



TP ICAP Capital Markets Update

30 November 2017

Agenda

Time	Activity	Presenter
9.15AM	Introduction	John Phizackerley
	Finance	Robin Stewart
	Integration and Corporate Services	Iain Plunkett
	Global Broking	Nico Breteau and David Perkins
	MiFID and Brexit	Frits Vogels
	Customer/CRM	John Abularrage
10.45AM	Break	
11.00AM	Customer Panel	Frits to moderate
	Institutional Services	Sam Ruiz
	Energy & Commodities	Andrew Polydor
	Tullett Prebon Information	Eric Sinclair
	Wrap up	John Phizackerley
12.45PM	Buffet lunch	



Finance

Robin Stewart, Interim CFO TP ICAP

Finance

- Regulatory capital
- Cash resources
- Dividend policy
- Legal entity restructuring



Regulatory capital

- We are regulated under EU regulation (CRD IV)
- On completion of the ICAP acquisition the Group was granted a waiver from consolidated supervision under CRD IV until 30 December 2026
- The waiver was granted as we currently have a technical deficit under CRD IV
- The deficit arises as Goodwill is not eligible to meet the requirement
- The CRD IV consolidated capital requirement is made up of three aspects:
 - credit risk exposure;
 - market risk exposure; and
 - fixed overhead exposure
- Capital resources of 8% of risk weighted assets must be held against this requirement under CRD IV



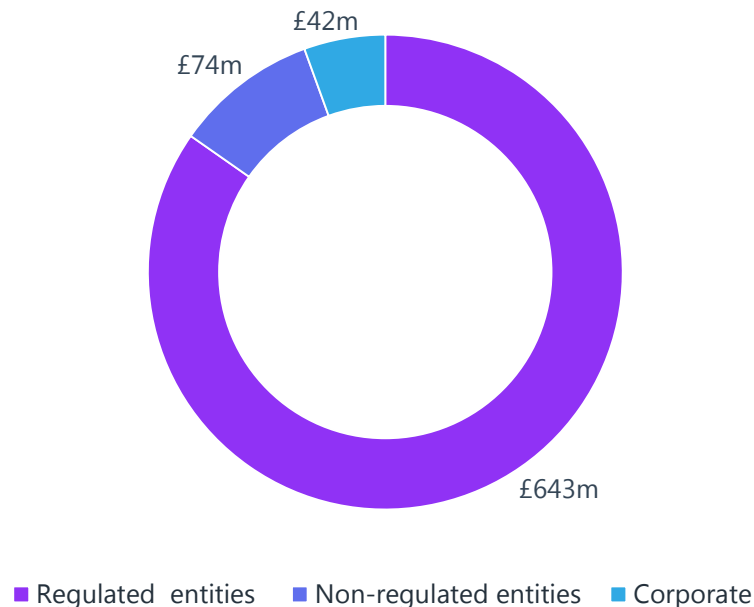
Regulatory capital – waiver

- The Group will eliminate the capital deficit through retention of earnings
- Other conditions of the waiver include:
 - net debt to EBITDA not to exceed 2.5:1
 - EBIT / Interest payable of at least 4:1
 - net debt not to exceed £500m
 - net debt not to exceed two times equity
 - If debt is over £300m at least one third shall have a residual maturity of at least 18 months
- Progress against the 10 year flight path to eliminate the deficit is measured every 2.5 years, to ensure the Group's deficit has reduced below agreed limits

Cash resources

- Cash held for working capital, regulatory, liquidity and corporate purposes
- Capital requirements of the regulated legal entities are generally met by net tangible assets held in cash
- During 2017 and 2018 cash will be constrained by the costs of integration and office moves
- There may be further use of cash in 2019 due to Brexit and MiFID II
- £250m RCF in place to meet any short term funding requirements

H1 2017 cash and financial assets



Dividend policy

- We reiterate our guidance of a full year dividend of 16.85p during the integration with an ambition to grow the dividend over time
- We will review the policy in 2019 as we near completion of the integration programme

Legal entity restructuring

- Over 200 legal entities in the combined TP ICAP Group
- Process is under way to reduce this by more than half, which will facilitate synergy savings in many integration work streams
- There are some additional benefits from doing this:
 - streamline liquidity management in the Group
 - potentially free up a modest amount of regulatory restricted cash
- The programme will take 2-3 years to complete

Summary

- Managing resources in order to deliver value for shareholders
- Strong cash position
- Capital compliant with CRD IV by 2026
- Full year dividend of 16.85p during the integration, which will be reviewed in 2019

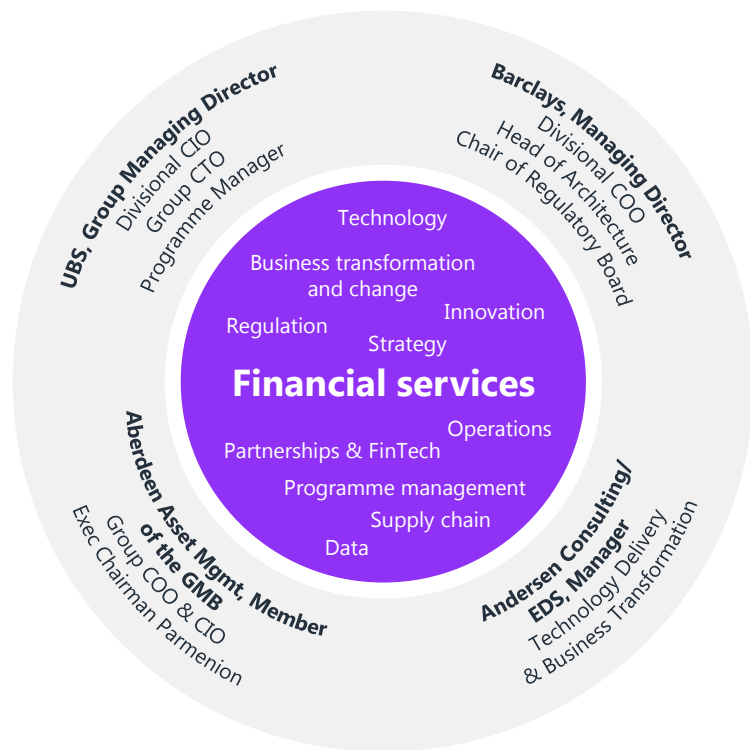




Integration and Corporate Services

Iain Plunkett, Chief Operating Officer

Introduction – my background



- Joined in May 2017
- Previous senior CIO, CTO, COO roles across the industry
- Most recently Group COO for Aberdeen Asset Management
- Global Markets, Asset Management, Wealth, Corporate, Retail, Insurance and Energy
- Deep IT background, from developer to CIO/CTO
- Extensive Programme Management and Change experience

Great opportunity to bring my experience to bear within TP ICAP

Two aspects to our business model

'Brand family' business model



'Shared services' business model

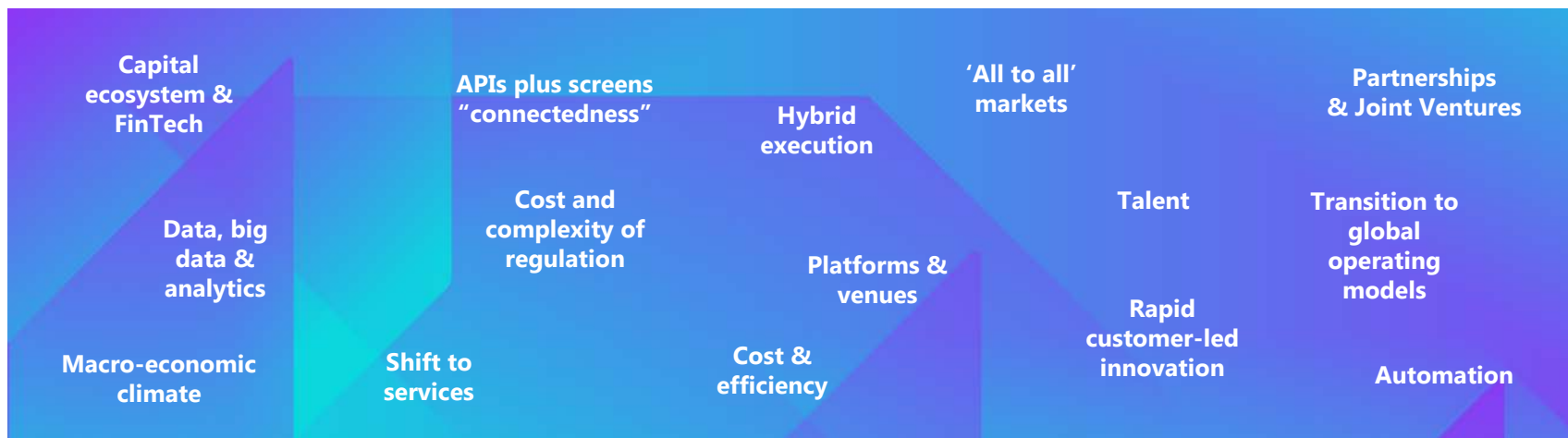
Drive for efficiency & scale at marginal cost

IT
Operations
Sourcing & Real Estate
HR, Finance
Risk, Legal & Compliance
Communications

***"Efficiency...
Process...
Location...
Margin...
Platform"***

Whilst we are realising synergies from both aspects of our business model, our Corporate Services will realise substantial efficiencies, whilst creating the platform for future growth.

View on trends and themes



So what does this mean for us?

- We need to be outward looking
- Customers and innovation are key
- Voice broking, IT and data are 'sticky'
- Cost discipline and efficiency are critical

Our integration journey



As we transition into year 2, our integration will focus on creating an efficient and scalable Corporate Services platform. We remain fully committed to delivery of the £100m benefits

Levers to reduce costs and increase efficiency

Information Technology

Increase IT productivity through 'Agile & DevOps'

Infrastructure rationalisation, including Public Cloud

Aggressively adopt Belfast as our primary IT location

Decommission legacy applications

Adopt a 'service' based architecture

Prioritise discretionary spend



Increase productivity
Reduce cost
Simplified architecture
Pivot to Belfast

Corporate Services & Business Operations

Apply 'lean & process excellence' best practice

Optimise our third-party FS relationships

Technology strategy for operations

Robotics & automation

Focus on data quality

Create centralised global services in Belfast



Reduce manual effort
Optimise & automate our processes
Implement 'commodity' IT solutions
Fix our data & reduce manual effort
Pivot to Belfast

Sourcing and third-party costs

Expense line ownership accountability

Prioritise discretionary spend

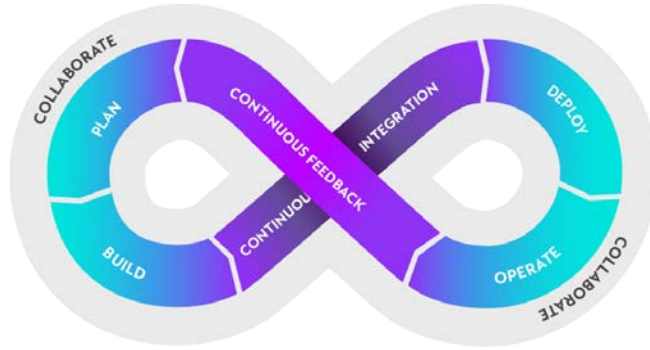
NCE expense optimisation programme



Rationalise our suppliers
Change our governance
Renegotiate our major deals

Example: Making IT 'Agile' – ICAP Fusion

Adopting modern technology methodology



DevOps (development and operations) is an enterprise software development phrase: it is a type of agile relationship between the business, development and IT operations

- ICAP invested heavily in a platform called Fusion. This aimed at repositioning ICAP IT for the modern world and the new competition including FinTech
- Whilst the project overran within ICAP and was never embedded, we plan to adopt aspects of the platform
- This IT approach will increase our productivity, reduce our costs, increase quality, and materially reduce our time to market

Average
results of
investments

21% increase delivery

19% increase in revenues

22% improved quality

50% fewer failures

Sources: [1] Study of 1,300 IT executives and managers - CA Technologies, Sept 2013; [2] Survey of 4,000 IT Operations professionals – Puppet Labs, April 2013.

