

London Stock Exchange Group plc: Q1 2023 Trading Update

Strong start to the year across subscription and transactional businesses

David Schwimmer, CEO said:

“Our strategy continues to deliver, with all divisions contributing to growth. Our performance in the first quarter demonstrated the strength of our business model, the improving quality of our revenue and our critical role in the resilience of financial markets. In Data & Analytics, we saw a further acceleration in Annual Subscription Value growth, reflecting the investments we have made in our services and stronger customer engagement. In Post Trade, our leading franchise attracted a surge in volumes as clients looked to manage risk effectively during a period of heightened volatility.

“As we continue our shift from integration to transformation, we are confident of making further progress through the rest of the year.”

Q1 2023 highlights

(All growth rates on a constant currency basis unless otherwise stated)

- **Total income (excl. recoveries) +7.5%, or +8.0% excluding the impact of the Russia/Ukraine war¹**
- **Data & Analytics +7.1% (+7.8% ex Russia/Ukraine), Capital Markets +2.5%, Post Trade +16.8%**
- **March 2023 organic Annual Subscription Value (“ASV”) growth +7.6%, up from +6.2% at December 2022**
- **Microsoft partnership underway; teams engaged in joint product development**
- **Acquisition of Acadia completed in March 2023, furthering LSEG’s strategy to enhance and grow its multi-asset class Post Trade offering**
- **Good progress on £750 million buyback programme, with second £250 million tranche completed**
- **Satvinder Singh to join LSEG in July 2023 as Group Head, Data & Analytics**
- **All 2023 guidance reiterated: 6-8% constant currency growth in total income (excl. recoveries), EBITDA margin c. 48%, business-as-usual capex c. £750 million**

This release contains revenues, cost of sales and key performance indicators (KPIs) for the three months ended 31 March 2023 (Q1). Certain columns and rows may not add due to the use of rounded numbers for disclosure purposes. Throughout this document, revenues and cost of sales associated with the BETA divestment, completed on 1 July 2022 have been classed as discontinued and are excluded from all periods. To reflect underlying performance, all constant currency variances compare the current and prior period at consistent exchange rates. Organic variance is calculated on a constant currency basis, adjusting the results to remove disposals from the entirety of the current and prior year periods, and including acquisitions from the date of acquisition with a comparable adjustment to the prior year.

¹ Growth rates excluding the impact of the Ukraine / Russia war exclude income in the region and from sanctioned customers and related business from both periods. In Q1 2022, this amounted to £18 million, and nil beyond that.

Q1 2023 summary

Continuing operations	Q1 2023 £m	Q1 2022 £m	Variance %	Constant Currency Variance %	Organic Variance %
Trading & Banking Solutions	425	378	12.4%	4.7%	2.7%
Enterprise Data Solutions	347	303	14.5%	7.9%	6.8%
Investment Solutions	350	309	13.3%	5.7%	5.7%
Wealth Solutions	73	63	15.9%	7.2%	7.2%
Customer & Third-Party Risk Solutions	120	94	27.7%	18.8%	13.3%
Data & Analytics	1,315	1,147	14.6%	7.1%	5.7%
Equities	59	67	(11.9%)	(11.6%)	(11.6%)
FX	66	60	10.0%	(0.9%)	(0.9%)
Fixed Income, Derivatives & Other	269	232	15.9%	7.3%	7.3%
Capital Markets	394	359	9.7%	2.5%	2.5%
OTC Derivatives	126	93	35.5%	30.7%	27.0%
Securities & Reporting	64	64	-	(3.3%)	(3.3%)
Non-Cash Collateral	26	24	8.3%	5.9%	5.9%
Net Treasury Income	73	57	28.1%	20.5%	20.5%
Post Trade	289	238	21.4%	16.8%	15.4%
Other	9	7	28.6%	10.2%	10.2%
Total Income (excl. recoveries)	2,007	1,751	14.6%	7.5%	6.4%
Recoveries	93	80	16.3%	2.3%	2.3%
Total Income (incl. recoveries)	2,100	1,831	14.7%	7.2%	6.2%
Cost of sales	(288)	(240)	20.0%	11.7%	10.0%
Gross Profit	1,812	1,591	13.9%	6.5%	5.6%

Total income (excluding recoveries) was up 7.5% year-on-year in Q1, or up 8.0% excluding the impact of the Russia/Ukraine war. On an organic basis, growth was 6.4%.

