LSEG 2023 Capital Markets Days –
Day Two Transcript (Q&A)

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Friday 17 November 2023

Peregrine Riviere:

- Okay, welcome back, everyone. I imagine you've all got a lot of notes. Welcome back to everyone on the webcast. We have an hour set aside now for Q&A with David, Anna, Satvinder, and Ron. And let's kick off. So hands up for questions, please. Yes. Thank you, Kyle. Sorry, there are microphones. If you wait for the microphone so the webcast can... Stick your hand up, Kyle.

Kyle Voigt (Keefe, Bruyette & Woods, Inc.):

- Let me just start with a question on EBITDA margins. Just the way that you laid out in the slide the three segments, 52% for Capital Markets and Post Trade, and for Data & Analytics specifically, 45%. And you showed that the peers are at 51%. So the question really is, given what we heard from Tradeweb with less expectation for margin expansion into the future, should we expect that really a majority of the margin expansion over the medium term should really come from that Data & Analytics segment? And is 51% getting to a peer margin set, is that achievable in the medium term?

David Schwimmer:

- Thanks for the question. Anna, I'll turn that to you.

Anna Manz:

- So yeah, I mean, the reason we showed that slide was because the majority of the margin opportunity is in Data & Analytics, and that's the piece we're working on. And I would say there's no structural difference in terms of our business versus our peers that would mean that we shouldn't, once we've optimised ourselves, be at a similar level of margin. That said, you know, it's going to take a number of years, which was the journey we've laid out.

Peregrine Riviere:

- Yeah. Andy.

Andrew Coombs (Citi):

- Thank you. It's Andrew Coombs from Citi. I'll ask two questions. And I apologise, one will be for Anna again. On the mid- to high-single-digit revenue growth, you talk about this accelerating after 2024, in part due to some of the Microsoft initiatives and other factors. When you specifically think about 2024, just so we can think about base, this year you're talking about the upper end of six to eight, but you've flagged that there's one percentage point from M&A in there. And then there's a couple of items in Post Trade. So what do you think we should be thinking about as the base from which to then accelerate from for the revenue growth? I can ask the second question as well now.

David Schwimmer:

- Well, why don’t we take that one and then come back to it. Anna, do you want to touch on that?

Anna Manz:

- Yeah, so I think your question is really where are we for 2024? And the first thing I'd say, I mean, the first thing I'd say is all the momentum that I talked to you about at Q3, nothing's changed. So we are feeling good about the business as we enter 2024. Now, you know, I'll let you work out the exact numbers, but we've got good underlying organic momentum that you can work your way through. And there are a number of one-off items that will slightly slow our growth in 2024, which we've talked about and are fully reflected in your consensus, well, in analyst consensus, you know, which looks to be sensible. And they are the reduction in cash collateral in Post Trade, Euronext, Credit Suisse, all the things that you know and we've spoken about. But as I say, where I sit today, we enter 2024 with good momentum and nothing's changed.

Andrew Coombs (Citi):

- Thank you. Second question for the rest of the panel would be, when you think about some of the Data & Analytics businesses that you've outlined, you said number 2 in workflows, number 1 in real-time data and number 3 in PRS. So when you think about the various different businesses, is it a case that, for example, Workflows, there definitely is a market share gain element, whereas, for example, in real-time data, given that you are already the number 1 player, you are more dependent upon the addressable market growth that David outlined yesterday evening. And within that, just to take a tangible example, you've given this figure for HSBC. Can you give us an idea of the breakdown of that between the Workflows business versus Data & Feeds?

David Schwimmer:

- Sorry, I missed the last part that you...

Andrew Coombs (Citi):

- So you've given the number for HSBC and how much has been achieved through that from displacement. I'm interested to know what the breakdown of that is as a tangible example.

David Schwimmer:

- Yeah, so we're not going to give a more specific breakdown with respect to that example. I think, and Satvinder, feel free to weigh in in a moment here. I think we have, and hopefully you heard a bunch of this today, we have significant opportunity in each of those three areas using a number of different levers. So I wouldn't say, you know, we have this opportunity set in Workflows, whereas we only have this opportunity set in Data & Feeds. But Satvinder, why don't you weigh in on that?

Satvinder Singh:

- I think this question's a really good question. But if you look at the three businesses, they're actually really market-leading businesses today. And we're going to do a combination of two things. One, deepen our relationships and therefore grow market share. And number two is look at expanding the TAM that's available for these businesses. And how we deepen our market share, there was a slide I presented in terms of pre-Microsoft scaling, here are the initiatives that we're looking at, right? We talked about the icon migration, we talked about PRS feeds, we talked about migration to the cloud, we talked about modelling. So that gets us deeper. And if we spend a second on how we're going to expand the target market, let me just give you one example, right? Real Time Optimised. So if you look at our real-time, we're number 1. You think we're mature there, there isn't much opportunity to do anything else. So defend and keep growing slowly. We changed the game. So we developed Real Time Optimised, which was… it took the need of physical hardware, physical infrastructure, connecting to us completely away. We put it in the cloud. It was almost real-time. Not everybody needs real-time. So the corporate community then opens up. So we have a European corporate that's using our Real Time Optimised data and actually using it to manage their supply chain. It's a completely different TAM. So a combination of going deeper into our existing customers and opening up new TAMs by ourselves and obviously with Microsoft is going to be how we think where the growth is going to happen.