Summary

- Made good progress in first year of integration
- Next 2 years of integration involve complex change: we are committed to the benefits
- Hybrid broking using innovative IT, Data & Analytics, is very 'sticky'
- We have real sources of differentiation and broad opportunities to diversify
- Building a technology platform and organisation to help us win
- Our customers are at the heart of what we do



Global Broking

Nicolas Breteau, CEO, TP ICAP Global Broking and David Perkins, Global Head of Electronic Markets

Our Vision

Global Broking aspires to be the largest and most respected professional intermediary in wholesale financial markets, leveraging the expertise of brokers alongside e-solutions

Operating globally though two brands

Americas

778 brokers

EMEA

905 brokers

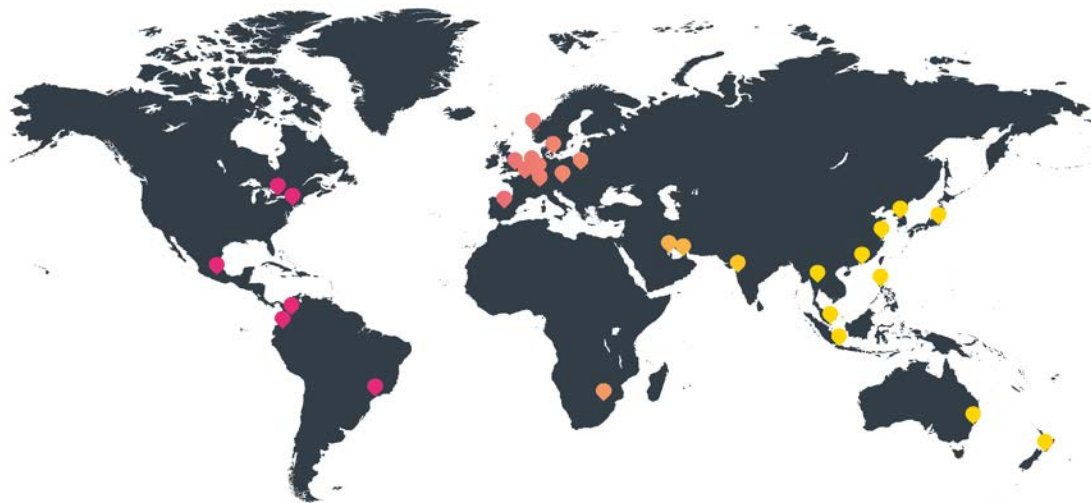
APAC

569 brokers

H1-17

£670m revenue

72% of TP ICAP revenue



Between Tullett Prebon and ICAP, we won a total of 23 categories.



Covering all asset classes

Rates	FX and Money Markets	Emerging Markets	Equities	Credit
<ul style="list-style-type: none">• Interest rate derivatives• Interest rate options• Inflation• Government bonds• Repos• Futures options• RV	<ul style="list-style-type: none">• Spot FX• Forward FX• FX options• Cash deposits	<ul style="list-style-type: none">• All asset classes in smaller centres/non G11. Primarily rates and FX	<ul style="list-style-type: none">• Equity derivatives• Cash equities• Structured products	<ul style="list-style-type: none">• Corporate bonds• Credit derivatives• Structured credit• Mortgages

Innovation Execution Methodology

Increasing Electronification



Data Capture

V

Digital Assistant / Machine Learning

What is Hybrid execution?



Voice



Hybrid Venues



Electronic Venues

Order Capture

Price/Volume Distribution

VALUE OF HYBRID VOICE

- Discretion
- Size Discovery
- Market "Colour"
- Multi-legged/ cross asset execution
- Regulated Venue

?

Order Capture

Price/Volume Distribution

Trade Capture

Trade Enrichment

External Messaging

Hybrid execution



Strategic enablers

Global Broking aspires to be the largest and most respected professional intermediary in wholesale financial markets, leveraging the expertise of brokers alongside e-solutions.

1. Increase the quality of earnings
 - Hybrid & e, broker productivity, pricing

2. Increase market share in target segments
 - Focus clients, focus asset classes

3. Professional excellence in conduct & culture



- a. Add brokers & services in focus asset classes, and customer segments

- b. Reinforce our electronic presence across the execution lifecycle

- c. Talent management, performance and development

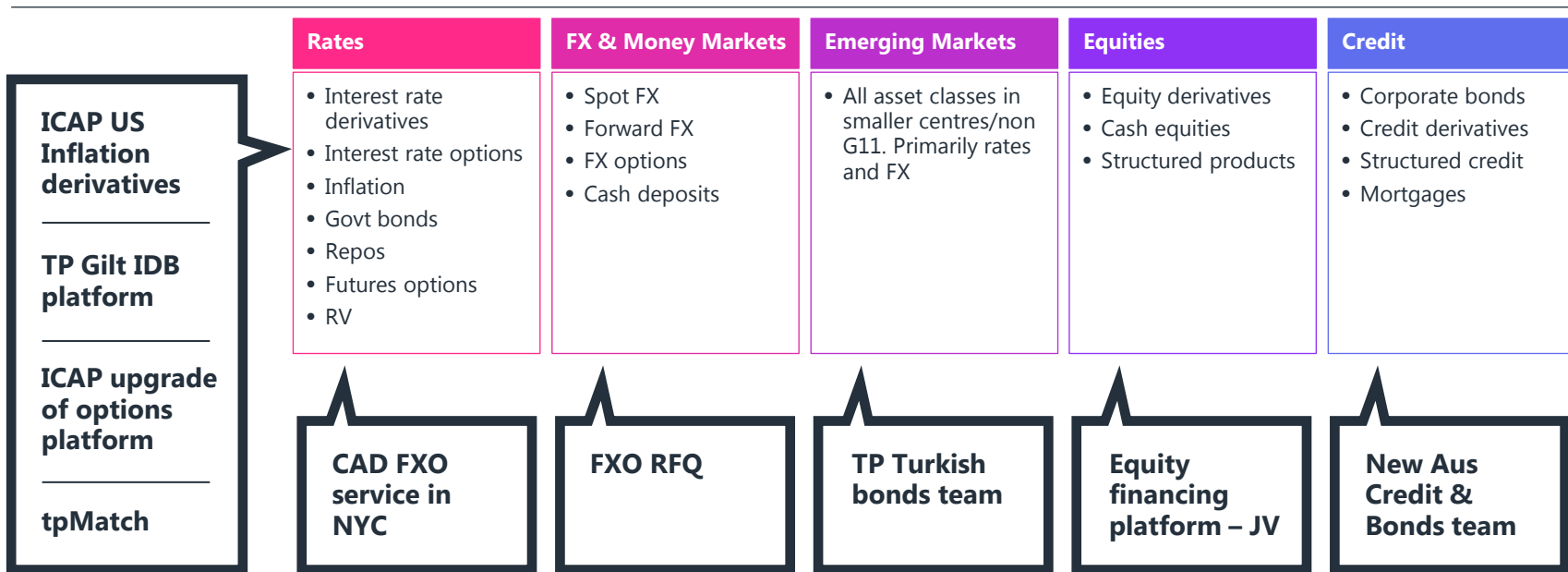
- d. Embed culture of professional excellence across the business

- e. Institutionalise client relationships

Context:

- MiFID II – Successful delivery of programme, exploiting commercial opportunities
- Brexit – Develop and implement strategy in conjunction with group
- Integration & Transformation – separate brands supported by a joint infrastructure

Adding brokers and services



Increasing electronification of client workflow

Pre-Trade	Venues	Trading Protocols	Electronic Post Trade
Order capture and price dissemination	Regulated markets		
<ul style="list-style-type: none">• Graphical user interfaces (front-ends)• Application processing interfaces (connectivity)• 3rd party (price distribution)	<ul style="list-style-type: none">• MTFs• OTFs• SEFs• Non-regulated venues	<ul style="list-style-type: none">• Central limit order book• Volume matching• RFQ• Crossing networks	<ul style="list-style-type: none">• Affirmation• Confirmation• Settlement• Clearing

Talent management, performance and development

Brokers are our most important asset, we:

- Incentivise and retain top producers
- Manage out underperformers
- Embed technology in the broker workflow
- Recruit and develop the next generation



So that our brokers are:

- Productive
- Engaged
- Tech savvy
- Appropriately rewarded

Conduct and culture



Institutionalising client relationships

We have put in place a structured way to understand our customers and competitive landscape, to engage with customers and track opportunities.

2017 facts:

- 24,000 client contacts
- 2,000 client visits
- 600 visits to top 10 clients
- More than 100 visits by senior GB management

Conclusion

Global Broking aspires to be the largest and most respected professional intermediary in wholesale financial markets, leveraging the expertise of brokers alongside e-solutions.

