TP ICAP

Interim Results Presentation
9th August 2023

Speakers

Nicolas Breteau, Group, CEO

Robin Stewart, Group CFO

Daniel Fields, CEO, Global Broking

Andrew Polydor, CEO, Energy & Commodities

Mark Govoni, CEO, Liquidnet

Eric Sinclair, CEO, Parameta Solutions

Dominic Lagan, Head of Investor Relations

Questions

Stuart Duncan, Peel Hunt

Piers Brown, HSBC

William Regis, Peel Hunt

Vivek Raja, Shore Capital

Kim Bergoe, Numis Securities

James Lowin [?]

Stephen Hayde, Close Brothers

Chris Mills, Harwood Capital

Introduction & Key Highlights

Nicolas Breteau, Group CEO
Good morning, everyone. Thank you for joining us both in person and online. This is our agenda for today. I will start with a short business overview, Robin will take you through our financial performance, and the heads of our four divisions, Dan Fields, Andrew Polydor, Mark Govoni, and Eric Sinclair, will report on their businesses. Then I will wrap up before we take your questions.

Let's begin with the headlines, where the movements are in constant currency unless I say otherwise.

The Group revenue increased 1%, or 5% in reported currency, while its contribution was up 8%, or 13% on a reported basis, as we focused on productivity, contribution, and tight cost management.

Our two largest business divisions are Global Broking and Energy & Commodities. Revenue in Global Broking decreased 1% but was up 3% in reported currency, against a strong comparator with exceptional volatility last year, caused by the start of war in Ukraine. The revenue per broker grew 6%, with broker contribution up 24%, including Russian provisions. This, again, reflects our emphasis on productivity and contribution, and a reduction in average broker head count.

Energy & Commodities performed very strongly across all its key asset classes, Oil, Power, and Gas. Revenue grew 12%, or 17% in reported currency, as energy markets recovered from last year's dislocation.

Liquidnet broke even in the first half, despite challenging equity market conditions and ongoing investment in our Credit platform. We have now delivered £38m of annualised integration cost synergies. This exceeds our £30m target, six months ahead of schedule.

Parameta Solutions revenue increased 5%, or 11% in reported currency. Overall, we generated an uplift in margin and profitability. Our Adjusted EBIT was up 7% to £163m, a margin of 14.4%.

We continue to manage our capital dynamically. We have freed up £100m of cash for debt reduction, six months ahead of schedule, and we have achieved this while continuing to invest in the business.

Our interim dividend is 4.8p per share, up 7%, and will be paid to eligible shareholders in November. We have also announced a share buyback of £30m, starting today.

+44 20 7243 7350
london@wtvglobal.com

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

Moving now to our strategy guidelines. Our key strategy priorities are transformation, diversification, and dynamic capital management. In Global Broking, the roll-out of our electric platform Fusion is on track, and it is now live on 44% of in-scope desks. We are making good progress with client adoption. In Rates, for example, the number of unique client logins is up 43% over the past 12 months. We continue to diversity our business by client base, asset class, and non-broking revenue.

In Energy & Commodities, we are transforming the division in three ways. First, by deploying more technology in our Oil franchise. Second, by expending broking desks in carbon credits, biofuels, and renewables. And third, by monetising more energy-related data with our leading data business, Parameta Solutions.

Parameta Solutions was recently approved by ESMA as a benchmark administrator. We have already launched new indices for Liquified Natural Gas, and there are more to come. We are well progress in the consolidation of Parameta companies, which will enable it to develop more partnerships with third-party data providers.

In Liquidnet, we are diversifying Equities by growing Algorithmic, Programme Trading, and Inter-region execution. Our Credit platform is developing at pace. We completed the connection of two major investment banks on our Dealer-to-Client proposition, with a third bank in the final certification stages.

Turning now to capital management. Our approach to capital management has four components, investing for organic growth, reducing debt, a clear dividend policy, and returning capital where appropriate.

So, first, we are investing to grow the business with the deployment of Fusion in our broking businesses, the building of Liquidnet Credit, and the expansion of Parameta Solutions.

Second, we are reducing our debt by £100m. This will decrease our future net finance costs and increase our investment grade headroom.

Third, we have a clear dividend policy with a commitment to a 50% pay-out ratio of adjusted post-tax earnings for the full year.

And finally, we have announced a buyback of £30m, which starts today.

We continue to assess opportunities to free up more cash. Thank you very much. I now hand over to Robin, to take you through our financial performance.

. . . .

Financial Review

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

Robin Stewart, Group CFO
Thank you, Nico, and good morning, everyone. As you have heard, we delivered a good performance against a strong comparator last year. I'll start with the income statement, where, as usual, my comparisons are in constant currency.

Total Group revenue increased 1% to £1.1bn. Adjusted EBITDA was up 2% at £200m, and the margin grew 0.6 percentage points to 17.7%. Adjusted EBIT increased 7% to £163m, and EBIT margin was 14.4%, up 0.8 percentage points.

Net finance costs of £17m were down 35%. This is due to a £10m increase in interest income, as we actively manage the yield on our cash to benefit from rising rates.

The effective tax rate increased to 27.4%. Taken together, this resulted in adjusted earnings before significant items of £117m, up 17%. Adjusted earnings per share also grew 17% to 15p. As Nico said earlier, we plan to pay an interim dividend of 4.8p, an increase of 7%.

Our policy targets a 50% pay-out ratio of full-year adjusted earnings. This typically includes 30 to 40% of first-half earnings, with the balance paid in the final dividend.

Let's turn now to the year-on-year movements in our earnings before interest and tax. Adjusted EBIT was £163m, compared with £142m reported for the first half last year. If you retranslate £142m using 2023 exchange rates, it results in EBIT of £153m, giving us the basis of a like-for-like comparison. Contribution increased by £32m, mainly driven by our focus on delivering more profitable revenue.

