TP ICAP plc Preliminary Results

For the year ended 31 December 2018

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Nicolas Breteau
CEO

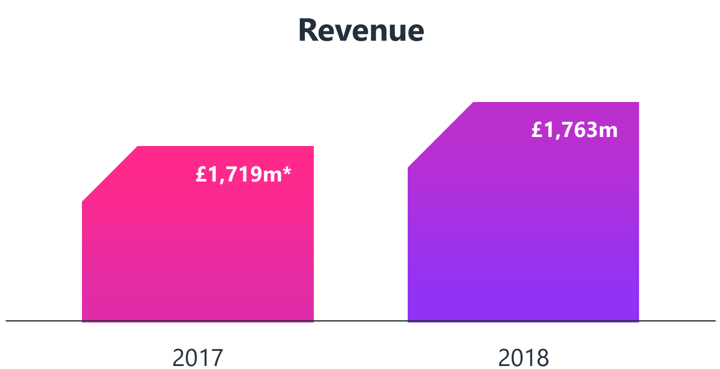
Agenda

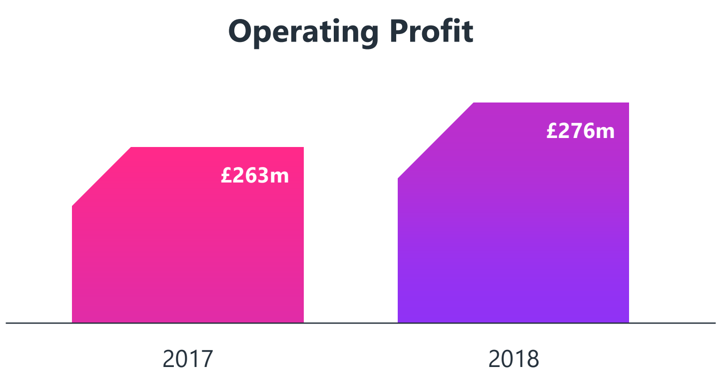
Introduction	Nicolas Breteau
2018 Highlights & Priorities	Nicolas Breteau
Key Financials	Robin Stewart
Future Priorities	Nicolas Breteau
Questions & Answers	

2018 Financial highlights
A resilient performance

- Revenue up 3% to £1,763m
  (2017: £1,719m*)
- Underlying operating profit up 5% to £276m
  (2017: £263m)
- Operating margin up 0.7% pts to 15.7%
  (2017: 15.0%)
- Profit before tax up 5% to £245m
  (2017: £233m)
- Basic EPS up 0.9p to 34.2p
  (2017: 33.3p)
- Full year dividend of 16.85p
  (2017: 16.85p)
- Broking contribution up 3% to £604m*

*Constant currency basis





Priorities
Clear focus

- Strong management team in place
- Delivering the integration
- Risk framework is a differentiator
- Brexit: prepared for all eventualities

Senior management team
Experienced, with focus on delivery

Strengthened senior management team to drive future growth:

John Abularrage – CEO of Global Broking

John Ruskin – CEO of Institutional Services

Andrew Polydor – CEO of Energy & Commodities

Eric Sinclair – CEO of Data & Analytics

Martin Ryan – COO

Integration

On track to complete this year

- Run rate of £71m achieved in 2018; will deliver remaining £4m in 2019
- Martin Ryan is running the integration process
- Detailed integration plan, dedicated project management
    - Fully integrated credit and equities platforms in EMEA and APAC
    - Co-location of all brokers in NY and Singapore, and energy brokers in London
    - Reducing data centre footprint from 15 to 6
    - Continuing to expand capabilities in Belfast
    - Plan to move all London-based Global Broking staff together in 2020
- Efficient, scalable platform reduces risk and enables future growth

New risk framework
A competitive differentiator

- Full review of global risk framework
- Reworking management information and the processes that deliver it
- Upfront setting of risk appetites
- Ongoing education on the role our people play in risk management
- Reducing number of regulated entities and venues
- Differentiator with clients; a factor in regulatory capital assessment

Brexit preparation

Prepared for all eventualities

- Around 90% of total broking revenues largely unaffected by Brexit
- Business for EU clients in the EU
  - New French subsidiary, TP ICAP Europe
  - One MTF and two OTFs in the EU
- Business for EU-based clients through broking desks in the UK
  - Plans to adjust our business model to respond to clients' needs
  - Extra staff in the EU to interact with EU-based customers, and changes to workflows
- Contingency plan to relocate i-Swap, electronic rates MTF, to Amsterdam
- We will be led by our clients

