are driving growth by allowing us to access markets with greater certainty of execution. And this gives us confidence in the outlook for 2023 and our continued ability to outperform the wider market data industry.

To this end we are focused on delivering value for shareholders with ongoing double-digit growth in contribution and EBIT.

Many thanks - and now I'd like to hand it back to Nico to conclude.

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Summary

Nicolas Breteau, Group, CEO
Thank you, Eric. So in conclusion: In 2022 we built on our market-leading positions, deep liquidity, and global presence.

Our strong revenue performance, combined with our operational leverage, has delivered an increase in profitability.

Our transformation, through the deployment of Fusion, is on track - both in Global Broking and Energy and Commodities.

We continue to diversify our business through targeted growth opportunities in Energy and Commodities, Liquidnet and Parameta Solutions.

Finally, we are managing our capital dynamically and are on track to free up 100 million by the end of this year to reduce debt, with a commitment to return any further surplus capital to shareholders.

As we continue our transformation journey we plan to take advantage of a favourable market environment, albeit with less volatility than 2022, to capitalise on our deep liquidity and leading market position.

Thank you. We will now open up for questions. Could you please tell us your name and organisation before you ask your question.

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Questions and Answers

Kim Bergoe, Numis Securities
Morning. Thank you. I have four questions actually. One is I think, at the half year stage, you told us something about current trading, we're now halfway into March, can you tell us anything about what it looks like at the moment across the, sort of, different divisions and platforms you've got, what current trading looks like?

Secondly, I had a more sort of technical question, I guess that's more for Robin, about, because you had a pretty big increase in, sort of, the joint venture line, if you could just highlight a bit more what was driving that?

And then a question on Parameta – the growth there. How should we be looking at that, sort of, going forward? Should we continue at that rate or is it likely to accelerate from here because, obviously, there is a lot of focus on that particular line? Thanks.

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Nicolas Breteau, Group, CEO
Thank you for your questions. Maybe a few words about current trading before my colleagues will answer the other questions.

So, we've seen a very strong start of the year. In January, what we've witnessed is a very active level of activity in Global Broking, but we have a very high comparative in 2022, but nevertheless, we've seen a lot of trading activity.

And also, in particular, Andrew was mentioning the, kind of, normalisation of the Energy market, and we've seen a very strong level of activity in Power and Gas. So, we think that these parts will normalise this year, we think that, as Dan mentioned, you've seen the opportunity to trade more

on the medium part of the curve for rates, so we remain optimistic, but we have to see how the rest of the year will be.

Your second question is about the benefit of the JV, so maybe Robin?

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Robin Stewart, Group CFO
Yeah. Hi, Kim. We've certainly seen a very strong pick up this year on our JVs and associates line. That's really dominated by three things, but the outright star growth in there is our joint venture in Shanghai, TP Citico. That's had an extremely good year in 2022. But also we've had strong performance in JV arrangements we have in Tokyo and also South America, but it's really dominated by the Shanghai JV arrangement.

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Nicolas Breteau, Group, CEO
Eric, a word on Parameta?

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Eric Sinclair, CEO, Parameta Solutions
Okay. Well, thank you for the question. We continue to target double-digit growth in revenue, but more importantly, we're focused on profitable growth, we're not building products just to spend money recklessly, and we are very focused on ensuring that it's profitable growth.

If you look at it as our revenue grows, we're seeing the benefit in our operating leverage, so we have a global team and that operating leverage is helping both contribution and EBIT as we grow.

A couple of other factors you will have seen, I mentioned about direct distribution, there are two issues that are driving margin improvement for us. Direct distribution improves our margin as does the automation of our Business Operations Group who are using artificial intelligence to help us scale and grow without the increase in cost at the same rate, and this is one of the reasons why we're ahead of targets on the Capital Markets Day from 2020.

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Stuart Duncan, Peel Hunt
Morning. I've got two questions, please. Firstly, on Fusion, I think, in the past, you've given us some sort of sense of the benefits where it's been introduced, I just wondered if you could give us a, sort of, update on that? And as a, sort of, subset of that question, why does it take so long

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for the last 15% to be achieved when you've made such good progress in the first 40% of desks that it's been rolled out to.

And then the second, a small one for Robin, just why there's not more benefit from higher interest rates coming through on the net finance cost line? Thanks.

