



**London**  
Stock Exchange Group

# London Stock Exchange Group plc

## Preliminary results FY 2013

15<sup>th</sup> May 2013



# Agenda

Introduction

Financial Review

David Warren, Chief Financial Officer

CEO Overview

Xavier Rolet, Chief Executive

Q&A



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Stock Exchange Group

**Xavier Rolet**  
Chief Executive

- Further good progress as the Group delivers on its strategy for attractive growth, increased global scale and reach
- Good broad-based financial and operational performance from an increasingly diversified business - against a backdrop of challenging markets
- FTSE delivered a good performance, expanding further into fixed income indices, strengthening its North American profile and positioned well in Asia
- Completion of acquisition of majority stake in LCH.Clearnet on 1 May 2013; work is underway to achieve the benefits of this transformational deal



**David Warren**  
Chief Financial Officer

# Key financial highlights

- Strong performance - revenue up 7% to £726.4m; adjusted total income up 5% to £852.9m
- Core operating expenses held flat
- Adjusted basic EPS up 5% to 105.3p
- Final dividend up 4% at 19.8 pence per share
- Strong net cash flow from operations of £487.5m; net debt £550m
- Adjusted net debt:EBITDA 1.2x at 31 March; 2.1x pro forma taking into account LCH.Clearnet and FTSE TMX Debt Capital Markets transactions

# Overview of results



	Year ended 31 March			Organic and constant currency variance %
	2013 £m	2012 £m	Change %	
<b>Revenue</b>	<b>726.4</b>	679.8	7%	(3%)
<b>Adjusted total income<sup>1</sup></b>	<b>852.9</b>	814.8	5%	(3%)
Profit from JV / associates	-	5.9		
<b>Adjusted operating expenses<sup>1</sup></b>	<b>(422.7)</b>	(378.8)	12%	1%
<b>Adjusted operating profit<sup>1</sup></b>	<b>430.2</b>	441.9	(3%)	(6%)
Exceptional items and amortisation	(81.8)	(83.4)		
<b>Operating profit</b>	<b>348.4</b>	358.5	(3%)	5%
<b>Net finance expense</b>	<b>(49.5)</b>	(40.8)	21%	
<b>Adjusted profit before tax<sup>1</sup></b>	<b>380.7</b>	400.6	(5%)	
Underlying effective tax rate <sup>2</sup>	<b>29.0%</b>	29.2%		
<b>Basic earnings per share (p)</b>	<b>80.4</b>	193.6	(58%)	
<b>Adjusted earnings per share (p)<sup>1</sup></b>	<b>105.3</b>	100.6	5%	
<b>Dividend per share (p)</b>	<b>29.5</b>	28.3	4%	

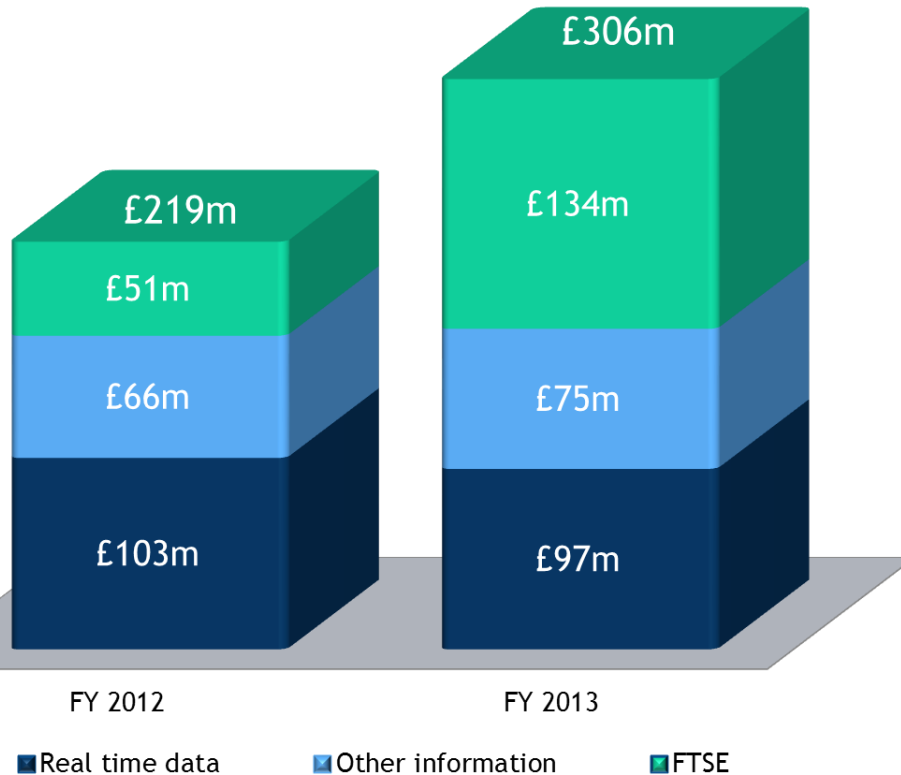
<sup>1</sup> Excluding amortisation of purchased intangibles (-£100.1m) and non-recurring items (+£18.3m), 2012 excludes revaluation of FTSE / sale of Servizio Titoli (£324.4m)

<sup>2</sup> Excluding adjustments in respect of previous years

A €0.05 movement of the Euro versus GBP would have changed adjusted operating profit by c£9m

## FTSE, UnaVista and SEDOL driving growth

Revenue up 40%  
Organic constant currency up 4%



FTSE revenue £134m

Revenue from data/information products up 13%

- UnaVista
- SEDOL
- ProQuote

Real time data revenue down 4%

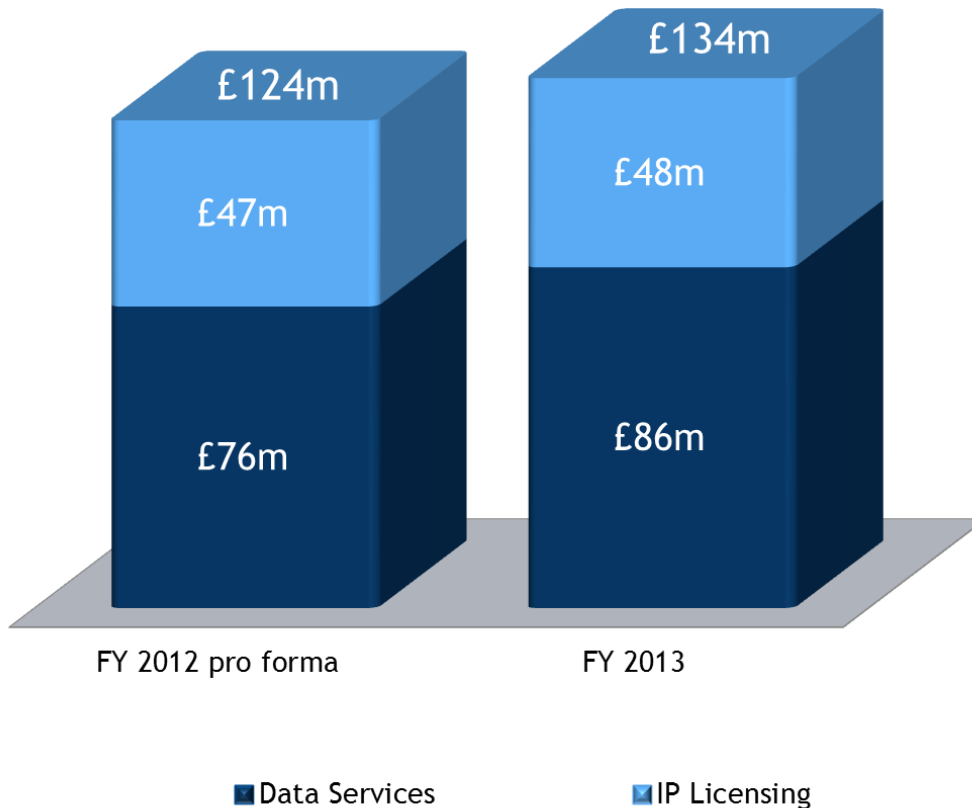
- UK Terminals 7% lower at 84,000, revenues, Italy broadly unchanged
- Enterprise licensing and non-display pricing helped stabilise revenues