Management and support costs were £10m higher, driven by the impact of inflation, but this was largely offset by the delivery of a further £8m of Liquidnet integration savings in year. As Nico said, we have now achieved £38m of annualised synergy savings, above our £30m target and six months ahead of schedule.

Finally, the strengthening of sterling towards the end of the first half contributed to a £20m negative movement in Foreign Exchange 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 clear picture of the underlying trends. I'll start with Global Broking.

Total revenue in Global Broking was down 1%, at £656m, against a strong first half last year with the exceptional volatility following the invasion of Ukraine. Rates is our largest and most profitable asset class, accounting for nearly half of Global Broking revenue. Revenue here decreased 1% to just under £300m. Credit revenue was down 3% to £60m. Foreign Exchange and Money Markets grew 3% to £159m, and Equities decreased 5% to £127m.

Excluding the impact of provisions related to Russia booked in the first half of last year, contribution margin increased 1.2 percentage points to 41.2%. Revenue per broker grew 6%, with contribution per broker up 9% excluding Russian provisions, or 24% including them. Adjusted EBIT grew 24% to £133m, and margin increased from 16.7 to 20.3%.

Turning next to Energy & Commodities. Total revenue increased 12% to £231m as market conditions normalised. There was greater global demand for oil, and the price of gas in Europe declined, resulting in higher volumes. Energy & Commodities benefited from these developments, with strong performances across the three main asset classes, Oil, Power, and Gas.

Contribution margin increased from 32.5 to 34.2%. Adjusted EBIT grew 52% to £38m, and Adjusted EBIT margin was 3.8 percentage points higher, at 16.5%.

Turning now to Liquidnet. Total revenue decreased by 6% to £169m. Equities markets were once again challenging. Whilst there was some improvement in stock market performance, many institutions maintained a risk-off approach in the large block market. Revenue from cash equities decreased 22%, broadly in line with US large block volumes.

Other asset classes within the rest of the division delivered strong revenue growth of 22%, driven by a record performance in relative value.

In light of challenging market conditions, we are controlling costs carefully in Liquidnet while continuing to invest in our Credit business. Despite this continued investment, the division broke even in the first half, a significant improvement on the adjusted EBIT loss of £24m for the full year 2022.

Turning now to our data and analytics business, Parameta Solutions. Revenue grew 5% to £91m, in line with global spending on financial market data. Revenue growth in the first half was below the historical average, due to the non-recurrence of high client audit revenue recorded in the first half last year.

Adjusted EBIT grew 6% to £38m, at a margin of 41.8%. The division continues to target double-digit EBIT growth for the full year.

As Nico mentioned, the work to consolidate the Parameta companies is well progressed, enabling it to pursue relationships with third-party data providers.

Moving next to capital management. We are managing our capital dynamically, which has been enabled by our re-domiciliation to Jersey in 2021. At our first half results last year, we committed to freeing up £100m of cash, and I am pleased to report that we have achieved this goal earlier than planned.

We are using this cash to pay down debt, and you can see here the pro forma debt reduction of £101m that we will deliver a year from now. This includes repaying our Vendor Loan Note with Liquidnet, which matures in March next year, and settling the deferred consideration for the acquisition of Liquidnet, which would have required financing in March 2024.

We have announced a share buyback this morning of £30m, which starts today. This will be funded by a range of further initiatives, as well as cash generated from the business. As Nico said, we continue to review our capital and assess opportunities to free up further cash.

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. Significant items pre-tax were £55m, 25% higher than the first half last year, or £51m post-tax.

This was mainly driven by an additional £5m onerous lease provision as we finalised our Liquidnet property rationalisation, a £12m increase in legal and regulatory charges, reflecting legal costs, provisions, and settlement of various litigation proceedings, and a £5m write down of an investment in associates. About two-thirds of these costs were non-cash, including £22m from the amortisation of intangible assets.

Turning now to cash flow. Operating cash flow improved by £168m, to £141m. This was mainly driven by a lower change in matched principal balances from failed trades. There was also a working capital inflow of £47m, compared to an outflow of £19m in the prior year, as we made significant improvement in collecting trade receivables.

Operating cash flow also includes additional tax paid of £16m, relating to winding up our defined benefit pension scheme in the UK. The £46m surplus received as part of the wind-up is included in Investing Activities.

There was a £44m outflow for Financing Activities. This includes the final dividend for 2022 of £62m, as well as a £39m net cash inflow from the residual proceeds of refinancing £250m of debt maturing next January.

The strengthening of sterling, particularly against the US dollar, resulted in a Foreign Exchange loss of £46m, compared to a gain of £44m last year. Taken together, these movements resulted in the Group's cash balancing increasing by 10%, from £888m at the start of the year to £979m at the end of June.

Turning now to guidance for 2023. We maintain the guidance we gave in March, with one exception. Group net finance expenses are now expected to be around £43m, down from £49m. This is the result of higher interest income as we manage our cash more efficiently. We continue to expect an effective tax rate of 28%, and pre-tax significant items of £85m, with a dividend policy that targets 2x cover on adjusted earnings.

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

Finally, our capital markets day targets for 2023 remain unchanged.

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

. . . .

Global Broking

Daniel Fields, CEO, Global Broking
Thank you, Robin, and good morning, everyone. I'm going to start with an overview of Global Broking before covering the market environment and then updating you on the roll-out of our electronic platform, Fusion.

Global Broking is the world's largest interdealer broker and over-the-counter liquidity venue. We cover all major asset classes and instruments, have an industry-leading market share and a global footprint. Our brands are generally number 1 or 2 in the market where we are present, and our Rates franchise is the industry benchmark.

From this position of strength, we continue to make good progress delivering our strategic priorities. Our focus on contribution and broker productivity is paying off. As Robin mentioned, adjusted EBIT margin, revenue per broker, and contribution per broker all increased in the first half. Together with supportive market conditions, this makes us well positioned to deliver our contribution and EBIT margin targets this year.

