



London Stock Exchange Group plc

Interim results

Six months ended 30 June 2018

2 August 2018



Financial highlights

Paul Froud, Head of Investor Relations

Strong financial performance

Revenue

up 12%▲

£953m

(2017 H1: £853m)

Total income

up 12%▲

£1,060m

(2017 H1: £946m)

Operating expenses

up 5%▲

on organic and constant
currency basis, while
investing for growth

Adjusted EBITDA

up 23%▲

£544m

(2017 H1: £444m)

AEPS

up 25%▲

88.7p

(2017 H1: 71.2p)

Interim dividend

up 19%▲

17.2p per share

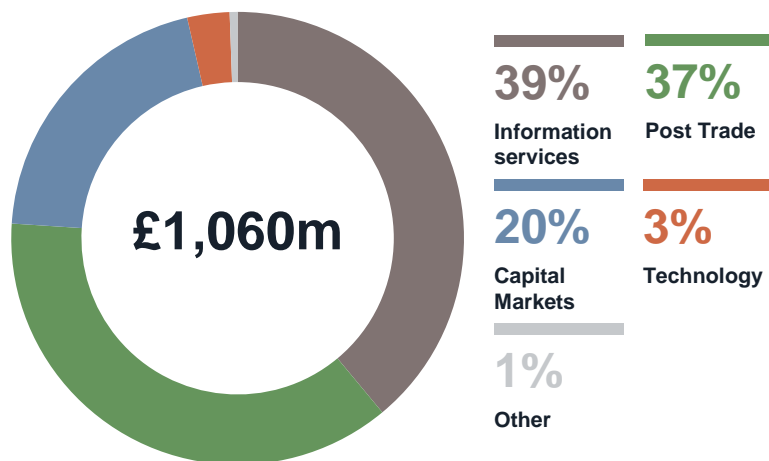
(2017 H1: 14.4p)

Note: All above figures for continuing operations only



Income by segment

LSEG 2018 H1 Total Income by segment



	Six months ended			Organic and constant currency variance ¹
	30 June 2018	2017	Variance	
	£m	£m	%	%
Continuing operations:				
Revenue				
Information Services	412	355	16%	9%
Post Trade Services - LCH	237	207	14%	14%
Post Trade Services - CC&G and Monte Titoli	52	55	(6%)	(8%)
Capital Markets	215	190	13%	12%
Technology Services	32	41	(22%)	18%
Other	5	5	-	-
Total revenue	953	853	12%	11%
Net treasury income through CCP businesses	104	75	38%	39%
Other income	3	18	-	-
Total income	1,060	946	12%	11%

Double-digit growth

FTSE Russell

19%

FTSE Russell revenue up 19% (up 9% at organic constant currency)

LCH

16%

LCH OTC clearing revenue up 16% (up 17% at organic constant currency)

H1 2018 versus H1 2017

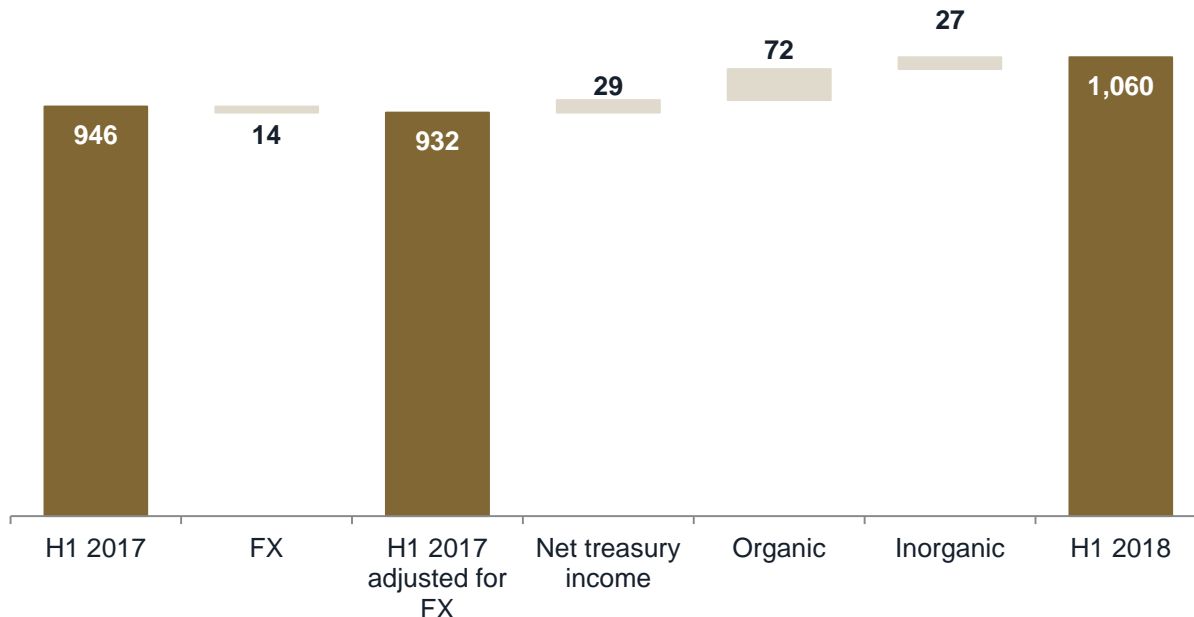
- Post Trade – LCH: £5m Cost of Sales netted off against Other income
- Post Trade – CC&G and Monte Titoli: £5m Cost of Sales netted off against revenues
- Technology Services: Disposal of MillenniumIT ESP and Exactpro December 2017 £14m revenue

