



**London**  
Stock Exchange Group

# London Stock Exchange Group plc

**Interim results – six months period ended 30 June 2016**

**4 August 2016**



# Key financial highlights

- **Continued good financial performance with growth across all core business areas**
  - Revenue<sup>1</sup> up **9%**
  - Good growth from organic investments
  - Total income up **11%**
  - Expenses well controlled while investing for growth – up 5% on organic basis<sup>2</sup>
  - AOP up **9%** to **£333.3m**
- **AEPS up 16% to 57.7p**
- **Interim dividend up 11%<sup>3</sup> to 12.0p per share**

Note: All above figures include continuing and discontinuing operations, unless stated, with comparison to Jan-Jun 2015

<sup>1</sup> excludes discontinued operations, principally being Russell Investment Management

<sup>2</sup> including inflation / excluding FX

<sup>3</sup>Group policy determines that interim dividend is calculated as one-third of the prior year full dividend



# Overview of results

	Six months ended 30 June			Organic and constant currency variance %
	2016 <sup>1</sup> £m	2015 <sup>1</sup> £m	Change %	
<b>Revenue</b>	<b>721.9</b>	663.0	9%	5%
<b>Total income</b>	<b>785.8</b>	705.9	11%	7%
<b>Cost of sales</b>	<b>(77.0)</b>	(58.1)	33%	25%
<b>Gross profit</b>	<b>708.8</b>	647.8	9%	6%
Share of profit / (loss) after tax of associates	(3.0)	-		
<b>Adjusted operating expenses<sup>2</sup></b>	<b>(372.5)</b>	(342.1)	9%	5%
<b>Adjusted operating profit<sup>2</sup></b>	<b>333.3</b>	305.7	9%	5%
Non-recurring items and amortisation	(134.3)	(95.2)	41%	38%
<b>Operating profit</b>	<b>199.0</b>	210.5	(5%)	(9%)
<b>Net finance expense</b>	<b>(34.9)</b>	(34.3)	2%	
<b>Adjusted profit before tax<sup>2</sup></b>	<b>298.4</b>	273.2	9%	
Underlying effective tax rate	25.6%	25.6%		
<b>Basic earnings per share (p)</b>	<b>27.4</b>	33.4	(18%)	
<b>Adjusted earnings per share (p)<sup>2</sup></b>	<b>57.7</b>	49.9	16%	
<b>Dividend per share (p)</b>	<b>12.0</b>	10.8	11%	

**On a reported basis, including discontinued operations:** operating profit was £276.2 million (H1 2015: £239.4 million) and a loss after tax of £(15.9) million (H1 2015: profit of £165.1 million). The net loss for the period mainly reflects the £197.6 million tax payment from the disposal of Russell Investments. This results in basic loss per share of 10.4 pence (H1 2015: 43.4 pence)

All above figures are for continuing operations

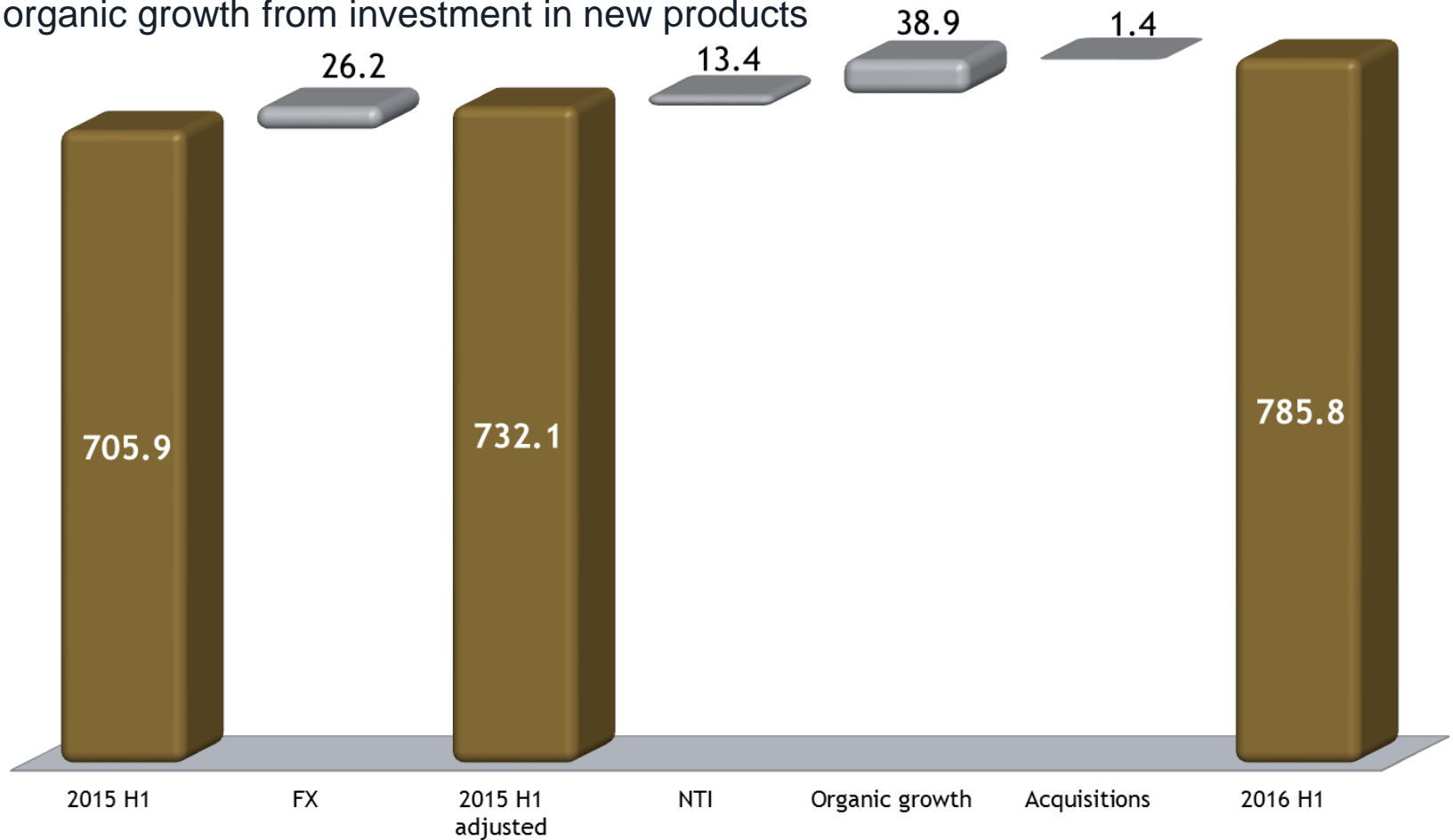
<sup>1</sup> Unaudited

<sup>2</sup> Excluding amortisation of purchased intangibles (£74.4m) and non-recurring items (£59.9m)