Fusion is critical to the delivery of these priorities. As you've heard from Nico, our rollout is on track, and our focus now is on driving client adoption.

Let me now turn to the market contexts, starting with Rates. A changing interest rate environment is supportive of all asset classes in our business. As interest rates rise or fall, clients' risk-adjust their portfolios, and given our strength across all the major asset classes, we are well placed to capture any volatility.

During the first half, rising interest rates created volatility and volume in our short-term Rates businesses, notably in the first quarter, as the chart on the bottom left shows.

Turning to Foreign Exchange, concerns about global recession diminished during the first half. Weakness of the US dollar supported volumes in emerging market and G10 currencies. Aggressive interest rate hikes from the Fed now seem to be abating. We see a potential return of risk appetite towards the fourth quarter, and volumes may increase, given geopolitical and economic uncertainty.

Turning now to Equities and Credit. In Equities, heightened volatility was driven by a range of factors including inflation, the war in Ukraine, and the sell-off in technology stocks. We expect ongoing uncertainty in the second half to continue driving volatility and volumes. If inflation continues to moderate, we expect to see ongoing inflows into Equities.

The Credit market was impacted by the failure of some regional banks in the US and Credit Suisse in Europe. Increased volatility in the run-up to the collapse of Silicon Valley Bank and takeover of Credit Suisse drove activity in both credit default swaps and bonds. Concerns about inflation continued to drive sentiment. This fluctuated from being negative towards the end of March to being more positive thereafter, as the market regained confidence.

As usual, this positive sentiment saw trading and credit default swaps go down.

Historically, the second half tends to be slower than the first. However, macroeconomic uncertainty should continue to result in volatility. We also anticipate additional new issuance.

I'd like to turn now to the roll-out of our electronic platform, Fusion. Given that Equities is already Fusion-enabled, the scope of our roll-out covers Rates, Foreign Exchange, and Credit. 44% of in-scope desks are now Fusion-enabled, and we are on track to complete our roll-out by the end of 2025.

We are prioritising Rates and FX where market dynamics are supportive and there is client demand. Work is also under way, albeit at an earlier stage, in our Credit business. We have completed key launches for both the Tullett Prebon and ICAP brands in global interest rate and Foreign Exchange options.

Later this year, our sterling hub will go live, covering inflation, Gilts, and interest rate swaps. In Foreign Exchange, we will go live with FX forwards.

Client adoption of Fusion is growing substantially. Using Rates as an example, this chart shows the number of unique client logins has increased by 43% in the last 12 months. Fusion equips our brokers to better serve our clients across the full life cycle of a transaction. It gives clients access to our aggregated global liquidity across asset classes and brands. This means clients execute more business with us, helping to underpin and grow our industry-leading market share.

Fusion also provides the real-time data, automated trade processing, and settlement solutions that clients require to transact with confidence. This helps clients accelerate trade confirmation and reduce operational risk. Fusion also offers us the necessary optionality to drive future growth. Fusion is our asset. We own it. The platform is fully cloud-enabled and engineered to easily integrate new functionality. This means that we can develop the platform according to the changing needs of our clients and developments in market infrastructure.

For example, clients increasingly need bespoke APIs and chat-based connectivity. That is why we purchased a minority stake in a UK fintech firm called ipushpull in April. ipushpull functionality is now embedded in Fusion, helping to streamline the delivery of live data sourced from multiple channels to our clients.

So, Fusion not only differentiates us in the market today but also provides the flexibility and scalability needed to remain the world leader tomorrow in over-the-counter liquidity and data.

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

. . . .

Energy & Commodities

Andrew Polydor, CEO, Energy & Commodities
Thank you, Dan, and good morning, everyone. I'll start with a brief snapshot of the business. We are the leading broker in Energy & Commodities, operating across three brands, Tullett Prebon, ICAP, and PVM. We have a well-diversified client base, comprising of trading companies, commodity producers, banks, and a growing number of clients from the buyside.

Oil represents over half of our revenue, and we have a global footprint in both Power and Gas. Environmental products are a small but increasing portion of our revenue mix. Our priorities for this year include delivering our 2023 capital market day targets, in line with our guidance, expanding our environmental franchise, and growing our Digital Assets platform.

So let's turn to the market conditions. We've started to see the Energy & Commodities markets normalised for the first time since 2019. Last year, markets were impacted by war in Ukraine, which disrupted our supply lines. This drove prices to historic highs, which in turn caused Credit and margin issues, leading to lower market volumes.

This chart shows the price movement in Dutch TTF, which is the main benchmark for European gas. The sharp increase in price last year led to a decrease in volumes. This year, European gas and power prices have returned to more normal levels, and this has resulted in higher volumes.

The second half of the year looks set to follow the trend of the first, with strong gas storage levels across Europe, though the outlook will depend on the weather. A cold winter could potentially result in higher demand and another price spike.

Oil volumes also improved during the first half, with increased demand predominantly coming from China. The performance of Oil will continue to be driven by China, and any slowing of the Chinese economy could impact the market. However, the longer-term outlook for Oil is positive. The International Energy Agency predicts growth in global oil demand of 6% between now and 2028.

We see the energy transition as a major opportunity for our business, and we are well positioned as the leading broker. We have strengthened our global coverage in the environmental space over the past 18 months. We are now active across all three brands in mandatory and voluntary carbon credit markets, as well as renewable energy.

The voluntary credit market is expected to grow at least five times by 2030, according to recent research from Shell. We have successfully rolled out our Fusion platform in Norway for the green certificate market, and in Europe for the voluntary carbon market. Feedback from clients in both instances has been very positive. In addition, we are expanding our renewable energy presence to new markets, with a focus on Australia and South America.

