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## **TP ICAP plc interim results**

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**For the six months ended 30 June 2017**  
8 August 2017

# John Phizackerley

## Chief Executive



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# Agenda

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Introduction

John Phizackerley

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H1 2017 highlights

John Phizackerley

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Key financials

Andrew Baddeley

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John Phizackerley

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Q & A

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# H1 2017 highlights

# H1 2017 – robust financial performance in a mixed global market environment

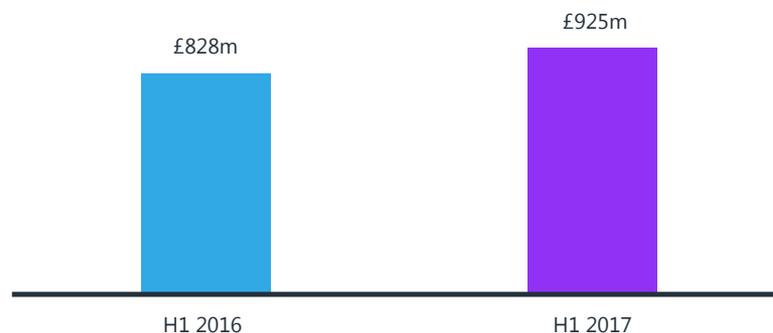
- Diverse global product portfolio combined with financial strength
- Revenues and operating profit margin increased in H1 2017
- Revenue per broker increased in every region
- Rates and oil businesses performed strongly, while power and commodities were subdued
- We are driving the integration of TP ICAP and delivering synergies
- Further investments in regulatory, governance and strategic initiatives

# H1 2017 financial highlights

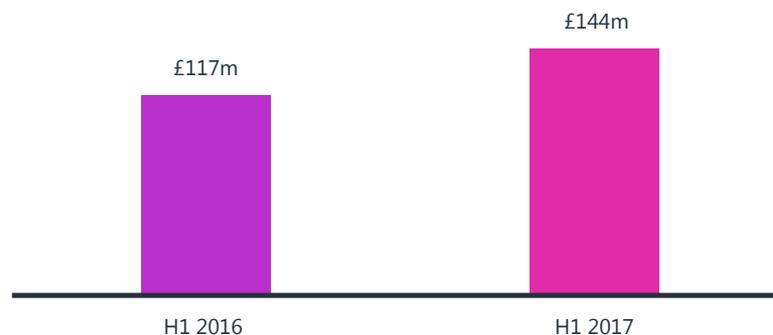
## Good start to life as TP ICAP

- Revenue £925m (H1 2016\*: £828m)
- Operating profit £144m (H1 2016: £117m)
- Operating margin 15.6% (H1 2016: 14.1%)
- Profit before tax £129m (H1 2016: £111m)
- Basic EPS 18.3p (H1 2016: 16.1p)
- Interim dividend 5.6p per share (H1 2016: 5.6p)

## Revenues



## Operating Profit



\* All comparatives throughout the presentation are shown pro forma



# H1 2017 integration highlights

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- Integration on schedule
- £8m of synergies recognised – ahead of plan
- On track to deliver plan
- Single regional heads in the Americas and APAC
- Single global business division heads
- Single global heads for all corporate support functions
- Continued management of separate brands
- Support staff headcount reduction of 175

# H1 2017 integration highlights

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- IT decommissioning more than 50% of the combined 490 TP ICAP systems
- Rationalising our office footprint and co-locating teams
- Moving to new US HQ in Lower Manhattan
- Moving to single Frankfurt and Singapore offices
- Harmonisation of policies – phase 1 complete
- On track to exceed our full year cost synergy target

# H1 2017 operational highlights

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- Kept up momentum in our business
- Second firmwide employee survey due out shortly
- Regional and brand variations
  - EMEA - outperforms
  - Americas - relatively bigger and positive outlook
  - APAC - Australia important centre
- Hiring experienced talent and managing out underperformers
- Early talent programme
- Platforms enhanced and expanded data offering
- Belfast centre on plan, more than 50 employees
- MiFID II on track

# Andrew Baddeley

## Chief Financial Officer



# Key financials

# Revenue by division

<b>£m (2016 at constant exchange rates)</b>	<b>H1 2017</b>	<b>H1 2016</b>	<b>Change</b>
Global Broking	670	657	+2%
Energy & Commodities	182	186	-2%
Institutional Services	16	4	+300%
Data & Analytics	57	52	+10%
<b>Revenue at constant exchange rates</b>	<b>925</b>	<b>899</b>	<b>+3%</b>
Exchange translation		(71)	
<b>Revenue as reported</b>	<b>925</b>	<b>828</b>	<b>+12%</b>