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Nicolas Breteau, Group, CEO
Thank you for your questions. Fusion, so, yes, we continue to roll out the platform and, as you mentioned, our first objective is to deploy the technology, so to deploy the technology desk after desk, and that's what we've focused on.

So, we have reached our target of 40% in-scope. We have plans this year to continue to deploy Fusion on credit, on FX and rates, and we've seen that each time we deploy the technology, and it is used by our brokers and clients, we reach better KPIs, a higher level of contribution, a higher level of productivity.

So, we have started to see some benefits of the deployment of Fusion, but it's really now the second phase that we are focusing on. After the deployment is the adoption, so the adoption is what is critical, it's not just deploying the tech on the screen, we want to increase the percentage of revenue generated electronically.

So, what we've done this year, which is new, is that we've built a sales team especially dedicated to reach out to clients to increase the rate of adoption of Fusion, so that, for us, is critical because, of course, we are focusing on deploying the tech, but it's really important to make sure that it's properly used and we will get the benefits, get the benefits in profitability but also get the benefit in market share.

Your second question maybe for Robin?

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Robin Stewart, Group CFO
Well, your third one was on net increase, wasn't it, yeah, interest income? It's fair to say, keeping our, sort of, guidance on that interest being fairly in line with this year does include a significant uptick in our interest income. We've done a lot of work over the last year to look at where we operationally hold our cash and how we can enhance the yield on that as best as possible through a negotiation with banking arrangements or looking at alternative ways in which we collateralise some of our trading accounts. So, that is actually enhanced for 2023, it's just offset by additional interest costs that we have as well.

You had a second question, I think you've answered that, haven't you?

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Nicolas Breteau, Group, CEO
Yeah, I mean, you said why is it taking so long to reach the extra 15%? Well, I don't think it's taking so long. We have the target in 2025, we will deliver that target, but, again, what really matters to us is to work on the adoption and we have a set of KPIs to measure the success of that adoption.

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Piers Brown, HSBC
Yeah, good morning. Just a couple of questions, maybe for Mark, on Liquidnet. So, when you talk about the market share 3% to 6% target range being delivered later than planned, what sort of timeframe should we be thinking about for some sort of meaningful revenue to come through from the credit side? Is that a, sort of, three to five-year project or if you can give any sort of clarity on that?

And then, just secondly, in terms of the actual nuts and bolts of this, I mean, you talk about focusing on being reprioritised in the technology queue of the dealer clients that you're trying to sign up, I mean, how do you practically do that? Is it just a question of being in front of them constantly or are there things you can do in terms of the functionality of the D2C offering which would assist that? Thanks.

. . . .

Mark Govoni, CEO, Liquidnet
Yeah, thanks for the question. So, as I think Nico mentioned, and I did as well, I think our key deliverable was to get, obviously, the technology in place and get it deployed, so we're in a good spot there and we've made good accomplishments. And, obviously, the connectivity piece, we faced some challenges, you know, COVID, across the spectrum, changed the priority set for our clients and for our dealers. So, yeah, I think getting to our 3% to 6% target range will probably be about 12 to 18 months later than we had initially planned, to answer your question specifically.

And in terms of how do we drive the dealer engagement, you know, as I mentioned, I think working with Dan in Global Broking is critically important for us. They've got, you know, strong strategic relationships with these dealers top down in the firm and across different product sets in Global Broking.

So, I think our ability to work with them to drive dealer connectivity is a massive focus for us, and that's what I think will continue to move us in the technology queue and make sure that we're viewed as a priority, you know, as a strategic group with a relationship to those dealers.

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Eric Wilson, JP Morgan
Hi. Good morning. Just a couple of questions for me. One, can you give us an update on how you see the regulatory framework evolving, if there is anything specific you are monitoring, opportunities or threats over the latest month?

And the second question, how are you thinking now in terms of inorganic expansion of the specific areas you think are interesting you think you could build on horizontally or vertically? Thank you.

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Nicolas Breteau, Group, CEO
So, the regulatory framework, in our industry, has changed considerably over the last five to ten years, so we've adjusted to that. So, if you remember, we've deployed a new enterprise risk framework, we've invested in the third line of defence with compliance risks and audit functions. So, that's been a very relatively considerable investment for us over the last years.

We have seen some push from regulators to regulate venues, and we are the largest operator of venues in the world for electronic execution, so we don't see new changes in this area, but that has been the major change over the last years.