Note Revenues / income shown above on constant currency basis



## New business wins help drive growth

Revenue up 9% (pro forma)



Data Services (subscriptions) revenues up 13%

- Real time and end of day data sales strong
- Retention rate of 94%

IP Licensing (asset based) revenue up 2%

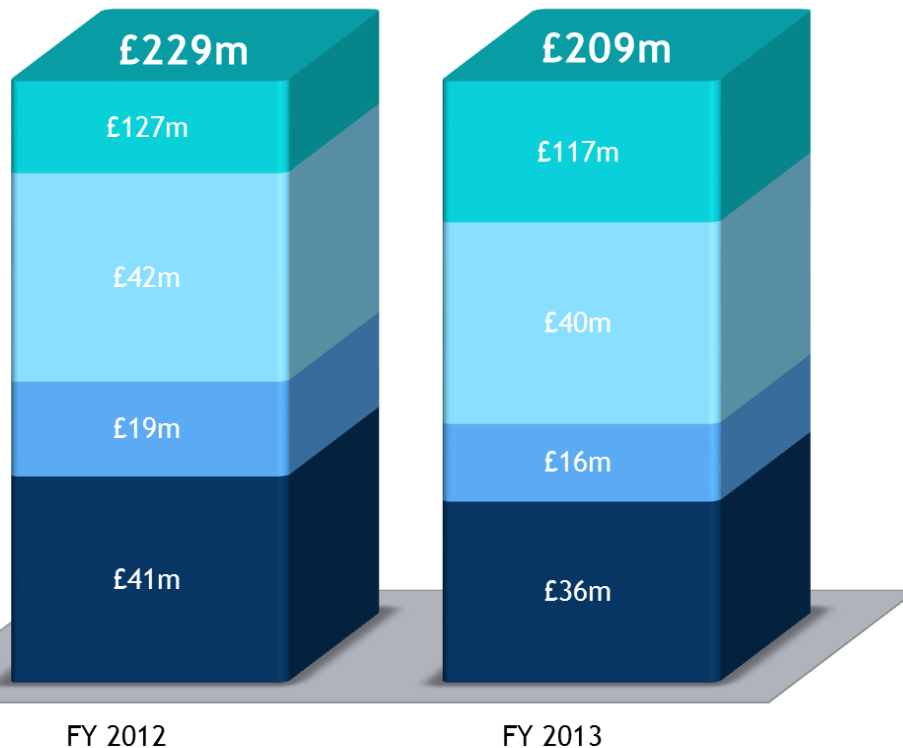
- ETF assets \$143bn (2012 :\$55bn)
- Vanguard switching underway ~\$170bn assets to FTSE indices

FTSE TMX Global Debt Capital Markets new joint venture

Cost and revenue synergies on track

## Strong treasury income on higher initial margin (as managing change to investment model)

Total income down 4% (constant currency)