# Revenue by product – Global Broking

£m (2016 at constant exchange rates)	H1 2017	H1 2016	Change
Rates	279	268	+4%
Credit	65	69	-6%
FX & Money Markets	111	110	+1%
Emerging Markets	120	116	+3%
Equities	95	94	+1%
<b>Global Broking revenue at constant exchange rates</b>	<b>670</b>	<b>657</b>	<b>+2%</b>
Exchange translation		(53)	
<b>Global Broking revenue as reported</b>	<b>670</b>	<b>604</b>	<b>+11%</b>

# Revenue by region

£m (2016 at constant exchange rates)	H1 2017	H1 2016	Change
EMEA	462	436	+6%
Americas	333	336	-1%
Asia Pacific	130	127	+2%
<b>Revenue at constant exchange rates</b>	<b>925</b>	<b>899</b>	<b>+3%</b>
Exchange translation		(71)	
<b>Revenue as reported</b>	<b>925</b>	<b>828</b>	<b>+12%</b>

# Underlying operating profit and margin by region

£m (at reported rates)	Underlying operating profit			Margin	
	H1 2017	H1 2016	Change	H1 2017	H1 2016
EMEA	92	74	+24%	19.9%	17.5%
Americas	39	31	+26%	11.7%	10.6%
Asia Pacific	13	12	+8%	10.0%	10.7%
	<b>144</b>	<b>117</b>	<b>+23%</b>	<b>15.6%</b>	<b>14.1%</b>

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# Progress on integration

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- Integration is on track with guidance remaining the same
- £8m of synergy savings recognised in the H1 2017 P&L
- IT infrastructure
- Belfast centre
- Legal entity consolidation

# H1 2017 income statement

£m	H1 2017	H1 2016 <sup>1</sup>
<b>Revenue</b>	<b>925</b>	<b>828</b>
<b>Operating profit</b>	<b>144</b>	<b>117</b>
<b>Operating profit margin</b>	<b>15.6%</b>	<b>14.1%</b>
Finance income	3	5
Finance costs	(18)	(11)
<b>Profit before tax</b>	<b>129</b>	<b>111</b>
Tax	(33)	(26)
<b>Effective tax rate</b>	<b>26%</b>	<b>23%</b>
Share of JVs and associates less non-controlling interests	5	4
<b>Net income pre exceptionals</b>	<b>101</b>	<b>89</b>
Total exceptionals	(44)	(22)
<b>Net income after exceptionals</b>	<b>57</b>	<b>67</b>
<i>Weighted average basic shares in issue</i>	<i>552.4m</i>	<i>553.0m</i>
<b>Underlying basic EPS</b>	<b>18.3p</b>	<b>16.1p</b>
<b>Reported EPS</b>	<b>10.3p</b>	<b>12.1p</b>

# Exceptional and acquisition related items

£m	H1 2017	H1 2016
ICAP acquisition related costs	-	(5)
ICAP integration costs	(28)	(5)
Acquisition related share-based payment charge	(5)	(5)
Amortisation of intangible assets arising on acquisition	(20)	(1)
Cost improvement programmes	(5)	(5)
Other acquisition and disposal items	-	(1)
Acquisition related finance expense	-	(3)
	(58)	(25)
Tax relief/(charge)	14	3
<b>Total Exceptional and acquisition related items</b>	<b>(44)</b>	<b>(22)</b>

# Balance sheet

£m

	Jun-17	Dec-16
Goodwill & other intangibles	1,749	1,783
Other non-current assets	155	166
Current assets less current and non-current liabilities	(78)	(168)
Cash and financial assets	759	786
Pension assets / obligations	54	97
Deferred tax liabilities	(174)	(197)
Interest bearing loans and borrowings	(577)	(547)
<b>Net assets</b>	<b>1,888</b>	<b>1,919</b>
Shareholders' equity	1,867	1,898
Attributable to non-controlling interests	21	21
<b>Attributable to shareholders</b>	<b>1,888</b>	<b>1,919</b>

# Debt profile, refinancing and interest cost

£m	Jun-17	Dec-16	Jun-16
7.04% Sterling notes July 2016	-	-	141
5.25% Sterling notes June 2019	80	80	80
5.25% Unsecured sterling notes January 2024	500	470	-
Unamortised issue costs	(3)	(3)	(1)
	577	547	220