Robin Stewart
Chief Financial Officer

FY 2018 income statement

Overall operating profit increase

£m	FY 2018	FY 2017
Revenue	**1,763**	**1,757**
Underlying Operating profit	**276**	**263**
Underlying Operating profit margin	**15.7%**	**15.0%**
Finance income	5	6
Finance costs	(36)	(36)
Underlying Profit before tax	**245**	**233**
Tax	(63)	(61)
Effective tax rate	**25.8%**	**26.0%**
Share of JVs and associates less non-controlling interests	9	12
Underlying earnings	**191**	**184**
Total acquisition, disposal & integration costs and exceptionals	(159)	(97)
Reported earnings	**32**	**87**
Weighted average basic shares in issue	*558.5*	*551.8*
Underlying basic EPS	**34.2p**	**33.3p**
Reported EPS	**5.7p**	**15.8p**

Revenue by business division

Benefits seen from business diversification

£m (2017 at constant exchange rates)	FY 2018	FY 2017	Change
Global Broking	1,278	1,244	+3%
Energy & Commodities	331	335	-1%
Institutional Services	37	32	+16%
Data & Analytics	117	108	+8%
Revenue at constant exchange rates	**1,763**	**1,719**	**+3%**
Exchange translation	-	38	
Revenue as reported	**1,763**	**1,757**	**+0%**

Revenue by product
Global Broking

£m (2017 at constant exchange rates)	FY 2018	FY 2017	Change
Rates	547	520	+5%
Credit	101	114	-11%
FX & Money Markets	207	213	-3%
Emerging Markets	213	219	-3%
Equities	210	178	+18%
Global Broking revenue at constant exchange rates	**1,278**	**1,244**	**+3%**
Exchange translation	-	26	
Global Broking revenue as reported	**1,278**	**1,270**	**+1%**

Revenue by region

Strong regional performance in rates and equities

£m (2017 at constant exchange rates)	FY 2018	FY 2017	Change
EMEA	886	870	+2%
Americas	636	604	+5%
Asia Pacific	241	245	-2%
Revenue at constant exchange rates	**1,763**	**1,719**	**+3%**
Exchange translation	-	38	
Revenue as reported	**1,763**	**1,757**	**+0%**

Progress on integration

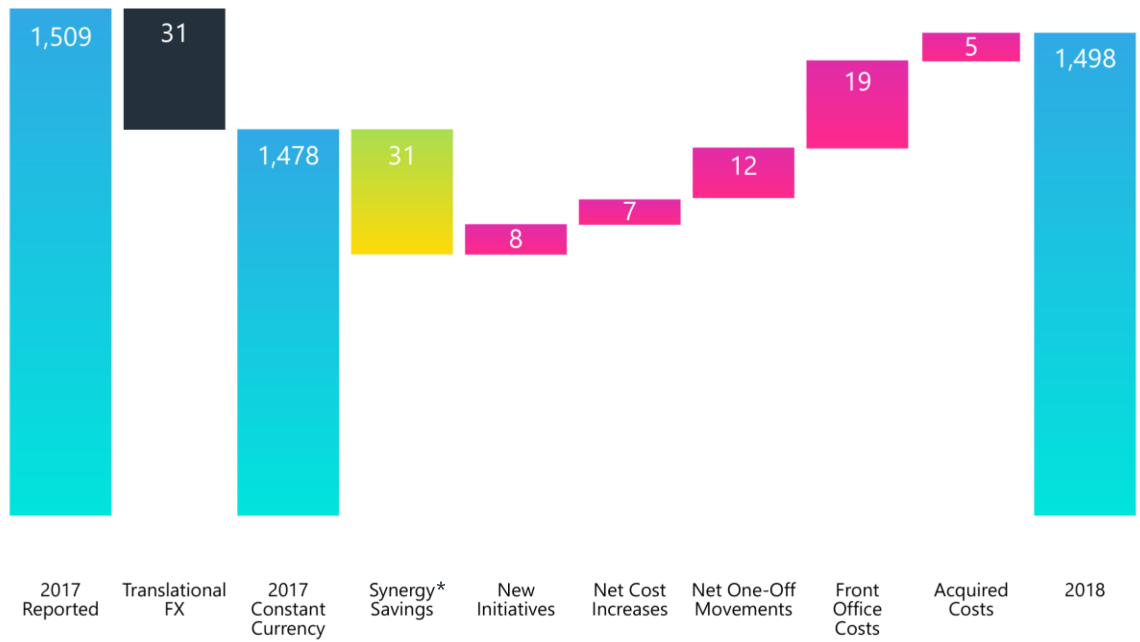
A further £4m of synergies to deliver by end of 2019

- Achieved £71m of run rate synergies, of which £31m were recognised in the period
- A further £4m of synergies to deliver by end of 2019
- Expecting c. £30m of additional costs to complete the integration by the end of 2019
- These costs will enable us to maximise the efficiency of future IT spend, and increase operational and IT capabilities