Looking to the future, we have identified battery metals such as cobalt and lithium as growth markets. These will be a key focus for us as transportation continues to electrify.

Along with this, we see a good opportunity to expand our presence in biofuels, and we are looking into building a green hydrogen business. We believe these new markets will bring opportunities in both data and indices.

As you heard last March, Parameta Solutions has partnered with General Index, a benchmark provider in the Energy & Commodities markets. We have been working with them on indices to Liquified Natural Gas, which we have launched today, and we expect to follow this with indices in other products.

Now let's turn to Digital Assets. This year there has been growing demand from traditional market players in Bitcoin and Ether. We are very pleased that we have completed our first trade via our venue in Bitcoin US dollar after matching via API. In future, this will give us the ability to service our clients with settlement precision tailored to their needs.

We have received very good feedback from the market, and we will soft launch our venue in the next few months, with a number of marker makers such as flow traders committed to streaming of prices.

As a reminder, our business is registered with the FCA, and we cater for only institutional clients. We run a segregated model. We do not hold client funds or take positions. And we have an independent custodian in Fidelity Digital Assets.

These three factors, together with having a number of market makers streaming to us, makes TP ICAP a trusted venue operator in the market. We are also working closely with Global Broking and Liquidnet on the tokenisation of other asset classes.

Thank you very much. I will hand you over now to Mark for an update on Liquidnet.

. . . .

Liquidnet

Mark Govoni, CEO, Liquidnet
Thank you, Andrew, and good morning, everyone. I'll start with an overview of our strategy, then share insights on market dynamics and outline our strategic progress in both Equities and Credit.

Liquidnet is a global multi-asset business that spans 49 markets. We have more than 20 years of experience developing trusted electronic trading solutions for our network of over 1000 institutional investors. This commitment to trust and technology differentiates us in the marketplace. It also drives our strategy, where we have three key priorities.

First, to grow and diversify our Equities franchise. We are doing this by expanding Algorithmic, Programme, and Inter-region Trading.

Second, we are building out our Credit business by expanding dealer connectivity, increasing platform liquidity, and developing differentiated workflows.

And third, we are focused on delivering our 2023 contribution margin target of 30%.

Our other priority is to deliver the integration, which will be complete by the year end. We have made good progress in the first half. As Robin mentioned earlier, we have now delivered £38m of annualised cost synergies. In Credit, we have two major banks connect to Dealer-to-Client, with a third in the final stages of certification. And finally, our Relative Value business delivered a record performance, capitalising on our leading market position.

Now let's turn to Equities. Current equity Market Conditions continue to be challenging. Fund allocation to equities is at a 20-year low, and trading activity is subdued. During the first half, overall block volumes were down 32% in Europe and 20% in the US.

We have leading positions in both the European and US block markets, and this decline in volume has clearly impacted our revenues. We believe this downturn is cyclical rather than structural. We have responded by reducing our cost base and diversifying our business to build resilience through all market cycles.

In order to diversify, we're not just expanding Algorithmic, Programme, and Inter-region Trading. We've also added 44 new Equity clients in the first half, restructured our US Sales and Trading team to identify incremental revenue opportunities, and launched new features to allow clients to trade more efficiently.

Our work to grow Programme Trading is bearing fruit, with revenue up 14% year-on-year. And despite this challenging environment, our Equities proposition remains market-leading, highly valued by our clients and recognised by the industry as best in class.

Turning now to Credit. Although the electronic market in Credit is developing from a low level, it has grown significantly in recent years. It now represents over 40% of the total market in European credit, US investment grade, and US high yield trading. Request For Quote, or RFQ, plays an important role in the electronification of Credit. This represents a significant opportunity, and we are working to capitalise on it.

Liquidnet's deep connectivity to the buyside gives us a strong competitive advantage. It would take decades and cost millions to replicate the connectivity needed to enter the Dealer-to-Client market. This high barrier to entry puts Liquidnet in a strong position.

We are taking advantage of this by leverage out Blotter Sync technology, which we have now used for 20 years in Equities, and now deploy in Credit. It gives us direct access to buyside trade blotters, which record all trades throughout the day, and automatically downloads orders on a daily basis. Liquidnet is the only provider with this technology in credit. This process is manual for other platforms in the market.

This technology is enabled by our connection to 12 major order and execution management systems, and as a result, each day we see around £16bn of liquidity on our platform.

Our Credit ecosystem spans both primary and secondary markets, supporting the full life cycle of a bond. Clients can connect any way they want, via their order management system, our user interface, Fusion, or API. Once in our ecosystem, clients can select how they want to interact with a range of protocols. This choice enables them to trade in the way that is most efficient and effective for them.

We are making good progress developing our Credit offering. In the primary market, we have more than 30 syndicate banks sending new issue announcements, and more than 80 buyside firms that enter orders to trade these new issues. In secondary markets, two major global banks connected via API to our Dealer-to-Client workflow during the first half, with a third major bank in the final stages.

We are also partnering with Global Broking, to leverage their extensive dealer productivity, bringing more liquidity to our platform. So, with the evolving electronic market structure, together with our Blotter Sync technology, deep connectivity to the buyside, the development of an RFQ platform, and an increasing number of tier 1 dealers connecting via API, positions us for success developing a leading electronic credit platform.

Thank you very much. I'll now hand it over to Eric to talk about Parameta Solutions.

Parameta Solutions

Eric Sinclair, CEO, Parameta Solutions
Thank you, Mark, and good morning. I'm going to cover our strategy at Parameta, talk about some of our partnerships, and discuss how we are creating high-value products through both Evidential Pricing and our collaboration with Energy & Commodities.

Parameta Solutions benefits from a unique set of proprietary over-the-counter data, and a subscription-based model with a client retention rate of 98%. Our strategy is driving both growth and strong contribution margins. It focuses on expanding our product offering, broadening distribution channels, and diversifying our client base.