Ron Lefferts:

- And if I can just touch on HSBC, as David indicated, we wouldn't give specifics around where their cost savings are. But I can give you anecdotally that it is across all of our offerings. So for example, I mentioned already the real-time displacement. We've had hundreds and hundreds of desktop displacements across different divisions. And then in support of our open philosophy, for example, they wanted to build a portal themselves, and it required some fixed-income analytics. So we exposed our AdFin fixed-income library so they could build their own and displace another competitor. So it's examples across the board.

Peregrine Riviere:

- Yeah. Hubert.

Hubert Lam (Bank of America Securities, Inc.):

- Hi, it's Hubert Lam from Bank of America. I've got three questions. Firstly, going back to the mid-single-digit high-single-digit guidance, how much of that is driven by market share gains and pricing? That's the first question. The second question is again for Anna. Yesterday you talked about cumulative free cash flow exceeding underlying profit after tax to equity holders. So it's obviously a very cash-generative business. How should we think about what you are going to do with that cash? I know you were doing a buyback for next year, but should we expect a recurring buyback every year going forward just because of the strong cash generation? And lastly, a question on Microsoft. So your relationship with Microsoft is very entrenched now across Data & Analytics and Enterprise Data, Trading & Banking and also Capital Markets now. How should we think about the economics, that split in terms of revenues between Microsoft and LSEG, just given how tight you guys are together now?

David Schwimmer:

- So actually, why don't we mix things up a little bit here. So Satvinder, you can touch on the third question. Anna, if you want to answer the first question, and I'll actually answer the second question in terms of the buyback question.

Satvinder Singh:

- Okay.

David Schwimmer:

- Yeah, Satvinder, why don't you go ahead.

Satvinder Singh:

- So very simple. We have guardrails. And the guardrails are based on a very principled approach to how the commercials across both sides are going to work. We will make money whenever a customer has a need for data and analytics services that we provide. We will obviously make money on any Workspace licences. Microsoft will make money whenever their product licences are invoked and used, and they will obviously make money on cloud consumption. Those are the broad parameters and the principles in which we will price products. Obviously as we get more mature, as we do pilots, as we do MVPs, we will figure that out and get to the right combination. There'll be different combinations depending on the product, but the guiding principles are the ones I just stated.

David Schwimmer:

- So can you take the first question in terms of the mid- to high-single-digit question.

Anna Manz:

- Yeah, sure. So the mid- to high-single-digit growth is an organic guidance. And I call that out because we see this as a real step up. Your question was how do we think about share and price within that? I think we start from the customer and products that meet our customers' needs, and we then charge appropriately for them. And so that will sometimes be through pricing and sometimes, you know, the pricing may be lower and we may see larger share gain. So in the way we give our guidance, it is in aggregate, because we make our choices solution by solution through the lens of what the right balance for the customer is.

David Schwimmer:

- And then on your second question, which was really, are we going to have recurring buybacks, if I've phrased it correctly. So we have done a billion and a half in buybacks over the last 15 months. We've just announced yesterday we're going to do another billion over the course of this next year. Nothing is changing in terms of our capital allocation approach. So this is a business that is enormously cash generative. And you have seen us have the cash generation to do the billion and a half of buybacks, to do the M&A, to do the organic investment internally, our dividends as well. That will continue in terms of, just from a policy perspective, from a capital allocation policy perspective. We I think have been very careful not to commit to doing regular buybacks, but we are very committed to actively managing our capital. Because of the nature of our business, highly regulated, we have a good line of sight both to when we might do M&A, and if we do do any M&A, it typically has a pretty long regulatory approval period. So that gives us a very good handle on our cash generation when we are going to have cash that's available to use for buybacks. But as I said, we're not going to put ourselves in a position of committing to regular buybacks. But by the same token, as you can see, we are developing a very strong track record of actively managing our capital.

Peregrine Riviere:

- And Bruce.

Bruce Hamilton (Morgan Stanley):

- Thanks. Yeah, it's Bruce Hamilton, Morgan Stanley. Couple of questions. Firstly, on the foundation piece, so the migration of the 50 datasets to the cloud, it feels, based on my sort of conversation internally, it feels like that's quite important in that the sort of friction in accessing data and linking data is still problematic. So what's the sort of timeline for when that's no longer an issue, which could release more data usage? And how important is that to the process of charging more on it on a usage basis? That's the first question. The next one's a quite short one. I think, Anna, you said that EBITDA margin improvement will be non-linear. I'm assuming that's simply that it picks up when revenues pick up towards the end rather than singling anything else in terms of they shouldn't be going down, it's just the pace of growth will be linked to revenues, just to make sure that's true. And then final one on Post Trade, the segment growth. So I assume that embeds Euronext moving out. So that 4 to 6% in your slide, just to double-check. Thank you.

David Schwimmer:

- Thank you, Bruce. Satvinder, do you want to take the first one? And then, Anna, do you want to take the second one?