Administrative expenses
Slight increase in front office costs

£m (2017 at constant exchange rates)	FY 2018	FY 2017	Change	Change
Broker compensation	859	809	50	+6%
Other front office costs	183	214	(31)	-14%
Total front office cost	**1,042**	**1,023**	**19**	**+2%**
Other staff costs	242	241	1	+0%
Technology and related costs	52	49	3	+6%
Premises and related costs	52	50	2	+4%
Depreciation and amortisation	33	33	-	+0%
Other administrative costs	77	82	(5)	-6%
Total management and support costs	**456**	**455**	**1**	**+0%**
Total costs	**1,498**	**1,478**	**20**	**+1%**
Exchange translation		31	(31)	
Underlying total costs	**1,498**	**1,509**	**(11)**	**-1%**

Administrative expenses
Breakdown of cost movements



*£71m of total synergy savings recognised to date

Contribution

Contribution drives earnings growth

Total Broking contribution*	FY 2018 £m	FY 2017 £m	Change £m	Change %
Revenue	1,646	1,611	35	+2%
Total front office costs	(1,042)	(1,023)	(19)	-2%
Contribution	**604**	**588**	**16**	**+3%**
Contribution margin (%)	*36.7%*	*36.5%*	*+0.2% pts*	

Data & Analytics contribution*	FY 2018 £m	FY 2017 £m	Change £m	Change %
Revenue	117	108	9	+8%
Direct costs	(42)	(41)	(1)	-2%
Gross Contribution	**75**	**67**	**8**	**+12%**
Gross Contribution margin (%)	*64.1%*	*62.0%*	*+2.1% pts*	

*At constant exchange rates

Underlying operating profit and margin by region

Americas see benefit from cost improvement programme

	Underlying operating profit			Margin	
£m (at reported rates)	**FY 2018**	**FY 2017**	**Change**	**FY 2018**	**FY 2017**
EMEA	173	170	+2%	+19.5%	+19.4%
Americas	81	64	+27%	+12.7%	+10.2%
Asia Pacific	22	29	-24%	+9.1%	+11.5%
	276	**263**	**+5%**	**+15.7%**	**+15.0%**

Exceptional and acquisition related items

Increase in exceptional charges

£m	FY 2018	FY 2017
ICAP integration costs	44	79
Amortisation of intangible assets arising on consolidation	40	40
Impairment of intangible assets arising on consolidation	65	-
Impairment of associate	3	-
Cost improvement programme	-	32
Acquisition related share-based payment charge	-	9
Remeasurement of deferred consideration	5	(1)
Net charge relating to legal settlements	3	-
Charge relating to business reorganisation	18	-
Other	5	2
	183	**161**
Tax relief	(24)	(64)
Total Exceptional and acquisition related items	**159**	**97**

Earnings EPS and dividends

Maintenance of full year dividend through integration

£m	FY 2018	FY 2017
Underlying Earnings	**191**	**184**
Exceptional and acquisition-related items (net of tax)	(159)	(97)
Reported Earnings	**32**	**87**
Weighted average shares in issue	558.5m	551.8m
Underlying EPS	**34.2p**	**33.3p**
Reported EPS	**5.7p**	**15.8p**

- Dividend to remain at 16.85p through the integration period
- A 11.25p share final dividend will be paid on 21 May 2019

Operating cash flow
Increased cash from operations

£m	2018 Underlying Cash flow	2017 Underlying Cash flow	Change	% Change
Underlying Operating profit	**276**	**263**	**13**	**+5%**
Share based compensation and pension admin fees	6	6	-	-
Depreciation and amortisation	35	41	(6)	-15%
Non-cash items	-	(2)	2	-
EBITDA	**317**	**308**	**9**	**+3%**
Change in initial contract prepayments	(10)	(26)	16	+62%
Working capital movements	(29)	(31)	2	+6%
Cash generated from operations	**278**	**251**	**27**	**+11%**
Capital expenditure	(73)	(41)	(32)	-78%
Underlying Operating cash flow	**205**	**210**	**(5)**	**-2%**
Interest paid	(34)	(22)	(12)	-55%
Taxation	(41)	(37)	(4)	-11%
Underlying Free cash flow	**130**	**151**	**(21)**	**-14%**

Net funds

Decrease in net funds position

£m	Cash & cash equivalents	Financial investments	Debt	Net
At 31 December 2017	**622**	**139**	**(589)**	**172**
Reported net cash flow from operations	149	-	-	149
Net cash flow from investment activities	(71)	(4)	-	(75)
Dividends paid	(94)	-	-	(94)
Net drawdown of revolving credit facility	52	-	(52)	-
Other financing activities	(9)	-	-	(9)
Effect of movements in exchange rates	19	(2)	-	17
Debt issue cost amortisation	-	-	(1)	(1)
IFRS 9 adjustment	(1)	-	-	(1)
At 31 December 2018	**667**	**133**	**(642)**	**158**

