LSEG and Microsoft launch 10-year strategic partnership for next-generation data and analytics and cloud infrastructure solutions; Microsoft to make equity investment in LSEG through acquisition of shares

Strategic partnership highlights

- New collaboration to architect LSEG’s data infrastructure and build intuitive next-generation productivity, data and analytics and modelling solutions with Microsoft Azure, AI, and Microsoft Teams
- Step-change in services for customers across the financial markets value chain, including an enhanced version of LSEG Workspace with seamless Teams communication and Microsoft 365 interoperability with built-in compliance for the first time
- LSEG’s data platform and other key technology infrastructure to migrate to Microsoft Azure, enhancing its existing cloud migration strategy
- Microsoft to purchase approximately 4% equity stake in LSEG through the acquisition of shares from the Blackstone/Thomson Reuters Consortium
- It is intended that Scott Guthrie, Microsoft’s Executive Vice President, Cloud and AI Group, will be appointed as a non-executive director of LSEG in due course subject to receipt of appropriate approvals

Financial effects for LSEG

- Expected to increase LSEG’s revenue growth meaningfully over time as new products come on-stream
- Total incremental cash costs over 2023-2025 expected to be in the range of £250-300 million, including around £100 million in capex and a 50-100 basis points impact on EBITDA margin over the same period
- Contractual commitment by LSEG for minimum cloud-related spend with Microsoft of $2.8 billion (£2.3 billion) over the term of the partnership, reflecting minimum cloud consumption expectations and consistent with existing long-term opex and capex plans
- Additional spend with Microsoft will be driven by the success of the strategic partnership, based on demand for LSEG’s data platform and other professional services

London Stock Exchange Group (LSEG) and Microsoft have entered into a new long-term strategic partnership to architect LSEG’s data infrastructure using the Microsoft Cloud, and to jointly develop new products and services for data and analytics. The partnership will build on the good progress made by LSEG on the integration of Refinitiv and enhance its position as a world-leading financial markets infrastructure and data provider.
With the Microsoft Cloud and its AI capabilities, the deal significantly advances LSEG’s strategy of building an efficient and scalable platform for its Data & Analytics business to deliver next-generation services for a range of customers across the financial markets value chain through improved workflow and greater flexibility.

Under the arrangements, LSEG’s data platform and other key technology infrastructure will migrate into Microsoft’s Azure cloud environment. Workspace, LSEG’s next-generation data and analytics workflow solution, will become interoperable with certain Microsoft applications and the companies plan to introduce innovative new cloud-based analytics services. LSEG and Microsoft have also agreed to explore the development of digital market infrastructure based on cloud technology, with a goal to transform how market participants interact with capital markets across a broad range of asset classes. Migration of regulated applications will be subject to applicable regulated entity board and regulator approval, prior to the relevant migration.

David Schwimmer, CEO of LSEG, said: “This strategic partnership is a significant milestone on LSEG’s journey towards becoming the leading global financial markets infrastructure and data business, and will transform the experience for our customers.

“Bringing together our leading data sets, analytics, and global customer base with Microsoft’s comprehensive and trusted cloud services and global reach creates attractive revenue growth opportunities for both companies.

“We are delighted to welcome Microsoft as a shareholder. We believe our partnership with Microsoft will transform the way our customers discover, analyse, and trade securities around the world, and create substantial value over time. We look forward to delivering on that potential.”

Satya Nadella, Chairman and CEO, Microsoft, said: “Advances in the cloud and AI will fundamentally transform how financial institutions research, interact, and transact across asset classes, and adapt to changing market conditions.

“Our partnership will bring together the industry leadership of the London Stock Exchange Group with the trust and breadth of the Microsoft Cloud — spanning Azure, AI, and Teams — to build next-generation services that will empower our customers to generate business insights, automate complex and time-consuming processes, and ultimately, do more with less.”

**Key elements of the strategic partnership**

**Data platform with Microsoft Cloud**
LSEG has already made good progress on its existing programme for the delivery of its cloud-based data platform since the completion of the Refinitiv acquisition in January 2021.