Satvinder Singh:

- So there's a reason we call the base of the pyramid foundation, right? It's the right word. It is very important to what we're doing. You saw what we're trying to do, we're trying to move key datasets onto the platform. I think most of the key ones will move by the end of next year. That gives us the benefits accruing over time as we continue to move more. I think the more important part also is we're looking at a full reference catalogue being available by then as well. So it gives us the ability. So if you look at the slide I presented with all the Microsoft initiatives, they're not sequential, they're in parallel. And so we've got stuff going on with Workspace, with Data Intelligence and Analytics in parallel with what we're doing on the foundation side. So it gives us the ability to create value as we move across our datasets, but also our ability to monetise some of the capabilities that are really important to us, like Data Management as a Service, in parallel as we do this. And one of the things we're also going to do is we're going to have a co-pilot in place that allows data platforms to add more discovery in data analysis. So all of this will happen in parallel. The timeline is majority of that by the end of next year, but will continue in subsequent years as well.

Anna Manz:

- So if I just do the EBITDA margin growth. So by non-linear, I'm not flagging that it's going down. I'm just saying that, you know, we shouldn't draw a straight line up. And just to clarify one thing you said, the reason we see EBITDA margin growth is as much about efficiency in our cost base as it is about revenue growth. And that's why, you know, we should be consistently driving it. And the reason that we are flagging that it will not be linear is because we want the freedom to invest when we see the opportunities with customers along the way. And Bruce, can I just clarify your last question?

Bruce Hamilton (Morgan Stanley):

- Sorry, yeah, it's just on the slide 21, the Post Trade segment growth, 4 to 6%, just I assume that embeds the Euronext departure.

Anna Manz:

- Yeah.

Peregrine Riviere:

- Sorry, can I just clarify one thing on that? So that slide is about the market growth, not our growth in each segment. So where Euronext sits is neither here nor there. So that is a market growth slide.

- Yeah, just there.

Oliver Bazin (GVQ Investment Management):

- Hi, Oliver Bazin from GVQ. You spoke yesterday about how people had doubts about your growth previously, and you've obviously beaten those and congratulations for doing so. And you spoke a lot in the presentation we've seen today about the structural growth the business is facing. I guess my question, looking at the slide you also presented yesterday of how uncorrelated you are with typical things you might expect your business to be correlated to is what are the biggest things that could cause you, which hopefully won't, but to miss those guidance? What's the downside that we should be aware of?

David Schwimmer:

- So I think the point of that part of the discussion yesterday was what a robust model this is, very diversified. We went through it yesterday by product, by region, by customer. I think it's a subscription business. you know, 70-plus percent of our revenues are recurring. And again, you heard yesterday in terms of the transactional revenues how consistently growing those have been as well. And we've looked at this, you know, as part of our due diligence on the Refinitiv transaction. We looked back at how the business performed going back, you know, many years, including looking at what the performance was in these kinds of businesses in 2008. So, you know, it's hard for me to speculate on what could really drive, you know, a dramatic shift in the performance. You know, when a number of customers go out of business, that wouldn't be a good thing. You know, Anna's touched on the Credit Suisse, very modest impact, but impact that we'll see over the course of the next few quarters. So I think if there's some kind of major financial crisis that wipes out a number of our customers. At the same time, I think you all know that when there's volatility, that tends to actually be a good thing for our business. But if there is so much volatility that everyone just puts pens down, and again, you could see that in some kind of major crisis scenario, that would not be a good thing. So I think that gives you a little bit of a sense of, you know, the robustness of the business, the real strength of the business. And it would have to be such a widespread crisis that it would take out, you know, a significant number of our customers and really shut down a lot of market activity, so.

Anna Manz:

- Can I make a little build, because I've had this question in many different ways over the last few days asked differently, which is why is it mid to high? You know, which is where's that range come from? And what I've said to many of you is when we set guidance back in 2019, we didn't foresee a pandemic, a couple of wars, huge inflation, supply chain disruption. And as we set guidance going forward, we've given a range that foresees all of those things. So I think, you know, that's how we thought about it actually as we set the range in the first place.

Ron Lefferts:

- And if I could build, one of the things that we're doing is where we can, we're really focused on execution, and we're focused on how we really have built our organisation to try and be as proactive as possible. So especially in the 73% subscription side, one third of my sales teams is focused on is a group called Customer Success. And we've developed a methodology called the customer lifecycle framework. So we proactively monitor all of the subscriptions and understand where our markers are in terms of key renewals, and we deploy resources specifically focused on ensuring that they've got the right kind of utilisation, the right kind of usage patterns, and are really proactive. So we've taken a strong proactive stance towards managing our existing book, which is why you've seen a 300 basis point improvement in our retention rate. And so we view that as another way to help mitigate some of these other external events that could really impact us.

Oliver Bazin (GVQ Investment Management):

- Thank you. That's very reassuring.

Peregrine Riviere:

- Yeah, Russell.

- Please keep that going down the line.

Russell Quelch (Redburn Atlantic):

- Yeah, thank you. Russell Quelch from Redburn Atlantic. Given we're now I think at the point where sales has to take over some of the growth in place of retention, which has obviously been a big part of the growth this year, I wanted to maybe ask a couple of questions around sales, maybe for you, Ron. Firstly, in terms of the HSBC example that was given, you talked about that account being one that was a drag on growth; you've turned it into a growth account, yeah? Within your top 20, maybe 50 if you want to go there, customers, how many more of those customers are left where you've got the same opportunity that you had with HSBC? That's question number 1. In terms of question number 2, when you think about you, you had a slide up there where you had all the sales initiatives, and then you had pie charts down the side where how far you are through those various initiatives. And clearly, you're not there yet in terms of your sales or go-to-market strategy. I just maybe wondered if you could put some timeframe around when we might expect you to be where you want to be in terms of your go-to-market strategy, such that we can expect those new sales part of the growth to start accelerating.