- **Data & Analytics** was up 7.1%, or 7.8% ex Russia/Ukraine, with growth accelerating from 2022 as a result of improving sales and retention, and a higher annual price increase than in recent years. Organic ASV growth was +7.6% at March 2023, with the further improvement on the December rate mainly the result of this year's price review, for the most part effective from January 2023.
 - **Trading & Banking** was up 4.7%, or 6.1% ex Russia/Ukraine. Both Trading and Banking accelerated, reflecting consistent improvements in retention as well as price benefits. Growth was broad-based across all user groups. Organic growth was 2.7%, with the acquisition of TORA in 2022 adding 2 percentage points to constant currency growth.
 - **Enterprise Data** was up 7.9%, or 8.5% ex Russia/Ukraine. We continue to see strong demand for our data in Real-Time, with growing usage and good renewal rates as well as a number of new contracts. In PRS, we are making further rapid progress towards our revenue synergy targets through continued cross-selling activity.

- **Investment Solutions** was up 5.7%, with very strong growth in Benchmark Rates, Indices & Analytics (+14.1%) mainly driven by flagship equity products. The decline in asset-based revenue (-12.4%) reflected lower market values year-on-year.
- **Wealth** was up 7.2%, as growth accelerated from 2022 supported by strong sales of data feeds and price increases.
- **Customer & Third Party Risk** was up 18.8%, or 13.3% on an organic basis. World-Check, our screening business, continued to show excellent business momentum driven by customer demand and the benefits of cloud migration.
- **Capital Markets** was up 2.5%, with growth driven primarily by Tradeweb.
 - **Equities** was down 11.6%, reflecting subdued market volumes in both primary and secondary markets and a strong prior period for trading volumes in 2022.
 - **FX** was down 0.9%, as a result of record volumes in the prior period. Activity levels in FXall improved compared to the second half of 2022, and last year's commercial actions in FX Matching continued to drive good volume growth.
 - **Fixed Income, Derivatives & Other** was up 7.3%. Average daily volumes were up 16.2% at Tradeweb, with strong performance across rates, credit, and money markets, although this was partly offset by lower fee capture across rates as investors increased trading in shorter-duration securities.
- **Post Trade** was up 16.8%, with OTC Derivatives up 30.7% on very strong activity in SwapClear arising from heightened market volatility. We also benefited from reference rate reform as clients switch US Dollar LIBOR contracts to SOFR. Net Treasury Income was up 20.5% on higher collateral balances and a slight increase in the yield achieved.
- **Group cost of sales** was up 11.7%, with the very good performance in SwapClear and related Net Treasury Income resulting in a higher level of profit share, which is reflected in cost of sales.

Capital allocation

LSEG is highly cash-generative and we continue to take an active approach to capital allocation, investing for growth and returning excess capital to shareholders. At the end of March, we completed the acquisition of Acadia, significantly enhancing our multi-asset class capabilities in Post Trade. Acadia provides risk management, margining and collateral services to global financial institutions for the uncleared derivatives markets. Its risk and margining products span all OTC derivative asset classes and provide direct connectivity to over 2,000 market participants.

We made further progress with our on-market £750 million buyback programme, completing the second £250 million tranche in March and launching the final tranche, which we expect to complete by July. In addition, at today's AGM, we are seeking shareholder approval for a directed buyback from the Blackstone/Thomson Reuters consortium, expected to be up to £750 million by April 2024.

Appointment of Group Head, Data & Analytics

Last week, we announced that Satvinder Singh will join LSEG in July 2023 as Group Head, Data & Analytics and as a member of the Executive Committee. Satvinder brings strong leadership experience in financial services, in many parts of the trade lifecycle, and a proven track record of building high performing global teams.

