TP ICAP plc Interim Results

For the six months ended 30 June 2018

Disclaimer

Agenda

Introduction	Rupert Robson
Background and context	Nicolas Breteau
Key financials	Robin Stewart
Conclusion	Nicolas Breteau
Questions & answers	

Rupert Robson
Chairman

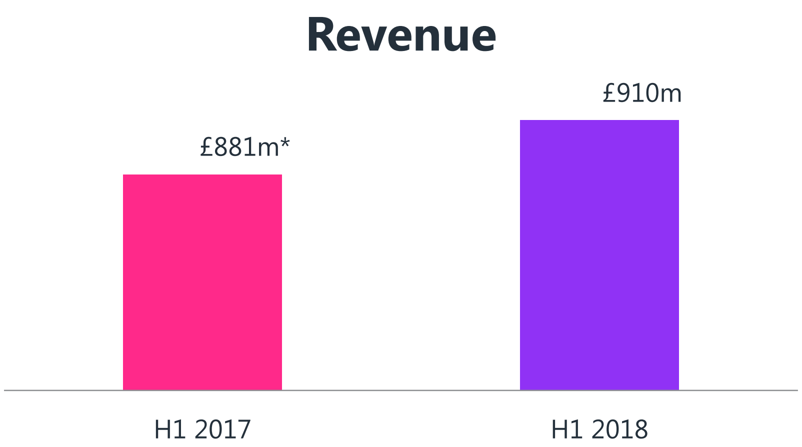
Introduction

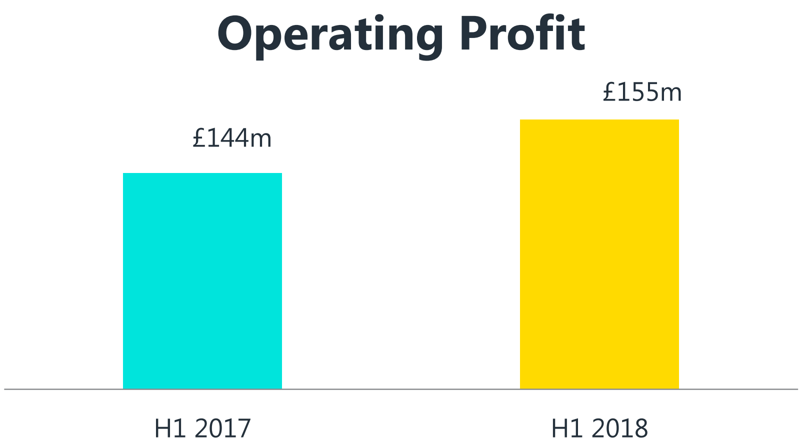
- Business has made progress in first half, and interim dividend remains unchanged
- Q2 detailed bottom-up review
- Reset synergy targets and integration timing
- Reinvest in the business to help promote growth
- New management team in place to deliver medium-term strategy and detail of integration

Nicolas Breteau
CEO

H1 2018
Highlights

- Revenue up 3% to £910m (H1 2017: £881m*)
- Underlying operating profit up 8% to £155m (H1 2017: £144m)
- Operating margin up 1.4% pts to 17.0% (H1 2017: 15.6%)
- Profit before tax up 8% to £139m (H1 2017: £129m)
- Basic EPS up 0.9p to 19.2p (H1 2017: 18.3p)
- Interim dividend of 5.6p (H1 2017: 5.6p)





* Constant currency basis

TP ICAP's competitive advantages

- Largest interdealer broker in the world
- Leading provider of OTC data
- Deepest liquidity pools in a wide range of products
- Truly international and well-balanced geographically
- Great brands
- Customer service is in our DNA
- More opportunities as the integration completes

Rebasing the integration

- £100m target reduced to £75m
- Need to balance synergies with continuing to provide excellent client service
- Run-rate of £65m achieved, more and earlier than expected
- £10m more to deliver
- CTA of £103m to date, one-off costs of £60m to complete integration by 2019
- Post integration, a more agile Group, better positioned to evolve and grow