Our product strategy is about creating new products that offer higher value to clients, and as we create new products, we are delivering commercial partnerships that combine the expertise of others with our data to give us a faster time to market.

Multi-channel distribution is helping us to drive new client acquisitions. We distribute via our channel partners, and increasingly direct to clients, for example via cloud-based solutions. Our client base is well diversified. It includes banks, market data vendors, the buyside, hedge funds, governments, energy and commodity companies, and corporates.

You can see our priorities for 2023 on this slide. We continue to target double-digit growth in Adjusted EBIT for the full year, and we are also making good progress with our partnerships.

I'd now like to update you on how these partnerships are helping us to leverage our data and drive growth. ClearConsensus is an initiative launched in partnership with PeerNova, a Silicon Valley cloud-based software company. Regulators increasingly ask our clients to evidence transactions data, and in particular trades, and their independent price verification process. We developed ClearConsensus in response to this need.

ClearConsensus combines observable data with PeerNova's technology and analytics. For clients, this results in greater efficiency, improved measurement of fair value, enhanced risk management, as well as potential capital optimisation. We're in the final stages of signing tier 1 clients in Europe, Asia, and the Americas, who we expect to onboard during the second half.

Second, we've partnered with General Index and Energy & Commodities, as you've heard from Andrew, to build indices for Liquified Natural Gas. These indices reflect the trading activity between three major regional hubs in Europe, Asia Pacific, and the US. They are based on a methodology that includes pricing from TP ICAP's leading Liquified Natural Gas business, giving clients a global view of the LNG market for the first time.

And third, we continue to work with a global analytics firm called Numerix to build independent fair valuation of over-the-counter derivatives. We are on track to launch a new derivatives valuation product with Numerix in the first half of next year, which is an exciting addition to our risk management solutions.

I'm going to turn now to Evidential Pricing, which is a core component of the high-value products we are developing. The pricing reference and valuation business is a $6bn-per-year industry, where most of the pricing data is based on anonymous opinions without transaction evidence to support the contributed price. By contrast, we are able to deliver a pricing service based on data from transactions that have actually taken place. We call it Evidential Pricing, because it's backed by real evidence, not biased opinion.

Evidential Pricing forms a basis for our Trading Analytics product, providing best execution and transaction cost analysis.

We've also launched a new service called Fundamental Review of Trading Book. This provides clients with observed trades as input into their internal model calculations, helping them to reduce the regulatory capital and meet the needs of new regulation. In addition, Evidential Pricing is providing the data we need for our benchmark and index solutions.

Nico mentioned earlier, we have been recognised by ESMA as a benchmark administrator in the EU, and we are now the first inter-dealer broker to administer OTC benchmarks and indices across both Europe and the UK. Demand for indices is growing, and there is scope for us to introduce more competition into the OTC market for the benefit of clients. You've already heard about our indices in Liquified Natural Gas. We've also launched a suite of indices in partnership with Global Broking. They provide a view of volatility - the world's major interest rate options markets.

Another key priority is to accelerate collaboration with Energy & Commodities, in order to monetise new data opportunities, especially in relation to the transition to a low-carbon economy. We have expanded our environmental package to include Murban low-carbon crude oil, US renewable energy certificates, Texas solar, UK renewable energy guarantees of origin, renewable identification numbers, California low-carbon fuel standards, and US Northeast power. We have also identified the potential for further new data sets such as voluntary carbon offsets, battery metals, and hydrogen.

In addition, we are partnering with Energy & Commodities on their Fusion programme to ensure that we capture real-time pricing data across all their markets.

Thank you very much, and I'll now turn it back to Nico.

. . . .

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

Summary

Nicolas Breteau, Group CEO
Thank you, Eric. So, to conclude, we have delivered an uplifting profitability in the first half by focusing on productivity, contribution, and tight management of our cost base. We have a clear strategic roadmap and a strong franchise to deliver value for our shareholders. Our transformation continues at pace through the deployment of Fusion.

We continue to diversify our business across Energy & Commodities, Liquidnet, and Parameta Solutions, and we are managing our capital dynamically so that we have the flexibility to create value by investing in our business, paying down debt, or returning surplus capital to shareholders.

Thank you very much. We will now open up for questions.

Could you please tell us your name and organisation before you ask your questions? Thank you.

. . . .

Questions and Answers

Stuart Duncan, Peel Hunt
Thank you. I've got three questions if that's okay. The first is on Liquidnet. You've signed up to, and about to sign up a third bank. Can I just ask, when were the two signed up and how many do you actually need to start to really see the benefits of flow coming through in the platform?

The second one is probably for Robin. You touched on Russia and the write-off last year, if you do see some sort of stabilisation or normalisation of the situation there, at what point would you consider writing, or could that be written back and what would cause that writeback?

And then thirdly, and this is also for you, Robin, but on the net interest, or the net finance cost point, given the cash balance at the end of the first half, and you've been quite clear about signalling of what debt would be outstanding going into next year, I'm just wondering why the guidance hasn't improved more and actually what that would mean for net finance costs next year as well. Thank you.

. . . .

Nicolas Breteau, Group, CEO
Thank you. Can you hear me? Yeah? So, on Liquidnet, I'll let Mark to complete, but yes, we are working, as we said before, very actively to build the segment of the requests for quote in the dealer-to-client, on our platform, on Credit, and, for that, we have a large network of buyside clients connected electronically, so that's extremely precious. But it's very important to get large

liquidity providers to stream prices in response to these clients demands, and we've worked really actively with very large US investment banks to get them connected.

So, they have to do the work on our API to stream prices, and we're very happy to report that we have finalised the work with two very large investment banks, and a third one is imminent because we are working on the final certification process. We are engaged with other banks, of course, but it's very critical to get the liquidity flowing in the platform because that's liquidity begets liquidity in that area.