# Income growth

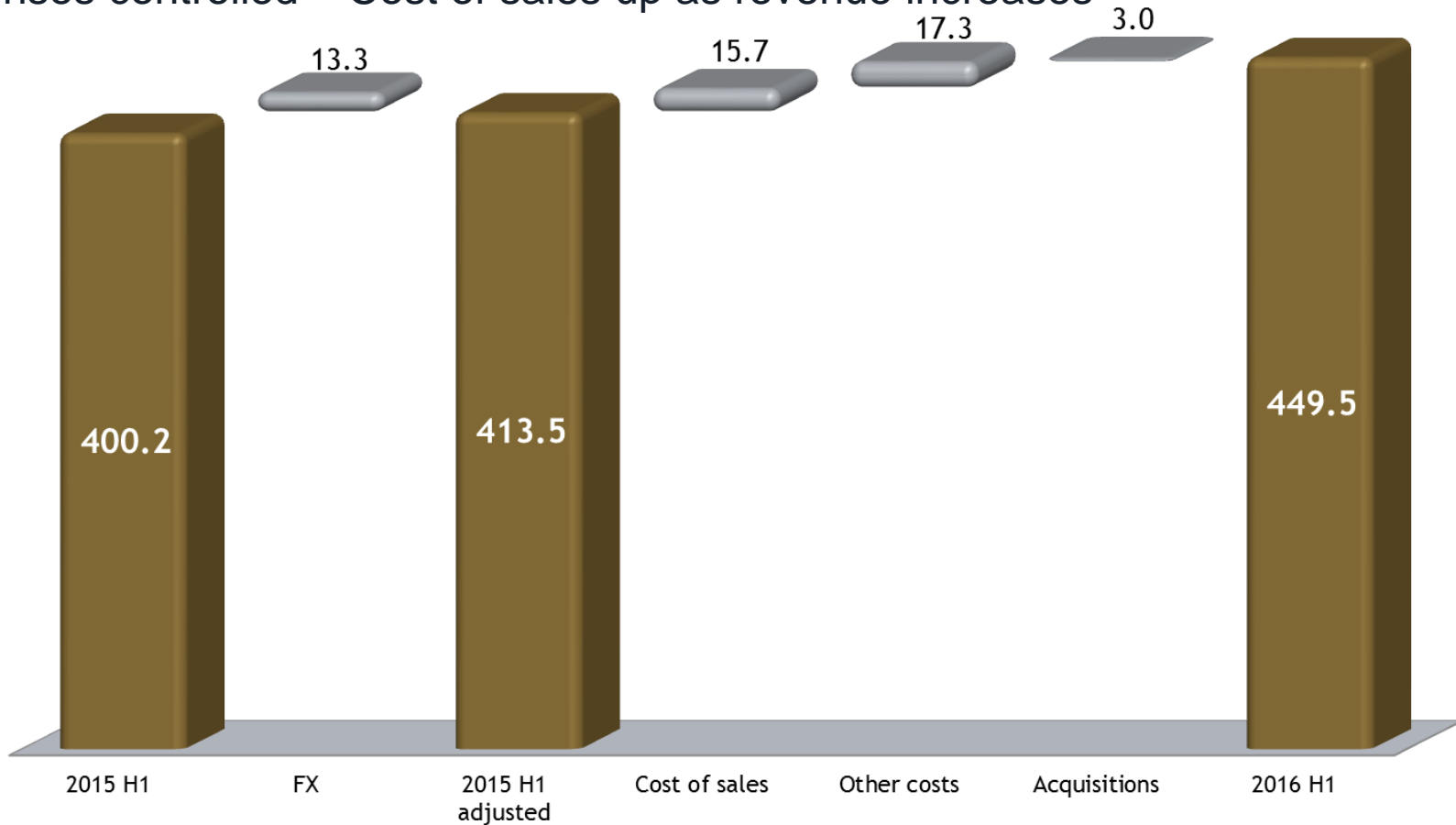
Good organic growth from investment in new products