¹ Organic growth is calculated in respect of businesses owned for at least 6 months in either period and so excludes ISPS, The Yield Book, MillenniumIT ESP and Exactpro

Income growth

Strong growth from investment in new products and acquisitions

LSEG income (£m)



LCH Net treasury income

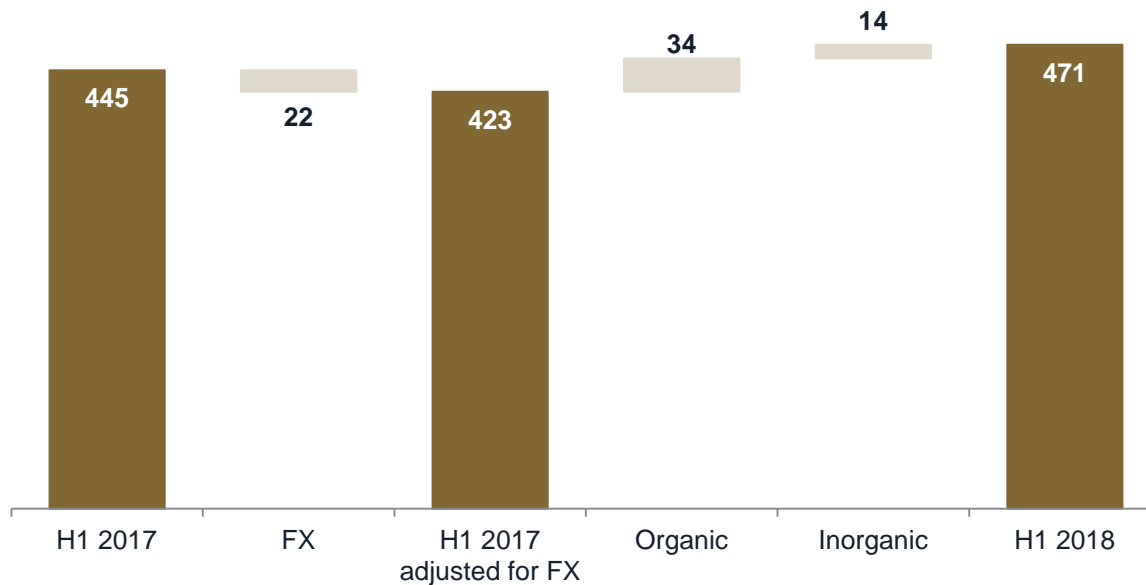
- LCH H1 up 47% to £83m
- Driven by expansion of counterparties and USD returns which benefitted from the USD rate environment
- Absent further rate rises in H2, Q1 (£38m) may be the better run-rate

Note: Figures include continuing operations only, Inorganic includes income for businesses held for less than 6 months in either period: ISPS, The Yield Book, MillenniumIT ESP and Exactpro

Operating expenses

Underlying expenses up 5% (before depreciation and amortisation, on an organic and constant currency basis)

LSEG expenses including depreciation (£m)



Operating expenses before depreciation and amortisation £407m (2017 H1: £399m)

Depreciation £64m
(2017 H1 : £46m)

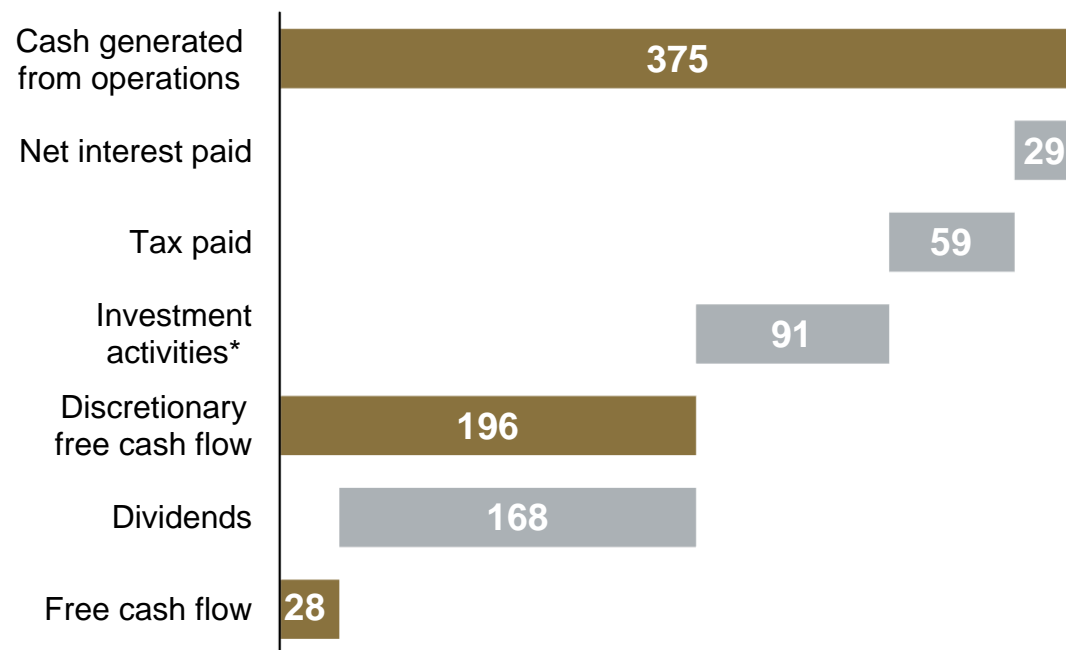
Due to phasing of spend during the year 2018 H2 operating expenses including depreciation expected to be higher by c.£25-30m