Of course, Brexit continued to be a topic. We've seen more clients migrating to Europe, their trading activities. Over the last 24 months, we have adjusted to that. We have a full setup covering the EU clients, so we are in place and ready for that transformation.

Your question about inorganic expansion, so, no, we have a strategy in place for the time being, really, it's to transform our business by the deployment of Fusion in our broking activities, and this is happening well, at pace.

We are also working very actively on our new proposition for credit in Liquidnet. We think that it's transformative for our group because that's a new relay for growth dealing the buyside and leveraging the relationships we've had for many years with the dealers.

We continue successfully to grow Parameta. That’s really important for us. Rather than go for inorganic, you've seen that we do more joint ventures and partnerships with the right partners in order to capture new areas, new markets, such as the index or the fair valuation of derivatives. So, that's more the direction we're taking in the diversification of our business.

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Eric Sinclair, CEO, Parameta Solutions

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Nico, if I could comment on the regulatory issues actually for Parameta Solutions, many of the regulations are accretive to our business, so one of our top-performing products in 2022 was our surveillance product as we help our clients to provide the order and trade reporting they need to meet the regulatory obligations. So, that's been very good for us.

I mentioned the fair value pricing, those who have been in the industry a long time know that it used to be a best practice, and those of you who are CFAs in the market know that that all got revised in 2020 during COVID. This has become regulation now, it's not just a best practice, so that's accretive for our business, that’s why there's so much appetite for what we're doing with ClearConsensus and with the ODC derivative service that we're going to be launching.

A couple of other examples would be FTRB. It's very expensive for the banks to use the standard approach. If we can help them do internal modelling, it helps dramatically reduce the regulatory capital they need to deploy. So, there are a number of opportunities we have to help our clients, not just provide more value in the data but actually help them with capital optimisation and issues like that.

And the final thing is for Andrew Polydor's group where we are a leader in the Energy & Commodities space, Parameta Solutions benefits from that with, you know, they are leaders in transition fuels like natural gas, where we've announced today we're launching the natural gas indices, which is good for us, but also our clients have ESG reporting obligations. And so our environmental package benefits from the environmental initiatives that Andrew's team taking on board, and we increased our environment package to include things like renewable certificates and guarantees of origin.

And these types of activities are actually broadening our client base because the obligations go well beyond the traditional E&C clients. So, for Parameta Solutions, we look at regulation as an opportunity in most cases.

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Nicolas Breteau, Group, CEO
No further questions? Maybe on the phone?

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Dominic Lagan, Head of Investor Relations
Yes, I have two questions online, both from Stephen Hayde from Close Brothers. The first one for you, Robin – What is the plan to refinance the 2024 bond?

And the second question relates to Parameta – Can you comment on the recent press speculation that Parameta was in sales process? Is Parameta core or non-core to the business?

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Robin Stewart, Group CFO
Okay. So, on the first question, Dom, that's come in on refinancing the bond, obviously, we have a bond which matures in January 2024. I think it's fair to say that we will post launch of these results, look very hard at, well, we have been looking at when the right opportunity to refinance that. That's something we'll do in the coming month.

Nicolas Breteau, Group, CEO
Yes, on Parameta, I man, we have, as you know, a policy of not commenting on market rumours. What I could say is that, like any other listed company, TP ICAP is very mindful of its duties to stakeholders, so we are looking at options on how to generate value for shareholders.

Parameta is a great asset, very successful, you've seen the company growth rates of 11% over the last 4 years. We see opportunities for further development outside. Today, Parameta is mostly selling data in a market where we are largely dominant compared to our competitors, so, as Eric illustrated, we are now entering larger markets and growing markets, so there's a lot of further development for Parameta.

Dominic Lagan, Head of Investor Relations
Thank you, Nico. I believe there is a question on the phone lines.

Telephone Operator
Yes. If you would like to ask a question today, please press * followed by 1 on your telephone keypads.

And our first question today goes to Vivek Raja of Shore Capital. Vivek, please go ahead, your line is open.

Vivek Raja, Shore Capital
Hi. Thanks. Good morning, gentlemen. There are three areas, if I can, please, that I want to ask about. The first one is going back to Liquidnet and the D2C credit proposition. I just wonder if you could be a bit more specific in terms of where you've got to in terms of connectivity, how many dealers you're connected into, and maybe how many more dealers you think you'll be adding, if I could push you to say that, this year, appreciating there is a technical queue?

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And, if you like, how many dealers do you need to have for the opportunity to be significant enough in terms of liquidity for you to, you know, start seeing material revenues there, if I can ask that question that way?