■ Clearing   ■ Settlement   ■ Custody   ■ Net treasury income

Note: Minor rounding differences, figures may not cast down

Clearing revenue down 7% on weaker trading

Net treasury income down 4%

- Average total initial margin up 7% to €10.1bn

Settlement revenue down 13%

- Reduction in trading

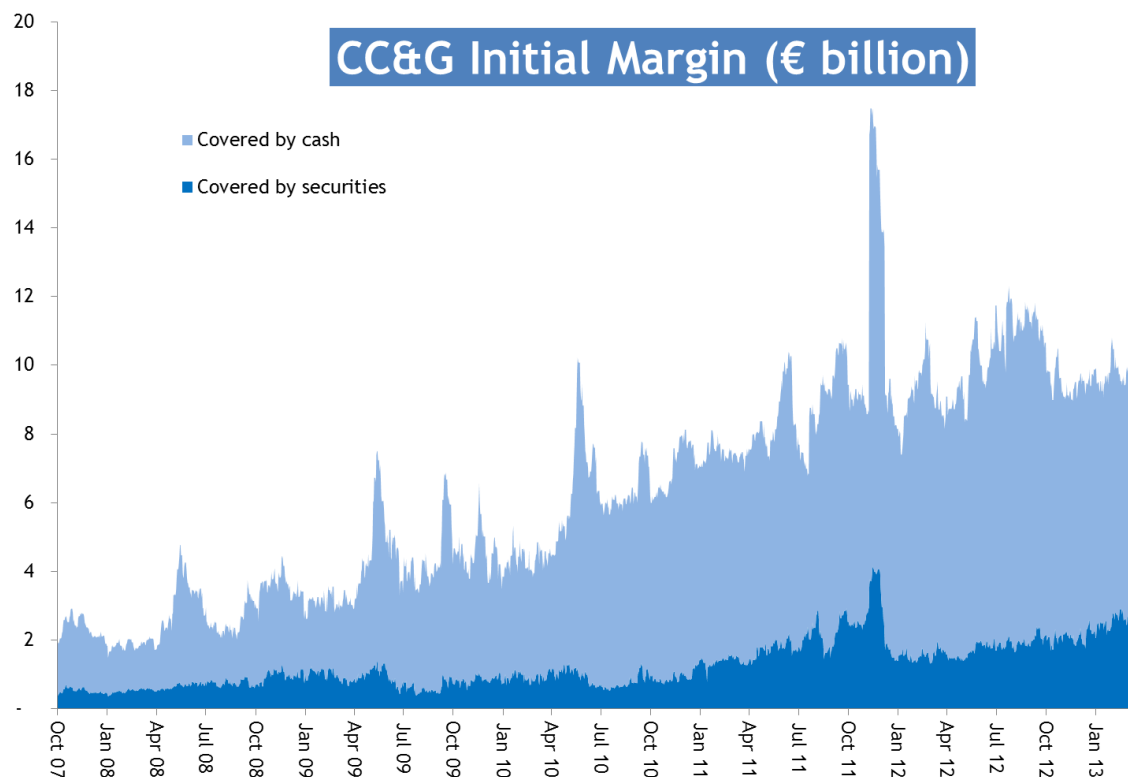
Custody revenue up 2%

- Increased bond issuance
- Assets under custody up 5%

Note Revenues / income shown above on constant currency basis

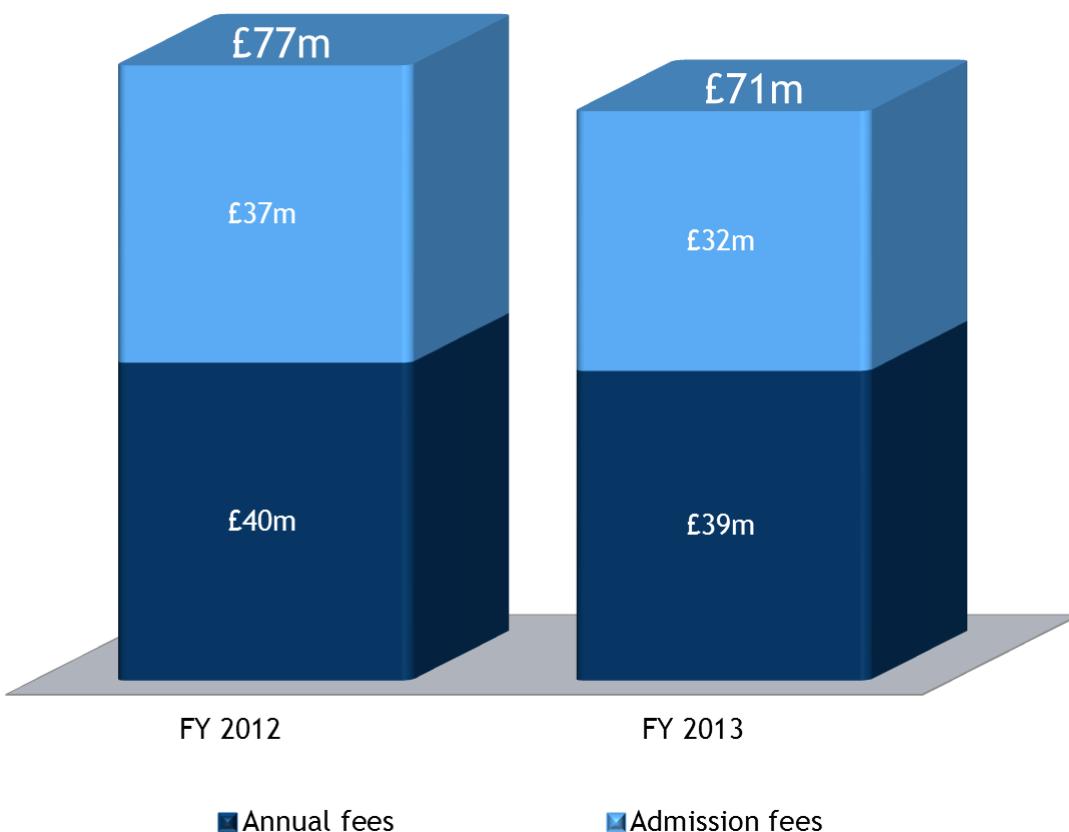
# Net Treasury Income

- 7% year-on-year increase in average initial margin held, to €10.1bn
  - CC&G adapting investment policy - moving to secured investments
    - March 2013: 61% of cash margin with CC&G\* fully collateralised through investments in Italian, French, Dutch and Belgian government securities
- \*excluding cash deposited with LCH.Clearnet SA



## Issuance in UK and Italy improved in H2

Revenue FY 2013 down 6% (constant currency)



Annual fees income down 1%

Admission revenue down 12%

- 121 new issues, of which 36 international
- £18bn raised via equity issuance

Bond issuance strong

- “BTP Italia” - further success:
  - October 2012 €18bn raised
  - April 2013 €17bn raised

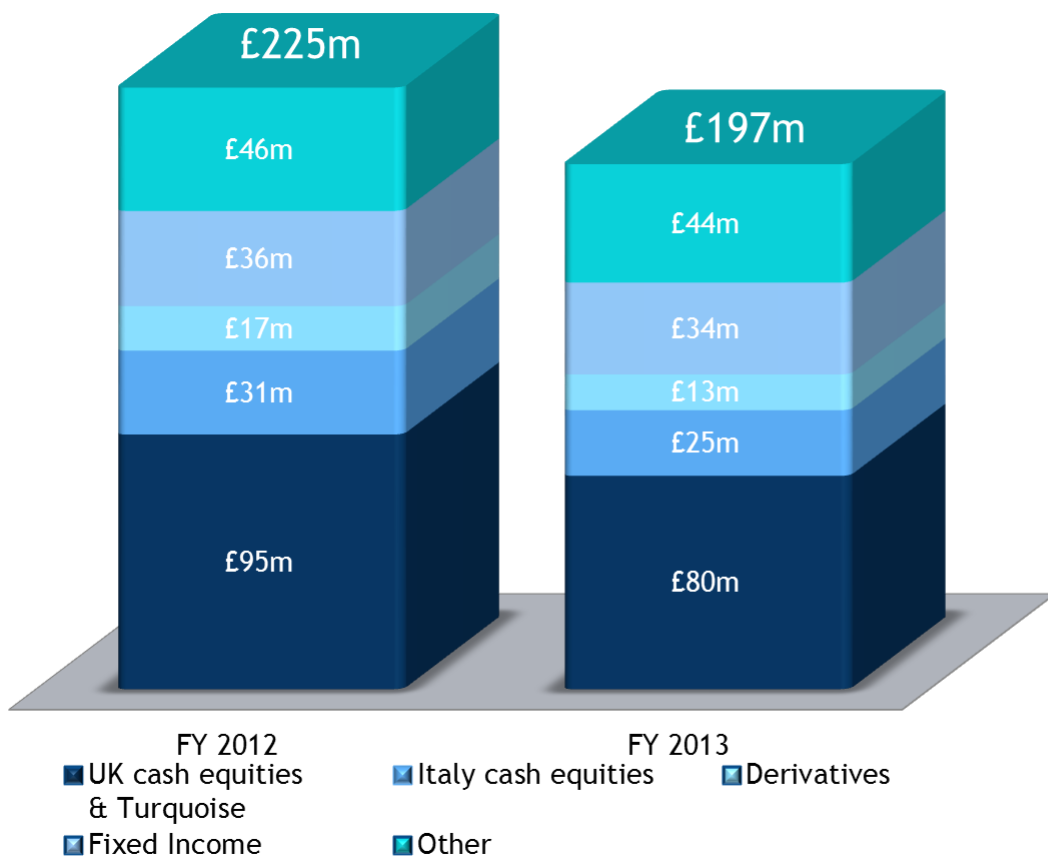
ORB

- 35 bonds raised £3.2bn since launch
- October 2012: London Stock Exchange Group raised £300m
- FTSE ORB index series launched

Note Revenues / income shown above on constant currency basis

## Fixed income trading higher, equity trading lower in challenging markets

Revenue FY 2013 down 13% (constant currency)



### Secondary Markets:

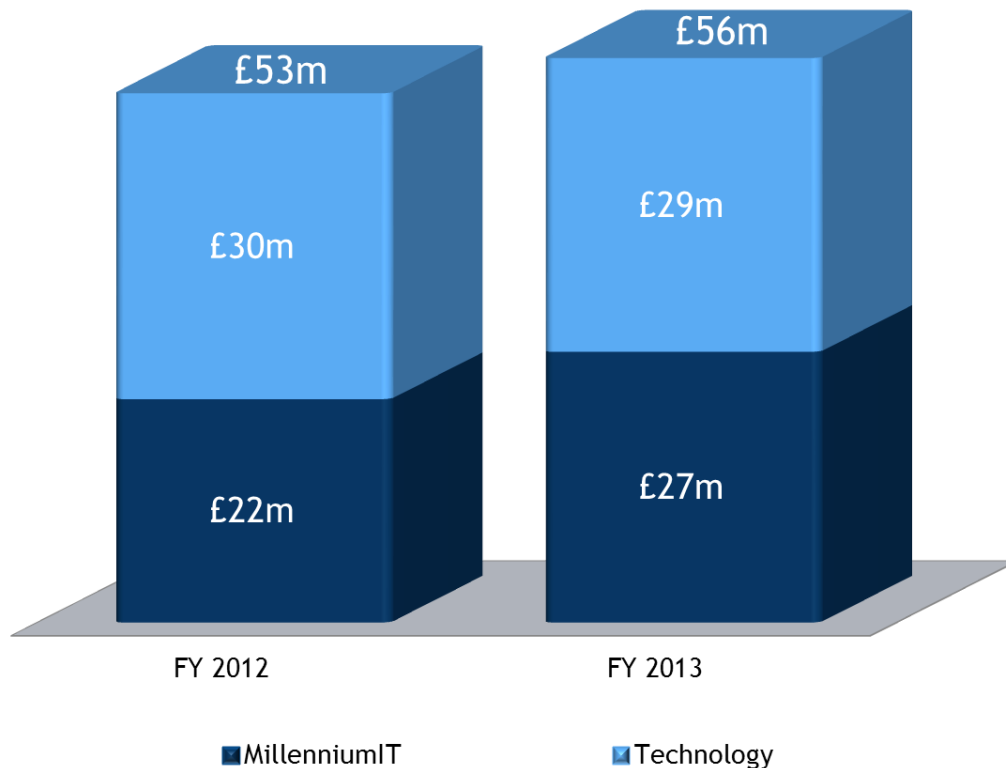
- Performance reflects uncertain macro economic conditions in first 9 months; signs of confidence returning Q4 to date
  - UK equities ADV traded down 15%
  - Italian equities average daily number of trades down 14%
- FTSE 100 mini-futures and durum wheat futures launched on IDEM
- Cash equity only c50% of secondary market revenues