So, good progress, meaning that we will start to see revenue increasing in the last part of this year and next year on the Credit platform.

. . . .

Robin Stewart, Group CFO
So, Stuart, on the Russia question that you raised, so we've got provisions of around about £20m on the books. The reality is we have those provisions because we can't trade those assets. We will seek to trade those as and when the regulation allows us to do so. As a rule, we set a floor of at least 70 cents in the dollar in which we would want to realise those assets. So, we'll just have to monitor that situation.

On the net financing costs, yeah, we have an improving picture. We've made huge strides in delivering a greater yield on the cash balances that we can actually generate a yield from. Not all of the cash that we have on the balance sheet is eligible for deposit because it's restricted with clients.

The financing costs that we have in H1 are reduced by that interest income. That will increase as we get towards the end of the year as we seek to generate further yields on more of those balances, but we still have a lot of debt to pay off but doesn't come off until 2024. So, the guidance for 2023 is as I said earlier. The net finance expense also includes IFRS 16 liabilities.

We will give more guidance as we action greater yields on our balances as we get a picture of our final debt position for 2024 when we come to talk about the 2023 full year results.

. . . .

Piers Brown, HBSC
Yeah, thanks. Maybe one for Robin and one probably for Dan actually. But, Robin, just in terms of the share buyback, £30m, which looks like a very positive, sort of, statement of intent, should we view that as a one-off or is that something which you think you may be able to sustain?

And I guess, within that context, if I look at the cash balance, you're at about just under £1bn of cash, I think free cashflow generation in the first half's about £140m, so it looks like you're in a relatively good position on cash, so just in terms of your thinking going forward as to how you would utilise that through potential further distributions.

And the question for Dan really is just in terms of the trading environment in the second quarter. I mean, it, sort of, feels like it started slowly in Rates and FX and then, sort of, picked up towards the end of the quarter, and I think the outlook statement for July was quite positive, double-digit growth, but if you could just shed any light on how the Global Broking revenue picture has evolved through the quarter that would be helpful. Thanks.

. . . .

Robin Stewart, Group CFO
Thanks, Piers. So, just picking up on the buyback, I mean, obviously, that's something which we've announced £30m for now. That's a function of us overdelivering on the cash free-up target of £100m that we talked about and obviously the good performance of the business.

We will continue to monitor and target freeing up more cash from now, and, as an organisation, we will then seek to see how best to deploy that going forwards, whether that's organically investing in the business, paying down debt, or returning more capital to shareholders. So, that's something which we will continue to do.

The cash balance on the balance sheet today is in a healthy position. A lot of that is, as you know, and we have a slide in the Appendices in the pack that gives you a sense of the components of that, but around about £250m of the cash balance is earmarked for things that we talked about, sort of, paying off, deferring consideration paying off loans and for reducing that debt over time. So, it is inflated for that right now, but again, we will continue to monitor that as we go, and look for more value.

. . . .

Daniel Fields, CEO, Global Broking
And in terms of the trading environment, I think the first half of the year was marked by a couple of very specific events, which were, I'd say, the ongoing continued increase in short-term interest rates and the big ongoing question about inflation versus central banking control.

Secondly, it was marked by the, you know, regional banks in the US and the inevitable discovery of unexpected or unanticipated events as interest rates have increased and work into a new paradigm.

What I'd say in Q2 and Q3 is that that uncertainty continues to go on, and it is supportive for our market environment, and, every day, the newspapers are filled with global macro questions and whether we are at the end of the short-term interest rate cycle, whether the consequence of that will be recession or others. Those are all reasons to adjust one's risk portfolio across all asset classes, and that's supportive in the post-0% interest rate environment.

. . . .

William Regis, Peel Hunt
Hi. Thanks. Probably a question for Mark – Credit business looks quite interesting at the moment given those announcements you've made about setting up the investment banks. What do you think is the revenue potential, the upside potential, for that business? Could it actually eclipse the Equities business over time?

. . . .

Mark Govoni, CEO, Liquidnet
Great. Thanks for the question. So, we're obviously excited about the Credit opportunity. Each incremental banks adds, you know, incremental flow which increases our revenue profile. You know, as I mentioned earlier, we've got resting liquidity from our buyside connectivity that is real, so getting banks to interact with that liquidity is a major focus for us.

You know, I think we set out our CMD targets, you know. I think, depending on the evolution of the Credit market, you know, we think it will be as interesting as Equities in the medium to long term.

. . . .

Nicolas Breteau, Group, CEO
Thank you for that question. Do we have questions on the line?

. . . .

Dominic Lagan, Head of Investor Relations
Are there any on the phone? We'll just check that quickly.

. . . .

Telephone Operator
Yes, we have our first question. It comes from Vivek Raja from Shore Capital. Vivek, your line is now open.

. . . .

Vivek Raja, Shore Capital

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

Morning, chaps. Thank you for the presentation. Thanks for answering my questions or having a go at my questions at least. I have three if can, please. So, the first one is about the competitive landscape. Just wondered if you could comment on market share, particularly within the Global Broking business. I'm, sort of, referencing some of your competitors' results, on the surface, looks better than yours and I can see that, you know, broking headcount has reduced in the first half, so wondered if you could comment about broker churn as well? So, that's the first question.

The second question, have a go at this one, Robin, could you give a sense of potentially how much more capital there could be to release from the business and some of sort of timeline on that?

And then the last question is on Parameta. Revenues flowed in the first half. I just wondered what gives you the confidence in achieving double-digit adjusted EBIT growth for the current year? Okay, thanks.

. . . .

Nicolas Breteau, Group, CEO
Thank you for your questions. So, yes, let's talk about market share and Global Broking. Maybe Dan will take this one.

. . . .