The next thing I want to ask about was the capital release. So, the £30m that's been released so far, can you just give us a bit more detail on that and perhaps also what areas you're looking at for that £100m target, where exactly that cash is being released from?

And then the last thing was on profitability. So, your, was it 2020 Capital Markets Day had a sort of, medium-term Group operating margin target of 18%, I just wanted to invite you to, sort of, comment on that target, whether that is still something you think is achievable?

And, sort of, connected to that, you did 19%, I think, in Global Broking in '22, where do you think that could get to with Fusion efficiencies? Thanks.

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Nicolas Breteau, Group, CEO
Thank you, Vivek. So, the Liquidnet D2C proposition, maybe I say a few words and Mark could complete.

So, yes, we have several products to offer in the Liquidnet credit. We started, as you remember, with the Dark Pool, and we've seen much more liquidity and clients joining this Dark Pool with more than double the revenue of the Dark Pool in 2022, but we are completing this with other services, and D2C Request-for-Quote is also very important for us.

So, we've deployed the technology, we have the trading functionality, it's in place. We have around 450 buyside clients already connected electronically. We need more of those, but, as you pointed out, what is critical is to get enough liquidity streamed by the dealers, the investment bank dealers, into the platform.

We have succeeded in getting some large dealers to quote on our API to be able to start streaming, but we have faced more delays than expected on their side because, as Mark pointed out, post-COVID, we are discussing with teams who have a huge backlog of IT developments in their banks. So, we're pushing hard to get prioritised.

The ideal scenario is to have the five largest US investment banks streaming into our platform. We are deeply engaged with them. We hope to have at least three of those connected electronically in the coming months, before the end of this year, so that's working but taking a little bit longer than we expected.

Mark, would you like to add anything?

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Mark Govoni, CEO, Liquidnet
No, I think Nico said it well. I think the connectivity via API to be part of the workflow is what our major focus is, and our major focus is on the top dealers, and we are in flight with them, in progress with them, in technology testing, development, different phases across those. And we believe, you know, the engagement with those top five dealers will get us on the path to our revenue targets in our year, so we feel pretty good about that .

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Robin Stewart, Group CFO
On the second question on capital, you asked, Vivek. Yeah, since announcing that target at the Half Year in August last year, between then and the year end, we released £30m of that £100m, or we captured £30m of the £100m. That, primarily, was through some purchase price adjustment on liquid and a sale of a property that we had in Paris that we no longer needed as part of our property rationalisation.

In terms of what's to come, the things that we're looking at which we have targeted which will yield the balance of that over the course of this year, include things like the completion of our defined benefit pension scheme windup which is close to conclusion as well as a broker/dealer consolidation in the US, which should free up some capital that we deploy there. And we also have elements of capital that currently sit in some of our UK-regulated entities that we no longer use following the restructure of our UK-reg entities where we've gone to eight companies to three over the last few months. We're waiting on some deregistration from the FCA, particularly from a client money perspective first and foremost and then, following that, full deregistration, which will allow us to release trapped cash in there.

And so, once we get through all of those hurdles, which we are very confident of doing this year, that should allow us to do that full £100m.

Just one last thing, it, kind of, links up with the question from Stephen at Close Brothers as well in terms of the bond, you know, the refinancing of that is, kind of, connected as well to the release of this £100m. So, when we come back to do our Half Year Results, I think we'll be able to give you a lot of detail on that refinancing as well as, ultimately, the paydown of some of our debt so that, by the time we get to the end of this year, beginning of next, we'll have reduced the overall debt portfolio of the Group by £100m.

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Nicolas Breteau, Group, CEO
A word on CMD targets?

Robin Stewart, Group CFO
So, CMD targets – sorry, my writing's not very good in terms of scribbling down your question – I think you talked about the Group targets that we had at the Capital Markets Day. I think we said our 2023 Group target was 18% in aggregate, which was 17% for the core Group. You'll remember when we set the targets, you hadn't acquired Liquidnet and we were anticipating that the growth in Liquidnet would achieve another 1% on that EBIT margin.

I think, from a Group target perspective, we'll be very close to that at the end of this year. You've seen that we revised our guidance down from 18% to 14% though for the Group perspective because of all of the discussion we've had on the equities markets and the high volatility impacting the core franchise of Liquidnet and also the slowdown in the delivery of the D2C project. That delay and, sort of, market impact has, therefore, delivered a reduction in the overall Group number.