### Fixed income revenue up 1%:

- MOT trades up 11%
- MTS Repo value traded up 14%
- MTS Cash value traded stable
  - BondVision value traded up 17%

## MillenniumIT technology implementation for a growing range of customers

Revenue FY 2013 up 11% (constant currency)

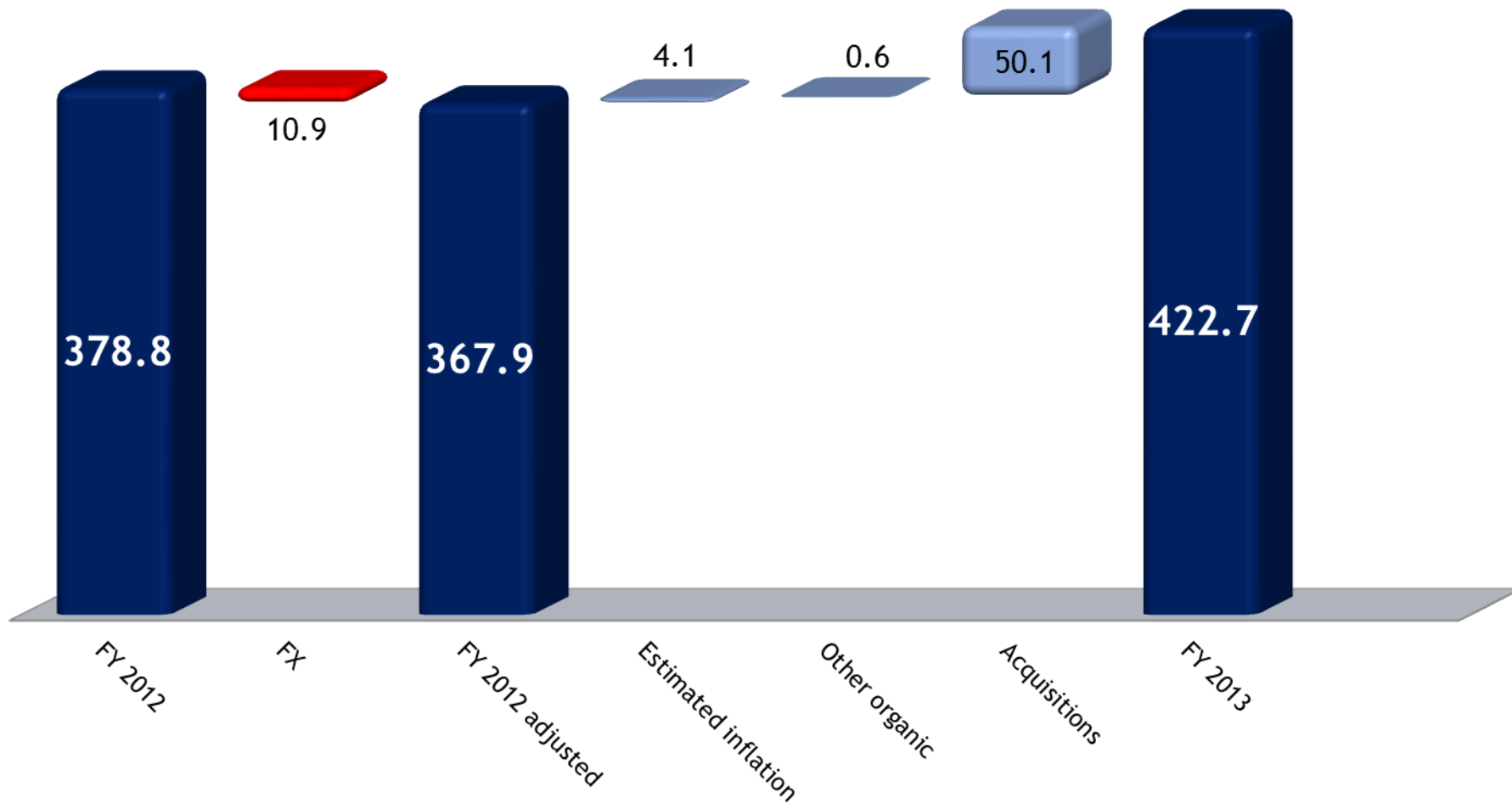


### MillenniumIT

- Revenue up 34% at constant currency
- Now live at:
  - Borsa Italiana:
    - Equity
    - Fixed income
    - Structured products
  - Mongolian SE
  - Johannesburg SE
  - Botswana SE
  - Oslo Børs
  - Bursa Malaysia
- New partnership - Bolsa de Valores de Lima

# Operating expenses

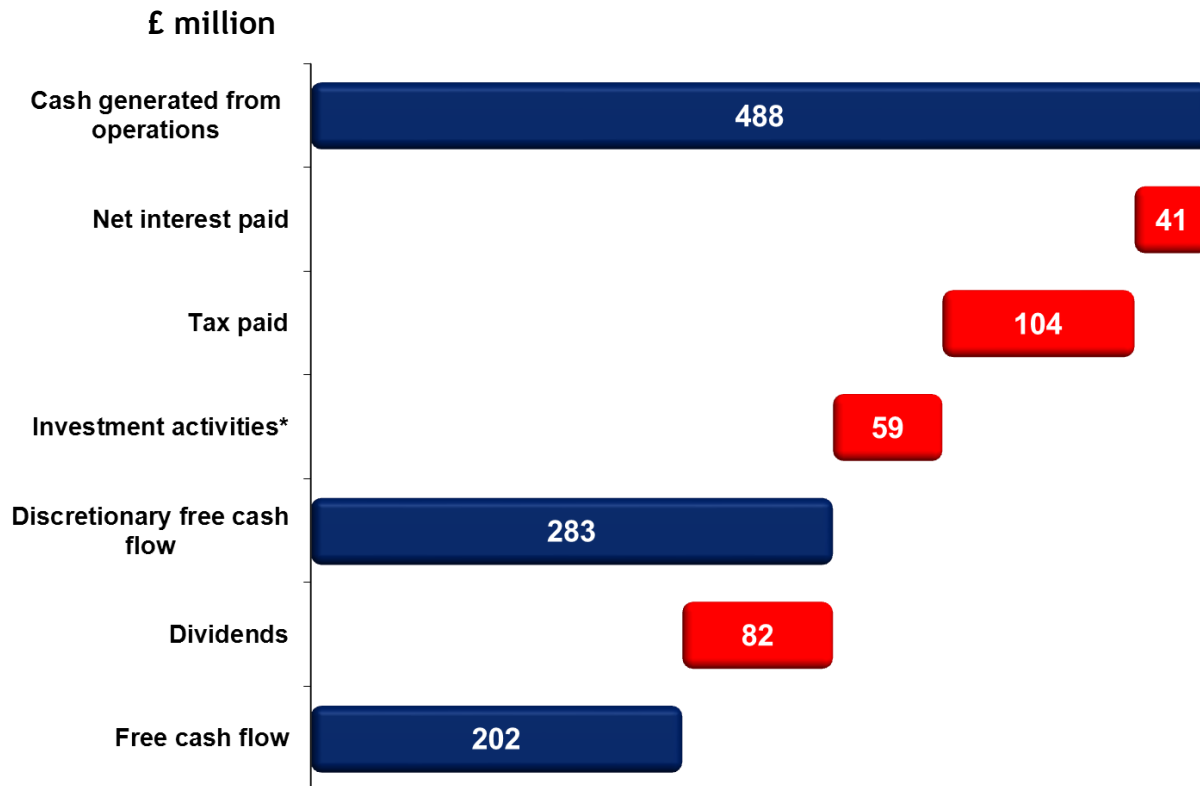
Continued good cost control - underlying operating expenses held flat