Adopting performance measures for growth

- TP ICAP is a people business – brokers are at the centre of it
- Focusing solely on broker compensation ratio jeopardises revenue growth
- Need to protect our franchise and market position, and grow
- In the future, our focus will be on revenue and contribution
- The right metrics to grow the business and deliver good returns

TP ICAP global business lines

Global Broking

Energy & Commodities

Data & analytics

Institutional Services

TP ICAP group

tullett prebon

ICAP

PVM

Mirexa Capital

tullett prebon information

ICAP INFORMATION

PVM DATA SERVICES

Global Broking

- Fill in gaps in product coverage
- Embed more technology into our execution protocols
- Separate and competing brands - a wise decision
- Leverage our liquidity with one screen and single sign-on
- Harvest valuable data we create
- Cautiously optimistic about market conditions

Energy & Commodities

- Our second largest business
- Diverse products, clients and locations
- Broadening and deepening our offering
- Link desks across geographies to enhance client service
- Market conditions determined by events which are difficult to predict, so diversification is key

Institutional Services

- Our newest business, targets buyside clients
- Agency execution in FX, FXO and listed derivatives
- Progress to date has been slower and more expensive than expected
- COEX acquisition performing strongly
- Will adjust our execution to produce acceptable returns

Data & Analytics

- Leading provider of neutral OTC pricing data
- Small business with great potential
- Investing to accelerate growth

Eric Sinclair

CEO, Data & Analytics

Data & Analytics

- Restructured for growth and efficiency to enhance profitability
  1. Unified sales team
  2. Closer collaboration with Global Broking to extract untapped data
  3. Dedicated channel management builds relationship with distribution partners
  4. Client audit programme underway
  5. Product management team building growth for future
- Immediate priorities
  - Planning new product launches
  - Using cloud technologies to broaden client base

Nicolas Breteau
CEO

Building for the future

- Focus on front office technology and client-facing initiatives
- Ongoing work to invest more in infrastructure, IT security and post-trade processing
- £130m p.a. spend on technology in cash terms
- Additional initiatives totalling £15m:
    - £9m in Data & Analytics
    - £6m in electronic projects in the broking divisions
    - Cash flow positive and earnings accretive by 2020

Robin Stewart
Chief Financial Officer

H1 2018 income statement

£m	H1 2018	H1 2017
Revenue	**910**	**925**
Underlying Operating profit	**155**	**144**
Underlying Operating profit margin	**17.0%**	**15.6%**
Finance income	2	3
Finance costs	(18)	(18)
Underlying Profit before tax	**139**	**129**
Tax	(36)	(33)
Effective tax rate	**26%**	**26%**
Share of JVs and associates less non-controlling interests	4	5
Underlying earnings	**107**	**101**
Total exceptionals	(94)	(44)
Reported earnings	**13**	**57**
Weighted average basic shares in issue	*556.3*	*552.4*
Underlying basic EPS	**19.2p**	**18.3p**
Reported EPS	**2.3p**	**10.3p**

Revenue by business division

£m (2017 at constant exchange rates)	H1 2018	H1 2017	Change
Global Broking	672	641	+5%
Energy & Commodities	167	172	-3%
Institutional Services	17	16	+6%
Data & Analytics	54	52	+4%
Revenue at constant exchange rates	**910**	**881**	**+3%**
Exchange translation	-	44	
Revenue as reported	**910**	**925**	**-2%**

Revenue by product
Global Broking

£m (2017 at constant exchange rates)	H1 2018	H1 2017	Change
Rates	284	265	+7%
Credit	56	61	-8%
FX & Money Markets	110	110	+0%
Emerging Markets	113	114	-1%
Equities	109	91	+20%
Global Broking revenue at constant exchange rates	**672**	**641**	**+5%**
Exchange translation	-	29	
Global Broking revenue as reported	**672**	**670**	**+0%**

Revenue by region

£m (2017 at constant exchange rates)	H1 2018	H1 2017	Change
EMEA	465	454	+2%
Americas	322	303	+6%
Asia Pacific	123	124	-1%
Revenue at constant exchange rates	**910**	**881**	**+3%**
Exchange translation	-	44	
Revenue as reported	**910**	**925**	**-2%**