2018 H1 underlying effective tax rate (excluding one-offs): **23.0%**; expect similar for H2

Note: Figures include continuing operations only, excluding amortisation of purchased intangibles, non-underlying items and cost of sales
Inorganic includes costs for businesses held for less than 6 months in either period: ISPS, The Yield Book, MillenniumIT ESP and Exactpro

Summarised cash flow

Strong cash generation (£m)



£90m capex – mainly business and corporate technology upgrades, acquisition integration, regulatory changes and new projects, expect c£100m in H2

Discretionary free cash flow remains strong at **56.6p** per share¹
(2017 H1 59.4p)

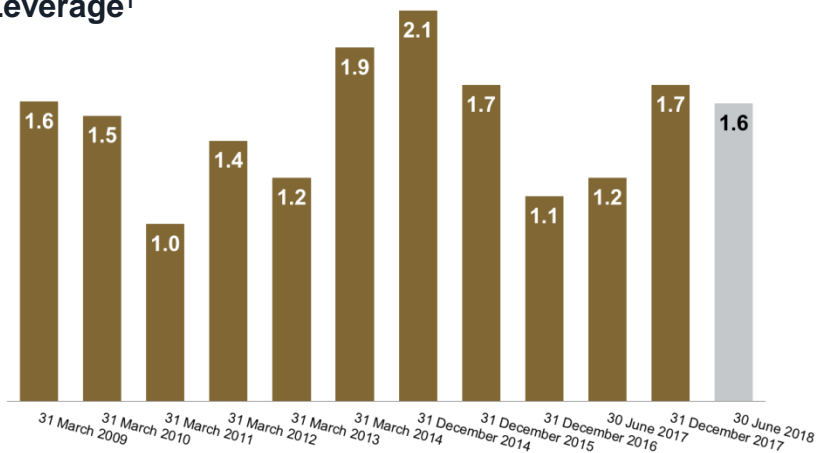
Note: All above figures include continuing and discontinuing operations

¹ Based on weighted average shares in issue for the period of 2018: 346m, 2017 347m

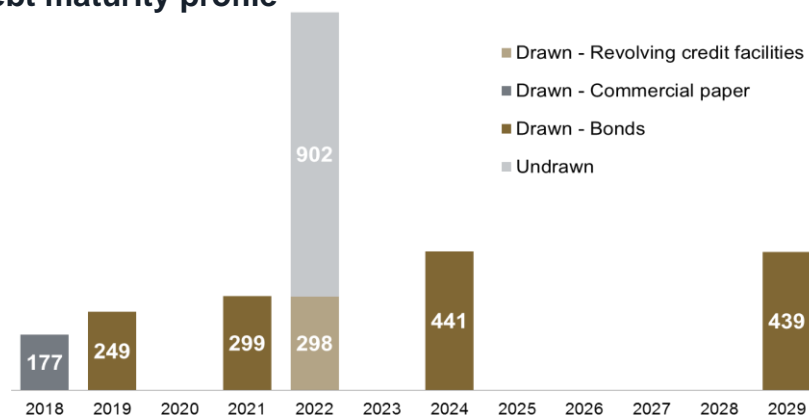
* Investing activities includes capital expenditure, investment in associates, proceeds from disposal of assets, less dividends received and excludes acquisitions

Financial position

Leverage¹



Debt maturity profile



30 June 2018

Operating net debt **£1,627m**
(31 December 2017: £1,639m)

Net debt: Pro forma¹ adjusted EBITDA 1.6x
(excluding £1,005m restricted cash)

Commercial Paper (CP) Programme commenced with
€200m (£177m) of issuance as at 30 June 2018

Committed undrawn credit lines out to 2022 of over
£900m including £177m set aside to backstop CP
issuance

Ratings

LSEG: S&P long term **A-** with **positive** outlook and
Moody's **A3** with **stable** outlook

LCH LTD & SA: S&P long term **A+** with **positive**
outlook

¹ Pro forma as if acquisitions held for the complete year



Operational Highlights

David Warren, Chief Financial Officer



Strategy delivering strong results

Strong financial results:

- Strong financial performance across the Group – with double-digit revenue growth at FTSE Russell and LCH OTC
- Strong balance sheet position with leverage at 1.6x
- Remain focused on achieving 2019 financial targets

Continued execution of strategy:

- Driving strong operational and financial performance
- Deployment of capital for strategic acquisitions – increased LCH stake to 68%, 100% of FTSE TMX Global Debt Capital Markets Ltd, AcadiaSoft minority stake
- Organic investment to capitalise on multiple growth opportunities

Well positioned to benefit from global growth trends:

- Increasingly diversified global financial markets infrastructure business
- Capitalising on continuing global growth trends across asset management, OTC clearing, post trade risk management and evolving regulatory landscape
- Essential partner to clients around the world
- Open Access approach based on partnership with customers



Information services



- Leading global multi-asset provider with **~\$16tn** assets benchmarked
- ETF AuM benchmarked **up 22% to \$646bn**, including smart beta ETF **up 18% to \$193bn**
- Authorised as EU-based Administrator under new European Benchmark Regulation

Continued expansion of offering by product and location

Global reach

- c\$27bn AuM benchmarked to FTSE China Indexes
- New FTSE Total China Connect index selected by Vanguard for new ETF
- Ongoing analysis around potential inclusion of China A-Shares in FTSE Russell global equity benchmarks
- Saudi Arabia promoted to Emerging Market status from March 2019 – will be largest Middle East market in index

Fixed Income

- The Yield Book performing well, integration on track for delivery of synergy targets
- Acquired 100% ownership of FTSE TMX Global Debt Capital Markets Limited
- Ongoing analysis around potential inclusion of China in FTSE World Government Bond Index (WGBI)

ESG

- FTSE Russell 1st Green Revenues report highlights that opportunity now represents \$4tn in market capitalisation

UnaVista

- Good growth following implementation of MiFID II and upcoming introduction of SFTR

~\$16tn

Leading global multi-asset provider with ~\$16tn assets benchmarked

\$646bn

ETF AuM benchmarked up 22% to \$646bn

\$193bn

Smart beta ETF AuM up 18% to \$193bn

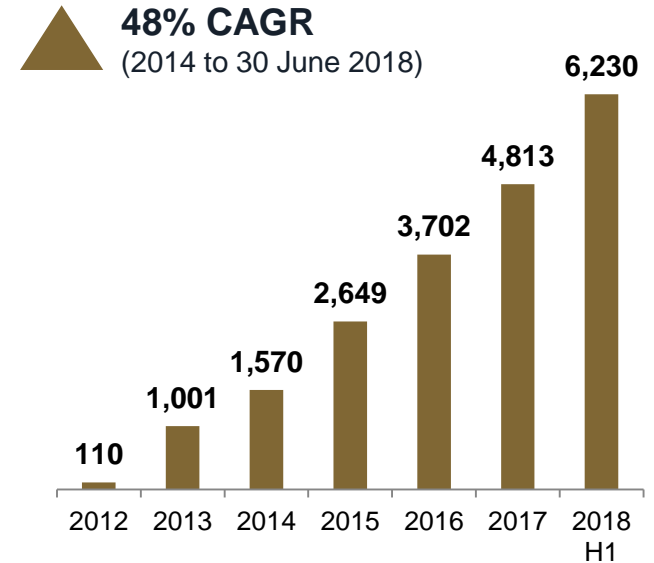
SwapClear

Continued global leadership in OTC rates clearing

SwapClear KPIs 2018 H1:

- **\$576tn record** notional cleared (2017 H1: \$468tn) **up 23%**
- **785k record** number Client trades cleared (2017 H1: 610k) **up 29%**
- **\$388tn record** total notional compressed (2017 H1: \$312tn) **up 24%**
- **90%+** share of clearing notional value (client and member)
- **34%** increase in number of clients clearing Euro swaps during the period
- Obtained recognition as a central counterparty from the **Banco de Mexico** allowing clearing by Mexican-domiciled market participants
- LCH SwapClear **21 currencies** cleared, launched 30 April first **non-deliverable interest rate swaps** denominated in Chinese Yuan, Korean Won and Indian Rupee, **\$800bn** cleared
- **SOFR** Secured Overnight Financing Rate clearing launched