Note: Excluding amortisation of purchased intangibles and non-recurring items

# Summarised cash flow

## Strong cash generation



- Investment activities:
  - £46m capex - primarily IT hardware and software
  - Additional £18.3m received from TMX Group following termination of merger agreement
  - LCH.Clearnet shares purchased from MF Global (2.3% stake)
- Discretionary free cash flow after investment activities remains strong at 105.0p per share (FY 2012: 103.5p)

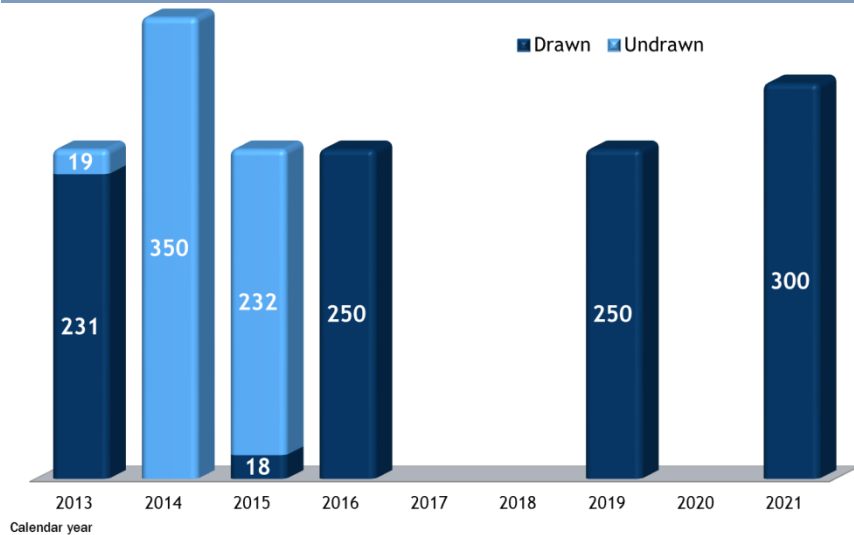
\* Investing activities includes capital expenditure less dividends received



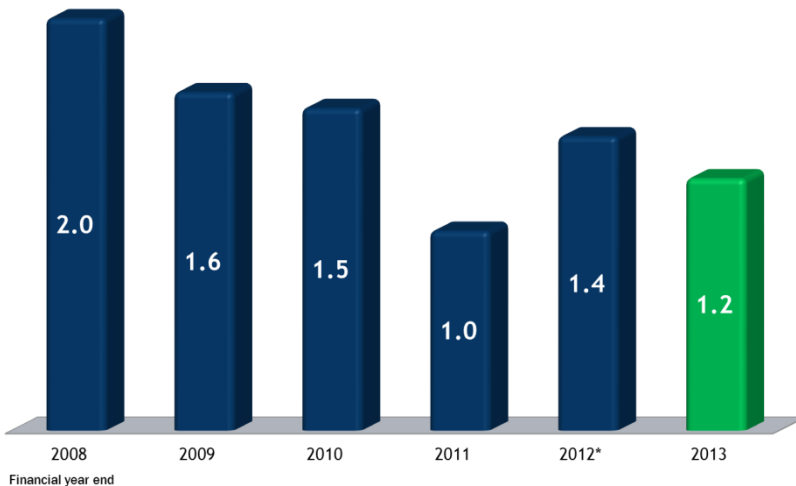
# Borrowings



## Facilities (as at 14 May 2013)<sup>1</sup>



## Leverage



\*2012 Pro forma as if FTSE owned for whole year  
Adjusted Net debt : Pro forma EBITDA excludes £200m held for regulatory purposes (at 31 March 2013)

- Operating net debt £550m (at 31 March 2013)
- Net debt: EBITDA 1.2x (excludes cash held for regulatory purposes (FY 2013:£200m; FY 2012: £165m))
- Rising to 2.1x pro forma including LCH.Clearnet<sup>2</sup> acquisition and FTSE TMX Global Debt Capital Markets JV transactions
- S&P A- and Moody's Baa2 ratings affirmed - post LCH.Clearnet acquisition watch reviews
- Retail bond issued in November
  - £300m at 4.75%, maturing 2021
  - £1.65bn total drawn debt and committed facilities; £1.4bn through December 2014 or beyond
  - FTSE TMX JV investment and LCH acquisition completion now settled

<sup>1</sup> Excludes funding for LCH.Clearnet Capital Raise

<sup>2</sup> Including LCH.Clearnet €185m capital raise and 100% of LCH.Clearnet existing debt

- Another year of significant progress
- Revenue growth driven by FTSE - benefit of strategy to diversify and grow
- Priority is to deliver benefits from investments - particularly with LCH.Clearnet as part of Group



**Xavier Rolet**  
Chief Executive



- Good financial and operational performance
- Partnering with our customers across different markets, asset classes and geographies
- Capital formation, risk management and intellectual property continue to be core focus
- Successful diversification of revenues is delivering clear benefits

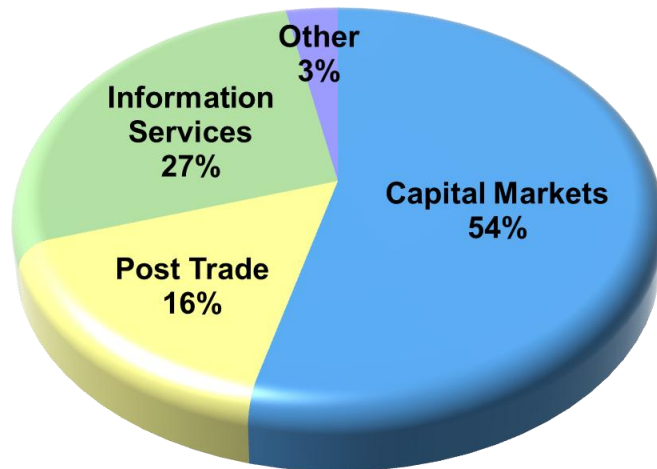
# Successful execution and delivery of strategy



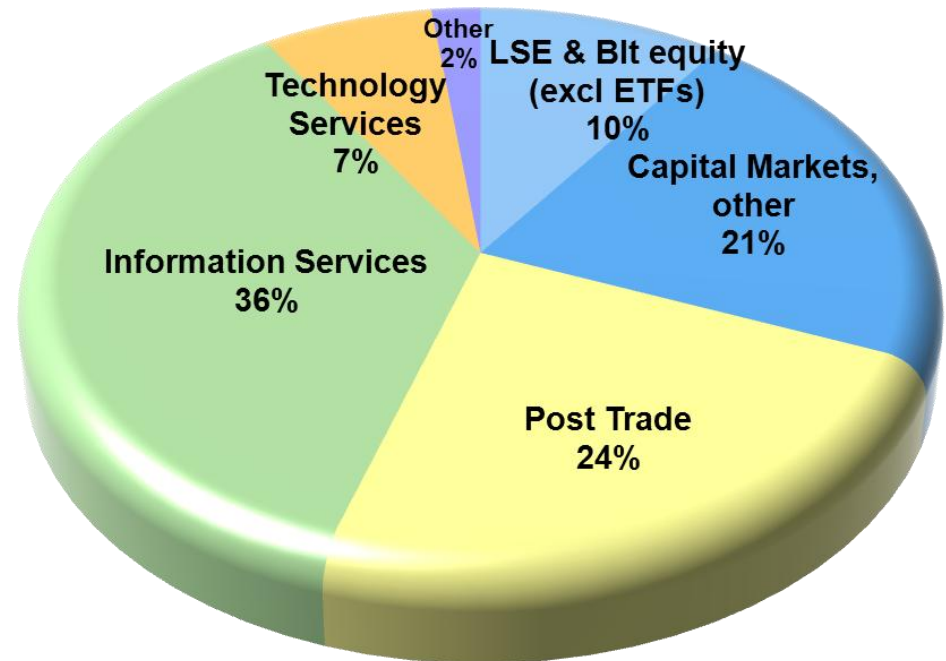
- Group transformation continues - increasing scale and diversification
- Integrated, broad suite of products and services for global customers
- Global growth will accelerate through FTSE and LCH.Clearnet