Daniel Fields, CEO, Global Broking
Yeah, sure. Look, in terms of market share in Global Broking, what I can say is we had a very strong beginning of the year last year, so our comparative is high, and higher than our competitors, in the one statement.

Two, we focus on quality revenues, and I think that's come out in the results today, and we see our results as being strong in the first half and they'll continue to be strong in the second half.

. . . .

Nicolas Breteau, Group, CEO
Yeah, I would just add to that, yes, we focused a lot on our contribution in the business, both in Global Broking and in Energy & Commodities. Also, as we continue to deploy technology, we expect to deliver the revenue with less brokers. So, you've seen that balance.

So, it doesn't mean that we will particularly target a reduction in our workforce, but it means that we are after quality revenue. So, we are demanding, in terms of the return that we have on capital employed more and more in these businesses, and we're not chasing revenue without any positive impact on the bottom line. I think I'll let you compare that with our competitors but see the difference. On the second question, Robin?

. . . .

Robin Stewart, Group CFO
On the second question, Vivek, from a capital standpoint, yeah, we're ahead of target on our £100m that we were going to deliver this year, and so, as you'd anticipate, we will launch, or we will certainly start looking in the second half for what else can we do. Right now, it's too early to say and give you a target for how much more capital we can release, but rest assured, we are very focused on looking at that and to the extent that we have information, or more details to give you, we will give those as and when we have them. On the Parameta revenue, Eric, why don't do you do that?

. . . .

Eric Sinclair, CEO, Parameta Solutions
Yeah. Vivek, thank you for your question. It's Eric. So, you would have seen in the H1 results that our recurring revenue's up to 96% now, and that reflects a timing issue. Last year, in H1, we had significant one-time revenue that didn't repeat itself in H1. It's a timing issue that we'll be seeing in H2. So, that's why we're very bullish that we're going to have a much stronger H2. That's the number one issue.

The other issue is we're working very well in with Energy & Commodities on a number of new initiatives. You would have heard a long list. That was a subset of the list of new products we've launched in H1 with Energy & Commodities. We've launched indices with both the Energy & Commodities group and with Dan's group in Global Broking that we've very excited about. And then some of the more higher value initiatives that we've talked about, like ClearConsensus, we'll be signing up clients in H2, which will have - drive a much stronger H2 over H1.

. . . .

Vivek Raja, Shore Capital
Super. Thanks. Just a couple of follow-ups – Eric, I'm not sure I understand the one-off revenues in the prior year comparative, if you could just explain that.

And finally, just back to my first question, I just wondered if you could, please, talk a little bit more about the competitive landscape in terms of broker churn, whether you're still seeing a lot of competition for your brokers and where that might be coming from? Thanks.

. . . .

Eric Sinclair, CEO, Parameta Solutions
I'll go first, if I may. So, Vivek, last year, in H1, I believe our recurring revenue was 93% as opposed to 96%, and that was because we had far larger one-time revenues. And our revenues come from two sources; if we sign up a new client, like a hedge fund, they may buy a whole whack of one-time historical data for back testing purposes, and then buy recurring licences on a go forward basis.

But the bigger issue for us last year was audit recoveries. We have an audit programme, and if people have underreported and have been under licensed and we correct that, we get a one-time audit recovery, which we had significant audit recoveries last year that we didn't have in H1 this year. It's a timing issue. If you look, historically, you'll notice that usually most of that happens in H2, but last year we had significant activity in H1.

. . . .

Nicolas Breteau, Group, CEO
Want to follow up that?

. . . .

Daniel Fields, CEO, Global Broking
Sure. And, Vivek, thanks for the question. The competitive environment for brokers is an aggressive one, it always has been and it likely will be. We are focused on making sure that we provide the strongest platform for our brokers, and that's the best tool for attention, investing in technology and our strong franchises, and I think that we can confidently say that we keep a strong bench where we have the strongest franchises and where we are investing, and that continues to be the case going forward.

. . . .

Vivek Raja, Shore Capital
Thank you very much.

. . . .

Telephone Operator
Thank you.

. . . .

Dominic Lagan, Head of Investor Relations
Yes, so I have a couple of questions coming through on the platform, unless there's another one on the phone?

Telephone Operator
Yes, we have another question from Kim Bergoe from Numis. Kim, your line is now open.

Kim Bergoe, Numis Securities
Morning. Thanks for taking my questions. A couple of questions for me, if I may, and I think they're all, sort of, related and have partly been answered anyway. The first is one market shares, and I appreciate you operate in a number of different markets and different clients so it's not just, sort of, one, but could you comment, sort of, on market share movements and, you know, where might you be gaining, where might you be losing share, or if there is any movement? And that's the first question.

Secondly, and I guess that goes more specifically to the rates question, it comes back to the question we had before about, sort of, timing when looking at your peers, is there anything more to say there? Is it just a timing issue? It just looks like it's not quite in sync with which you appeared.

And then, finally, on the pricing, I take it, with Fusion, is driving broker efficiency, but what is it doing to pricing Fusion? Are you pricing differently when people use Fusion rather than on their phone? Thanks.

Nicolas Breteau, Group, CEO
I would say, on the market share movements, I think you need to look at this over a longer period. I think we were differently the strong winners in terms of market share in 2022, particularly in H1 last year because our Global Broking went up 8%, our Rates performance was stellar, and if you compare, some of our competitors were negative actually in H1 last year. So, there is clearly an impact of comparator with our competitors.

The second element is, as we said, we continue to deploy technology. We focus on productivity. We look carefully at the return on capital employed in our divisions. We have set some targets, and our divisions are working to deliver those targets.

So, we've reduced, on average, our broker headcount in H1 '23 voluntarily, and it doesn't mean that this is something that we'll do continuously. As I said, we continue to invest in the business and look for talent, but we are careful in terms of chasing revenue rather than chasing contribution profitability. So, that's the first element. Rates, in particular, last year, was, I mean, Dan, was up –

. . . .