Capital Markets Event

We plan to host a Capital Markets Event in London on 16 (afternoon/evening) and 17 November 2023. The event will combine plenary presentations, which will be webcast, and a day of break-out sessions enabling investors and analysts to engage in-depth with management across a wide range of LSEG's businesses. We strongly encourage in-person attendance. Please register your interest with the IR team at ir@lseg.com. Further details will follow in due course.

Contacts: London Stock Exchange Group plc

Investors

Peregrine Riviere / Chris Turner – Investor Relations

ir@lseg.com

Media

Lucie Holloway / Rhiannon Davies – Financial Communications

+44 (0) 20 7797 1222
newsroom@lseg.com

Additional information can be found at www.lseg.com.

Q1 investor and analyst conference call:

LSEG will host a conference call for its Q1 Trading Update for analysts and investors today at 08:30am (UK time). On the call will be David Schwimmer (Chief Executive Officer) and Anna Manz (Chief Financial Officer).

To access the webcast or telephone conference call please register in advance using the following link:

<https://www.lsegissuerservices.com/spark/LondonStockExchangeGroup/events/d60261a5-aa15-4b01-8810-1e6dcef5bc83>

To ask a question live you will need to register for the telephone conference call here:

<https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=7394174&linkSecurityString=126dfbd7de>

Data & Analytics business line revenues

	Q1 2023 £m	Q1 2022 £m	Variance %	Constant Currency Variance %	Organic Variance %
Trading & Banking Solutions	425	378	12.4%	4.7%	2.7%
<i>Trading</i>	336	298	12.8%	5.2%	2.6%
<i>Banking</i>	89	80	11.3%	3.1%	3.1%
Enterprise Data Solutions	347	303	14.5%	7.9%	6.8%
<i>Real-Time Data</i>	221	194	13.9%	8.2%	6.4%
<i>PRS</i>	126	109	15.6%	7.4%	7.4%
Investment Solutions	350	309	13.3%	5.7%	5.7%
<i>Benchmark Rates, Indices & Analytics</i>	171	140	22.1%	14.1%	14.1%
<i>Index – Asset-Based</i>	66	70	(5.7%)	(12.4%)	(12.4%)
<i>Data & Workflow</i>	113	99	14.1%	6.6%	6.6%
Wealth Solutions	73	63	15.9%	7.2%	7.2%
Customer & Third-Party Risk Solutions	120	94	27.7%	18.8%	13.3%
Total Revenue (excl. recoveries)	1,315	1,147	14.6%	7.1%	5.7%
Recoveries	93	80	16.3%	2.3%	2.3%
Total Revenue (incl. recoveries)	1,408	1,227	14.8%	6.8%	5.5%

Divisional non-financial KPIs

1. Data & Analytics

	Q1 2023	Q1 2022	Variance %
Annual Subscription Value growth (%) ¹	7.6%	3.6%	
Subscription revenue growth (%) ^{1,3}	5.5%	3.7%	
Subscription revenue growth excl. U/R impact (%) ^{1,2,3}	6.7%	3.9%	
Index – ETF AUM (\$bn):			
- Period end	1,077	1,100	(2.1%)
- Average	1,063	1,100	(3.4%)
Index – ESG Passive AUM (\$bn) ⁴	296	167	77.3%

¹ Organic, constant currency variance

² Growth rates excluding the Ukraine / Russia war impact exclude income in the region and from sanctioned customers and related business from both periods

³ 12-month rolling constant currency variance

⁴ ESG Passive AUM is at 30 June 2022 and prior period comparator is at 30 June 2021. The metric is updated bi-annually

2. Capital Markets

	Q1 2023	Q1 2022	Variance %
Equities			
<i>Secondary Markets – Equities</i>			
UK Value Traded (£bn) – Average Daily Value	4.0	5.7	(29.8%)
SETS Yield (bps)	0.69	0.66	4.5%
FX			
Average daily total volume (\$bn)	463	484	(4.3%)
Fixed income, Derivatives and Other			
<i>Tradeweb Average Daily (\$m)</i>			
Rates – Cash	362,618	387,494	(6.4%)
Rates – Derivatives	508,675	361,041	40.9%
Credit – Cash	11,497	10,793	6.5%
Credit – Derivatives	20,806	22,420	(7.2%)