Note: figures include continuing operations only

# Good control of underlying expenses and benefits of cost synergies

Expenses controlled – Cost of sales up as revenue increases

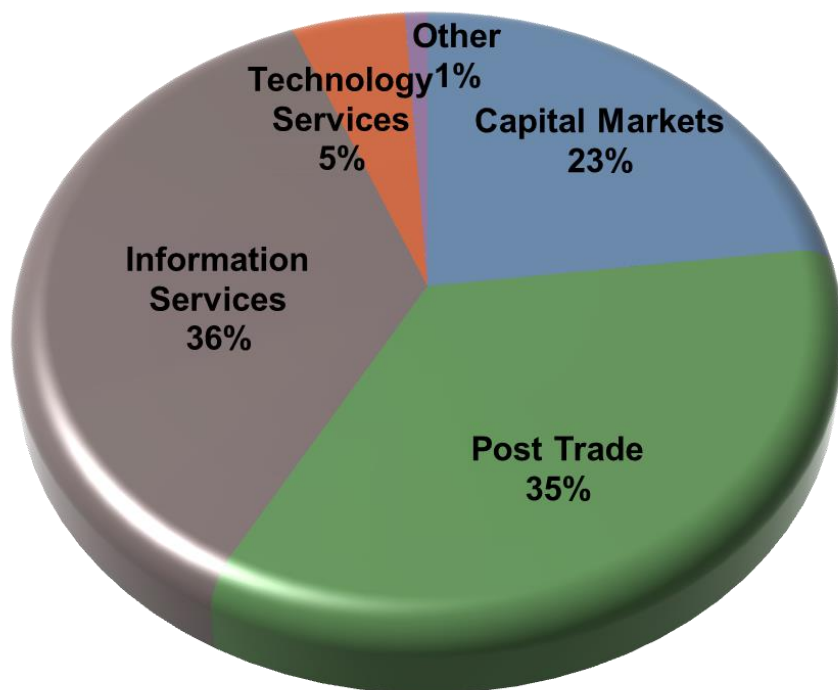


*Note: Excluding amortisation of purchased intangibles and non-recurring items and cost of sales.  
Figures include continuing operations only*



# Diversified by business activity

2016 H1 Income by business segment



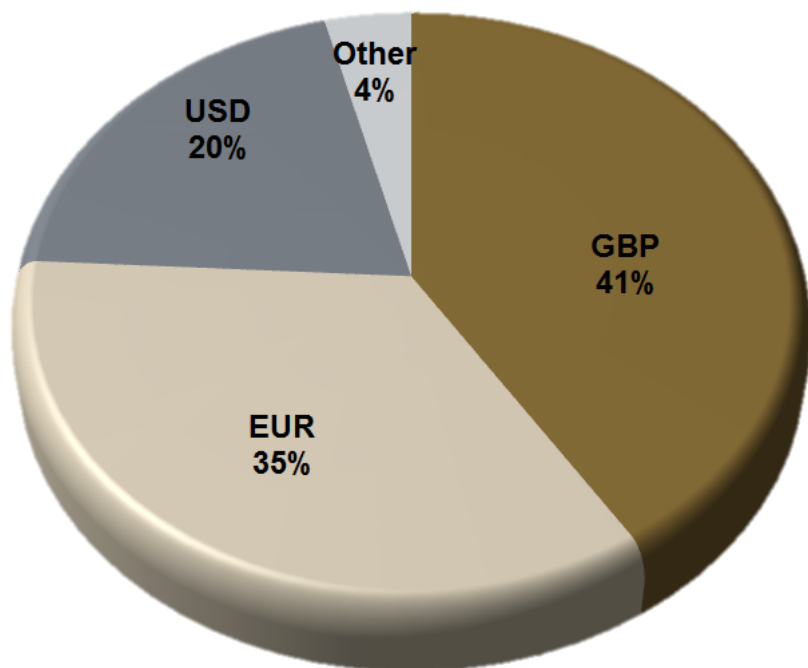
Segmental growth 2016 H1 vs 2015 H1

	Variance	Organic and constant currency variance
	%	%
<b>Continuing operations:</b>		
<b>Revenue</b>		
Capital Markets	7%	4%
Post Trade Services - CC&G and Monte Titoli	3%	(3%)
Post Trade Services - LCH	12%	8%
Information Services	12%	7%
Technology Services	(1%)	(3%)
Other	(54%)	(54%)
<b>Total revenue</b>	<b>9%</b>	<b>5%</b>
Net treasury income through CCP business	39%	31%
Other income	-	-
<b>Total income</b>	<b>11%</b>	<b>7%</b>