Daniel Fields, CEO, Global Broking
I mean, I think we had an exceptional beginning of the year. Remember, the franchise on Rates is number one in the world, we're the strongest, and at a time of the turbulence that we saw in the rates environment the beginning of '22 is a natural bias to trade with the strongest franchise, and I think that that was visible in the numbers last year, and that's the high comparative that we have when you look at the numbers in H1 in '23.

. . . .

Nicolas Breteau, Group, CEO
You asked the question about the pricing impact, so far, we have not seen or suffered any negative impact in our pricing in rolling out electronic solutions. We have initiated actually a pricing work initiative in Global Broking this year with a positive impact in repricing clients. We have already done some of that in Energy & Commodities.

So, I would say, as we deploy pre-trade connectivity solutions, and in particular STP, that allows the client to trade in a more comfortable manner to get the confirmation of their trades quicker. It's the opposite, it's actually a very, very strong argument for clients' loyalty and a way for us to defend our pricing.

So, no negative impacts so far, but we are actually positive in terms of the pricing impact of deploying Fusion.

. . . .

Kim Bergoe, Numis Securities
Great. Thank you very much.

. . . .

Nicolas Breteau, Group, CEO
Dominic?

. . . .

Dominic Lagan, Head of Investor Relations
Yes. So, we have a couple of questions coming through online. The first two are from James Lowin (?). The first question is on Parameta Solutions. Can you provide an update on what we've done regarding the internal agreements that we noted in our statement, and also, in relation to consolidating entities?

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

The second question from James is what is the tipping point on Liquidnet Credit? Is it the three banks that we've nearly signed up or do we need, sort of, five or six of the big ones? And are the ones that aren't yet on the platform keen to join as they can see this will grow fast with the three already on?

. . . .

Nicolas Breteau, Group, CEO
Thank you, Dom. On Parameta, Eric, would you like to take that?

. . . .

Eric Sinclair, CEO, Parameta Solutions
Yeah, sure. So, we have a formal arrangement with our partners in Global Broking and with Energy & Commodities, that includes standard things that we would have with any content partner in terms of SLAs and all those issues that you would normally expect in the market.

. . . .

Nicolas Breteau, Group, CEO
Another element of the question was the consolidation of entities. So I think, yes, it's important work that we're doing for Parameta in general the Group. That's a source of capital efficiency.

So, you've seen the benefit of our Cosmos project where we've reduced by roughly 50% the number of legal entities we have in the Group.

Recently, we consolidated our broker dealers in the US, allowing us to save capital. It's the same for Parameta where we reorganised, in a more efficient manner, our legal structure.

It's important for the future of Parameta to build optionality and, in particular, to be able to set up some partnerships with data providers or technology providers who want to launch new products. So, that’s why we are accelerating this work.

The second question, I think, is on Liquidnet, the tipping point, is three banks enough? Mark?

. . . .

Mark Govoni, CEO, Liquidnet
Yeah. Thanks, James. So, I don't know if there's a clear tipping point. Obviously flow gets flow. I think in terms of the profile of the future, right, there are two angles that we approach it. We have very strong relations across Global Broking with this dealer community. That's very helpful in drawing additional connectivity. So, banks are keen to get connected. That's the first aspect.

And the second aspect is leveraging our client network, so dealers understand the strength and the history of the Liquidnet brand and what it brings from the institutional community standpoint.

So, I think that the combination of those two factors have driven interest and will continue to drive interest from additional banks in terms of getting connectivity to the platform.

. . . .

Dominic Lagan, Head of Investor Relations
Yes. We have another question online from Stephen Hayde from Close Brothers – With the debt repayments, are we are targeting a credit rating upgrade, and do we have a target for gross debt to EBIDA?

. . . .

Robin Stewart, Group CFO
Thanks, Dom. We have a BBB- with stable outlook rating from Fitch, an investment grade rating, and that investment grade rating is very important to the Group. We have a headroom of 2.5x gross debt to EBITDA, which is, sort of, a hurdle which is an important one for Fitch. So, for us, it's important to maintain that investment grade rating.

I think, with the debt paydown that we've talked about, we will continue to have ongoing dialogue with Fitch to see how and if we can then improve that, but, at this point, we're not in a position to talk about what those levels are I'm afraid.

. . . .

Dominic Lagan, Head of Investor Relations
Thanks, Robin. Then just there's a couple of questions from Chris Mills from Harwood Capital – Given the preponderance of dollar profits, why did it make sense to refinance the '24 sterling debt with more sterling rather than dollars? – So, that's the first question.

The second question is – What is the total amount of deferred acquisition costs? – So, I would imagine that's referring to the remaining consideration that is owed in terms of the Liquidnet acquisition.

. . . .

Robin Stewart, Group CFO
The deferred consideration costs is about $65m, which is payable in March 2024, based upon the current projections of Liquidnet's revenue. As you may recall from the acquisition, the deferred

consideration is contingent upon them achieving certain hurdle rates of aggregated equities revenue over that three-year period.

In terms of the refinancing of our debt, I think, all things considered and the pricing and the market conditions, it was considered to be a greater certainty and a success rate of refinancing that existing sterling bond in sterling when we started looking at this at the beginning of the year.

We still have a lot of sterling obligations of the Company, and we have a lot of FX volatility in the Group. It made sense, all things considered, to keep that financing in sterling in our rolling, sort of, benchmark programme of refinancing that we have with the Group.

. . . .

Dominic Lagan, Head of Investor Relations
Okay. I have no further questions online. I don't believe there are any in the room and there aren't any more on the phone either, so that concludes our presentation this morning. Thank you all for your time and attention, and we look forward to talking to you all again at our Full Year 2023 Results in March next year. Thank you.

. . . .

Nicolas Breteau, Group, CEO
Thank you.

. . . .

END