Ron Lefferts:

- Great questions. So I'll take the first one. And HSBC is an example of one of our Strategic Accounts, and you were asking around our Strategic Account programme. That was an underserved customer segment for a long period of time under Refinitiv. When I first came in, I looked at the growth trajectory of those Strategic Accounts, and the growth rate between 2018 and 2020 was 0%. And so that includes, you know, price increase as well as, you know, market increase. So really not the right place you want to be with your top accounts. So they were generally speaking declining; it was a declining group. And so as part of the sales transformation strategy, we changed how we approach those accounts, we changed how we engage with them, and we also evolved some of our commercial models. So for example, HSBC is one of the accounts that's under something akin to an enterprise type of agreement. And so that provides us with, that provides the customers like HSBC with a certain level of cost certainty and a true partnership. And for LSEG that provides us with certainty of revenue, and as well as an incentive for us to partner together to find new revenue opportunities even outside of those enterprise agreements. And we found HSBC, for example, to be our fastest-growing gross sales new sale account, even though it was under an enterprise agreement, for example. And now that collection of accounts that was growing at 0.0% from 2018 to 2020 is now projected to be growing more towards where our target rate is.

David Schwimmer:

- Do you want to just touch on the second question on the timeframe on your continued progress on go-to-market?

Ron Lefferts:

- Sure, so we have done a lot of great things, but there's obviously a lot more to go. And without getting into the entire strategy, I'll just pick out one or two examples. So one thing we wanted to do is to ensure that we trained all of our team on selling the LSEG way in one LSEG. So we made the largest investment in over a decade in our people to train them on a common methodology. So one of our sellers who sits in Seoul is speaking the same exact language and has the same approach as someone who's sitting in, you know, Sao Paulo. And so we are 100% complete with that rollout in APAC, and in the first quarter we'll be complete. And so every single salesperson will have gone through that methodology and training, which is a big milestone for us. But there are some others that are going to continue to take some time. But we had some great progress. So we talked about building out digital capabilities and call centre capabilities and more of like a global demand centre type of model. So we made some incredible progress this year, partnering very closely with what you heard in some of the operations breakout with the operations team. So we have soft launched our e-commerce capability. And in first quarter of this year, next year, we'll be launching that more broadly. So we'll be putting World Check online to be sold through our e-commerce channel front to back. And so we view that as something that could give us great access to a very large customer set without requiring humans. And in parallel, we built out call centres co-located with our operation centres. So we had sort of a call centre supporting North America. We now build out call centres in Gdynia and Manila co-located with our operations team. We were able to staff those teams, about 60%, with resources we already had trained who were part of the team. We've moved thousands of accounts to be managed out of those, and we're just starting that. So we're going to start seeing some scale happen going forward over the next couple of years.

Peregrine Riviere:

- Yeah, Arnaud.

Arnaud Giblat (BNP Paribas Exane):

- It's Arnaud Giblat from BNP Paribas Exane. A quick question on what you mentioned during your presentation about the ability to price for usage as a vector for growth. I'm wondering does this really kick in with the full rollout of Workspace and Microsoft product, or can that happen sooner? And with a lot of your key clients now on enterprise pricing, what's sort of the lag of the ability to change pricing? I suppose that the contracts are set for maybe a year or two?

David Schwimmer:

- So Ron, you want to touch on the second question and then we'll come back to your first one.

Ron Lefferts:

- Sure. We are cautious where we apply the enterprise commercial model. And we have several commercial models available to us, everything from this enterprise agreement, which falls into a certain pattern. And where it makes sense for us, we engage in those. And we have some very large customers on them, like the few that I mentioned, and we have some smaller customers on them. But that's a very specific pattern. And it's I would say a relatively modest part, percentage of our book. But where we've applied it, it has had the right kind of result that we've been looking for. We also have different types of models where many of our contracts are less than 12, or 12 months in duration. And that's an area of improvement that we're looking to get to move more to a longer term, more in a 24-month type of model to get some more consistency, especially over some of our smaller accounts where we have a lot more churn in our book, and so a lower target retention rate. So we look for some improvement there. And then as the technology becomes more available where we can do usage, we'll be looking forward to that because we approximate usage now. We sell often, for example, on our data subscriptions, within bands in certain ranges. And then we monitor that in kind of a retroactive way. So we still look at usage, but it's more in the rear-view mirror as opposed to a proactive way. So that's something that we're looking to improve upon.

Peregrine Riviere:

- Sorry. Yeah. If you can go all the way back over there. Thanks.

Haroon Masood (Third Point):

- Hi, this is Haroon. It seems like a lot of the opportunities you mentioned over the last couple of days are really opportunities that no one else is going after, either because they don't have the capabilities or history that you have, or because the incumbents or the other players in the market don't want to disrupt themselves. So it really comes down to pace of product development, quality of product development, and pace of execution. Have you maybe worked on the culture incentives and product development capabilities to deliver against that? And have you learned anything from Microsoft on the product development side that's been helpful?