- We are well placed to take advantage of the opportunities presented by regulation
- We partner with our clients to add value across the whole execution lifecycle from voice through hybrid to e
- Brokers remain key – we are focused on talent management, performance and development
- We embed professional excellence in conduct and culture in everything we do



MiFID and Brexit

Frits Vogels, CEO TP ICAP EMEA

TP ICAP and MIFID II

- Largest piece of regulation of Financial Services in many years
- Requirement to be compliant by 3 January 2018
- Designed to provide greater transparency, enhanced investor protection and better-functioning markets
- Focus is very much on non-equities
- Covers most of our asset classes



Trading venues and asset classes

- We expect to operate the following trading venues (MTFs and OTFs) from 3 January 2018

ICAP						tullett prebon		RM
Legal Entity	iSwap Euro Ltd.	ICAP WCLK Ltd.	ICAP Securities Ltd.	ICAP Energy Ltd.	ICAP Global Derivatives Ltd.	Tullett Prebon Europe	Tullett Prebon Securities	PVM Futures
MTF	iSwap MTF <ul style="list-style-type: none"> Rates 	ICAP WCLK MTF <ul style="list-style-type: none"> Rates Equity Credit/Bonds FX Money Markets 			ICAP Global Derivatives MTF <ul style="list-style-type: none"> Rates 	Tullett Prebon (Europe) MTF <ul style="list-style-type: none"> Rates Treasuries Credit/Bonds Commodities 	Tullett Prebon (Securities) MTF <ul style="list-style-type: none"> Credit/Bonds Repo Money Markets 	
OTF			ICAP Securities OTF <ul style="list-style-type: none"> Rates Credit/Bonds FX Money Markets Equity Derivs. 	ICAP Energy OTF <ul style="list-style-type: none"> Commodities 		Tullett Prebon (Europe) OTF <ul style="list-style-type: none"> Rates Treasuries Credit/Bonds Commodities 	Tullett Prebon (Securities) OTF <ul style="list-style-type: none"> Rates FX Credit/Bonds Repo Money Markets Equity Derivs. 	PVM Oil Futures OTF <ul style="list-style-type: none"> Commodities
							Tullett Prebon (Institutional Services) OTF <ul style="list-style-type: none"> Bonds 	

TP ICAP and MIFID II

- We expect to be compliant by 3 January 2018
- Compliance is a competitive differentiator for us
- MiFID II's complexity creates barriers to entry for new entrants
- Each venue will publish its "rate card"
- MiFID II's required changes to market structure allows cross asset-class trading opportunities
- New rules on transparency and reporting of trades
- Data & Analytics can monetise this MiFID II data

BREXIT



Summary

- We will be compliant with MIFID II by 3 January 2018
 - competitive differentiator for us
- Opportunity to monetise MIFID II reporting data
- BREXIT planning is on track





Customer Relationship Management

John Abularrage, CEO TP ICAP Americas

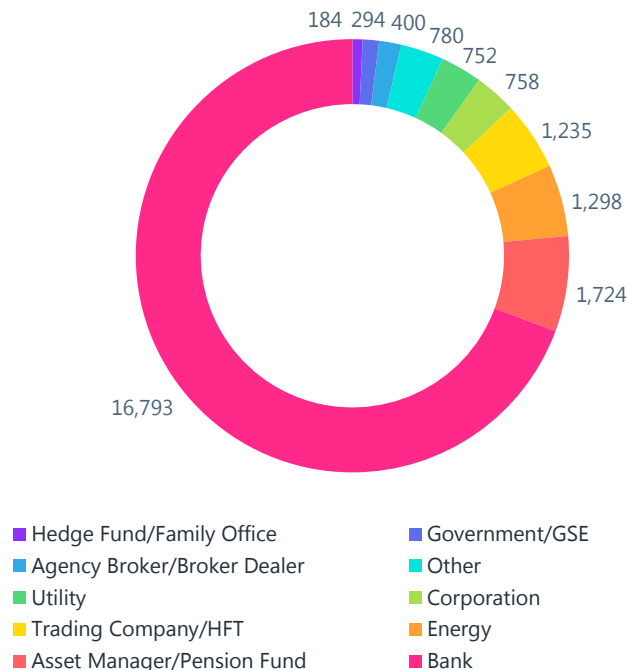
CRM mission statement

The purpose of the CRM discipline is to use strong client relationships and valuable market input to **grow revenues**, while guiding the commercial decision and strategy of the group.

CRM strategy

- Central, easily searchable database
- Excellent feedback mechanism for the business
- Helped with build out of Institutional Services Strategy
- Invaluable insight into client response to MiFID II

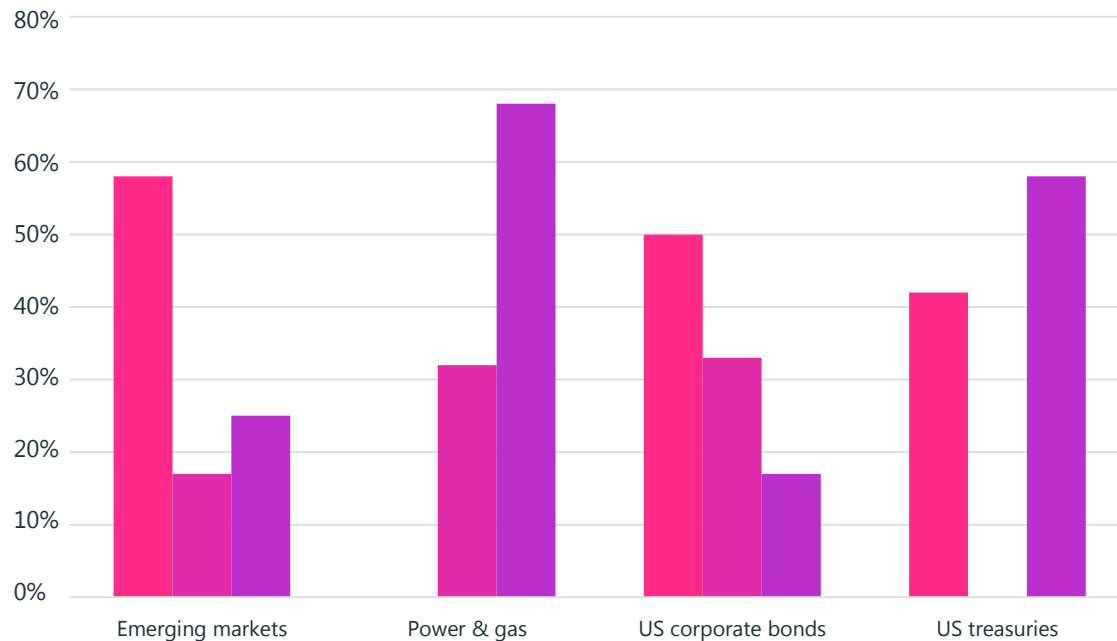
Number of Relationships by Client Sector, Total: 24,249



Market participants survey

- Independent survey covering Emerging Markets, Power & Gas, US Corporate Bonds and US Treasuries
- Worldwide, with strong US participation
- Included banks, asset managers and hedge funds

How survey participants currently execute

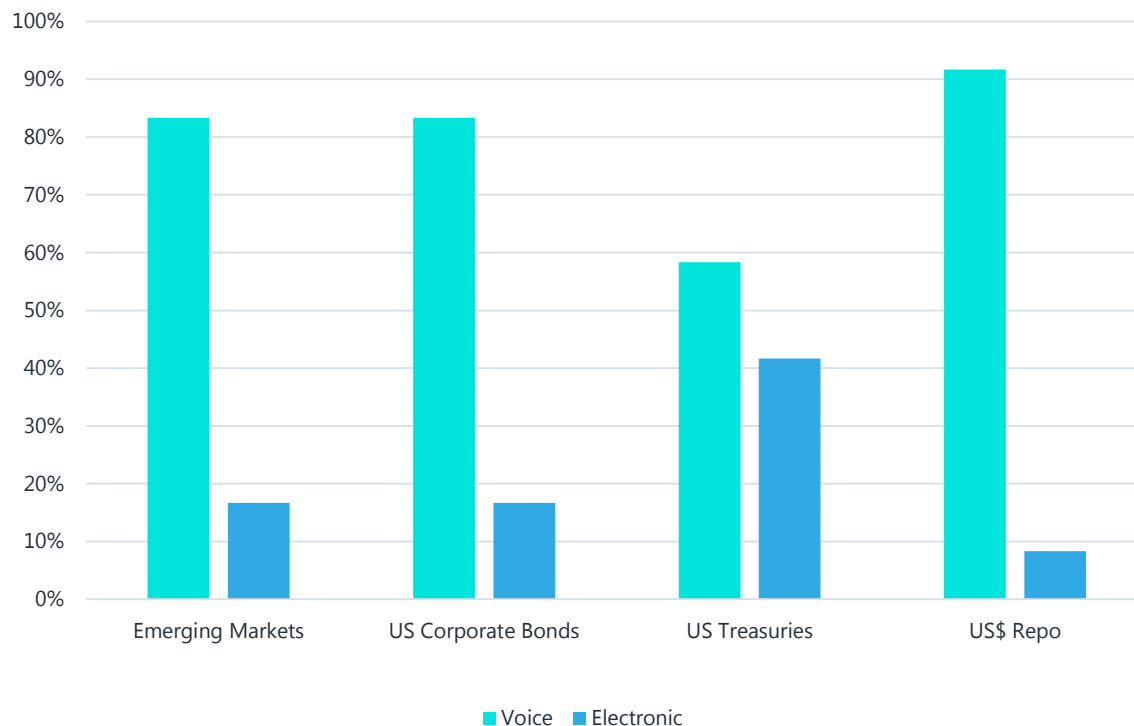


Ref: TABB Group.
Power of Voice Outreach Results, June 2017.



■ Voice ■ Hybrid ■ Electronic

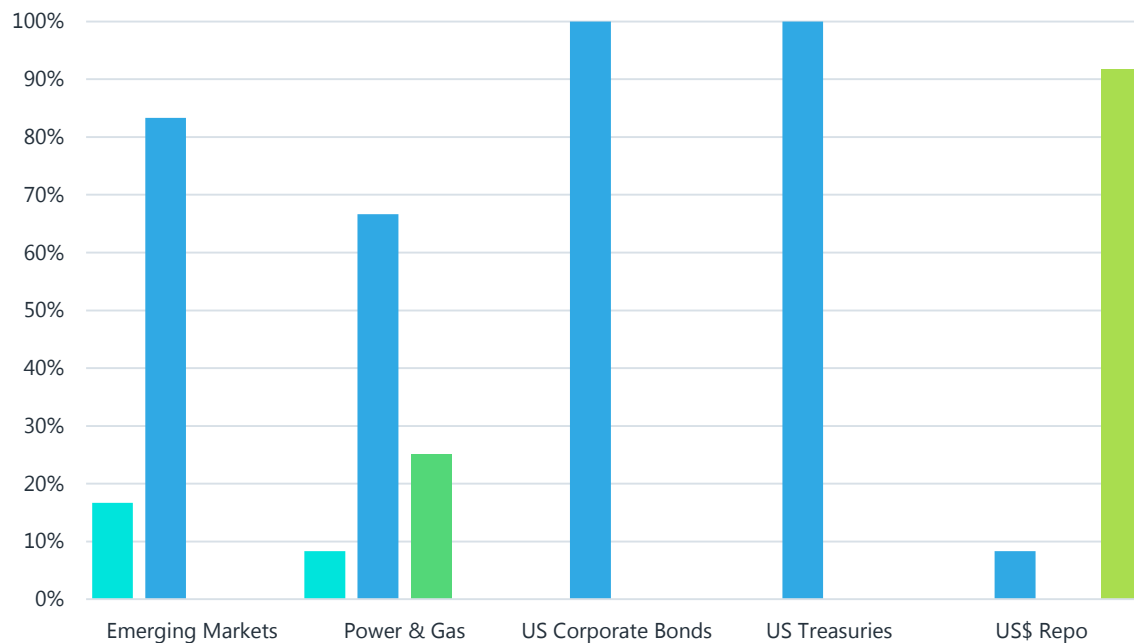
Round-lot trades – which methodology provides better liquidity?



Ref: TABB Group.
Power of Voice Outreach Results, June 2017.