3. Post Trade

	Q1 2023	Q1 2022	Variance %
OTC			
<i>SwapClear</i>			
IRS notional cleared (\$trn)	379	324	17.0%
Client trades ('000)	845	658	28.4%
<i>ForexClear</i>			
Notional cleared (\$bn)	6,225	6,512	(4.4%)
ForexClear members	36	36	-
Securities & Reporting			
EquityClear trades (m)	473	647	(26.9%)
Listed derivatives contracts (m)	62.6	77.8	(19.5%)
RepoClear – nominal value (€trn)	77.9	67.5	15.4%
Non-Cash Collateral			
Average non-cash collateral (€bn)	175.7	172.0	2.2%
Net Treasury Income			
Average cash collateral (€bn)	140.7	121.5	15.8%

Financial details on Acadia

The figures below represent the 2022 unaudited financial performance of Acadia but have not been adjusted to reflect any difference in accounting policies that may arise on consolidation with LSEG.

£m	2022
Total Income	54
Cost of Sales	(11)
Gross Profit	43
Operating Expenses	(35)
EBITDA	8
Depreciation	(2)
Operating profit	6

FX conversion

The majority of LSEG revenues and expenses are in USD, followed by GBP, EUR and other currencies. The rates for the largest two currency pairs are shown in the table below.

	Average rate 3 months ended March 2023	Closing rate at 31 March 2023	Average rate 3 months ended March 2022	Closing rate at 31 March 2022
GBP : USD	1.214	1.238	1.342	1.317
GBP : EUR	1.132	1.135	1.196	1.180

For definitions of technical terms – refer to the Glossary contained in the 2022 Annual Report, page 246.

Total income and gross profit by quarter

£m	2022				2022	2023
	Q1	Q2	Q3	Q4	2022	Q1
Trading & Banking Solutions	378	391	417	426	1,612	425
<i>Trading</i>	298	308	330	339	1,275	336
<i>Banking</i>	80	83	87	87	337	89
Enterprise Data Solutions ¹	303	317	332	354	1,306	347
<i>Real-Time Data¹</i>	194	202	212	229	837	221
<i>PRS</i>	109	115	120	125	469	126
Investment Solutions	309	328	344	345	1,326	350
<i>Benchmark Rates, Indices & Analytics¹</i>	140	151	161	168	620	171
<i>Index - Asset-Based</i>	70	71	73	66	280	66
<i>Data & Workflow¹</i>	99	106	110	111	426	113
Wealth Solutions	63	68	71	73	275	73
Customer & Third-Party Risk Solutions	94	102	110	119	425	120
Data & Analytics	1,147	1,207	1,274	1,316	4,944	1,315
Equities	67	62	60	59	248	59
FX	60	63	68	67	258	66
Fixed Income, Derivatives & Other	232	235	241	245	953	269
Capital Markets	359	361	369	370	1,459	394
OTC Derivatives	93	98	103	108	402	126
Securities & Reporting	64	58	55	57	234	64
Non-Cash Collateral	24	25	25	26	100	26
Net Treasury Income	57	64	66	68	255	73
Post Trade	238	245	249	259	991	289
Other	7	5	13	9	34	9
Total Income (excl. recoveries)	1,751	1,818	1,905	1,954	7,428	2,007
Recoveries ²	80	86	80	69	315	93
Total Income (incl. recoveries)	1,831	1,904	1,985	2,023	7,743	2,100
Cost of sales	(240)	(264)	(289)	(271)	(1,064)	(288)
Gross Profit	1,591	1,640	1,696	1,752	6,679	1,812

¹ To better align with our internal reporting, some small revenue items have been reallocated between business lines across 2022 from Real Time Data and Data & Workflow into Benchmark Rates, Indices & Analytics.

² From 2023 onwards, FX-related items, related to embedded derivatives, previously included in recoveries will be recognised within the appropriate Data & Analytics revenue lines, primarily Trading & Banking and Enterprise Data Solutions. In 2022 this FX impact reduced recoveries by £43m and was heavily weighted towards H2.