David Schwimmer:

- So Satvinder, I'll turn that one over to you in a second. Just to pick up, Haroon, on your comment in terms of the fact that we're going after some spaces it seems like no one else is going after. I think that's a function of the uniqueness of what we bring to the table strategically. And the fact that we can have such a broad-ranging strategic conversation as a partner with these huge global institutions, no one else can really have those kinds of conversations. I think you're right in terms of the fact that we have a very different approach. Just to be blunt about it, we're willing to disrupt ourselves. And our open model really facilitates that. It facilitates the kind of partnership with our customers. And a number of our competitors have a very different approach, whether it's the closed silo model, whether it's the closed box model. And so I think because we have such a different attitude towards that, you know, I agree with you. I think that, you know, a number of our competitors are in a very different position in terms of that kind of attitude towards self-disruption. But Satvinder, you want to jump in there?

Satvinder Singh:

- One of the things I'll say is, look, the opportunity is in front of us. And as David said, we have a very different mindset to some of our competitors. And we're very proud of that, because that's based not on our thinking that there is better; it's based on what we've heard from our customers. So our customers want us to be open, so we want to be open, number one. Number two, while the opportunity is there, it will not last forever. It's not static. So we have to grab it. And we have to work at pace with it. So if you look at just the partnership and using that as a great example, we've got hundreds of people working on it. Microsoft has hundreds of people working on it. We have access to the best engineers, best product people, best client people at a Microsoft. That's a great benefit. We're learning a lot from them as well. So there's parts of my organisation that's benefiting tremendously by having that sort of exposure, not only to their minds but also to their ways of working. So when we say we're on a journey to be a customer-centric world-class product organisation, yes there are things we're doing organically ourselves; we're bringing in some of the best talent in the industry to help us in that process. But there are quite a few things we're learning through osmosis by watching how the Microsoft teams operate, because we work with them day in and day out. So if you want to learn how to work in an agile way, there's no better example than actually working with teams that have grown up that way. So it's a combination of lots of things, but I think the bottom line for us is we've got to grab the opportunity, and speed is really important for us.

Peregrine Riviere:

- And Mike.

Mike Werner (UBS):

- Thank you. Mike Werner from UBS. Two questions please. First, with regards to the acceleration of revenues after 2024, I was just wondering if you could help us better understand what's driving that. Is that revenue synergies that you think are coming through? Is that new products in terms of your new products that you're developing with Microsoft? Or is this one where, you know, particularly with the Workspace, with the Microsoft enhancements, you know, as that gets rolled out, do you expect a little bit of a faster jump in terms of the price point of that product? And then second question, you know, we sat and listened to the transformation team, and they talked about how the depth of the software development and engineer teams has improved substantially. Just going forward, thinking about some of the M&A that you have done over say the past two and three years to add capabilities, is that something that going forward we should expect LSE, or LSEG, excuse me, to do internally, you know, as that software development team improves. And ultimately, you know, as you've got a lot of these projects rolling out, it potentially frees them up from a capacity perspective. Thank you.

David Schwimmer:

- Thanks. Do you want to touch on the first one? I'll take the second one.

Anna Manz:

- Sure. And, you know, you've heard a lot of the drivers of growth over the last couple of days, so I'll call out some of them, but actually, many are relevant to 2025. So yes, we'll be seeing the revenue synergies flowing through. We already are, but they will continue to benefit us. Absolutely, we'll see the Microsoft partnership revenues start to come through in 2025. And you've also seen the pipeline across a number of other areas broader than Microsoft that will benefit us as well. And we continue to drive salesforce effectiveness and pricing yield efficiency. So all of those things should flow through.

David Schwimmer:

- And on your second question, and I'll interpret it, tell me if I'm interpreting this wrong, but I'll interpret it as as we get better at building internally, will we have to buy less? Yeah. Probably the best way to think about that is that we think about build versus buy analysis all the time. And there are a number of things that we are building right now that we had evaluated buying. And a number of the things that we have bought we evaluated building. I think if you take a step back, you pick up on the comments that Satvinder was making in terms of changing how we build product. I'm not sure if in our breakout sessions if anyone touched on what we refer to as Project Gemini, which is insourcing a lot more of our engineering talent that had historically been outsourced. We are building a lot more as we've talked about engineering muscle within the organisation. So I think that is a cultural change, and that does improve our capability set. And we are getting stronger and stronger at the product build. But I think you will continue to see us evaluate build versus buy in a number of different situations. And there may be, we'll see, there may be times when we might be building more going forward because we have incremental capability in-house. But there also may be circumstances where it makes more sense to buy. But I think, I mean, it's an interesting question, but there's no definitive sort of, you know, we're shifting much more towards building and less towards buying.

Mike Werner (UBS):

- Thank you.

Peregrine Riviere:

- Great, Enrico.

Enrico Bolzoni (JP Morgan):

- Thank you. It's Enrico Bolzoni, JP Morgan. A couple of questions from me. One on CapEx, you are guiding now for this decline. But within that, it seems that clearly it's going to be less directed towards what has been underinvestment in the past and more towards other initiatives. Can you just give us some colour in terms of, you know, understanding whether the CapEx that's going to come in the future will actually contribute just to, you know, increase the top line, or actually there's more that can be done to improve the cost base and make it even more scalable. And then my second question, as a result of the partnership with Microsoft, the migration to the cloud and the other initiatives, would you say that actually it's potentially easier to do inorganic acquisitions? So small acquisitions, simply because the business just for the way it's positioned is more scalable, so it's actually easier to plug in other realities to the existing one. Thanks.