Balance sheet

Increase in non-current assets

£m	Dec-18	Dec-17
Goodwill & other intangibles arising on consolidation	1,663	1,711
Other non-current assets	197	154
Current assets less current and non-current liabilities	(117)	(141)
Cash and financial investments	800	761
Pension assets / obligations	52	53
Deferred tax liabilities	(123)	(116)
Interest bearing loans and borrowings	(642)	(589)
Net assets	**1,830**	**1,833**
Shareholders' equity	1,814	1,820
Attributable to non-controlling interests	16	13
Attributable to shareholders	**1,830**	**1,833**

Debt profile, refinancing and interest cost

Refinanced an improved RCF

£m	Dec-18	Dec-17
5.25% Sterling Notes June 2019	80	80
5.25% Sterling Notes January 2024	500	500
Revolving credit facility draw down	52	-
Unamortised debt issue costs	(2)	(3)
Accrued interest	12	12
	642	**589**

IFRS 16 Leases

Expected £6m PBT impact in 2019

- The Group has applied IFRS 16 for the year ending 31 December 2019
- At year end 2018 our operating lease commitments were £313m
- Under IFRS 16 we estimate that we will now recognise a £146m right of use asset and a £192m lease liability
- Estimated impact on P&L is to reduce operating expenses by £25m, increase depreciation by £17m and interest expense by £14m
- As a result, Operating Profit will improve £8m and Profit Before Tax will reduce by £6m

Guidance

Overall guidance unchanged for 2019

Revenue for 2019 Low single digit growth, subject to impact of Brexit	**Synergies and CTA** £4m of synergies by 2019 to bring total to £75m c. £30m of costs to achieve by end of 2019
Costs £15m in 2019	**Net finance expense** c. £40m in 2019 pre IFRS 16 adjustment
Investments £15m of costs in 2019 Cash flow and earnings accretive by 2020	**Tax rate** Expected to be 25% in 2019
Broker compensation Expected to be c. 52% for 2019	**Capex** Expected to be c. £70m in 2019
IFRS 16 Decrease of £25m in operating expenses, increase of £17m in depreciation and increase in net interest expense by £14m	

Nicolas Breteau
CEO

Global Broking
Continuing to invest and diversify

2018 Revenues
£1,278m +3%

- Long-established relationships with investment banks
- Evolving our business in line with changing client needs and preferences, adding new revenue streams
- Diversified our services, e.g. equity derivatives, delta one, high yield bonds
- Invested in people, leading to increased revenues
- Continued to invest in hybrid technology, improving efficiency and providing better pricing
- Aggregation of liquidity key

Energy & Commodities

Further progress in challenging markets

2018 Revenues
£331m -1%

- Global business, diverse client base
- Bolt-on acquisition of SCS in New Jersey
- Acquired Axiom, which almost doubles our footprint in Houston
- Core competency in delivering acquisitions positions us as acquirer of choice
- Organic diversification, e.g. weather derivatives, extending PVM into US gas and power
- Innovative use of IT, e.g. machine learning app to equip brokers with client-specific tailored analysis

Institutional Services
New leadership, new momentum

2018 Revenues
£37m +16%

- Good top line growth and healthy margins
- Targeting large hedge funds and asset managers
- Refocused on listed derivatives, FX, FXO, credit and debt solutions
- Multi-product sales team now in place
- Investing in system connectivity to open up significant fee pool

Data & Analytics
Accelerating growth

2018 Revenues
£117m +8%

- Significant changes resulted in increased contribution; growth above market average
- Unified two salesforces; creating a new channel management function
- Client audit programme
- New product management team; go-to-market product implementation process; increased launch rate of new products
- £9m investment in 2019
- Strong organic growth trajectory, subscription-based revenues

Strategic priorities

2019 is a pivotal year

- Building the foundations for sustained growth against backdrop of significant change in our industry
- Aggregating liquidity and data across brands and regions will enhance our competitive position
- Building a common, scalable, efficient and agile platform to provide clients access to this aggregated liquidity

Strategic priorities
Underpinning everything we do

- **Technology**
  Sustain and enhance IT investment to meet client needs
- **Operational excellence**
  Outstanding service is key for our clients
- **People**
  A dynamic culture with a strong emphasis on conduct and integrity
- **Diversification**
  Expand our customer base and range of products

Summary

Enhancing our competitive position

- Strong and resilient business
- Integration to be completed in 2019
- Platform is set for future growth
- Focused on delivering attractive returns from 2020

Questions & Answers