Nicolas Breteau, Group, CEO
As you have pointed out, on Global Broking, first and foremost, so, we will be very close, if not at target, on contributions. So, we have an objective of 40% on contribution on Global Broking, and we have reached it in some months in 2022 and some months in 2023, so we will be at/or very close to this target. So, that's very important for us in the transformation of our core business.

Vivek Raja, Shore Capital
If I could just follow up, and I think my question about the profitability target was you had set a Group margin target for the medium term in 2020, so effective in '23, of 18%. What I'm asking is do you think those – and I appreciate, you know, the reasons why that hasn't been able to be achievable, you know, D2C taking longer to achieve and, obviously, COVID, so on and so forth – what I'm asking is do you think that is still an achievable target over the medium term? And I'm thinking, particularly, obviously, once the D2C proposition does get up and running, and, secondly, with the benefit of Fusion, do you think that is an achievable medium-term target?

Nicolas Breteau, Group, CEO
Yes, we remain confident that it's an achievable target, yes, because we can see that we will exceed that target for Parameta, we will be very close to this target, if not at target, for Global Broking.

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We are relatively close in Energy & Commodities. Here, as we discussed, it's more a question of the market normalising. It takes a bit longer to roll out our credit proposition on Liquidnet, and we've been impacted by the market environment a bit, so it's a question of delays, but it remains highly achievable, yes.

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Vivek Raja, Shore Capital
Thank you.

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Telephone Operator
Thank you. We have no further questions, so I'll hand back to the host for any closing remarks.

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Dominic Lagan, Head of Investor Relations
Are there any remaining questions in the room? Okay, yeah.

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Kim Bergoe, Numis Securities
Just a couple of follow-ups from me, one was to that last question about the 18% margin, and I think just a different way of phrasing that is, you know, the change that you have from the 18% to now currently of 14%, is there anything, sort of, structurally in that? I think that's a different way of asking the same question – are you structurally a more or less profitable business today than what you thought when you set the target originally?

Secondly, just had one question about, sort of, current events, so events over the last week, SVB, of course. What's your direct exposure there, if any? And then, secondly, how should we be thinking about the, sort of, fallout from that and the secondly impact? Thanks.

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Nicolas Breteau, Group, CEO
So, I mean, your second question first. We do not have any exposure to SVB or Signature Bank that went belly up yesterday, so no exposure whatsoever.

So, now the question is what potential impact? So, we are, obviously, closely monitoring any secondary collapse or impact on clients, such as hedge funds, but, so far, we haven't noticed anything. Could it mean maybe a slower raise in rates in the US in the coming weeks, in the coming months? Probably.

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It probably means also that, as a consequence, inflation may be a bit more difficult to combat inflation given that central banks might want to somehow allow a lot of actors to get liquidity without selling very, very depressed assets as securities. So, they might actually inject some liquidity, which will have an impact on inflation decrease. So, let's wait and see, but what's important is that we have no direct exposure and we're not impacted by that.

Your first question, 18%, are we less profitable? So, would you like to start?

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Robin Stewart, Group CFO
The journey that we tried to show as to where we are today versus where we're trying to get to those targets, I kind of think it's trying to show two things. One is that, in terms of what we're in control of, i.e., pretty much we're more in control of, say, the contribution margin, that's very much in line with where we anticipate we're trying to get to, so we know it's close to or delivering or exceeding our contribution targets.

The EBIT margin outcome is a consequence, really, of the revenue line, and that's been the market conditions which are cyclical for us. We're very clear that, you know, we've had those revenue dynamics over the intervening years from when we set those targets, which has effectively caused the lower EBIT delivery over those intervening periods to where we're trying to get to.

Importantly though, the cost line of the Group between contribution and EBIT margin is absolutely bang on in line with where we had anticipated that to be when we set those targets in 2020. So, despite the recent inflationary environment that we've seen, we've managed our costs absolutely in line with our modelling, and we pretty much delivered on most of the contribution targets. So, it's really a case of us getting back to more normalised market conditions on the top line, which we'll push along delivering that final outcome.

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Dominic Lagan, Head of Investor Relations
Any more questions in the room? I don't believe so.

I'd just like to thank everyone for joining us this morning, both in the room and, of course, on the webcast. We look forward to speaking with you again at our Half Results in August. So, that concludes this morning's presentation. Thank you.

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