David Schwimmer:

- Thanks. Why don't you take the first one. I'll take the second one.

Anna Manz:

- Sure. So you will see declining CapEx as we move through maybe the rump of the integration of the Refinitiv business. And as we sort of move through that, we'll see more and more of our CapEx focused on two things: growth and continuing to drive efficiency because there's some areas where we can still do that. And that growth chunk will continue to be a significant number as it is today, but today you also have some of the kind of core infrastructural stuff as well, which will fall away. So lots of investment in growth as we go forward.

David Schwimmer:

- Then on your second question, whether it'll be easier to make acquisitions or maybe easier to integrate. I think a couple ways to think about that. So first of all, I talked yesterday about the fact that we are really integrating this business, and significant investment going into that in terms of integrating our network infrastructure, consolidating data centres, etc. And so you will see us, if we are doing M&A going forward, and we're doing this with the more, the more modest-sized acquisitions that we've done since Refinitiv, we're actually integrating. We're not just stapling things on and then carrying on. And I think that's important and that requires discipline and it requires sort of ongoing focus on that. To the specific question of once you have that integrated architecture, is it then easier to acquire? In some cases, yes, but it will depend. And so for example, if you think about what we're building, and I was talking with some of you about this earlier in the day, we're basically creating a very efficient and scalable machine where you can input new content here and then have a very efficient global distribution mechanism. So under that construct, it should be relatively straightforward to add incremental content into that machine. Now, it will depend on what that content looks like and how we can ingest it. But then there are other potential capabilities or potential M&A that might not fit so easily into that machine, and they might relate to other parts of the business as well. So I think that, the long and short of it is we will have a more integrated business across the whole estate, which will make us more efficient and will make our business more scalable. And we will continue to maintain that discipline going forward. And in some cases, depending on the particular asset, that will make it easier to acquire and integrate. None of that will change the discipline with which we approach any M&A. And it has to make strategic and financial sense. And we've been very, very careful about that.

Peregrine Riviere:

- Ian.

Ian White (Autonomous Research):

- Thanks very much. Ian White, Autonomous. Just a couple of follow-ups from my side, please. First upon pricing, I'm just wondered if you might be prepared to share a bit more colour around what you're assuming on pricing as a lever, particularly by the end of the forecast period. Does it become a bigger driver? Are you assuming that, you know, Workspace remains at a significant discount to the major competitor in the desktop space, for example? And that's question one. Question two, I'm just interested in thoughts around how you think some of the advancements in technology, cloud-based distribution, for example, might impact the broader competitive dynamic between vendors. So if it becomes cheaper and easier for customers to receive product or ingest data, does that also mean it's cheaper for them to switch between vendors, and should we expect to see more displacements and, you know, threats and opportunities that you see around that, please? Thanks.

David Schwimmer:

- Got it. So my typical approach on your first question would be: I would ask Anna if she wants to not answer that question. So we're not going to get into the specifics of multi-year views on pricing. I think what you've heard from Anna yesterday is that we have increasing capability to use pricing as a lever. We're going to continue to be thoughtful about it in the context of our long-term, very strong kind of trusted relationships with our customers. I think we're all aware of certain products where we have a significant discount to the competition. I've said in the past, you know, that we're not going to, so for a 25 to 30% discount to a competitor, we're not going to move that up 24.9%. You know, we will do it in an appropriate way, a phased way that makes sense for our customers and for our customer relationships. But not in a position to get into sort of a multi-year pricing discussion at this point, other than just recognising the continued improvement in our product, the continued investment in our product is improving our pricing power. On your second question on whether that makes it easier to switch, I don't think so. And yeah, I'll turn it over to, it sounds like you guys are both chomping at the bit to answer that one. I mean, one quick point I'll make, and then you guys can both touch on it. So we've gotten this question about cloud. And if you think about when we have our hardware on your trading floor, that's really hard to switch out of. But when it's cloud distribution, oh, that must be a lot easier. But what that doesn't include is the fact that you are using our taxonomy, our classification system in the consumption of all that data. And so, you know, we estimate that, you know, a big bank customer has our taxonomy, our classification system coded into 300 to 500 applications across the estate. So what you have is a situation where it's much easier to access our data, but it's still deeply embedded and deeply sort of coded into all of your systems. I don’t know if you want to... Either one of you.

Ron Lefferts:

- You took my answer.

David Schwimmer:

- Oh, okay. Satvinder, you want to touch on any of that?

Satvinder Singh:

- Look, I'm four months into this organisation, but one of the taglines I love is, you know, we do a lot of things across the trade lifecycle. Nobody does everything we do. And I think customers use us not for individual products or services. They use us for the solutions we provide. They use us for the investments we're making in the future. And they know we're going to create more value for them as they build a relationship with us and as they stay with us. And I think that is a very sticky point, in addition to everything that David said, which is absolutely true. You know, just going to the cloud doesn't make it less easy for them to move. But I think there's a stronger emotional bind that we have with our customers, which is based on what we do, how we do it, and our commitment to the future and our investment into the future.

Peregrine Riviere:

- Ben.