## Enlarged Group Total Income

FY 2009 £671.4m



FY 2013 adjusted £852.9m





- Strong focus on operational efficiencies; underlying costs held flat
- Programme of technology upgrades across Group - 12 systems live in 3 ½ years
- Legacy TradElect platform now retired
- Management team strengthened as Group expands and becomes more international and diversified

# Leveraging assets : partnerships and innovations



- **Information Services**
  - UnaVista applied for trade repository status; Group Ticker Plant launched
- **Post Trade Services**
  - Monte Titoli affirmed as T2S first wave participant; ranked as a top 10 depository by Thomas Murray
  - Monte Titoli launches ‘X-COM’ - new service for tri-party collateral management
- **Capital Markets**
  - Continued ORB retail bond market development; MOT and “BTP Italia” issuance and trading strong
  - MTS launch RepoRate Euro index series with partner; MTS Credit launched
  - International Board launched with SGX - to trade largest stocks on each exchange
  - Euro denominated FTSE 100 Mini-futures; launch of AGREX - durum wheat futures in Italy
  - High Growth market segment in UK; the ELITE programme for ambitious SMEs in Italy
- **Technology Services**
  - IT Sales and partnerships: Mongolian SE live; Lima strategic partnership signed

- Open-access, horizontal model
  - Multi-asset, multi-venue clearing and risk management services, well placed in regulatory change-driven markets
- Next steps
  - Focused on growth opportunities ahead - OTC and new geographies
  - Savings/synergies:
    - Cost savings - marketing, property and IT joint purchasing
    - Technology review
    - Multi-year project to make transitions
  - Workstreams underway across many areas - including HR, corporate and support functions, IT and property - targeting €23m p.a. cost savings and €20m p.a. revenue synergies, both by end of year 3

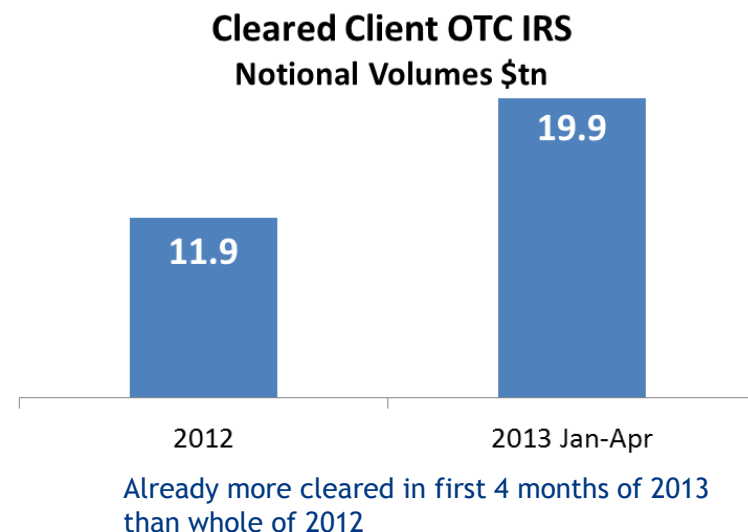
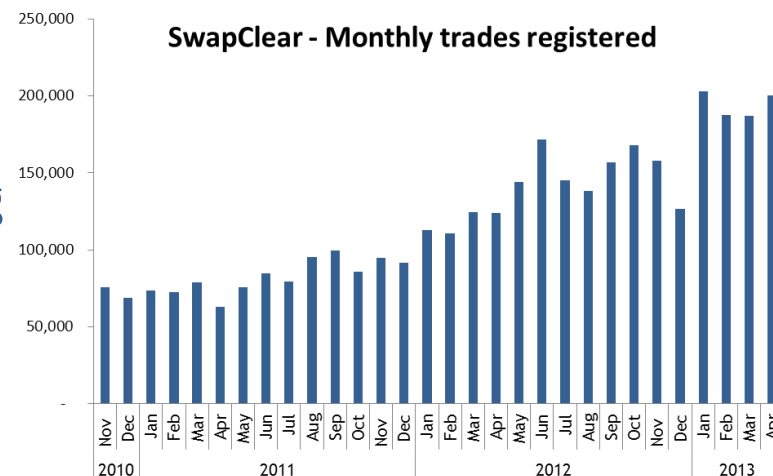


# LCH.Clearnet - many positive developments



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- OTC
  - IRS - significant growth in sell side and buy side membership and trading
  - CDS & FX clearing launched - making good progress
- Other opportunities:
  - LCH.Clearnet (US) LLC - US domiciled Swaps clearing service
  - Australian energy and commodities derivatives license
  - Straight Through Processing (STP)
    - SwapClear Real Time Trade Reporting - 60 seconds to accept/reject a trade - to launch Q1



# FTSE - opportunity rich

## Targeting further growth



- **North America:**
  - **Vanguard**
    - \$170bn assets to switch (commenced January) - expected to complete within 6 months
    - Largest ever international index benchmark provider switch
    - Enhances FTSE profile in North America
  - **FTSE TMX Global Debt Capital Markets**
    - FTSE own 75% stake (completed April 2013)
    - No. 3 fixed income ETF index provider globally - over \$1 trillion assets
    - Strengthens position in fixed income, the fastest growing asset class in the ETF and mutual fund segments

**50% of global assets are managed in US**

# FTSE - opportunity rich

## Targeting further growth



- China:
  - \$19.9bn ETF assets benchmarked to FTSE China indices, up 45% (2012: \$13.7bn)
  - Shenzhen Securities Information Co. Ltd agreement to undertake new index-related research and to create specialised A Share indices
  - FTSE and Bank of China announced that they will jointly launch an index series based on the growing renminbi (RMB) bond market
    - A number of ETF providers in China have expressed an interest in launching products

### Other

- Regulatory change presents natural opportunities to expand product range and services
  - Best in class capabilities
  - True global reach
  - Regulatory expertise within the Group
- New asset classes launched: FX, Real estate and commodity indices

- MillenniumIT
  - Acquired in 2009 for \$28m (£18m)
  - New building on campus in Sri Lanka, over 700 highly-skilled technology staff
  - Group has migrated 12 platforms in 3 ½ years
  - Over 30 capital markets customers, including:
    - Johannesburg SE, Oslo Børs, LME, HKEx, Malaysia
  - Partnerships - developing high-growth, frontier markets:
    - Mongolian SE
    - Peru - Bolsa de Valores de Lima
- GATElab
  - 67% acquired December 2012
  - 45 staff in Italy and UK, €4.5m revenues in 2012
  - LSE & Blt - high speed access to trading systems
  - Expertise used to develop Sponsored Access across multiple Group entities

- Optimistic about the year ahead
- Market characterised by continued regulatory and structural change
- Group well placed to benefit from market improvements
- Continue to build best in class capabilities and extend our global footprint
- Remain firmly focused on achieving the expected benefits from recent transactions and investment in new products



## Q&A



## Appendices

**Adjusted operating profit** - excludes amortisation of purchased intangible assets and non-recurring items, to enable comparison of the underlying earnings of the business with prior periods.

## Adjusted earnings per share

Based on number of shares 269.8m (FY 2012 : 269.6m), excludes ESOP.