Under the arrangements with Microsoft, LSEG will use Azure Purview and Azure Synapse to create its cloud-based data architecture that consolidates LSEG datasets onto one, flexible infrastructure that is simple, responsive, and efficient, and built with security, privacy, and compliance. The programme accelerates LSEG’s cloud migration plans. LSEG customers will be able to access data faster when and wherever they need it — enabling resilience and adaptability as capital markets continue to evolve.
Additionally, data scientists and engineers will be able to utilise LSEG’s data and analytics services on LSEG’s infrastructure, or leverage LSEG’s open financial data ecosystem by integrating their own data to build custom solutions.

**LSEG Workspace to use Teams and Microsoft 365 to transform user experience for finance professionals**

Over the last two years LSEG has made significant progress on Workspace, its next-generation data and analytics workflow solution, with over 50% of users now migrated from legacy platforms and all products either live or in beta testing by the end of this year.

As part of LSEG’s product development with Microsoft, the companies plan a step-change in the advancement of Workspace, by creating an all-in-one data, analytics, workflow, and collaboration solution, specifically designed to help finance and investment professionals improve communications and productivity while maintaining regulatory compliance. It will be a connected, intuitive experience with a single, simple-to-use interface that helps users:

- For the first time, collaborate with other LSEG customers inside and outside of their organisations, using Teams to connect, chat, call, and meet with built-in compliance, security, and privacy;
- Create financial models, run data analysis, and design graphs using LSEG content delivered in Excel; and
- Work seamlessly between LSEG Workspace, Teams and Microsoft 365 tools to deliver financial presentations and reports.

**New cloud analytics and modelling services built with Azure Machine Learning**

Microsoft and LSEG will use Azure Machine Learning and LSEG’s advanced analytics and modelling capabilities to co-develop a new suite of solutions to give financial institutions much broader reach across sophisticated cross-asset, sustainable investment-aligned and non-traditional analytics. Businesses that rely on analytics will be able to scale without the need for complicated processes and systems that often require extra servers, hardware, and employee resources.

On the modelling side, development will focus on model construction, validation, diagnostics, and deployment, helping banking and investment institutions avoid the labour-intensive and expensive process of creating models from the ground up. Built on the LSEG data platform with Microsoft 365 connectivity, these new analytics and modelling services will be available on Workspace and developer-friendly APIs.

**Cloud infrastructure built on Microsoft Azure**

As part of the strategic partnership, LSEG and Microsoft have entered into a 10-year commercial agreement to migrate LSEG’s data platform and other key technology infrastructure into the Microsoft Cloud.

This infrastructure plan will be the foundation for the product development programmes outlined above and enable LSEG to build and run scalable applications to achieve faster speed to market and greater customer reach. At the same time, it will allow LSEG to align costs more directly to revenue streams, reduce operational complexity through the consolidation of multiple legacy technologies, and further strengthen resilience and security.
**Governance**

LSEG and Microsoft have established a governance structure that will be responsible and accountable for the commercial delivery of the programmes described above and the operational service delivery of the cloud infrastructure. This will include senior representation in joint workstreams across the different initiatives regularly reporting to the senior leadership of LSEG and Microsoft.

LSEG will provide further updates to LSEG investors on the progress of these programmes later in 2023.

**Microsoft investment in LSEG shares**

Microsoft has agreed to purchase shares in LSEG that would result in Microsoft holding approximately a 4% equity stake in LSEG, such shares to be purchased from York Holdings II Limited and York Holdings III Limited, entities owned by certain investment funds affiliated with Blackstone, an affiliate of Canada Pension Plan Investment Board, an affiliate of GIC Special Investments Pte. Ltd, and by Thomson Reuters, the former Refinitiv shareholders. In accordance with LR 9.6.17R of the FCA’s Listing Rules, LSEG notes that it has agreed to a limited variation of the lock-up arrangements contained in the Relationship Agreement entered into on completion of the Refinitiv transaction to enable the sale of these LSEG shares to Microsoft.

As a result of LSEG granting the lock-up waiver, the number of LSEG shares that the Blackstone/Thomson Reuters consortium will be able to sell between 30 January 2023 and 29 January 2024 will be unchanged and the number of LSEG shares that the Blackstone/Thomson Reuters consortium will be able to sell between 30 January 2024 and 29 January 2025 will be reduced by half of the number of shares sold to Microsoft. Under the terms of the Relationship Agreement, the lock-up ceases to apply after 29 January 2025. The share purchase will be subject to customary antitrust and regulatory approvals and is expected to complete in the first quarter of 2023.