Ben Bathurst (RBC):

- Thanks, Ben Bathurst from RBC. Looking out over the medium term, which regions do you expect to be the biggest contributors to the growth that you've outlined? And is there any change in the regional mix or contribution to growth relative to sort of the previous three years, given the fact that the world's arguably a slightly different place now?

David Schwimmer:

- So just as a sort of starting point, America is the largest capital market in the world and is our largest market. We're seeing significant growth in Asia in a number of different product areas. You know, Ron, you want to touch on sort of the perspective on a global basis?

Ron Lefferts:

- Yeah, no, I'd love to. So we have seen surprising resilience and strong performance from EMEA. I'll state that firstly. Extremely strong and across our product set. And in particular with our core offerings around Enterprise Data. So in both Real Time and in our reference data businesses. So very strong retention, very strong net new gross sales, high single-digit to low double-digit. So very, very strong. And EMEA has been incredibly resilient given all of the geopolitical things going on you know, in that market. And then APAC, as David had mentioned, continues to have pockets of strength for us as well. There has been some exposure on some of our transaction revenue relative to some of our offerings that support investment banking; for example, our due diligence products, which have, you know, as that activity has slowed down, we've seen some slowness there. We've also seen in some of our emerging markets where there has been some more volatility, like in China, for example, with small, medium business, more churn, especially in recent quarters. But as we talked about overall the strength of the business, the strength of our pipeline, still very in line and consistent with what we've seen in the past.

David Schwimmer:

- And just one last item on that. In Post Trade, and this is more of a longer-term opportunity set, but really interesting what we're seeing in Asia. And that can be in a couple of different areas, whether it's in India, whether it's in China where there's been a change in the futures and derivatives law over the last year and a half that makes it more acceptable from a risk management perspective to engage in clearing in China, for example, both international banks going into China, but also potentially Chinese entities clearing more internationally. So that's a little bit more of a longer-term view.

Peregrine Riviere:

- Yeah, sorry, right at the back. I can't even see that far. It's Kyle, I think, again. A different Kyle.

Kyle O’Donovan (Alua Capital):

- Thanks, Peregrine. Hi. Yeah, it's Kyle O'Donovan with Alua Capital. Thanks for taking the question. One of the more exciting messages I think from yesterday and today, for me at least, was the acceleration of the product launch with Microsoft to the first half of next year, previously, versus the second half of next year. So you've still though kept the revenue contribution to starting in 2025. I'm just curious if you could expand a little bit more on that. And is there an opportunity where because of the acceleration of the launch, potentially you start to monetise the products in 2024? Or if not, what is different I guess, what changes by 2025 that you start to activate that revenue?

David Schwimmer:

- So what we've said in the past, and there's no change in this, is that you'll see material revenue in '25. And so there may be an immaterial shift in terms of what we see in '24 based on the earlier launch. But in terms of that kind of materiality threshold, we're not expecting a meaningful shift. I don't know if you can add anything to that.

Anna Manz:

- No.

Peregrine Riviere:

- Sorry. Yes.

A. Michael Lipper (Lipper Advisory Services):

- All we've heard is wonderful, good news. So being an analyst, I have to think of the opposite. The financial sectors around the world are changing, many of them are reducing the number of players, reducing pricing. What is the worst thing that you could imagine that could happen to you over the next couple of years?

David Schwimmer:

- Who wants to answer that?

Satvinder Singh:

- Where do you want to start?

David Schwimmer:

- Actually, yeah, I think, look one of the things that we are super focused on, and we've talked a lot about resilience over the past day and a half, but one of the things that we're really focused on that we haven't really talked about explicitly, is our risk management culture. And this is something that we take very seriously, a core part of how we operate. It's something that we, when we acquired the Refinitiv business, one of the things that we had to implement, and again, we haven't really talked about this over the last day and a half, is a risk culture within that business. Thomson Reuters viewed itself largely as a media business. We view ourselves as systemic market infrastructure. And that's just a very different mindset. So I mean, you ask a question like that; I could give you a million things that could go wrong. And we do lots of scenario planning so that we are prepared for whatever may come. We're very focused on, you know, a big part, we don't have meaningful, like financial institutions, there's often a lot of concern about balance sheet risk. We have 300 billion or so of collateral in LCH, but because of the way we manage that, you shouldn't think about that as traditional balance sheet risk in the way that you would think about it at a bank. And then we're very focused on operational risk, regulatory risk, and various other things like that. So it's a core part of how we operate. You know, we run all kinds of, as I said, scenario planning, test runs for various things, exercises. And we think in terms of backup and resilience. And so I would like to say, and, you know, we've got David Shalders, our COO here, who deals with a lot of this as well. Our Head of Risk is not here right now. But, you know, we build redundancy into the system. And so that if something goes wrong, we have the backup and we can recover very quickly. So that's probably the best way I would answer that at this point. I don't know if anyone has anything you'd want to add?

Ron Lefferts:

- Well, I would add, because we're that critical infrastructure, we are very embedded in our customers' own plans on how they're managing their own risk. And so we partner very closely with them as well on their own plans. And so we inform each other in terms of how we're managing risk. So I think that's also a really critical part of what we do, because we're such a critical part of their operations as well.

Peregrine Riviere:

- Any more questions? Oh yes, at the back there.