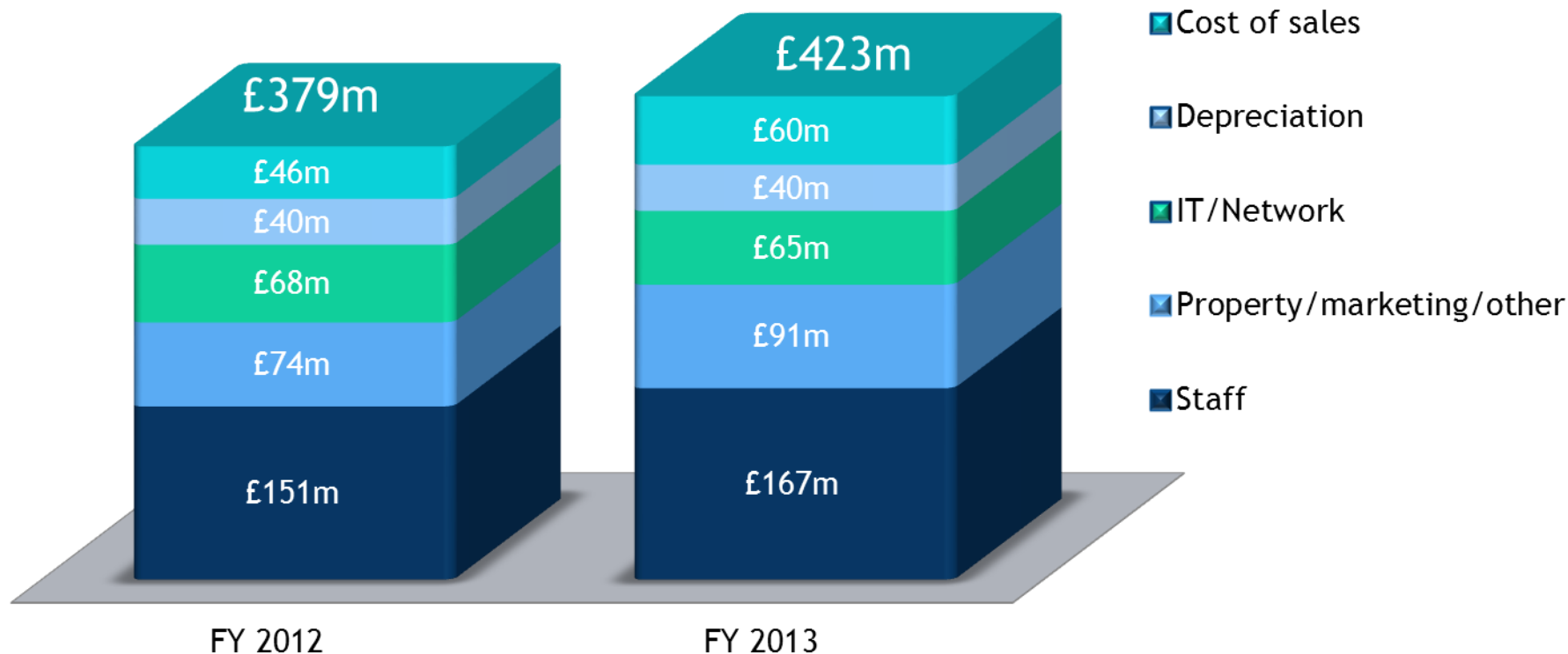
## Exchange rates

£: €	FY 2013	FY 2012
Average	1.18	1.16
Period end	1.23	1.20



# Operating expenses

Cost : Income ratio 50%  
(FY 2012 46%)



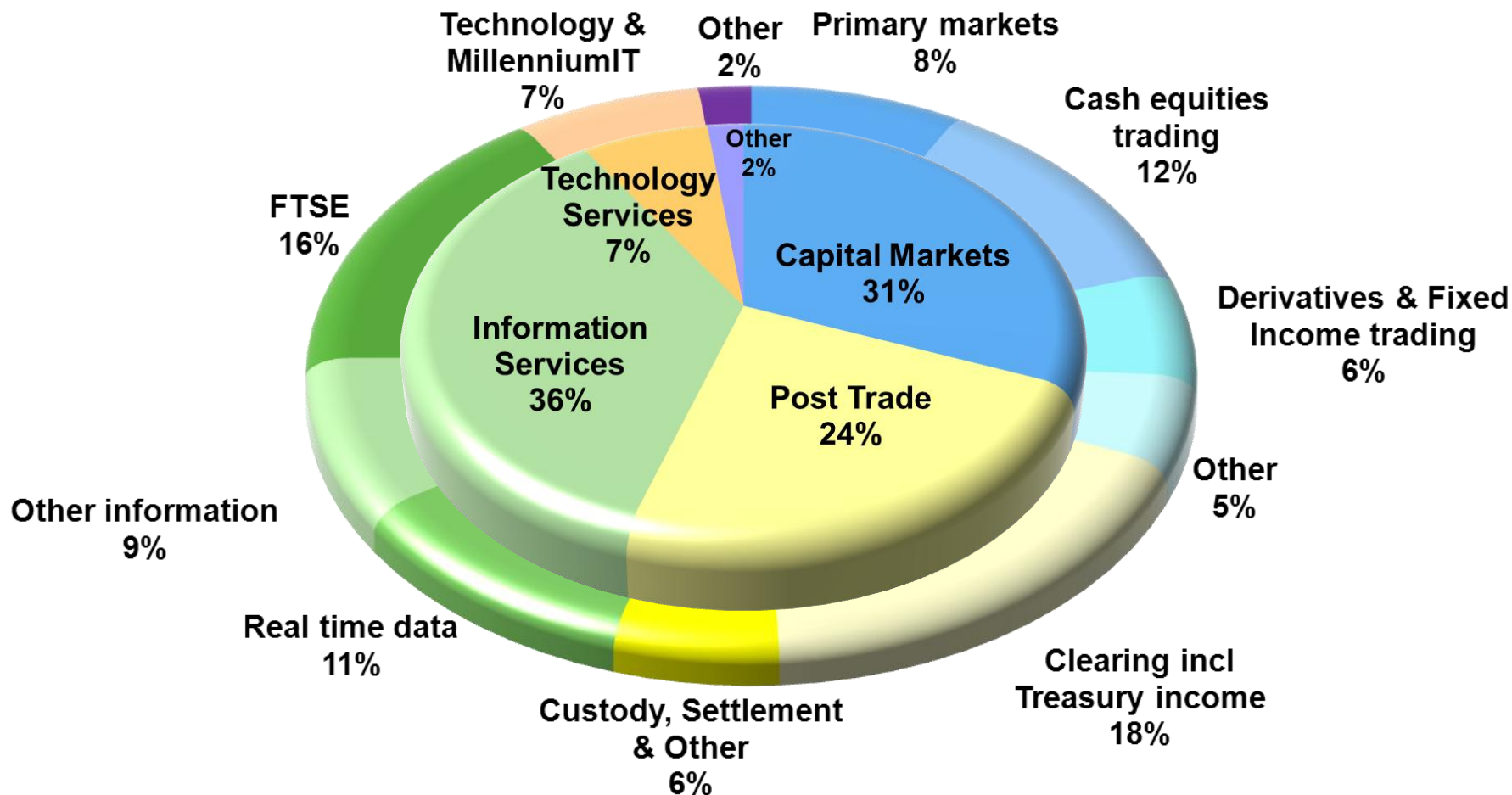
FY 2013 costs include £70m for FTSE

Excluding amortisation of purchased intangibles and non-recurring items  
Note: Minor rounding differences, figures may not cast down

# Diversified Group income



FY 2013 Adjusted total income £852.9m up 5% (FY 2012 £814.8m)