Average Daily Client Trades



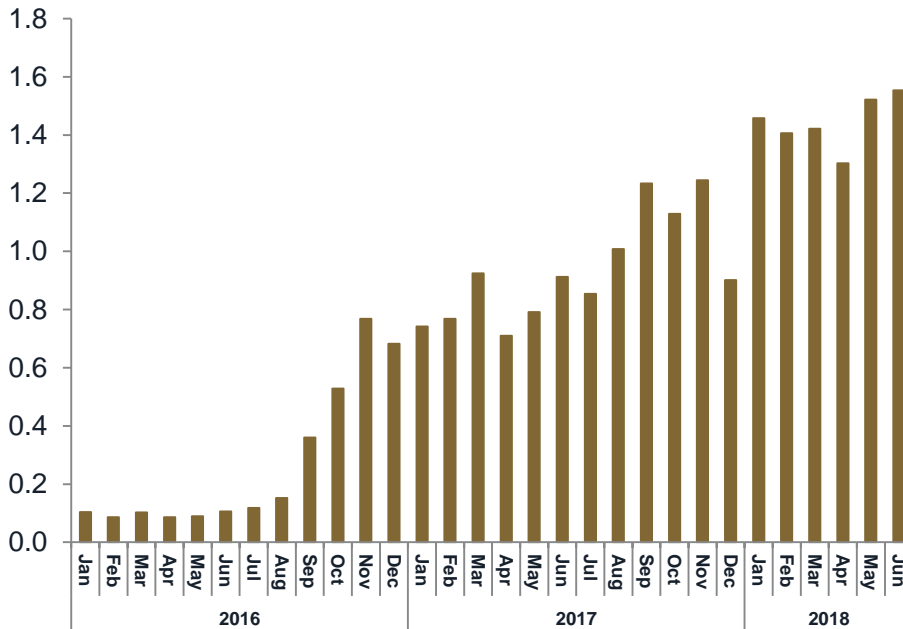
Regulatory tailwinds supporting growth in core business and new product areas



ForexClear

A step-change in volumes following the introduction of Uncleared Margin Rules, with scope for significant further growth

ForexClear: Cleared Notional - \$tn



+79%

In cleared notional
2018 H1 \$8.7tn
(2017 H1 \$4.9tn)

+87%

In trade count 2017
1.3m trades
(2017 H1 0.7m
trades)

97%

Of NDF clearing
notional is at
ForexClear ⁽¹⁾

Next stage developments

- **FX Options launched July 2018**
- G10 FX NDFs launched in Q4 2017
- Membership increased to 32 (2017 H1: 27)
- Client clearing
- Compression services

⁽¹⁾ Source: ClarusFT March 2018

Capital Markets

- **Equity Listings – 87 New Issues** - up 7%;
 - #1 exchange in Europe for number of IPOs
 - Money Raised by equity issuance **£15bn**
 - 212 AIM companies raised £3.2bn in equity
 - Encouraging 2018 H2 IPO pipeline
- **Secondary Markets** – UK equity average daily value traded **£6.2bn** – up 13%, Borsa Italiana average daily trades up 6%
- Smooth transition to **MiFID II** environment across LSEG’s markets
- **Turquoise Plato Block Discovery Large in Scale** value traded **€36bn**,
 - **Q2 €20bn traded, up 23%** on Q1 €16bn
- **CurveGlobal**
 - **100+%** rise in open interest in last 12 months to circa 220k lots
 - SONIA[®] three month futures contract launched April 2018, over 100k lots traded, 80% share of volume traded
- **Shanghai-London Stock Connect** - ongoing preparations for Q4 launch

87

New issues

£15bn

Raised by equity issuance

220k

Open interest lots at
CurveGlobal



Investment for growth

£108m

Investment spend
– including £90m
capital expenditure

c75%

investing for growth
and efficiencies

c25%

Investing in
operations

Expansion of customer offering:

- FTSE Russell Global Fixed Income, Smart Beta & ESG product enhancements
- LCH – SwapClear, ForexClear and CDSClear growth, AcadiaSoft investment and future collaboration with LCH SwapAgent

Infrastructure maintenance and upgrades:

- Regulatory - including MiFID II and Brexit contingency planning
- Property
- Compliance

Investing to drive Group efficiencies:

Business Services Limited (BSL) - Shared Services Company

2018

- Offshore / Nearshore business centres – technology, data services and corporate functions
- Expanding BSL to Bucharest, Romania
- Developing existing and acquired centres: Sri Lanka, Malaysia, Taiwan & US (South Carolina & Buffalo)
- Recruitment & training (temporary dual running costs)

2019

- Business centres transfer of operations

Brexit - LSEG well positioned

LSEG committed to orderly function of markets, continuity of service to customers and supporting financial stability.

Global business, balanced portfolio

Global business, balanced portfolio of assets across listing, trading, index and clearing and settlement services in the UK, EU, United States and Asia

Global clearing operations

Clearing houses operate globally across 59 jurisdictions with equivalence and enhanced cooperative regulation arrangements

Diversified mix of revenues

LSEG diversified mix by product, revenues earned in a variety of currencies – over 50% income non-GBP

No discernible change in customer behaviour

Committed to supporting customers as they prepare contingency plans, but **no discernible change in current customer behaviour across listing, trading, index and clearing businesses**

Additional licence and regulatory preparations in hand

Select LSEG businesses (Turquoise, UnaVista, TRADEcho) have applied for additional licences in The Netherlands, should a EU27 location be needed to serve EU customers in Hard Brexit scenario