Microsoft has entered into a separate agreement with LSEG pursuant to which Microsoft has agreed, in addition to customary standstill and orderly marketing arrangements, to be subject to a lock-up in respect of the LSEG shares purchased by it. This will restrict any sales of such shares during the first year following completion of the share purchase, after which Microsoft shall then be restricted from selling more than half of the acquired shares during the second year following completion of the share purchase.

**Financial effects for LSEG**

The strategic partnership is expected to increase LSEG’s revenue growth meaningfully over time as the key workstreams are delivered.

LSEG and Microsoft have agreed to co-invest in the product development roadmap for the data platform, Workspace, and analytics initiatives. LSEG’s total incremental cash costs relating to the programmes from 2023 to 2025 are expected to be in the range of £250-300 million. Within this, LSEG expects incremental capex over 2023-2025 of approximately £100 million. The balance of the cash costs, which relate to one-off change costs, are expected to have a 50-100 basis points impact on EBITDA margin in the years 2023-2025.

In addition, as is customary under cloud infrastructure agreements, LSEG has committed to a minimum cloud-related spend with Microsoft over the life of the agreement, amounting to $2.8 billion (£2.3 billion). The amount reflects LSEG’s expected minimum cloud consumption, will be strongly weighted towards the
second half of the period as consumption builds and is already factored into LSEG’s existing long-term cost projections either for cloud or for the legacy opex and capex it will replace over time.

Any additional spend LSEG incurs with Microsoft will be driven by the success of the strategic partnership, based on demand for LSEG’s data platform and other professional services.

For Listing Rules purposes, the gross assets related to the partnership are $500 million.

In accordance with LR 9.6.15R, the Company confirms that no disclosure is required under LR 9.6.13R in respect of the appointment of Scott Guthrie. The effective date of the appointment is not yet known, and LSEG will make a further announcement as soon as the effective date is known.

**Conference call**
LSEG and Microsoft will be hosting a conference call and audio webcast for investors and analysts at 9.30am GMT this morning.

Participants can register for the conference line using this link to receive their unique dial-in details: https://cossprereg.btcia.com/prereg/key.process?key=PRJPBYMNK.

Participants can register for the webcast using the link below: https://www.lsegissuerservices.com/spark/LondonStockExchangeGroup/events/0913d124-eed8-4b9b-ab30-5ff79dbe5eca.

A replay of the call will be available on the LSEG website after the event.

**For further information:**

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*Press only, available upon request broadcast-quality footage of Microsoft Executive Vice President and Chief Commercial Officer Judson Althoff discussing the partnership*
Microsoft US Media Relations, WE Communications, (425) 638-7777, rapidresponse@we-worldwide.com

Microsoft EMEA Media Relations, Assembly Media, mscommercial@assemblyinc.com
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We help businesses and economies fund innovation, manage their risk and create jobs by supporting customers at every point in the trade lifecycle - from making pre-trade decisions and executing those trades to raising capital and settlement.

With 23,000 people in 70 countries, we draw on 300 years of knowledge and experience to help drive financial stability, empower economies and enable sustainable growth.

**Microsoft** (Nasdaq “MSFT” @Microsoft) enables digital transformation for the era of an intelligent cloud and an intelligent edge. Its mission is to empower every person and every organization on the planet to achieve more. For more information on the partnership please see the [Microsoft News Center](https://news.microsoft.com).
Forward looking statements

This announcement, oral statements made regarding the strategic partnership and other information published in connection with the subject matter of this announcement contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this announcement include statements relating to the expected financial effects of the strategic partnership on each of LSEG and Microsoft and their respective groups, the expected timing and scope of the strategic partnership and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "seeks", "aims", "predicts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved.

Although LSEG believes that the expectations reflected in such forward-looking statements are reasonable, LSEG can give no assurance that such expectations will prove to be correct. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include if LSEG is unable to realise the benefits of the strategic partnership with Microsoft or the cloud migration, as well as factors such as future market conditions, the behaviour of other market participants, the actions of regulators and other factors such as changes in the political, social and regulatory framework, or in economic or technological trends or conditions.

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