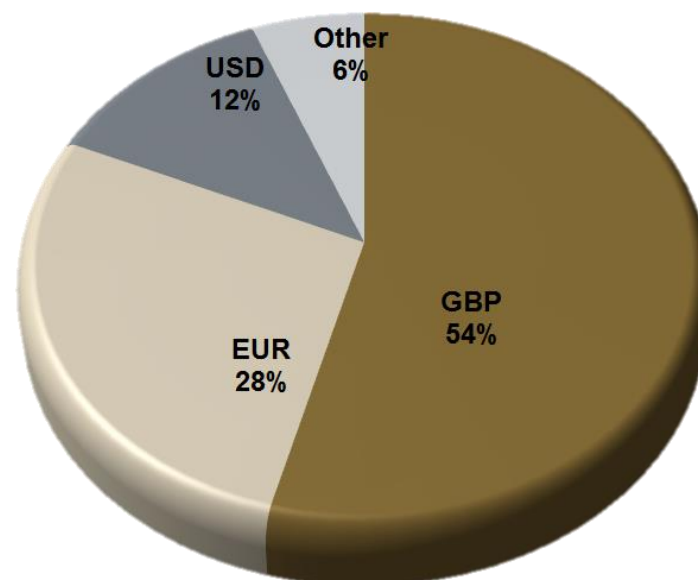
Continuing operations only

# Diversified by currency

2016 H1 Income £785.8m



2016 H1 Expenses £449.5m

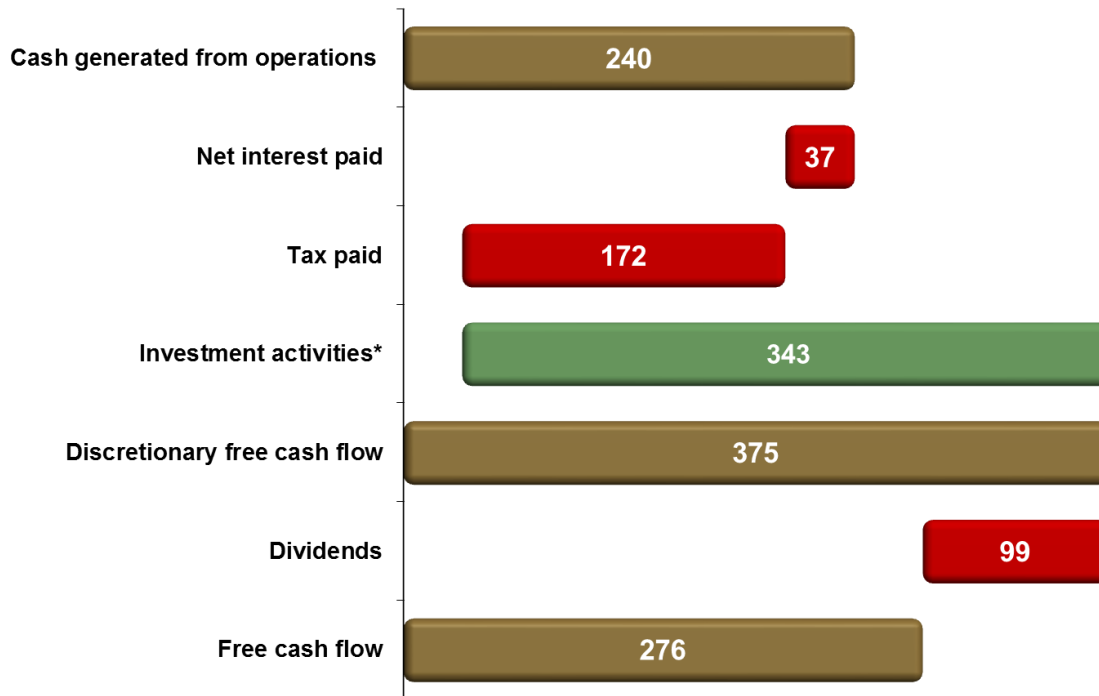


Continuing operations only; expenses include cost of sales

# Summarised cash flow

## Good cash generation

£ million



- £57.6m capex – mainly technology upgrades, new projects and integration of LCH and FTSE Russell
- Discretionary free cash flow remains strong at 107.7p per share<sup>1</sup> (2015 H1: 38.8p)

Note: All above figures include continuing and discontinuing operations

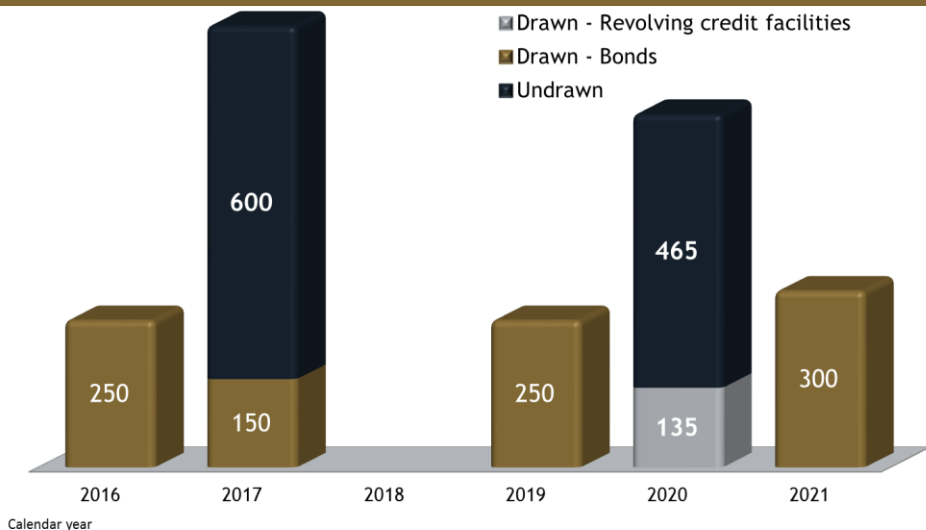
<sup>1</sup> Based on weighted average shares in issue for the period of 2016 H1: 348.1m and 2015 H1: 346.3m

\* includes cash outflows of £251.3m (mostly cash disposed as a part of discontinued operations and capex) and inflows of £594.7m (mostly sale proceeds)

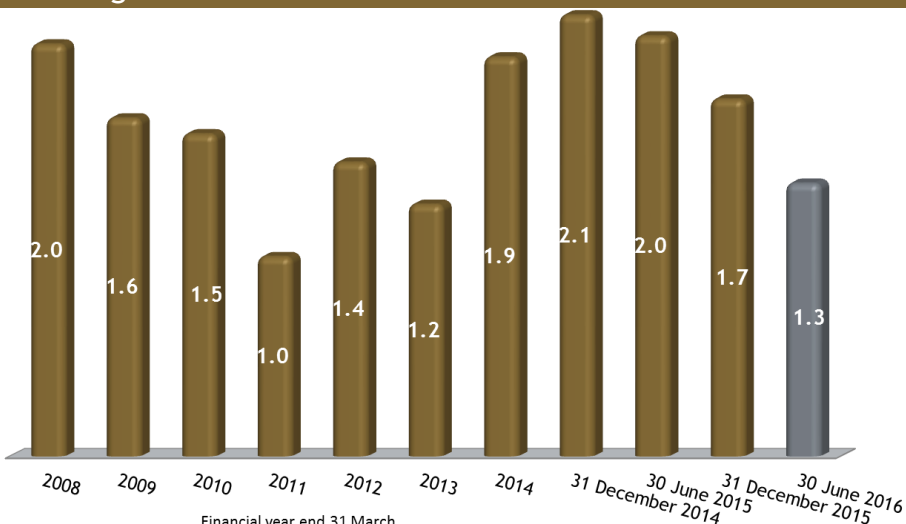


# Borrowings

## Facilities



## Leverage\*



### London Stock Exchange Group

Financial year end 31 March

\*FY 2012 Pro forma as if FTSE owned for whole year, FY 2014 pro forma as if LCH.Cleantnet owned for whole year, 31 December 2014 and 30 June 2015 pro forma as if Frank Russell Co owned for whole year. Operating Net debt : Adjusted EBITDA. Net debt excludes all cash and cash equivalents of LCH and £200m of further Group cash and cash equivalents held locally for regulatory purposes

- Operating net debt **£870m** (£1,273m 31 December 2015)
- Net debt: Pro forma EBITDA **1.3x** (excluding £784m restricted cash)
- Committed undrawn credit lines available for Group purposes at 30 June 2016 total **£1.1 billion**, extending out to 2020
- 2016 Bond repaid in July 2016 by use of existing facilities