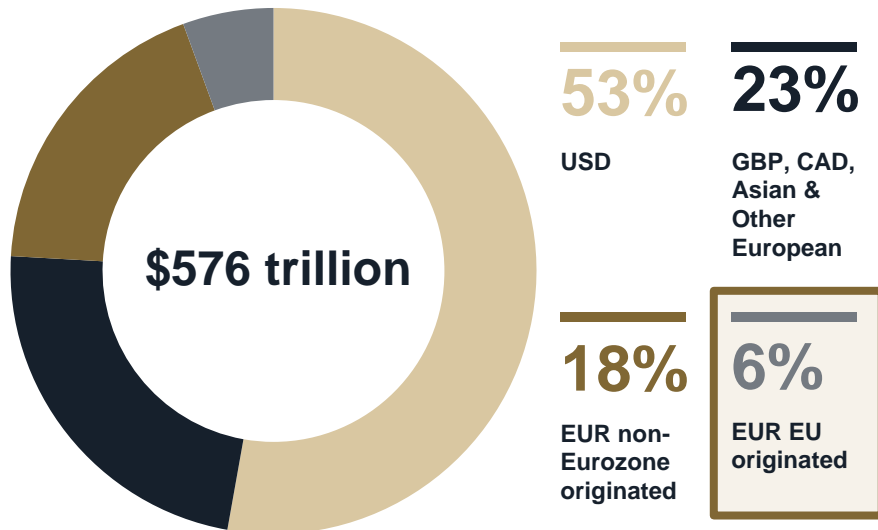
LCH Ltd to apply for recognition as a third country (TC) EMIR recognised CCP (32 CCPs already TC recognised) to provide EU customers with continued access, should this be required;

LCH SA and CC&G to apply for licences from BoE to provide services in UK.

Euro-denominated IRS clearing

Euro-denominated swaps with EU origination: 6% of IRS for H1 2018

SwapClear – clearing volumes H1 2018



SwapClear is a global service

SwapClear directly licensed to clear in many jurisdictions including: UK, US, EU, Australia, Canada, Hong Kong, Japan, Mexico, Singapore and Switzerland

21

International currencies are cleared

59

Clients from 59 countries

LCH Ltd is only European-based CCP qualified to clear OTC FX & Interest Rates for buy-side and FCM marketplace in USA

Progress on 2019 financial targets

Target

FTSE Russell

Double-digit growth to continue 2017-2019

LCH

OTC revenue growth to continue at double-digit 2017-2019

LCH

Adjusted EBITDA margin growth - approaching 50% by 2019 (2016: 35.6%, 2017: 43.6%)

LSEG

Adjusted EBITDA margin of c.55% by 2019 (2016: 46.5%, 2017: 46.8%)

Progress

H1 2018: up 19%, up 9% on organic and constant currency basis

H1 2018: up 16%, up 17% on organic and constant currency basis

H1 2018: 47.5%

H1 2018: 51.3%

Operating expenses held at c.4% p.a. 2017-2019 & next phase cost saves of £50m p.a. by exit 2019 – On-track

Summary



Continued execution of strategy

Benefitting from strong global trends



Strong financial results

Good progress in delivery of three-year financial targets



Well positioned to drive further growth

Multiple growth opportunities, operating on an Open Access basis in partnership with customers



Appendices

Notes

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

Adjusted earnings per share

Based on number of shares 346.0m (2017 : 347.0m), excludes ESOP

Exchange rates

	Average rate 6 months ended 30 June 2018	Closing rate at 30 June 2018	Average rate 6 months ended 30 June 2017	Closing rate at 30 June 2017
GBP : EUR	1.14	1.13	1.16	1.14
GBP : USD	1.38	1.32	1.26	1.30

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-underlying items by approximately £14 million.

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Interim dividend of 17.2p per share, ex-dividend date 23 August 2018, record date 24 August 2018 and payment date 18 September 2018