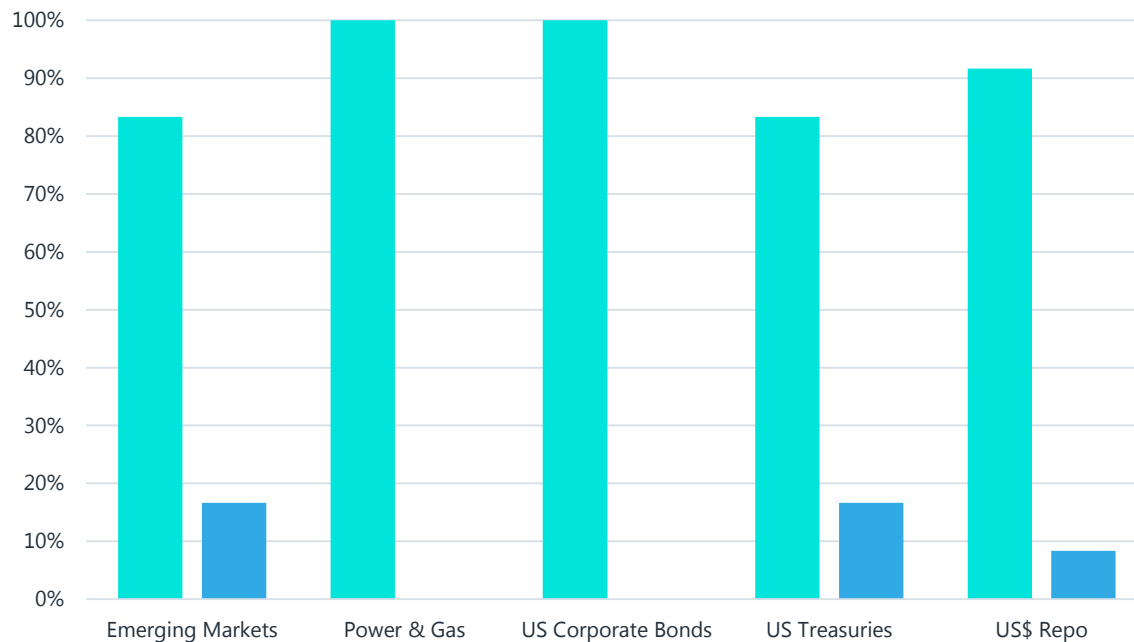
Odd-lot trades – which methodology provides better liquidity?



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Power of Voice Outreach Results, June 2017.



Block trades – which methodology provides better liquidity?

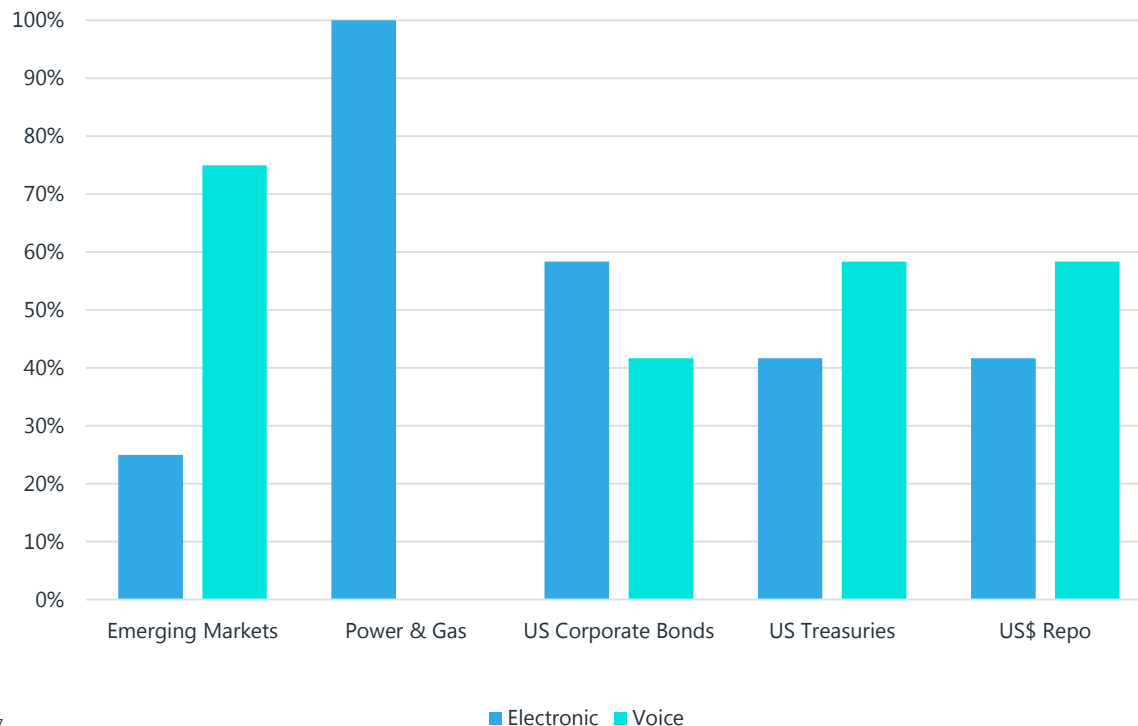


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Power of Voice Outreach Results, June 2017.

Voice Electronic



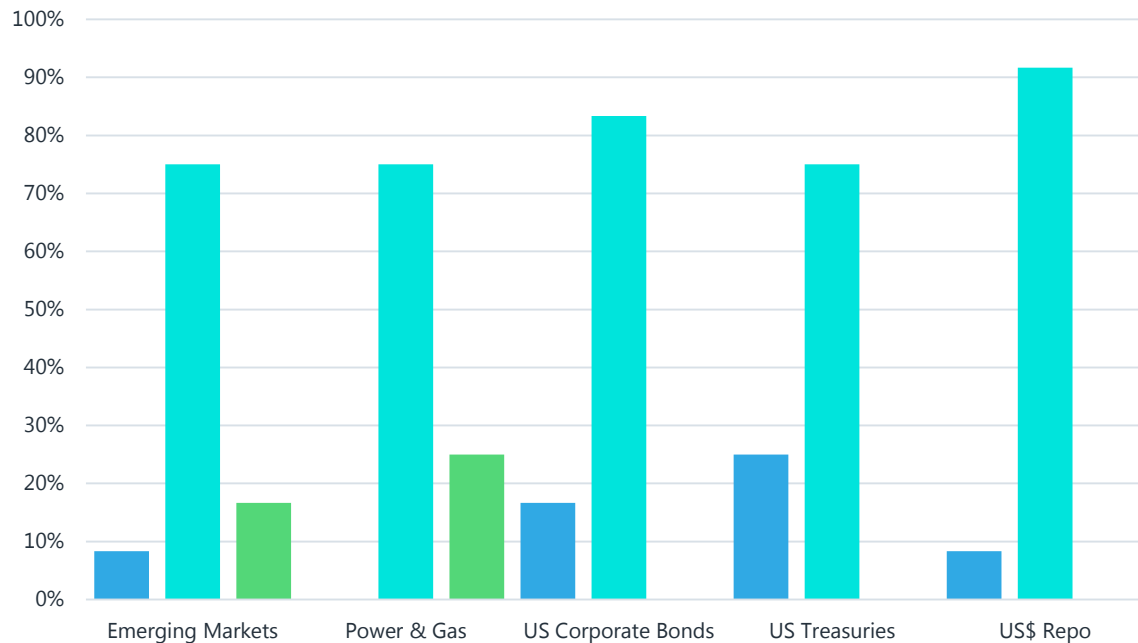
During benign conditions, which trading methodology provides better execution?



Ref: TABB Group.
Power of Voice Outreach Results, June 2017.



During stress events, which trading methodology provides better execution?

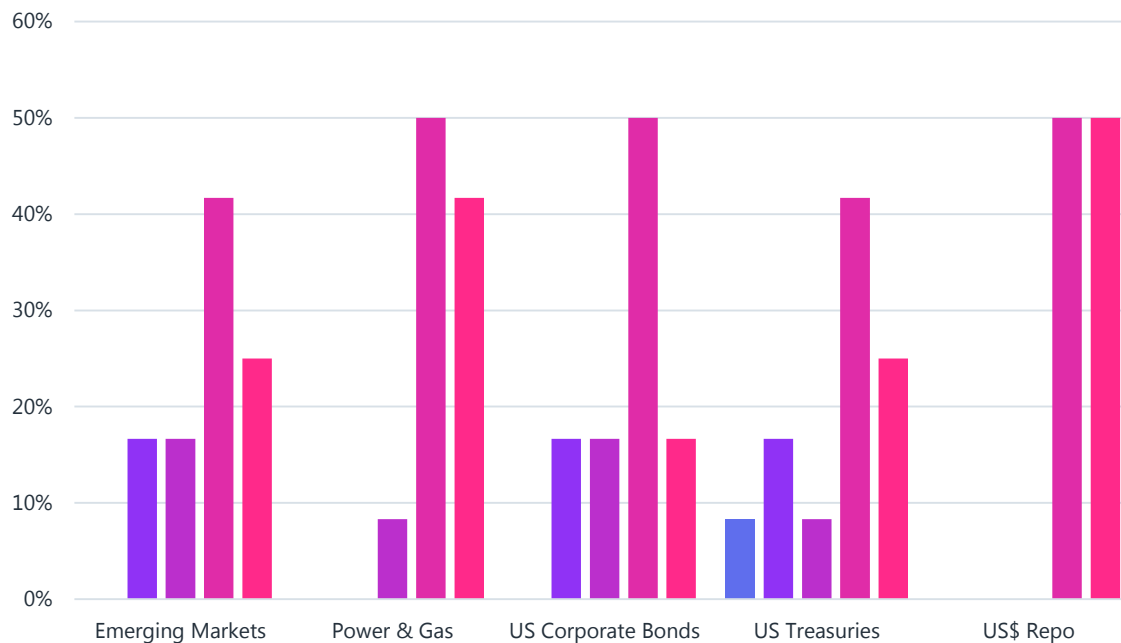


Ref: TABB Group.
Power of Voice Outreach Results, June 2017.



■ Electronic ■ Voice ■ Same

On a scale of 1-5 (5 being highest), how important is it to know your counterparty?