## Net interest costs

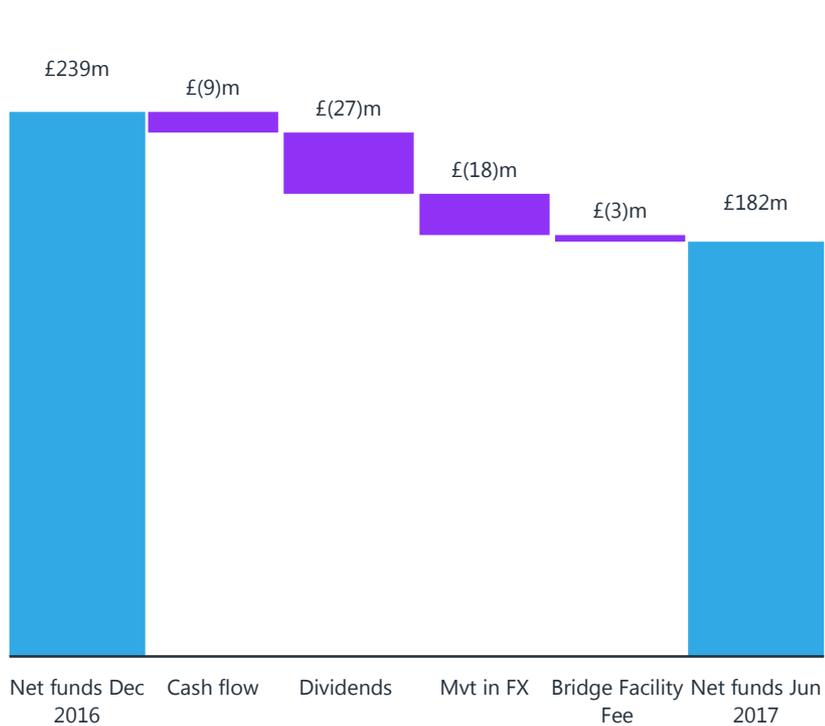
- Net interest costs of £15m include £2m for the one-off cost of the bridge loan fees

## Committed facility

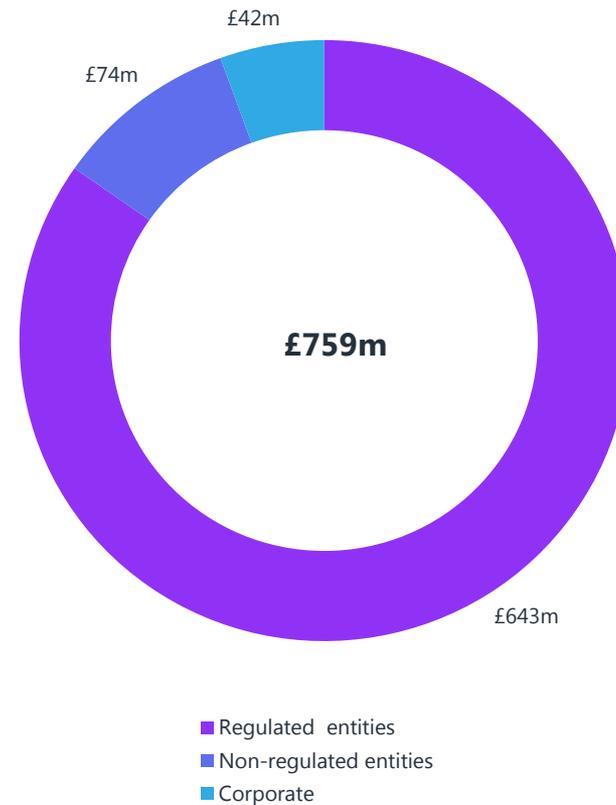
- £250m RCF currently undrawn

# Net funds

## Movement in net funds



## Cash and financial assets



# Business and operational update

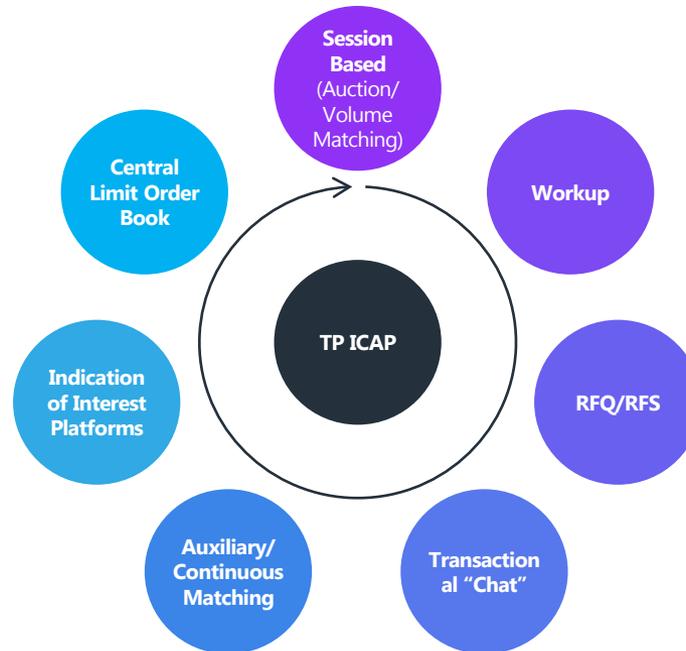
# The TP ICAP proposition



# Technology is part of our DNA

- We provide voice, hybrid, electronic volume matching, algorithmic matching, risk mitigation platforms, post trade and risk management services, to satisfy the evolution of the marketplace
- We provide business-critical intelligence and services to clients, through our brokers, supplemented by proprietary screens, electronic solutions, pricing data and analytics and post-trade services