### Ratings:

- LSEG: S&P **BBB+** and Moody's **Baa1**
- LCH Group: **A+**



# Xavier Rolet

# Successful strategy drives growth

- **Strategy is delivering** – resilient business, well diversified across products and geographies
- **Growth across core business areas** – consistent investment in growth opportunities continues to drive revenue increases
- **Operational leverage** – continued good cost control and synergy opportunities
- **Well positioned to navigate political and macro economic changes**



# Investment in growth and innovation

## FTSE Russell

- Derivatives on FTSE Russell indexes – continued growth
- FTSE4Good ASEAN 5 Index launched<sup>1</sup>
- FTSE Russell launched innovative data model which measures “green” revenues of 13,400 public companies

## Capital Markets

- CurveGlobal Interest Rate futures platform to be launched with major banks and CBOE as partners in Q3
- ELITE Club Deal - private placement platform to launch late 2016\*
- Turquoise Block Discovery – increased volumes each month in H1

## LCH

- SwapClear - European client clearing - live
- Compression providing client benefits - \$180 trn compressed in H1 up 9%
- Inflation Swaps – over \$500bn / 19k trades cleared
- Portfolio margining – LCH Spider launched
- CDS – strong volume growth and market share gains

# OTC clearing - Interest rate swaps

## SwapClear – global leader in interest rate swap clearing

**LCH - SwapClear**  
Client clearing - Average Daily Value \$billion

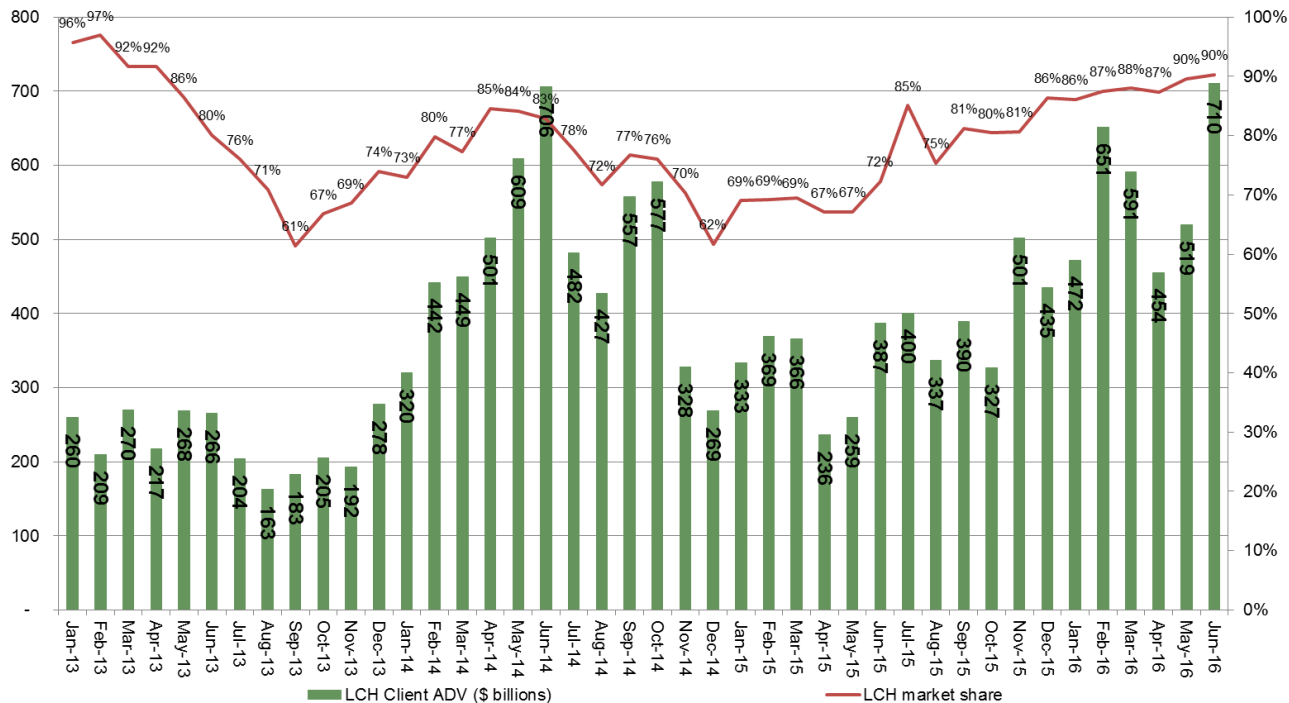


Chart shows SwapClear client volumes only vs CME client and member

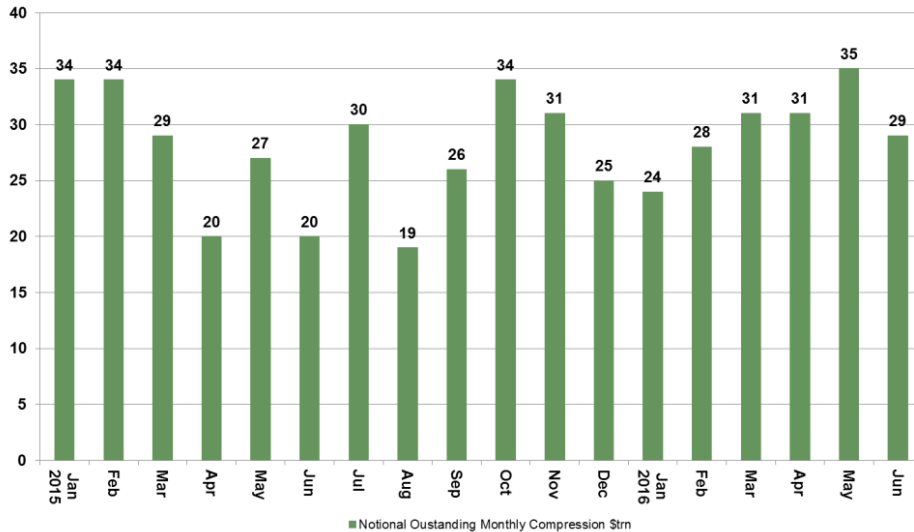
### SwapClear H1 2016:

- **\$73 trillion** Client notional cleared - **up 78%**
- **460k** Client trades cleared – **up 48%**
- **4,500** clients accounts in H1 2016 (up 150% from H1 2015 ) – driven by European mandatory clearing
- **95%** share of Clearing notional value (Client and member)

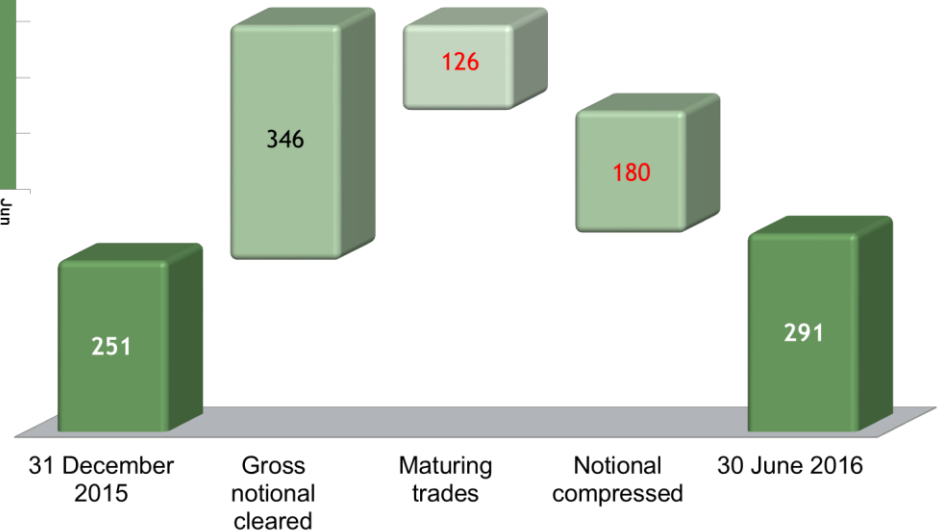
# OTC clearing - Compression

## SwapClear – global leader in interest rate swap clearing

LCH - SwapClear  
Compression - \$trillion

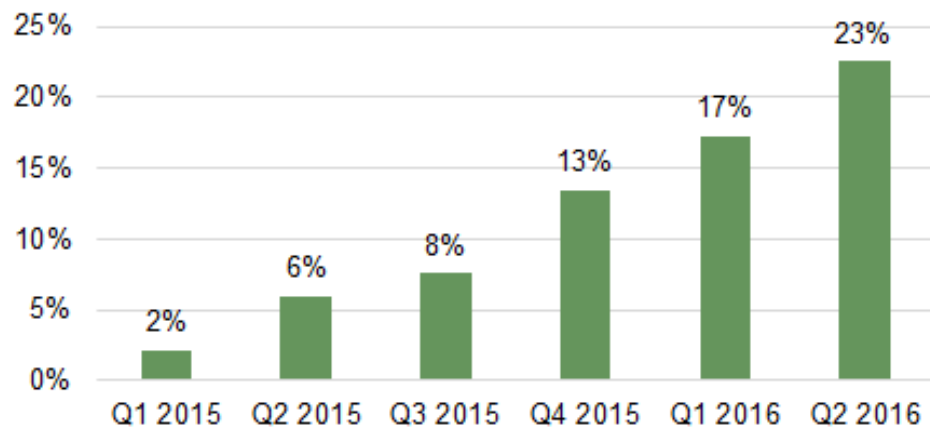


- **\$180 trillion** compressed (2015 H1: \$164trn)
- **1.4 million** trade sides compressed (2015 H1: 1.5m)
- **\$9 billion** estimated capital savings for customers



# OTC clearing – CDS and FX

CDSClear - Overall Indices Market Share



Source : LCH.Clearnet, ICE Clear Europe & DTCC

## CDSClear

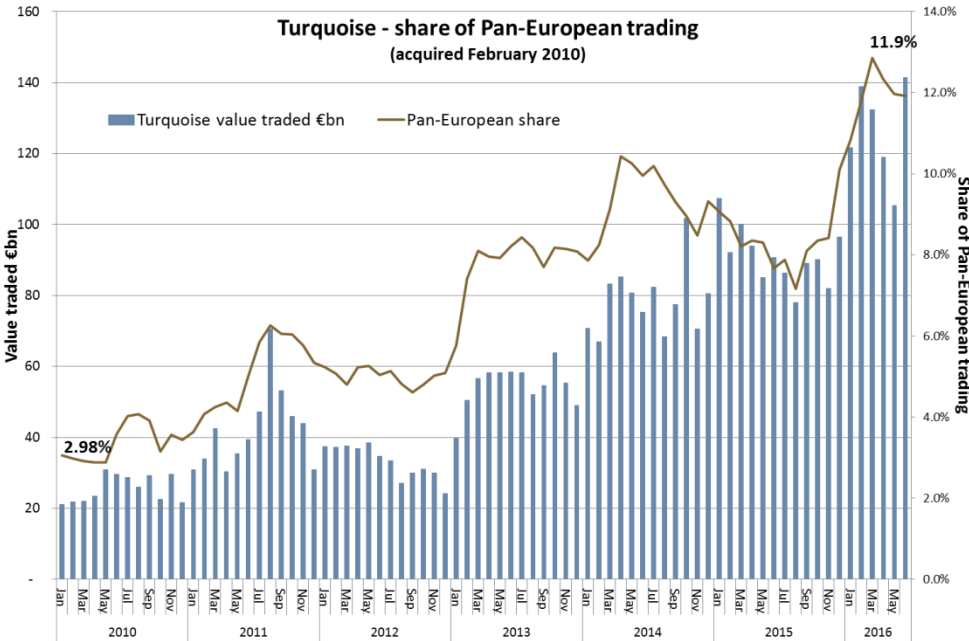
- **Good growth** in share of European indices clearing, Single Name CDS volumes also progressing
- European mandate implementation from February 2017; initial frontloading begins in September 2016
  - **€173bn cleared in 2015 up 180%**
  - **€264bn cleared in H1 2016 up 298%**