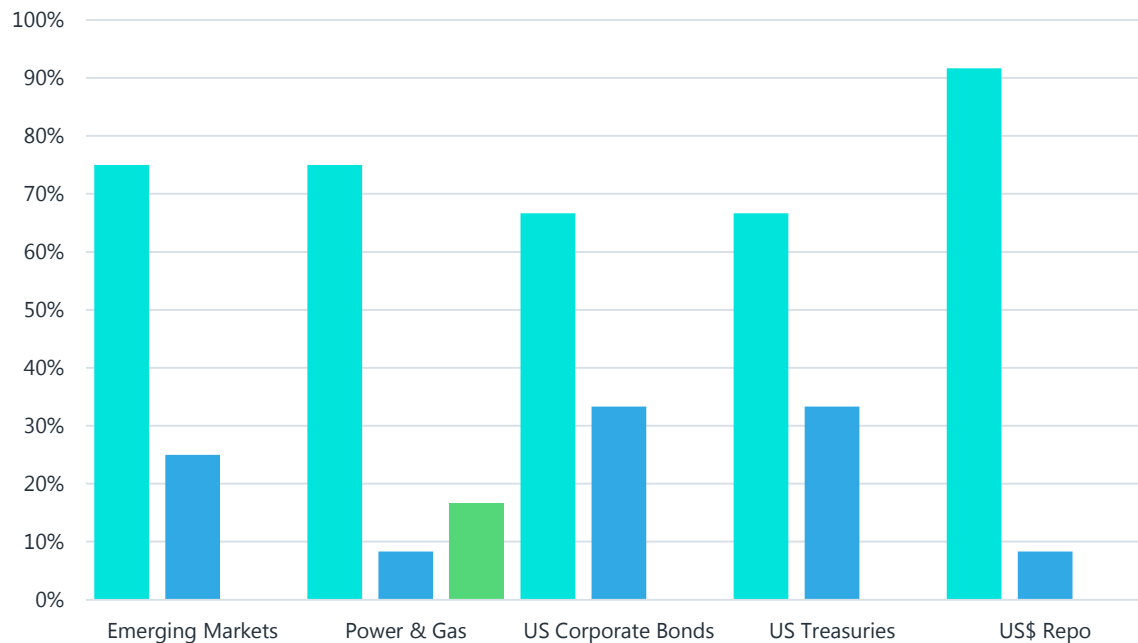


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Power of Voice Outreach Results, June 2017.



■ One ■ Two ■ Three ■ Four ■ Five

Pre-trade discovery – is voice or electronic trading more valuable?

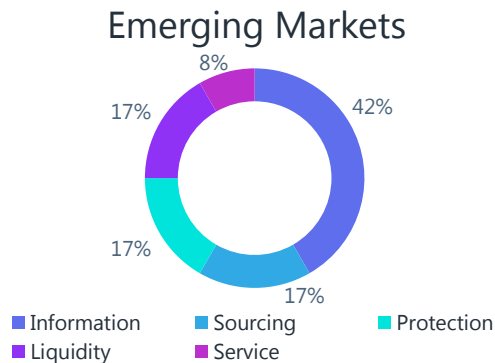
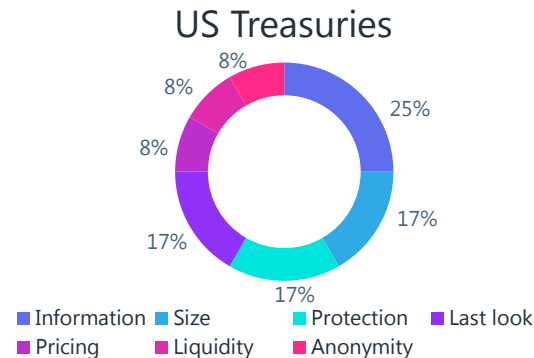
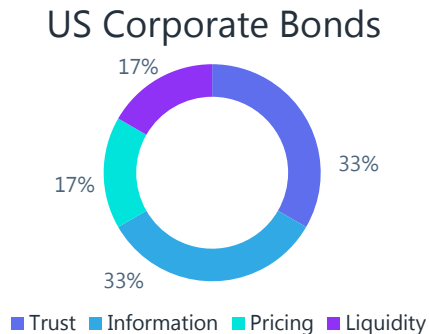
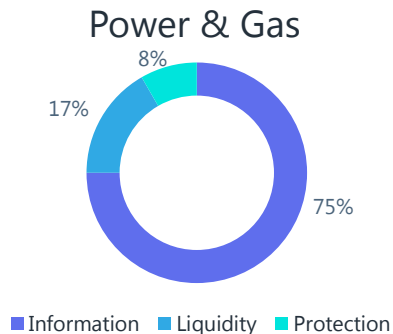


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■ Voice ■ Electronic ■ Same



What do you perceive is the biggest value of executing a trade via voice-based trading?

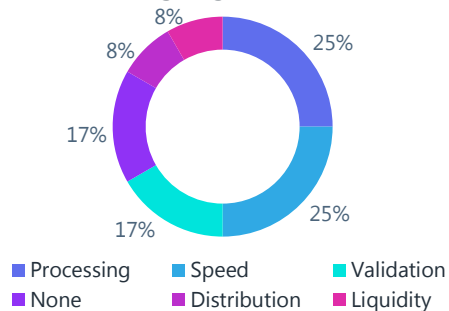


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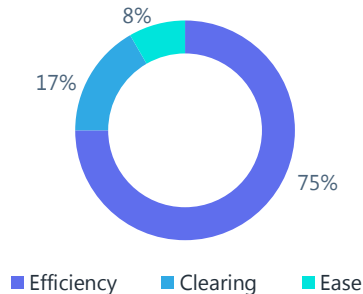


What is the biggest advantage of executing electronically?

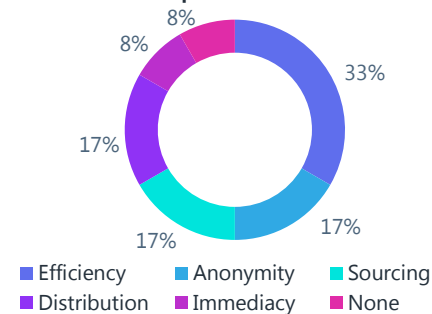
Emerging Markets



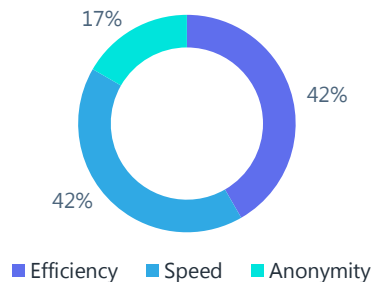
Power & Gas



US Corporate Bonds



US Treasuries

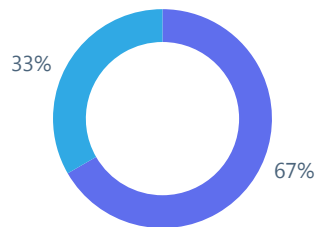


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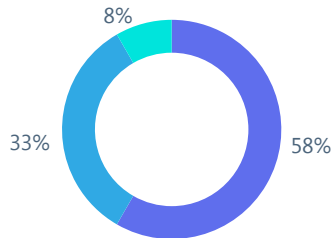
Are there particular instruments that should migrate to electronic execution?

Emerging Markets



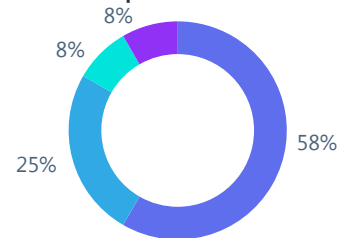
■ Odd Lots ■ <\$2MM

Power & Gas



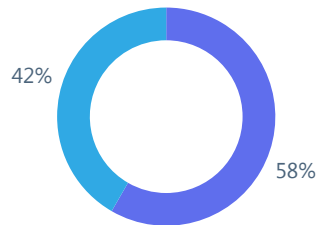
■ Short-end ■ Basis ■ N/A

US Corporate Bonds



■ Odd Lots ■ <\$2MM ■ Short-end ■ New Issue

US Treasuries



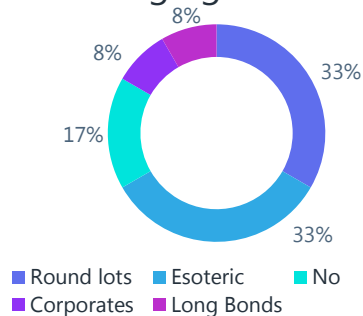
■ Odd Lots ■ OTR

Ref: TABB Group.
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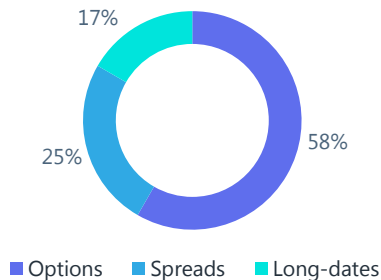


Are there particular instruments that should stay voice-based?

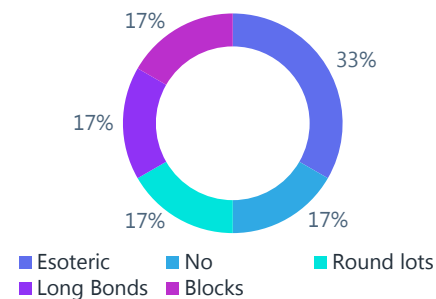
Emerging Markets



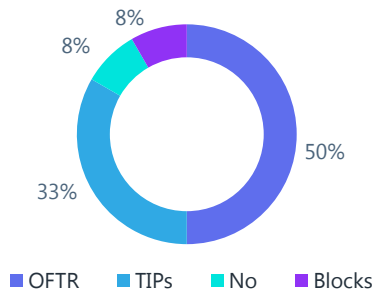
Power & Gas



US Corporate Bonds



US Treasuries



Ref: TABB Group.
Power of Voice Outreach Results, June 2017.



Summary

- CRM is a competitive advantage we are exploiting
- Increasing our collaboration with customers
- Reaffirms our confidence in the longevity and essential nature of our business





TP ICAP Capital Markets Day

30 November 2017

Panel Discussion



Institutional Services

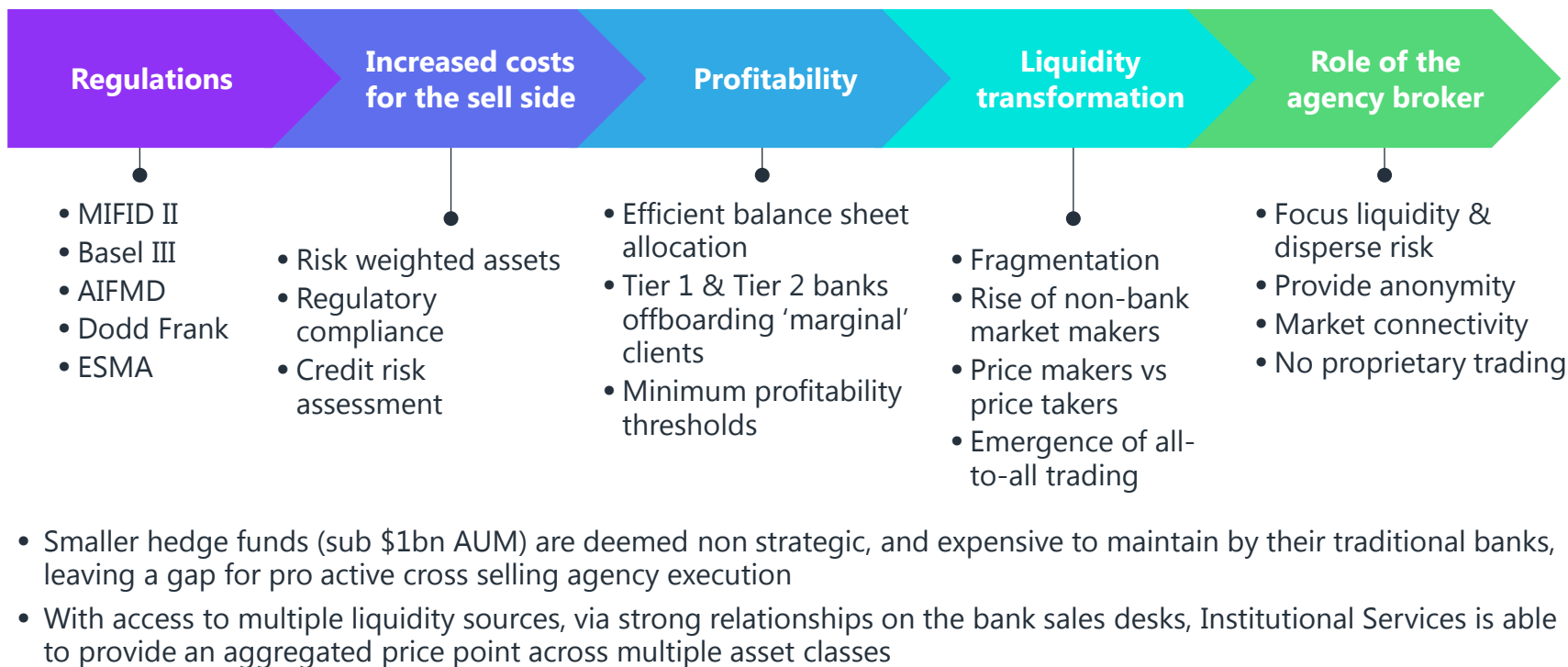
Sam Ruiz, CEO Institutional Services

Introduction

Institutional Services is a key component of the TP ICAP brand, and future strategy.