# Revenues - Quarterly



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£ millions	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	FY 2012	Q1	Q2	Q3	Q4	FY 2013
Annual Fees	9.9	10.2	10.0	9.4	39.5	9.8	9.4	9.6	9.7	38.5
Admission Fees	12.2	8.2	7.1	9.5	37.0	7.9	6.6	10.5	7.3	32.3
Cash equities UK & Turquoise	24.3	27.8	21.1	22.2	95.4	21.1	19.0	18.3	21.6	79.9
Cash equities Italy	7.7	8.5	7.2	8.0	31.4	6.6	5.6	5.0	7.3	24.6
Derivatives	4.3	4.7	3.9	3.8	16.7	3.6	3.2	3.0	3.6	13.4
Fixed Income	9.8	9.0	8.0	8.9	35.7	8.1	7.8	8.6	10.0	34.4
Other	11.5	11.7	11.6	11.4	46.2	10.4	10.6	11.3	12.0	44.4
<b>Capital Markets</b>	<b>79.7</b>	<b>80.1</b>	<b>68.9</b>	<b>73.2</b>	<b>301.9</b>	<b>67.5</b>	<b>62.2</b>	<b>66.3</b>	<b>71.5</b>	<b>267.5</b>
Clearing	9.9	11.7	10.2	9.3	41.1	9.0	8.7	8.0	10.4	36.1
Settlement	4.8	5.0	4.3	4.8	18.9	3.6	3.4	3.8	4.6	15.5
Custody & other	11.3	9.7	10.0	10.6	41.6	10.2	9.7	10.0	10.3	40.2
<b>Post Trade Services</b>	<b>26.0</b>	<b>26.4</b>	<b>24.5</b>	<b>24.7</b>	<b>101.6</b>	<b>22.8</b>	<b>21.8</b>	<b>21.8</b>	<b>25.3</b>	<b>91.8</b>
Real time data	25.2	25.0	25.4	27.2	102.8	23.7	21.6	24.7	26.9	96.9
Other information	16.3	15.8	16.3	17.2	65.6	18.6	18.9	18.4	19.4	75.3
FTSE royalties	3.2	3.5	6.4	0.0	13.1	-	-	-	-	-
FTSE revenue			4.7	32.7	37.4	33.0	31.8	32.9	36.4	134.1
<b>Information Services</b>	<b>44.7</b>	<b>44.3</b>	<b>52.8</b>	<b>77.0</b>	<b>218.9</b>	<b>75.3</b>	<b>72.3</b>	<b>76.0</b>	<b>82.7</b>	<b>306.3</b>
MillenniumIT	3.2	6.4	5.5	7.2	22.2	4.9	6.5	6.7	8.8	26.9
Technology	7.4	7.8	7.6	7.6	30.4	7.2	7.0	7.0	8.0	29.2
<b>Technology Services</b>	<b>10.6</b>	<b>14.2</b>	<b>13.1</b>	<b>14.8</b>	<b>52.6</b>	<b>12.1</b>	<b>13.5</b>	<b>13.7</b>	<b>16.8</b>	<b>56.1</b>
<b>Other</b>	<b>1.4</b>	<b>0.7</b>	<b>1.5</b>	<b>1.2</b>	<b>4.8</b>	<b>1.3</b>	<b>1.0</b>	<b>1.3</b>	<b>1.2</b>	<b>4.7</b>
<b>Total Revenue</b>	<b>162.4</b>	<b>165.7</b>	<b>160.8</b>	<b>190.9</b>	<b>679.8</b>	<b>179.0</b>	<b>170.8</b>	<b>179.1</b>	<b>197.5</b>	<b>726.4</b>
Net treasury income through CCP	25.8	28.5	33.5	39.1	126.9	28.5	39.6	27.8	20.9	116.7
Other income	2.0	2.1	2.0	2.0	8.1	2.0	3.8	2.0	2.0	9.8
<b>Total income</b>	<b>190.2</b>	<b>196.3</b>	<b>196.3</b>	<b>232.0</b>	<b>814.8</b>	<b>209.5</b>	<b>214.2</b>	<b>208.9</b>	<b>220.4</b>	<b>852.9</b>

Note: Minor rounding differences may mean quarterly and other segmental figures may differ slightly.

# Capital Markets - key performance indicators



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## Capital Markets - Primary Markets

	Year ended		Variance %
	31 March 2013	2012	
<b>New Issues</b>			
UK Main Market, PSM & SFM	40	61	(34%)
UK AIM	74	89	(17%)
Borsa Italiana	7	10	(30%)
<b>Total</b>	<b>121</b>	<b>160</b>	<b>(24%)</b>
<b>Company Numbers (as at period end)</b>			
UK Main Market, PSM & SFM	1,371	1,435	(4%)
UK AIM	1,092	1,118	(2%)
Borsa Italiana	283	292	(3%)
<b>Total</b>	<b>2,746</b>	<b>2,845</b>	<b>(3%)</b>
<b>Market Capitalisation (as at period end)</b>			
UK Main Market (£bn)	2,145	1,887	14%
UK AIM (£bn)	63	68	(7%)
Borsa Italiana (€bn)	355	369	(4%)
Borsa Italiana (£bn)	301	308	(2%)
<b>Total (£bn)</b>	<b>2,509</b>	<b>2,263</b>	<b>11%</b>
<b>Money Raised (£bn)</b>			
UK New	9.4	12.0	(22%)
UK Further	7.2	6.3	14%
Borsa Italiana new and further	1.5	15.5	(90%)
<b>Total (£bn)</b>	<b>18.0</b>	<b>33.8</b>	<b>(47%)</b>

## Capital Markets - Secondary Markets

	Year ended		Variance %
	31 March 2013	2012	
<b>Equity</b>			
<b>Totals for period</b>			
UK value traded (£bn)	994	1,164	(15%)
Borsa Italiana (no of trades m)	55.9	66.7	(16%)
Turquoise value traded (€bn)	432.9	509.7	(15%)
<b>SETS Yield (basis points)</b>	<b>0.68</b>	<b>0.69</b>	<b>(1%)</b>
<b>Average daily</b>			
UK value traded (£bn)	4.0	4.7	(15%)
Borsa Italiana (no of trades '000)	223	260	(14%)
Turquoise value traded (€bn)	1.70	1.98	(14%)
<b>Derivatives (contracts m)</b>			
Turquoise	24.0	41.0	(41%)
IDEM	35.9	46.7	(23%)
<b>Total</b>	<b>59.9</b>	<b>87.7</b>	<b>(32%)</b>
<b>Fixed Income</b>			
MTS cash and Bondvision (€bn)	2,426	2,444	(1%)
MTS money markets (€bn term adjusted)	69,121	60,741	14%
MOT number of trades (m)	6.22	5.59	11%

# Post Trade - key performance indicators



## Post Trade Services

	Year ended		Variance %
	31 March 2013	2012	
<b>CC&amp;G Clearing (m)</b>			
Equity clearing (no of trades)	58.8	70.3	(16%)
Derivative clearing (no of contracts)	35.9	46.7	(23%)
<b>Total</b>	<b>94.7</b>	<b>117.0</b>	<b>(19%)</b>
Open interest (contracts as at period end)	4.2	5.0	(16%)
Initial margin held (average €bn)	10.1	9.4	7%
<b>Monte Titoli</b>			
Pre Settlement instructions (trades m)	28.5	33.6	(15%)
Settlement instructions (trades m)	26.8	34.6	(23%)
<b>Total Settlement</b>	<b>55.3</b>	<b>68.2</b>	<b>(19%)</b>
Custody assets under management (average €tn)	3.23	3.08	5%

# Information Services - key performance indicators

## Information Services

	As at		Variance %
	31 March 2013	2012	
<b>UK Terminals</b>			
Professional - UK	34,000	37,000	(8%)
Professional - International	50,000	53,000	(6%)
<b>Total</b>	<b>84,000</b>	<b>90,000</b>	<b>(7%)</b>
<b>Borsa Italiana Professional Terminals</b>	<b>137,000</b>	<b>139,000</b>	<b>(1%)</b>
<b>FTSE</b>			
ETFs assets under management benchmarked (\$bn)	143	55	160%



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