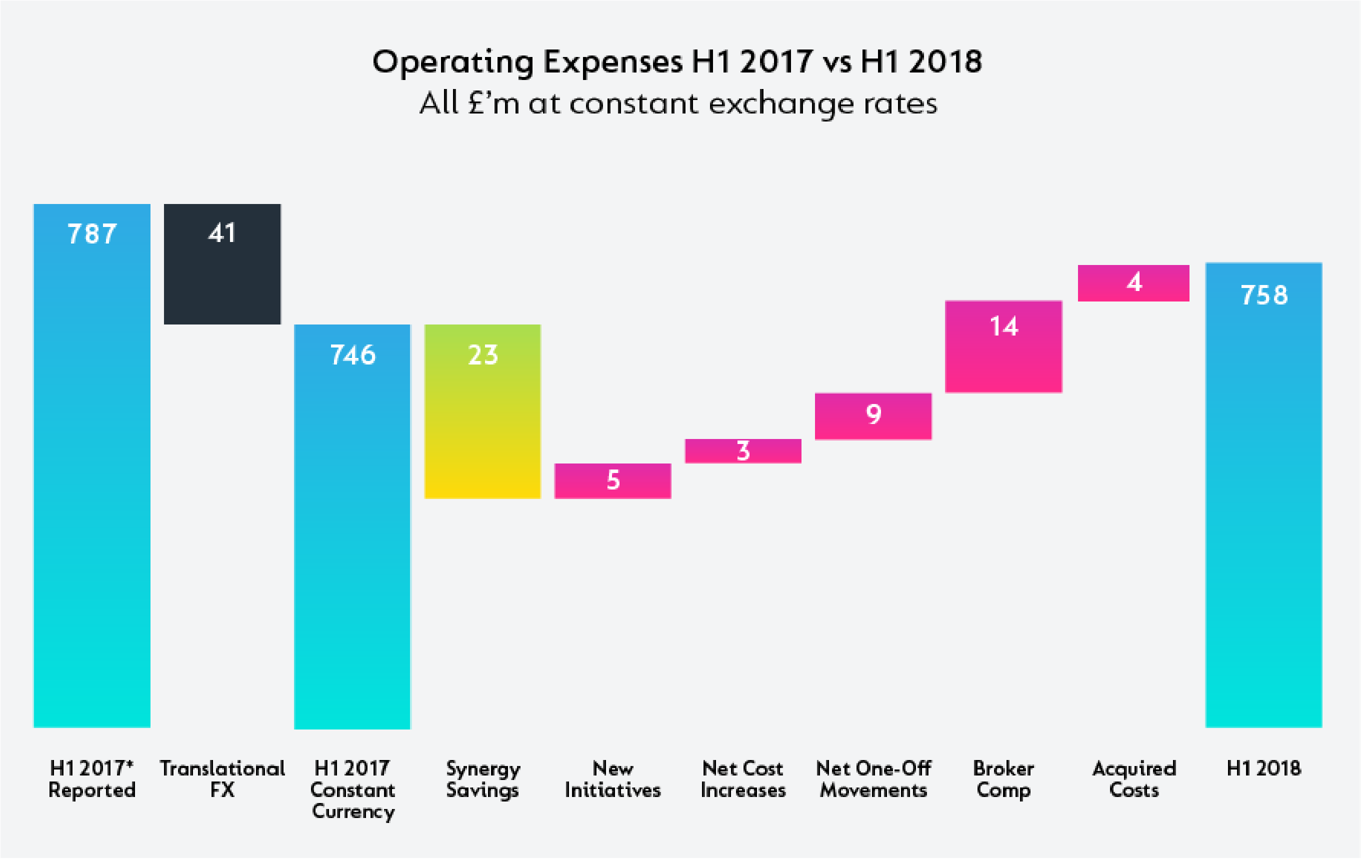
Progress on integration

- We expect to complete the integration and achieve the full run rate of £75m by the end of 2019
- We estimate the costs to complete the integration at £60m
- These costs will enable us to reduce ongoing IT spend in the future, and increase our operational and IT capabilities