An agency, advisory, sales and execution service, sourcing and accessing multiple liquidity sources across multiple products to a new, expanding and sophisticated client base.

Evolution of the agency broker



Client needs and value propositions

Evaluate buy-side opportunity

Market landscape

- Identify revenue pools by products, clients, and asset classes

Voice of the client

Interviews with buy-side institutions identify:

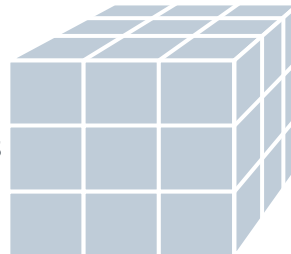
- Key unmet needs from existing sell-side relationships
- Prioritise concern about anonymity
- A desire for more asset classes to become “all to all”

Develop list of building blocks

Where to compete?

Client segments

Regions



Products

How to compete?

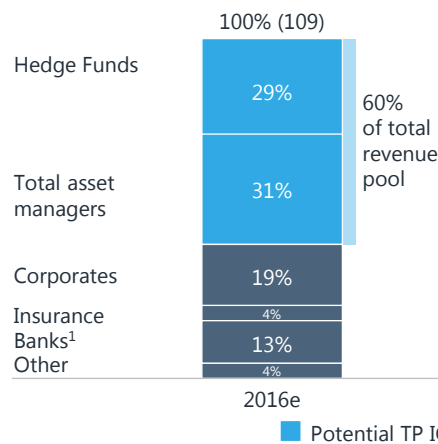
- Fit with market trends
- Fit with capabilities
- Client and product strategy

Build business case and implementation plan

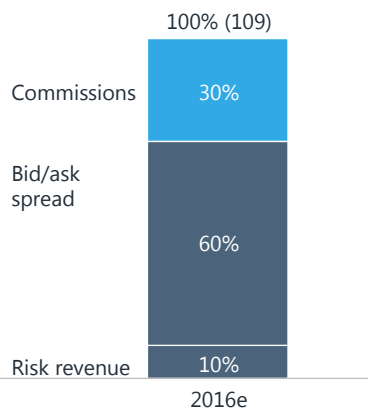
- High level roadmap
- High-level steady-state operating model
- Identify organic and inorganic opportunities

Fee pool estimates

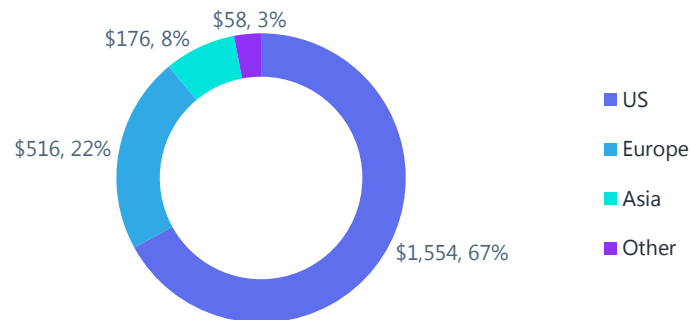
EMEA & Americas revenues by client segment (GBP billion)



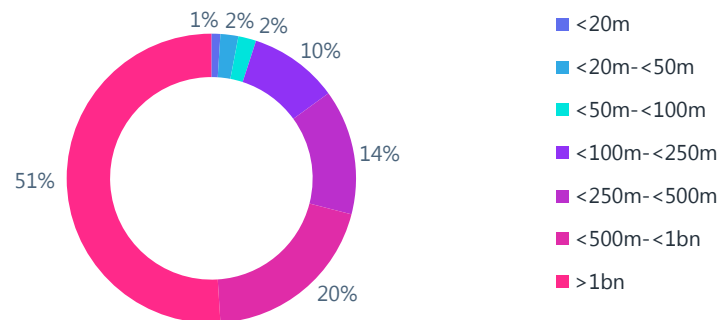
EMEA & Americas CMIB revenues by revenue type (GBP billion)



Total AUM by Geography (\$b)



AUM by fund size



Analysis of the Hedge Fund industry:

- \$2.6 trillion (end 2016) assets under management
- 67% of Hedge Fund AUM based in US, followed by Europe at 22%
- 49% of global AUM managed by sub \$1bn funds

Organic strategy



- Establish footprint in Europe, expand to US
- "One stop shop" covering Flow and Structured products
- Client centric, cross asset sales model
- Supported by TPICAP regulatory compliance framework and financial strength;
 - An attractive counterpart for clients
 - An attractive platform for hiring talent, and acquiring smaller competitors on to

COEX partners

- Hybrid voice broker in listed futures and options (fixed income, equity index, FX and commodities)
- Offers execution services to hedge funds, asset managers and proprietary traders; and political insight, FX & macro strategy recommendations and proprietary quantitative tools through a dedicated team
- Headcount of 60 based in London and New York, with proven management team
- Background of key staff is agency broking, top tier investment banks and hedge funds
- £11m of revenues in H1 2017; expected continued growth in revenues
- Becomes part of institutional services, supporting our buy-side strategy
- Oversight using TP ICAP infrastructure, with reporting lines into Institutional Services CEO
- 2 year earn out period for two partners of the business



Summary

- Key opportunity to service the buy side
- Attractive fee pool
- Buyside is looking for anonymity, no conflict of interest and a solid credit rating
- Target is to build a high touch, multi asset class, agency sales and execution brokerage
- Will build both organically and through acquisition





Global Energy & Commodities Update

Presented by Andrew Polydor, CEO TP ICAP Energy and Commodities

At a glance

Oil



Gas



Power



Renewables



Ferrous metals



Base metals



Precious metals



Soft commodities



Coal



Freight



- Broad range of energy and commodity products
- Natural hedge across our portfolio
- Products covered are both global and domestic

Locations and product offerings

- US Natural Gas *
- US Power - Western Interconnect
- Gasoline
- Middle Distillates
- Oil options
- Ethanol
- US Power – Eastern Interconnect
- Crude *
- Cross Commodity Options
- Emissions
- NGL's
- Fuel Oil
- Soft Commodities *
- Precious Metals
- US Power - North East
- NGL
- Coal
- US Power - Texas
- US Natural Gas Options
- Renewables
- Alternate Fuels
- US Power – MidC/PJM

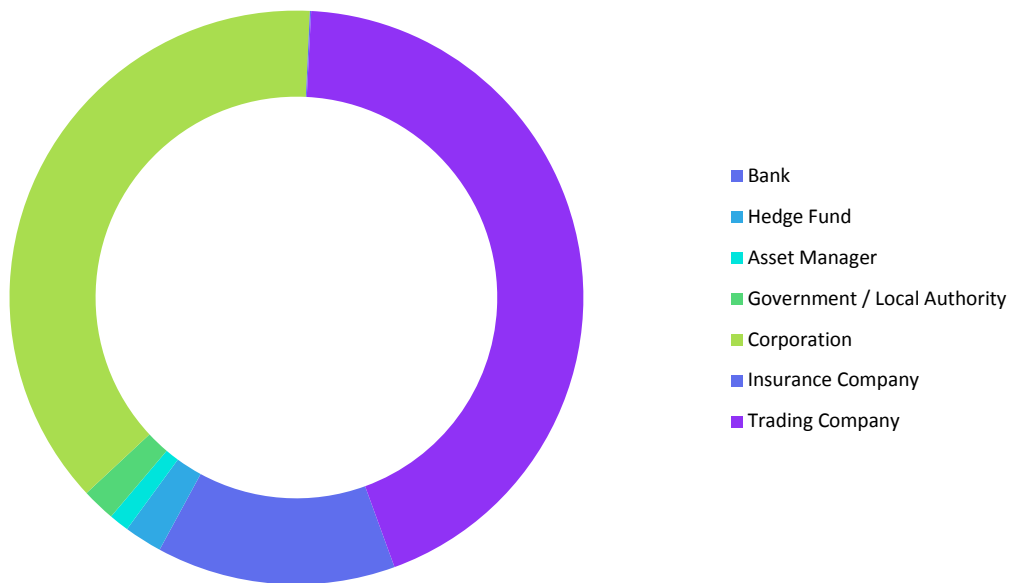


- Original Tullett/PVM Products and Locations
- New ICAP Products and Locations
- *Joint Products and Locations