## ForexClear

- **Good volume growth**, well positioned to serve increasing customer's requirement for central clearing of FX products
- Implementation of new capital rules driving increased member demand for FX clearing
- **Over \$570bn cleared in H1 up 10%**



# Turquoise – partnership and innovation

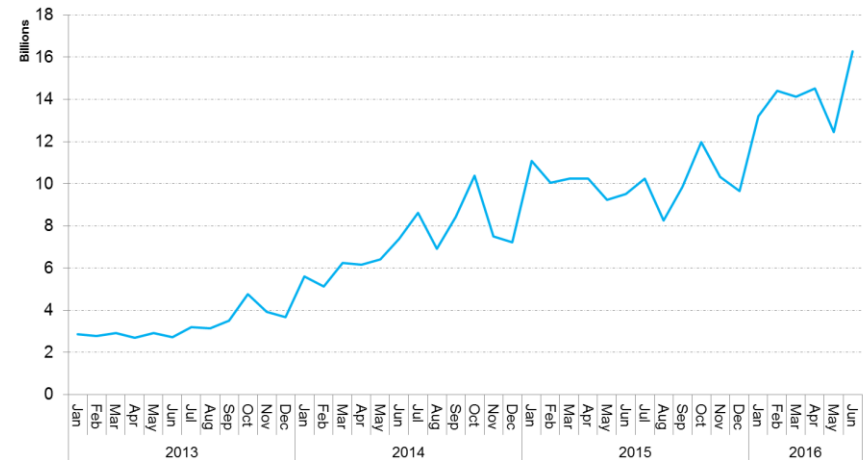


Turquoise share of Pan-European trading **12%** (June 2016)

Turquoise Integrated Lit Order Book - 2016 H1 value traded: €674bn, up **32%** (2015 H1: €510bn)

Turquoise Midpoint Dark Order Book - 2016 H1 value traded: €85bn, up **40%** (2015 H1: €60bn)

**Turquoise - Midpoint Dark Order Book value traded € billions**



## Turquoise Block Discovery

- Launched Q4 2014
- Average trade size **20 times** industry dark pool average
- Record value traded each month in H1 2016





# Proposed merger with Deutsche Börse

- Industry-defining combination, creating a global markets infrastructure group anchored in Europe
- Significant customer and shareholder benefits from complementary growth strategies, products, services and geographic footprint
- Significant cost savings (€450m pa – 3 years) and revenue synergies (€250m pa – year 5)
- Progress:
  - LSEG shareholders overwhelmingly approved 4 July 2016
  - Deutsche Börse shareholders 60% acceptance threshold passed 26 July 2016
  - Deutsche Börse additional acceptance period ends 12 August; results published 17 August
- Work underway to achieve regulatory and antitrust approvals

# Successful strategy drives growth

- **Strategy is delivering** – resilient business, well diversified across products and geographies
- **Growth across core business areas** – consistent investment in growth opportunities continues to drive revenue increases
- **Operational leverage** – continued good cost control and synergy opportunities
- **Well positioned to navigate political and macro economic changes**



# 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 348.1m (CY 2015 H1: 346.3m), excludes ESOP

## Exchange rates

	Average rate		Average rate	
	6 months ended	Closing rate at	6 months ended	Closing rate at
	30 June 2016	30 June 2016	30 June 2015	30 June 2015
GBP : EUR	1.28	1.20	1.37	1.41
GBP : USD	1.43	1.33	1.52	1.57

A €10c movement in the average £/€ rate for the six months would have changed the Group's continuing operating profit for the period before amortisation of purchased intangibles and non-recurring items by approximately £7 million.

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# Key performance indicators

## Capital Markets - Primary Markets

	Six months ended		Variance %
	30 June		
	2016	2015	
<b>New Issues</b>			
UK Main Market, PSM & SFM	25	47	(47%)
UK AIM	41	32	28%
Borsa Italiana	8	13	(38%)
<b>Total</b>	<b>74</b>	<b>92</b>	<b>(20%)</b>
<b>Money Raised (£bn)</b>			
UK New	1.9	6.3	(70%)
UK Further	6.0	12.8	(53%)
Borsa Italiana new and further	3.9	4.0	(3%)
<b>Total (£bn)</b>	<b>11.8</b>	<b>23.1</b>	<b>(49%)</b>

## Capital Markets - Secondary Markets

	Six months ended		Variance %
	30 June		
	2016	2015	
<b>Equity</b>			
<b>Totals for period</b>			
UK value traded (£bn)	637	655	(3%)
Borsa Italiana (no of trades m)	40.6	37.1	9%
Turquoise value traded (€bn)	759	570	33%
<b>SETS Yield (basis points)</b>	0.63	0.61	3%
<b>Average daily</b>			
UK value traded (£bn)	5.1	5.3	(4%)
Borsa Italiana (no of trades '000)	320	297	8%
Turquoise value traded (€bn)	6.0	4.5	33%
<b>Derivatives (contracts m)</b>			
LSE Derivatives	2.4	2.3	4%
IDEM	25.2	22.0	15%
<b>Total</b>	<b>27.6</b>	<b>24.3</b>	<b>14%</b>
<b>Fixed Income</b>			
MTS cash and BondVision (€bn)	2,042	2,135	(4%)
MTS money markets (€bn term adjusted)	44,425	44,856	(1%)

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



# Key performance indicators

## Post Trade Services - CC&G and Monte Titoli

	Six months ended		Variance %
	30 June		
	2016	2015	
<b>CC&amp;G Clearing</b>			
Contracts (m)	68.5	61.5	11%
Initial margin held (average €bn)	11.8	12.3	(4%)
<b>Monte Titoli</b>			
Settlement instructions (trades m)	22.5	35.0	(36%)
Custody assets under management (average €trn)	3.17	3.32	(5%)