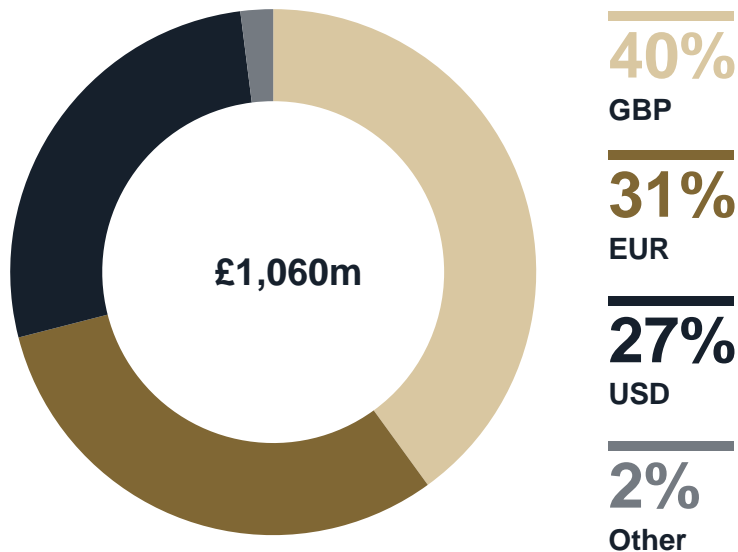
Overview of results

	Six months ended 30 June			Organic and constant currency
	2018 ¹ £m	2017 ¹ £m	Variance %	variance %
Total income	1,060	946	12%	11%
Cost of sales	(106)	(102)	4%	13%
Gross profit	954	844	13%	11%
Operating expenses before depreciation and amortisation ²	(407)	(399)	2%	5%
Underlying depreciation and amortisation ²	(64)	(46)	39%	34%
Total operating expenses	(471)	(445)	6%	8%
Share of profit / (loss) after tax of associates	(3)	(1)	-	-
Adjusted operating profit²	480	398	21%	14%
Add back underlying depreciation and amortisation ²	64	46	39%	34%
Adjusted earnings before interest, tax, depreciation and amortisation²	544	444	23%	16%
Amortisation of purchased intangibles and non-underlying items and profit on disposal	(87)	(93)	(6%)	(5%)
Operating profit	393	305	29%	19%
Net finance expense	(33)	(28)	18%	
Adjusted profit before tax²	447	370	21%	
Effective tax rate	22.6%	23.8%		
Basic earnings per share (p)	71.1	50.4	41%	
Adjusted earnings per share (p)²	88.7	71.2	25%	
Dividend per share (p)	17.2	14.4	19%	

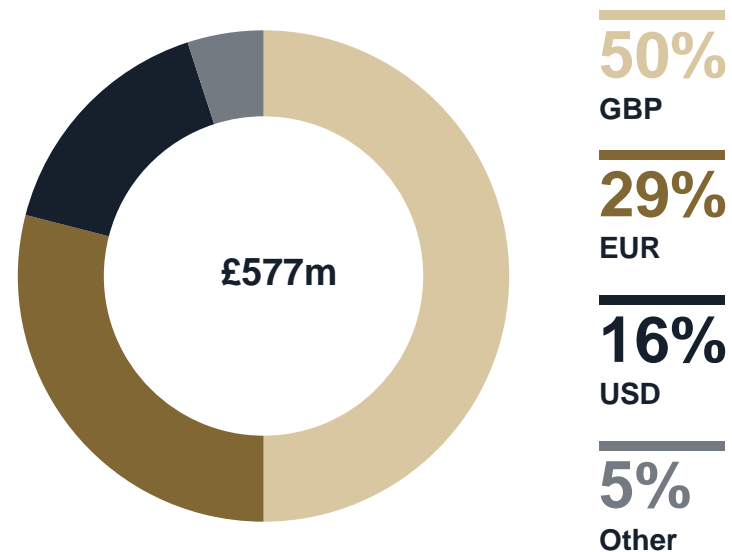
Diversified by currency

Diversification by both income and expenses across GBP, EUR and USD

2018 H1 Income



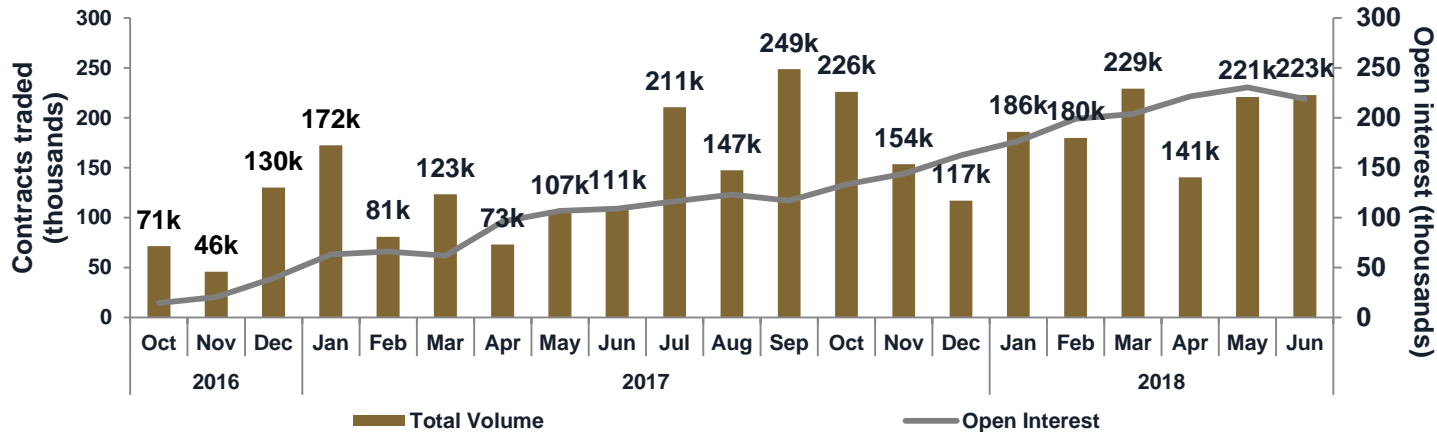
2018 H1 Underlying Expenses



Note: figures include continuing operations only, expenses include depreciation and cost of sales, but exclude non-underlying expenses