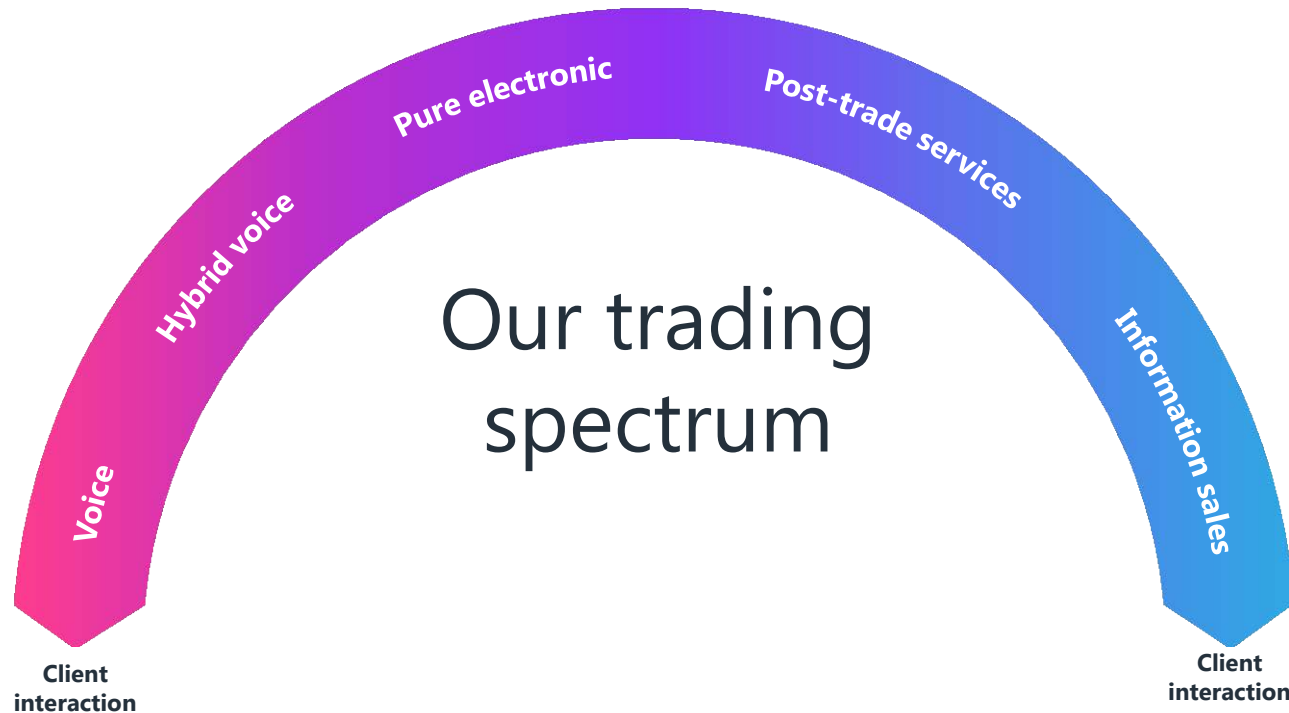


Broad client distribution

Leading the way in diversifying the client base – 87% of current revenue from non banking clients.



Our client interaction spectrum



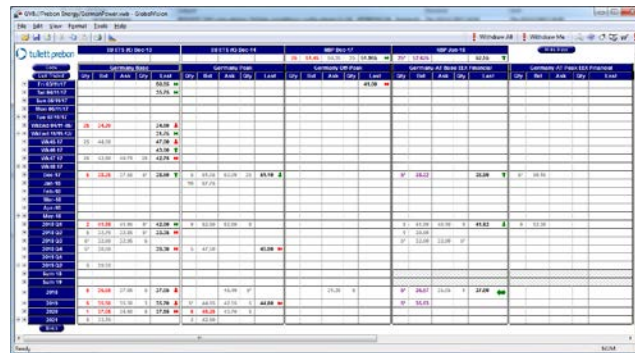
Case study – European gas and power

European Gas and Power is a mature market which is traded on the Trayport platform.

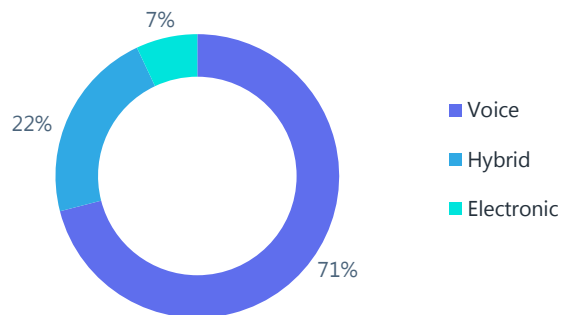
Clients have a range of execution options.

Clients still have a strong preference for voice execution. They get better execution via a broker because:

- Screens are good for price discovery but not volume discovery
- Brokers can manage orders effectively
- No slippage in prices
- Brokers provide market colour

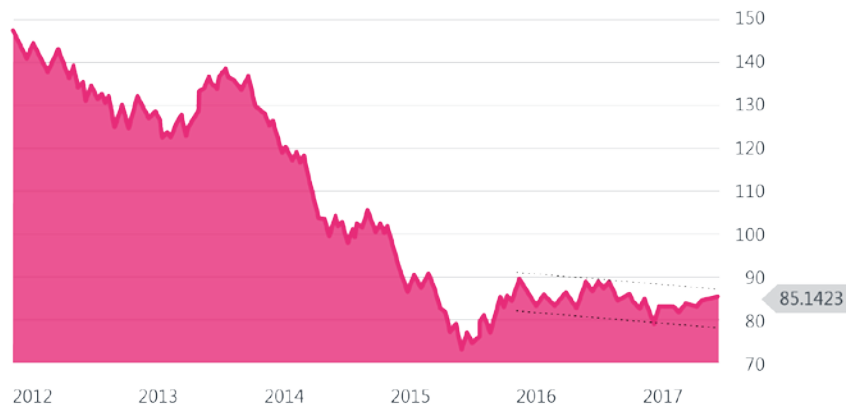
A screenshot of the Tullett Prebon trading platform interface. The window title is 'Tullett Prebon'. It displays a complex grid of data, likely representing market orders, bids, and asks for various energy contracts. The interface includes multiple columns for contract details, prices, and volumes. There are also some smaller charts or visual indicators integrated into the data display.

Tullett Prebon Revenue split 2017 YTD

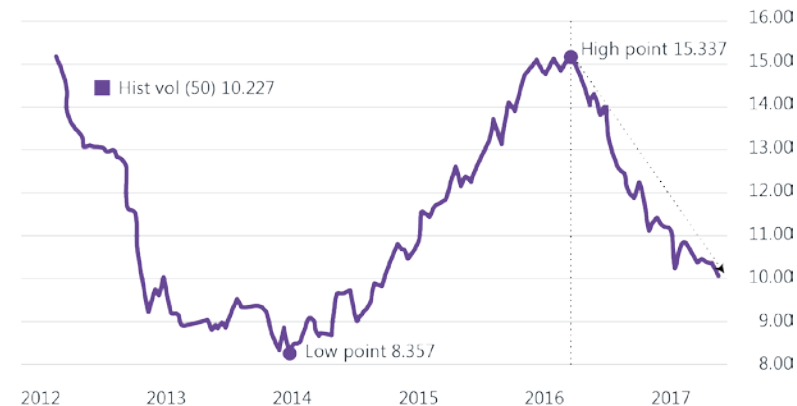


Market Update – Retaining revenue in a difficult market

Bloomberg Commodity Index 5yr Price Chart



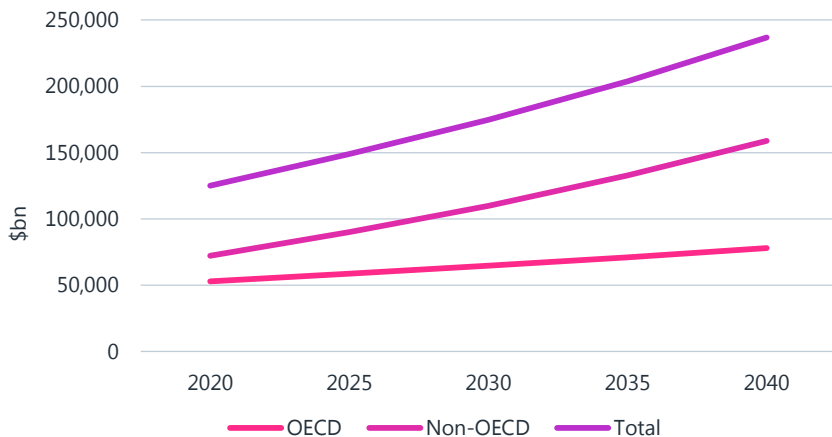
Bloomberg Commodity Index 5yr Volatility Chart



- Commodity markets have generally entered a period of low volatility and range bound prices, with a lack of macro events to encourage activity
- Oil markets have performed well
- Gas and Power have been quiet
- Coal markets have seen large falls in market volumes

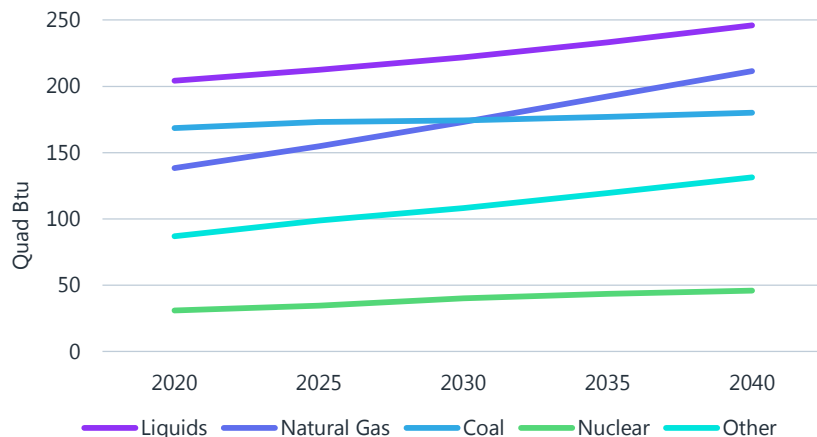
Market Update – Future trends

Global GDP Growth 2020-2040



Source: EIA Energy Outlook 2016

World Total Energy Consumption 2020-2040



Source: EIA Energy Outlook 2016. Note in Quadrillion Btu

- Global GDP is expected to double over the next 20 years
- Energy demand expected to grow by 30%
- Oil, gas and coal expected to remain dominant but share will decrease to renewables, hydro and nuclear
- Gas production will grow quickly as well as a rapid expansion of LNG

Initiatives

Market Share Growth – Filling the gaps:

- US
- China

Developing Technology:

- iCapture
- Nova
- Artificial Intelligence

People:

- 350 brokers in new office in Victoria
- Build out Houston

Summary

- Award winning commodities business – number 1 in the market
- Diverse client base and execution methods
- Currently tough market conditions but we continue to outperform our competitors
- Strong opportunities to grow the business