Rahul Anne (Lone Pine Capital):

- Thanks, Rahul from Lone Pine Capital. Thanks for taking the question. When you guys first did the Microsoft partnership, AI wasn't as big of a buzzword as it is today, obviously, but it must be influencing the technology roadmap. You know, on a go-forward basis, when I just think about an average user of your products, they're probably using less than 1% of the data that you actually have, right, on a given day or whatever it is. And so having an AI interface, right, where you could potentially natural language query, right, and just the consumption of the data that could bring about, like how big of an opportunity is that? How big of a priority is that? And what are you doing to, you know, go after that opportunity?

David Schwimmer:

- So it's interesting that you link it to AI. And I understand why you've linked it to AI. I would not limit it just to AI. And the reason for that is that there's a lot that we are doing that makes it easier to access and utilise our data. And some of that is as simple as moving it to the cloud. And we refer to this as liberating the data. And in many ways, that's what we're doing strategically with our datasets that Satvinder was talking about. And by making that available in a cloud environment, in an integrated architecture, we're liberating those 48 or 50 different datasets. And we've seen that when we do that in the past, that leads to a pretty dramatic pickup in usage and consumption. And World Check's the best example of this, where, you know, we used to distribute World Check by file transfer. And I don't know what the timeframe was. It was, you know, it was once a month and then it was once a week and then... Now it's, you know, embedded in a lot of our customers' systems, either through feeds, and it's also available through the cloud. What has that done? A lot of our customers now use it real-time. Some payments firms check every transaction with our World Check database. You can imagine what that has done to the usage of that data, the consumption of that data. And because of that facility, when Russia invaded Ukraine, we've talked about this in the past, the usage of World Check went up 800%. So that is what we mean by the liberation of data. I think to your question on AI, it's going to do it, I think it'll be yet another accelerant. And, you know, hard to calculate what that will look like. But this notion of the liberation of the data we think is a very positive tailwind for our business broadly. So Satvinder, I don't know if there's anything you'd want to add to that.

Satvinder Singh:

- So just a couple of things. One is internal use cases. You heard Ron today talk about how they're using AI in the sales organisation. In the breakouts you probably heard, in the transformation breakout, how we're using AI for our own internal efficiencies, how we interact with internal inquiries, customer inquiries. So that's just one part. Then you look at stuff we're doing right now, BAU activities, how we're embracing AI, Advanced Dealing, how we're using chat rooms to pre-order, put orders in. And that's an amazing ability to take a couple of those workflows out, take the friction in the system out and create something that adds a lot of value. In my deck you saw that one of the test cases we're putting out there with our partnership with Microsoft is the Lipper AI-assisted Q&A chatbot that we want to put out there. We've also talked about as we do our data platform, how do we put a co-pilot in there that allows for data discovery and analysis. So there's a lot of things we can do with AI. To David's point, it liberates it, but it also creates significant efficiencies for us internally, but also creates significant efficiencies for our customers and allows them to be a lot more efficient and do a lot more of the value-add on top of that. So I think it's a real game-changer, and we totally agree with that.

Ron Lefferts:

- And I would add our customers are really asking for us to accelerate that as part of our roadmap, and we think that that's key and really strategic that we're partnered up with Microsoft. And so as part of the outreach to our customers, as we're building our capabilities, just for example, earlier this week we met with one of the large inter-dealer brokers. And we were talking with them about a large segment of their business. I was there with Dean Berry's team, who you met Dean in terms of the Workflows breakout. And their main use case was, hey listen, what we want is chat. So we don't want any more screens. Just include it so it's just easier and intuitive for us to get what we need, because we just chat all day long. So if we have that capability embedded into the rest of our information, you deliver that, you're pushing an open door, okay? You're knocking on an open door in terms of the capabilities that we want to buy from you.

Peregrine Riviere:

- I think we have one more question. Johannes. Just behind the pillar.

Johannes Thormann (HSBC):

- Thank you, Johannes Thormann, HSBC. Just one final follow-up question on the EBITDA margin. You don't want to give a precise guidance for the next years, but what could be the long-term ambition for the group? Is it that Data & Analytics gets to the same level of the other two units, or do all units get even higher to a 55% EBITDA margin? Don't want to focus on a year, but just as a long-term ambition, what is your thinking about this?

Anna Manz:

- David's handed me a question not to answer. So look, what we've laid out is the gap to our peer set. And that will create considerable value for ourselves and investors as we close it. There's no shortage of ambition here. And as we continue to drive significant revenue growth, that allows us to go further. But, you know, where we sit today, we have a strong path to improve our margin.

Peregrine Riviere:

- So thank you, everyone. I'm going to hand over to David in a second just to say we do have one of our longstanding issuers doing a market close ceremony that you're very happy to stay and watch. But David, and if you want to wrap up.

David Schwimmer:

- I would be delighted to. And Peregrine, thank you for your chairing of the events here. Thank you all for coming. Thank you for spending a day and a half with us. I hope you have had an opportunity to see the array of opportunities and the strength of the strategic roadmap that we have laid out. Most importantly, I'm thrilled that you have had the opportunity to meet the broader team. I know Anna and I have spent a lot of time with you over the years. I'm sure you're tired of seeing us. And hopefully, it's been a great opportunity for you all to meet the team, because we have a great team in its strength and its expertise, in its vision, and you can see the direction that we are going in. So again, thank you for your support. Thank you for being here.