CurveGlobal



100%
Rise in open interest
on platform in last 12
months

- CurveGlobal customer partnership model delivering choice, innovation and low cost service in response to customer demand
- Over 100% rise in open interest on platform in last 12 months, to circa 220k lots
- CurveGlobal completed £20m second round funding with banks, Cboe & LSEG
- SONIA® three month futures contract launched April 2018, over 100k lots traded, 80% share of volume traded
- LCH Spider II to launch long term interest rate 2018 Q4
- MiFID II Best execution – Banks smart order routers being deployed across futures

Key performance indicators

Information Services

	As at		Variance
	30 June		
	2018	2017	%
ETF assets under management benchmarked (\$bn)			
FTSE	387	315	23%
Russell Indexes	259	215	20%
Total	646	530	22%

Terminals

UK	68,000	70,000	(3%)
Borsa Italiana Professional Terminals	109,000	127,000	(14%)

Post Trade Services - CC&G and Monte Titoli

	Six months ended		Variance
	30 June		
	2018	2017	%
CC&G Clearing			
Contracts (m)	62.5	60.1	4%
Initial margin held (average €bn)	9.7	12.8	(24%)
Monte Titoli			
Settlement instructions (trades m)	23.9	22.9	4%
Custody assets under management (average €tn)	3.30	3.24	2%

Post Trade Services - LCH

	Six months ended		Variance
	30 June		
	2018	2017	%
OTC derivatives			
SwapClear			
IRS notional cleared (\$tn)	576	468	23%
SwapClear members	109	106	3%
Client trades ('000)	785	610	29%
CDSClear			
Notional cleared (€bn)	325	298	9%
CDSClear members	14	13	8%
ForexClear			
Notional value cleared (\$bn)	8,664	4,847	79%
ForexClear members	32	27	19%
Non-OTC			
Fixed income - Nominal value (€tn)	48.9	42.9	14%
Listed derivatives (contracts m)	81.9	76.4	7%
Cash equities trades (m)	414	419	(1%)
Average cash collateral (€bn)	85.9	86.5	(1%)

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

Key performance indicators

Capital Markets - Primary Markets

	Six months ended		Variance %
	30 June		
	2018	2017	
New Issues			
UK Main Market, PSM & SFM	38	42	(10%)
UK AIM	36	28	29%
Borsa Italiana	13	11	18%
Total	87	81	7%
Money Raised (£bn)			
UK New	1.9	2.4	(21%)
UK Further	10.8	8.4	29%
Borsa Italiana new and further	2.3	12.2	(81%)
Total (£bn)	15.0	23.0	(35%)

Capital Markets - Secondary Markets

	Six months ended		Variance %
	30 June		
	2018	2017	
Equity			
Totals for period			
UK value traded (£bn)	769	683	13%
Borsa Italiana (no of trades m)	39.4	37.5	5%
Turquoise value traded (€bn)	464	556	(17%)
SETS Yield (basis points)	0.62	0.63	(2%)
Average daily			
UK value traded (£bn)	6.2	5.5	13%
Borsa Italiana (no of trades '000)	312	295	6%
Turquoise value traded (€bn)	3.7	4.4	(16%)
Derivatives (contracts m)			
LSE Derivatives	4.1	3.2	28%
IDEM	20.7	20.4	1%
Total	24.8	23.6	5%
Fixed Income			
MTS cash and BondVision (€bn)	1,888	1,902	(1%)
MTS money markets (€bn term adjusted)	43,964	41,355	6%

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



Income & gross profit

£ millions	2017				2017	2018		
	Q1	Q2	Q3	Q4		Q1	Q2	H1
Primary Markets	21	26	30	33	110	29	33	62
Secondary Markets - Equities	42	42	39	40	163	45	44	89
Secondary Markets - Fixed income, derivatives & other	31	28	28	31	118	33	31	64
Capital Markets	94	96	97	104	391	107	108	215
Clearing	11	9	9	10	39	10	12	22
Settlement, Custody & other	17	18	17	18	70	18	12	30
Post Trade Services - CC&G and Monte Titoli	28	27	26	28	109	28	24	52
OTC - SwapClear, ForexClear & CDSClear	57	55	59	60	231	66	64	130
Non OTC - Fixed income, Cash equities & Listed derivatives	33	33	33	34	133	33	34	67
Other	16	13	22	17	68	19	21	40
Post Trade Services - LCH	106	101	114	111	432	118	119	237
FTSE Russell Indexes	127	134	135	150	546	150	159	309
Real time data	23	24	23	24	94	24	23	47
Other information	24	23	24	25	96	27	29	56
Information Services	174	181	182	199	736	201	211	412
Technology Services	20	21	23	27	91	13	19	32
Other	1	4	1	3	9	3	2	5
Total Revenue	423	430	443	472	1,768	470	483	953
Net treasury income through CCP:								
CC&G	10	10	11	11	42	10	11	21
LCH	24	31	31	34	120	38	45	83
Other income	4	14	1	6	25	2	1	3
Total income	461	485	486	523	1,955	520	540	1,060
Cost of sales	(51)	(51)	(56)	(57)	(215)	(56)	(50)	(106)
Gross profit	410	434	430	466	1,740	464	490	954



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