Data & Analytics

Eric Sinclair, CEO TP ICAP Information Services

Background – Eric Sinclair

- **Vice President, Reuters**

- OTC and exchange markets, risk management and trading platforms

- **Executive Vice President, Global Sales, Spectra Securities Software**

- Built global sales team and global client base

- **President, TMX Market Insights, TMX Group (Toronto Stock Exchange)**

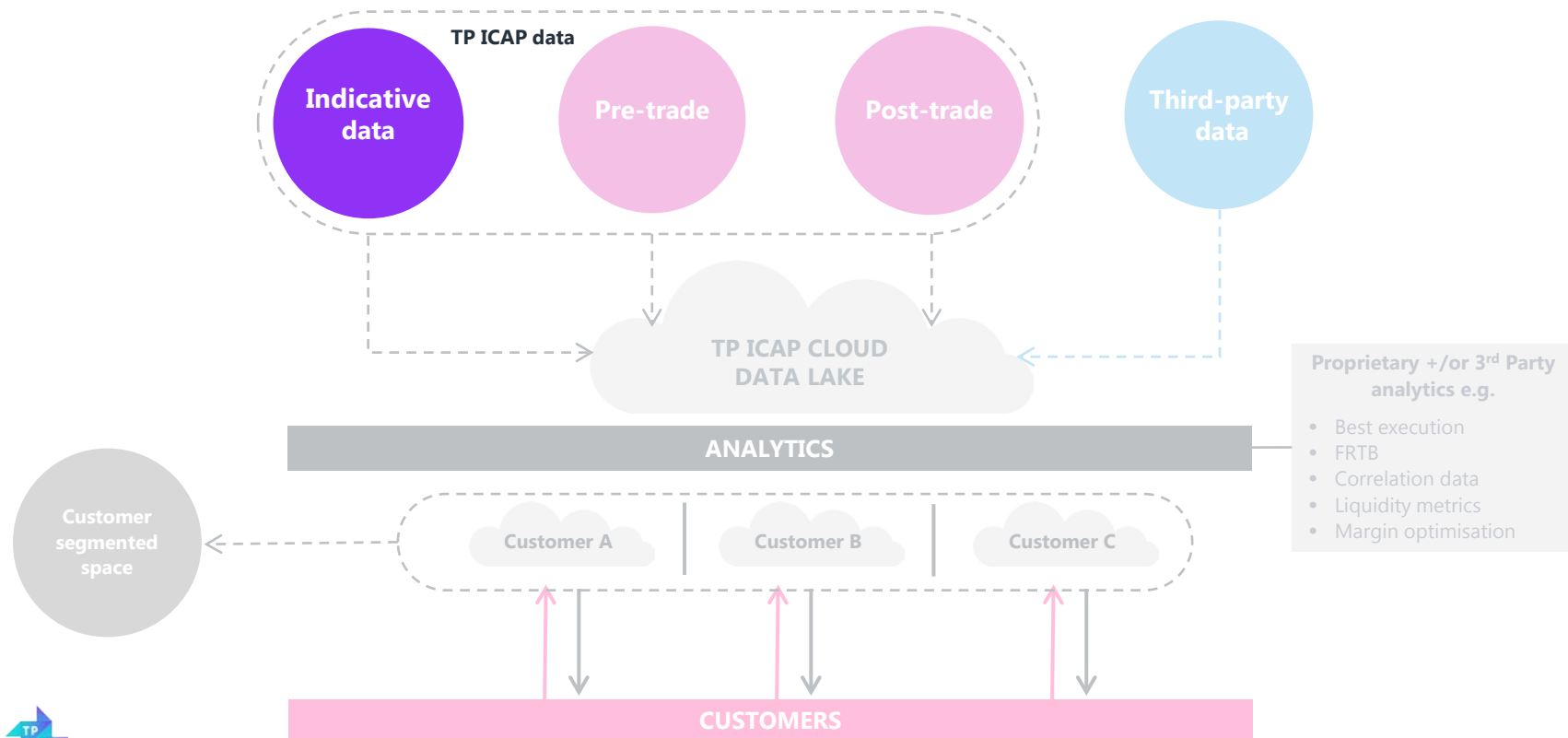
- Five-fold revenue growth (12% CAGR)
- From 11% of Group revenue to 30%

TP ICAP – Assets to Leverage

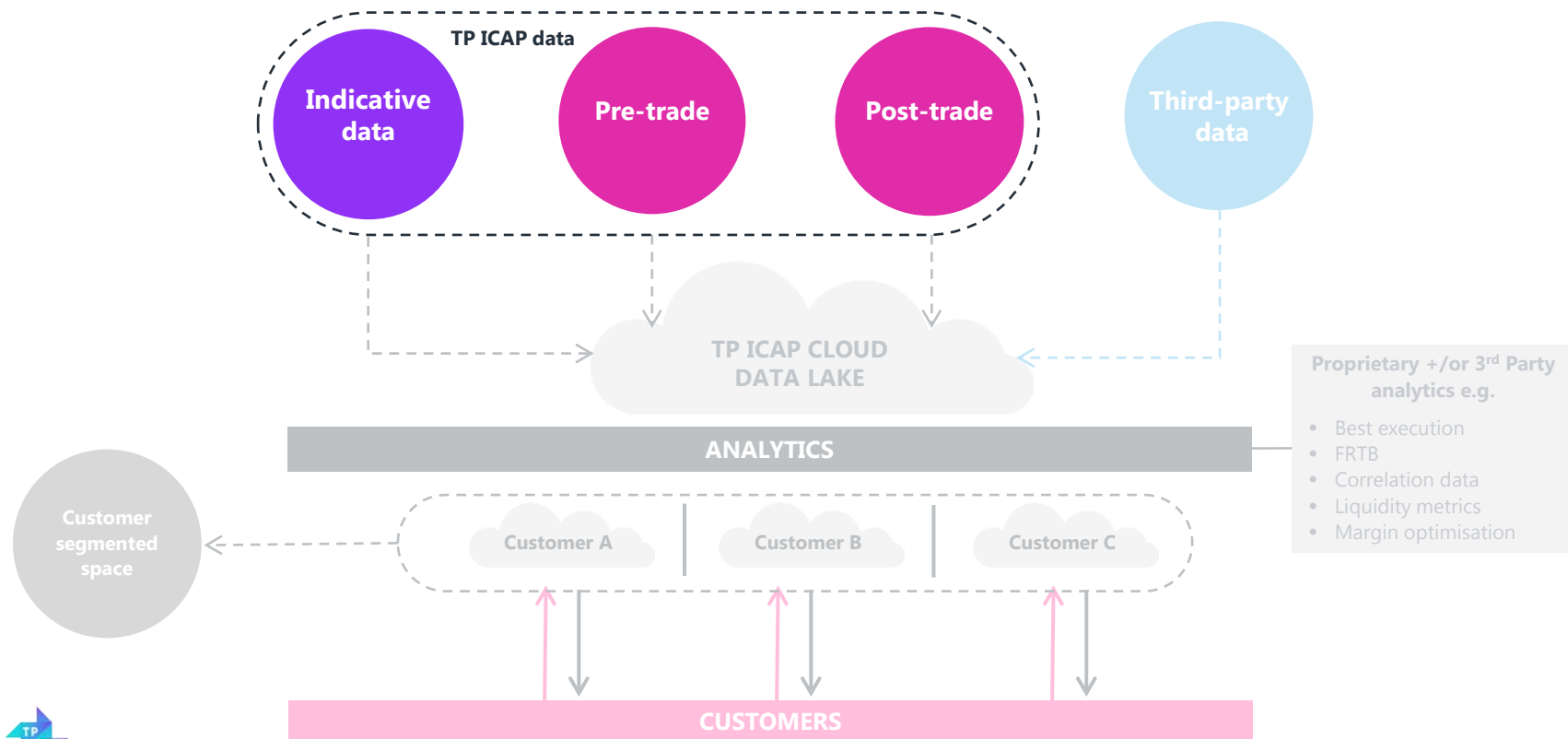
- Largest global IDB brand with accomplished Executive Team
- Highly valuable proprietary OTC data
- Global, neutral market position
- Well positioned to provide client solutions to meet regulatory requirements



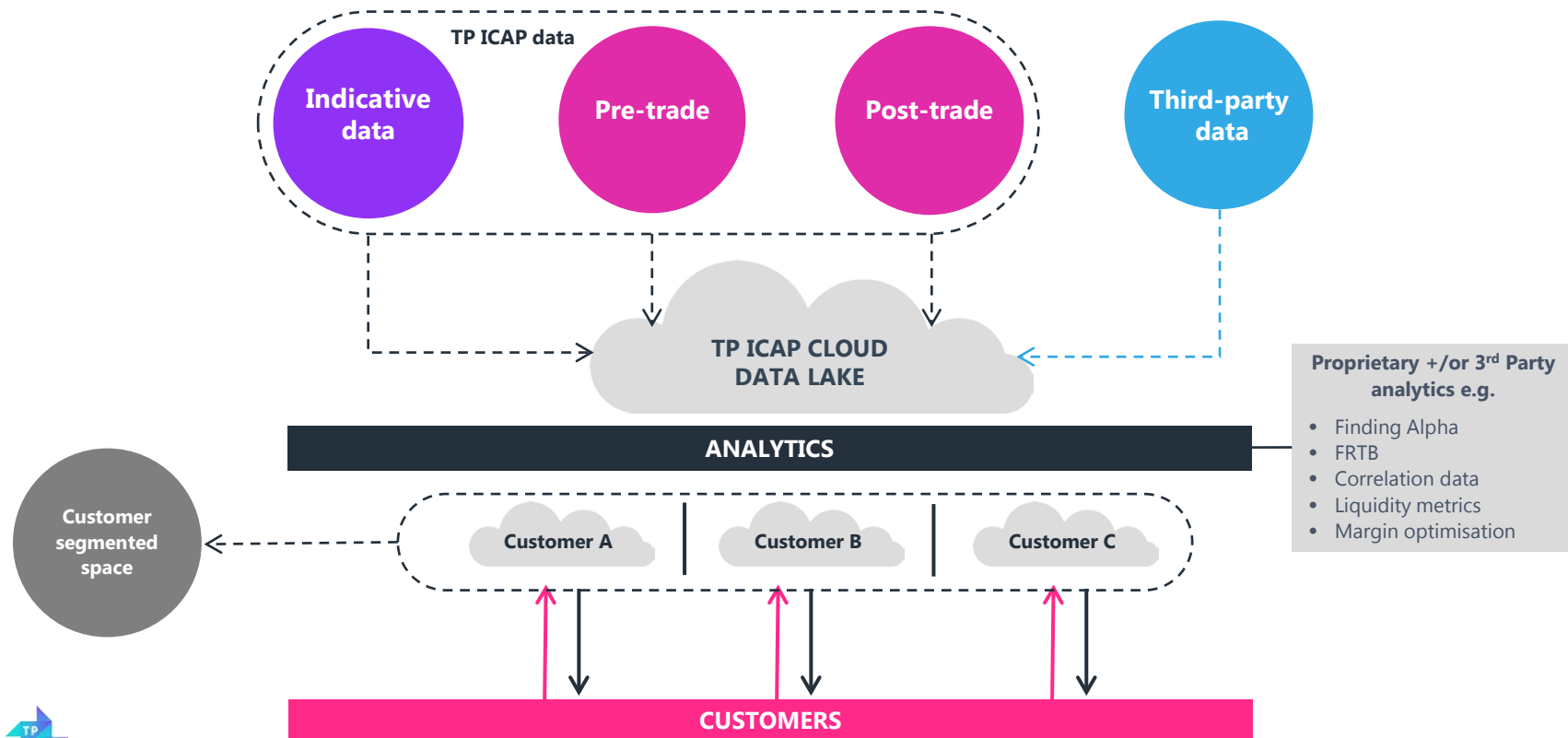
New opportunities – Indicative data



New opportunities – Regulation



New opportunities – The Cloud



Summary

TP ICAP Data & Analytics will accelerate profitable growth

- Best global source of high value OTC data
- Opportunities to leverage global brand and neutral market position
- Broaden offering beyond proprietary data
- Enhance Group margin with growing recurring revenues



Closing Remarks

John Phizackerley, CEO TP ICAP

Summary

- TP ICAP has a host of exciting growth opportunities
- Experienced management team well set to take the business forward
- Integration on track and progressing well
- Technology is at the heart of everything we do
- Focused on delivering value to shareholders



Thank you