## Information Services

	As at		Variance %
	30 June		
	2016	2015	
<b>ETFs assets under management benchmarked (\$bn)</b>			
FTSE	229	230	0%
Russell Indexes	161	159	1%
<b>Total</b>	<b>390</b>	<b>389</b>	<b>0%</b>

## Terminals

UK	73,000	75,000	(3%)
Borsa Italiana Professional Terminals	130,000	128,000	2%

## Post Trade Services - LCH

	Six months ended		Variance %
	30 June		
	2016	2015	
<b>OTC derivatives</b>			
<b>SwapClear</b>			
IRS notional cleared (\$tn)	346	261	33%
SwapClear members	102	111	(8%)
Client trades ('000)	460	310	48%
<b>CDSClear</b>			
Notional cleared (€bn)	264.4	66.4	298%
CDSClear members	11	11	0%
<b>ForexClear</b>			
Notional value cleared (\$bn)	576	522	10%
ForexClear members	23	23	0%
<b>Non-OTC</b>			
Fixed income - Nominal value (€tn)	34.9	36.5	(4%)
Listed derivatives (contracts m)	70.0	72.6	(4%)
Cash equities trades (m)	345.5	271.1	27%
Average cash collateral (€bn)	61.3	56.2	9%

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



# Revenues - Quarterly

£ millions	CY 2015				CY 2015	CY 2016	
	Q1	Q2	Q3	Q4		Q1	Q2
Primary Markets	21.4	24.0	19.1	24.3	88.8	22.2	22.0
Secondary Markets - Equities	38.2	36.5	35.1	33.9	143.7	42.2	40.9
Secondary Markets - Fixed income, derivatives & other	26.3	23.6	22.9	25.0	97.8	28.0	26.3
<b>Capital Markets</b>	<b>85.9</b>	<b>84.1</b>	<b>77.1</b>	<b>83.2</b>	<b>330.3</b>	<b>92.4</b>	<b>89.2</b>
Clearing	10.0	9.8	9.4	8.8	38.0	10.6	10.1
Settlement, Custody & other	13.4	13.6	12.4	12.4	51.8	12.9	14.5
<b>Post Trade Services - CC&amp;G and Monte Titoli</b>	<b>23.4</b>	<b>23.4</b>	<b>21.8</b>	<b>21.2</b>	<b>89.8</b>	<b>23.5</b>	<b>24.6</b>
OTC - SwapClear, ForexClear & CDSClear	36.5	38.8	39.4	42.1	156.8	44.6	44.4
Non OTC - Fixed income, Cash equities & Listed derivatives	29.0	28.9	30.0	26.6	114.5	28.6	29.1
Other	8.4	7.5	6.4	8.5	30.8	11.1	9.3
<b>Post Trade Services - LCH</b>	<b>73.9</b>	<b>75.2</b>	<b>75.8</b>	<b>77.2</b>	<b>302.1</b>	<b>84.3</b>	<b>82.8</b>
FTSE Russell Indexes	85.0	86.2	90.7	87.0	348.9	96.4	97.1
Real time data	21.3	20.7	19.9	20.3	82.2	22.7	21.8
Other information	24.5	23.3	23.1	23.0	93.9	22.4	25.5
<b>Information Services</b>	<b>130.8</b>	<b>130.2</b>	<b>133.7</b>	<b>130.3</b>	<b>525.0</b>	<b>141.5</b>	<b>144.4</b>
<b>Technology Services</b>	<b>19.6</b>	<b>18.6</b>	<b>19.8</b>	<b>22.5</b>	<b>80.6</b>	<b>16.2</b>	<b>21.9</b>
<b>Russell Investment Management (gross)</b>	<b>246.7</b>	<b>251.5</b>	<b>237.4</b>	<b>217.5</b>	<b>953.1</b>		
<b>Other</b>	<b>0.8</b>	<b>0.8</b>	<b>0.5</b>	<b>2.4</b>	<b>4.5</b>	<b>1.0</b>	<b>0.1</b>
<b>Total Revenue</b>	<b>581.1</b>	<b>583.9</b>	<b>566.1</b>	<b>554.3</b>	<b>2,285.4</b>	<b>358.9</b>	<b>363.0</b>
<b>Net treasury income through CCP:</b>							
CC&G	6.8	6.6	7.7	8.2	29.3	10.3	10.7
LCH	13.4	13.6	13.5	15.9	56.4	17.6	17.4
Other income	1.7	1.7	2.0	5.0	10.4	0.8	7.1
<b>Total income</b>	<b>603.0</b>	<b>605.8</b>	<b>589.3</b>	<b>583.4</b>	<b>2,381.5</b>	<b>387.6</b>	<b>398.2</b>
<b>of which continuing operations - income</b>	<b>354.0</b>	<b>351.2</b>	<b>349.4</b>	<b>364.1</b>	<b>1,418.6</b>	<b>387.6</b>	<b>398.2</b>

# Contacts

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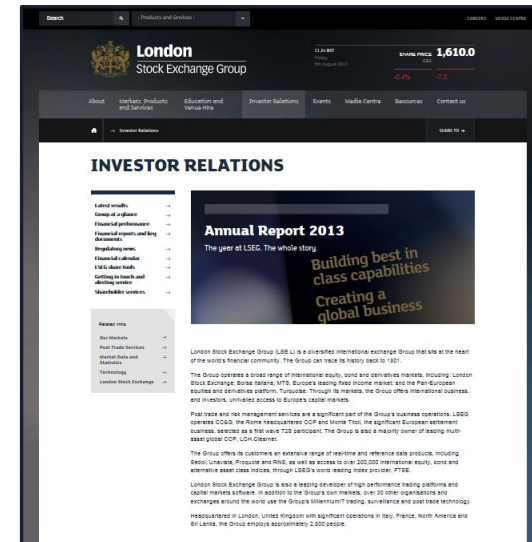
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