Administrative expenses

£m (2017 at constant exchange rates)	H1 2018	H1 2017	Change	Change
Broker compensation	440	417	23	+6%
Other front office costs	91	103	(12)	-12%
Total front office cost	**531**	**520**	**11**	+2%
Other staff costs	120	125	(5)	-4%
Technology and related costs	26	25	1	+4%
Premises and related costs	27	25	2	+8%
Depreciation and amortisation	16	16	-	+0%
Other administrative costs	38	35	3	+9%
Total management and support costs	**227**	**226**	**1**	**+0%**
Total costs	**758**	**746**	**12**	+2%
Exchange translation		41	(41)	
Underlying total costs	**758**	**787**	**(29)**	-4%

Administrative expenses



*underlying £8m of synergies recognised in H1 2017

Contribution

Broking contribution *At constant exchange rates*	**H1 2018** £m	**H1 2017** £m	**Change** £m	**Change** %
Revenue	856	829	27	+3%
Total front office costs	(531)	(520)	(11)	+2%
Contribution	**325**	**309**	**16**	**+5%**
Contribution margin (%)	*38.0%*	*37.3%*	*+0.7% pts*	

Data & Analytics contribution *At constant exchange rates*	**H1 2018** £m	**H1 2017** £m	**Change** £m	**Change** **%**
Revenue	54	52	2	+4%
Direct costs	(19)	(20)	1	-5%
Gross Contribution	**35**	**32**	**3**	**+9%**
Gross Contribution margin (%)	64.8%	61.5%	+3.3% pts	

Underlying operating profit and margin by region

£m (at reported rates)	Underlying operating profit H1 2018	Underlying operating profit H1 2017	Underlying operating profit Change	Margin H1 2018	Margin H1 2017
EMEA	97	92	+5%	+20.9%	+19.9%
Americas	45	39	+15%	+14.0%	+11.7%
Asia Pacific	13	13	+0%	+10.6%	+10.0%
	155	**144**	**+8%**	**+17.0%**	**+15.6%**

Exceptional and acquisition related items

£m	H1 2018	H1 2017
ICAP integration costs	24	28
Amortisation of intangible assets arising on acquisition	20	20
Impairment of intangible assets arising on consolidation	58	-
Cost improvement programmes	-	5
Acquisition related share-based payment charge	-	5
Adjustments to acquisition consideration	(1)	-
Net charge relating to legal settlements	4	-
	105	**58**
Tax relief	(11)	(14)
Total Exceptional and acquisition related items	**94**	**44**

Earnings EPS and dividends

£m	H1 2018	H1 2017
Underlying Earnings	**107**	**101**
Exceptional and acquisition-related items (net of tax)	(94)	(44)
Reported Earnings	**13**	**57**
Weighted average shares in issue	556.3m	552.4m
Underlying EPS	**19.2p**	**18.3p**
Reported EPS	**2.3p**	**10.3p**

- Dividend to remain at 16.85p through the integration period
- A 5.6p share interim dividend will be paid on 9 November 2018

Operating cash flow

£m	H1 2018	H1 2017
Underlying operating profit	**155**	**144**
Share-based compensation and other non-cash items	1	2
Depreciation and amortisation	17	18
EBITDA	**173**	**164**
Capital expenditure (net of disposals)	(48)	(16)
Change in initial contract prepayments	(16)	-
Other working capital	(104)	(94)
Operating cash flow	**5**	**54**
Exceptional items – cost improvement programme 2015 / 2017	-	(6)
Exceptional items – ICAP acquisition and integration costs	(24)	(33)
Share issue costs	-	(7)
Share award purchases	(5)	(4)
Net Interest	(15)	(4)
Taxation	(14)	(17)
Dividends from associates and non-controlling interests (net)	4	7
Acquisition consideration and investments (net of disposals)	1	1
Cash flow	**(48)**	**(9)**