## Electronic execution methodologies



# There will always be a need for brokers

**“Voice communication is very or extremely critical to trading workflow, and we don’t see it going away.”**

**The Voice of Trading**  
Greenwich Associates, Q2 2017

**“72% of participants said trading bonds with a notional size of greater than \$15m was difficult.”**

**The Voice of Trading**  
Greenwich Associates, Q2 2017

**“Complex products or large trades, or products where the valuation is complex, or where there isn’t always a large universe of buyers and sellers, or confidentiality is important where you are going to need assistance in putting a trade together and for that a broker is really valuable.”**

**The Voice of Trading**  
Greenwich Associates, Q2 2017

**“Trillions of dollars of swaps trade globally each day through a variety of execution methods tailored around their episodic liquidity. In many cases, interdealer brokers exercise discretion in executing counterparty trades.”**

**Keynote Address of CFTC Commissioner  
J. Christopher Giancarlo**  
Before SEFCON VII, January 2017

# TP ICAP global business lines



- Record months in our volume matching sessions
  - Particular success in US emerging markets bonds
  - Launched index synthetics and rolls in financials and sovereign bonds
- Investment in sales efforts in our post-trade business
  - Traction in Asia
  - Record volumes transacted in EMEA in June
- New global RFQ platform for FX Options
  - Clients now interact directly with our liquidity pools through electronic connectivity, with broker guidance and negotiation support
  - Incorporates enhanced analytics and streamlined straight-through processing



- Natural Gas Liquids (NLG) desk in US, which links in with our global Liquefied Petroleum Gas desk in EMEA
- Expansion of Liquefied Natural Gas (LNG) desk in EMEA
- Expanding customer base by successfully pitching to funds in coal and iron ore
- 35 new hires made in H1 across the E&C brands
  - Added 12 new joiners from the early talent programme
- Growth plans in Houston, Texas

### Oil



### Gas



### Power



### Renewables



### Ferrous metals



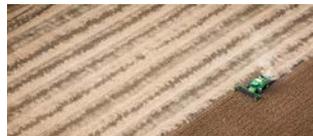
### Base metals



### Precious metals



### Soft commodities



### Coal



### Freight



- Sales capability reorganised, adding resource in London, NY, Singapore and Tokyo, with strong pipeline of new business emerging
- New European corporate bond package for over 2,000 Eurobonds in more than 40 countries, sourced from our Global Broking business, with proprietary analytics
- Partnership to distribute equity and credit research and analytics data
- Comprehensive market data service for interest rate derivatives market in Scandinavia
- Upgraded our Interest Rate Options volatility data services, adding greater depth and breadth to our swaption coverage

- Completed strategic review to validate and articulate new business proposition
- Large fee pool potential as institutions seek new service providers – modest revenues to date
- Extensively canvassed and interviewed our target client base
- Added expertise and building the team
- Added FX and corporate bond expertise
- Investment in new FinTech platform, LiquidityChain

# H1 key workstreams

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- Continuing focus on conduct and culture, increasingly differentiates
- MiFID II readiness
  - Major workstream
  - Partnership with Bloomberg
  - On schedule
- Brexit
  - Dedicated workstream
  - Extensive client feedback
  - Existing EU footprint
  - Dialogue with regulators
  - Political uncertainty

# Market outlook

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- Continued political uncertainty (US, UK, North Korea, China, Middle East)
- Marked economic disparities
- European economies remain fragile, US more buoyant, Asia continues to grow
- Period of ultra-low interest rates is coming to an end, but not imminently
- Energy & Commodities markets reflect abundant supply of natural gas and oil from shale rock and outlook for demand from China

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# Summary

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- Good start to life as TP ICAP – urgency on integration
- Diversity of our business is helpful
- Data & Analytics and Institutional Services are growth areas
- Integration on track
- We are well-placed to:
  - Deliver synergies
  - Build the business
  - Deliver value to shareholders
- Capital Markets Day, 30<sup>th</sup> November

# Q&A



Winner  
Overall #1



Winner  
Best overall  
broker



Winner  
Overall  
broker



Inside Market Data Awards  
2011-2016

Best Data Provider  
(Broker)

Tullett Prebon  
Information



FOW  
AWARDS 2014

WINNER  
COMMODITIES BROKER  
OF THE YEAR  
BEST INNOVATION  
BY A BROKER



GlobalCapital  
Americas  
Derivatives Awards



FX-Week  
Best Banks  
Awards  
2001-2015

Winner