Net funds

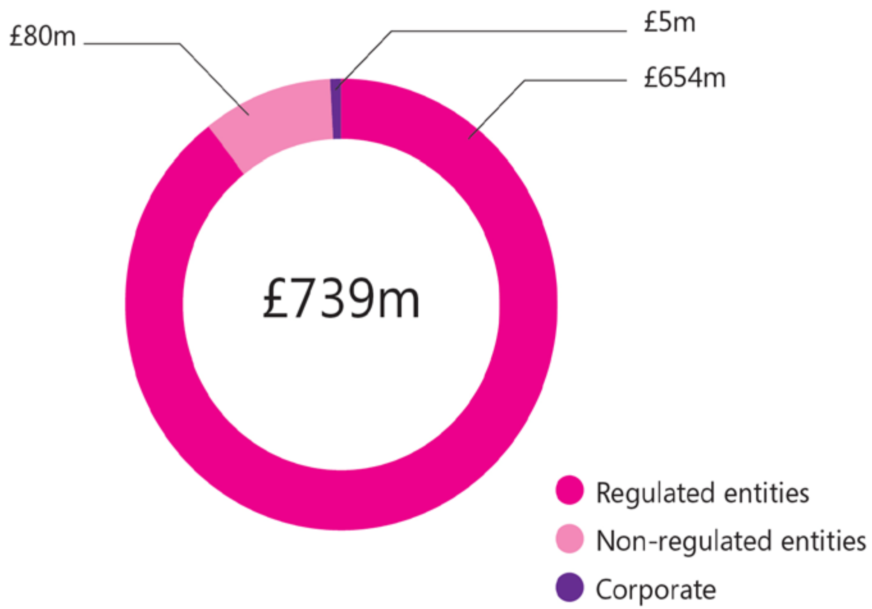
£m	Cash*	Debt	Net
At 31 December 2017	761	(589)	172
Cash flow	(48)	15	(33)
Dividends	(63)	–	(63)
Revolving Credit Facility draw down	87	(87)	–
Accrued interest and non-cash items	(2)	(15)	(17)
Effect of movement in exchange rates	4	–	4
At 30 June 2018	**739**	**(676)**	**63**

* Includes financial investments

Cash resources and regulation

- 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
- This cash is restricted for regulatory and operational purposes

H1 2018 cash and financial assets



Balance sheet

£m	Jun-18	Dec-17
Goodwill & other intangibles	1,651	1,711
Other non-current assets	189	154
Current assets less current and non-current liabilities	(38)	(141)
Cash and financial investments	739	761
Pension assets / obligations	52	53
Deferred tax liabilities	(113)	(116)
Interest bearing loans and borrowings	(676)	(589)
Net assets	**1,804**	**1,833**
Shareholders' equity	1,789	1,820
Attributable to non-controlling interests	15	13
Attributable to shareholders	**1,804**	**1,833**

Debt profile, refinancing and interest cost

£m	Jun-18	Dec-17	Jun-17
5.25% Sterling Notes June 2019	80	80	80
5.25% Sterling Notes January 2024	500	500	500
Revolving credit facility draw down	87	-	-
Unamortised debt issue costs	(3)	(3)	(3)
Accrued interest	12	12	12
	676	**589**	**589**

Guidance

Revenue for 2018 Low single digit growth at constant exchange rates	**Net finance expense** £35m in 2018 rising to £40m in 2019
Costs £10m of extra costs in 2018, rising to £25m of extra costs in 2019	**Tax rate** 26% for 2018 falling to 25% in 2019
Investments £15m of extra cost in 2019 Cash flow and earnings accretive by 2020	**Exceptional items** £15m of onerous lease provisions in H2 2018
Broker compensation Expected to be at least 51% in 2018	**Capex** £80m in 2018 falling to £70m in 2019
Synergies and CTA £10m of synergies by 2019 £60m of cost to achieve by the end of 2019	

Nicolas Breteau
CEO

TP ICAP
Strong foundation for a successful, sustainable business

- Breadth of offering, diversification and international footprint positions us well
- Our ability to offer many execution protocols is a competitive advantage
- Growing regulation: we have the scale and firepower to invest
- Building on strong foundation to deliver a sustainable business with attractive returns from 2020 onwards

Questions & answers