

1 May 2019

LONDON STOCK EXCHANGE GROUP plc

**TRADING STATEMENT
INCLUDING REVENUES AND KPIs FOR THE THREE MONTHS ENDED 31
MARCH 2019 (Q1)**

- Good overall Q1 income performance against challenging market backdrop
- Q1 total income up 5% year-on-year to £546 million
- Group continues to develop and invest for growth, with the acquisition of minority stake in Euroclear and launch of new services in Post Trade and Information Services

Q1 summary:

- Information Services: revenues up 6% to £214 million – with 7% growth at FTSE Russell. Growth in index subscriptions remained strong while FTSE Russell asset-based revenues reduced due to reduction in AuM at the end of 2018 (which impacted on revenue in the first part of Q1 2019); asset-based revenue in Q2 is expected to be stronger
- Post Trade - LCH: income up 17% to £182 million, with 16% revenue growth in OTC following record volumes at SwapClear and no discernible change to customers' use of the service as equivalence secured in event of hard Brexit; LCH benefited from an updated SwapClear agreement with partner banks, with effect from the start of the year, estimated to deliver c.£30 million savings to cost of sales in 2019
- Post Trade - Italy: income down 4% to £36 million as equity markets experienced a slow first quarter; after adjusting for the treatment of T2S costs, gross profit increased 3%
- Capital Markets: revenues down 9% to £97 million, mostly reflecting lower equity trading volumes
- Technology Services: revenues up 9% to £14 million

David Schwimmer, CEO said:

“We continue to execute our strategy across our core businesses of Information Services, Post Trade and Capital Markets. In Post Trade, we acquired a stake in Euroclear, which shares our open access approach, and we updated our SwapClear agreement, which will deliver significant savings as we further develop the service.

“We are investing in and growing our Information Services business, including developing our multi-asset and data and analytics offering. While equity markets were slower due to macroeconomic uncertainty, we have seen an improved listing environment in Q2.

“The Group is strategically well positioned to develop its growth opportunities further in the evolving macroeconomic landscape.”

New product development and investment in opportunities continued across the business:

- Group acquired a 4.9% stake in Euroclear with a seat on the Board, which will help strengthen the existing commercial relationships between the businesses
- LCH RepoClear members successfully consolidated European debt clearing activity in LCH SA, benefitting from T2S efficiencies
- SwapClear Non-Deliverable IRS Clearing expanded to include 5 new LatAm and Asia-Pacific currencies
- Dutch pension fund Pensioenfondsen Detailhandel selected a custom FTSE Russell ESG benchmark as the basis of a new €6bn developed market passive equity mandate managed by BlackRock
- FTSE Russell launched a new Multi-Asset Composite Index Series – a wide range of indexes across major asset classes covering global, regional and emerging markets
- In early April, Network International, a Middle Eastern payments company, raised £1.1 billion on London Stock Exchange plc; and Nexi, a major Italian payments company listed on Borsa Italiana, raising \$2.6 billion, the largest IPO year to date globally
- Acquisition of minority stake in Nivaura, partnering with them to support capital markets innovation through use of emerging technologies

Financial Position

The Group’s financial position remains strong and is broadly unchanged from that reported for 31 December 2018. As at 31 March 2019, having funded the purchase of a 4.9% stake in Euroclear, the Group had committed facility headroom of over £750 million available for general corporate purposes.

S&P maintains a positive outlook over its A- long term rating of LSEG, while Moody’s rates LSEG A3 with a stable outlook.

The euro weakened by 2% and the US dollar strengthened by 6% against sterling compared with the same period last year. To illustrate our exposure to movements in exchange rates, a €0.05 change up or down in the average euro:sterling rate would have resulted in a corresponding change to continuing operations total income of c.£7 million for Q1, while a US\$0.05 move would have resulted in a c.£6 million change.

Further information is available from:

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A conference call for analysts and investors will be held at 8:00 (UK time) on Wednesday 1 May. On the call will be David Warren (Group CFO) and Paul Froud (Group Head of Investor Relations).

To access the telephone conference call dial 0800 376 7922 or +44 (0) 20 7192 8000

Conference ID: 506 6297

Q1 Revenue Summary

Revenues for three months ended 31 March 2019 refer to continuing operations, with comparatives against performance for the same period last year, are provided below. Growth rates for Q1 performance are also expressed on an organic and constant currency basis. All figures are unaudited.

	Three months ended			Constant currency variance %
	31 March		Variance %	
	2019	2018		
	£m	£m	%	%
Continuing operations:				
Revenue				
Information Services	214	201	6%	3%
Post Trade Services - LCH	134	118	14%	14%
Post Trade Services - CC&G and Monte Titoli	25	28	(10%)	(9%)
Capital Markets	97	107	(9%)	(9%)
Technology	14	13	9%	9%
Other	2	3	(31%)	(31%)
Total revenue	486	470	3%	2%
Net treasury income through CCP businesses	59	48	23%	22%
Other income	1	2	(53%)	(53%)
Total income	546	520	5%	4%
Cost of sales	(56)	(56)	-	(1%)
Gross profit	490	464	6%	4%

The Group's principal foreign exchange exposure arises from translating and revaluing its foreign currency earnings, assets and liabilities into LSEG's reporting currency of Sterling.

More detailed revenues by segment are provided in tables below:

Information Services

Revised reporting format:

	Three months ended 31 March			Constant currency variance %
	2019	2018	Variance	
	£m	£m	%	
Revenue				
Index - Subscription	99	89	11%	7%
Index - Asset based	52	52	-	(6%)
FTSE Russell	151	141	7%	2%
Real time data	24	24	(1%)	(1%)
Other information services	39	36	8%	7%
Total revenue	214	201	6%	3%
Cost of sales	(17)	(18)	(2%)	(7%)
Gross profit	197	183	7%	3%

Note:

Mergent and some other minor items (previously reported in FTSE Russell subscriptions), are now included in Other information services

Previous reporting format:

	Three months ended 31 March			Constant currency variance %
	2019	2018	Variance	
	£m	£m	%	
Revenue				
FTSE Russell	161	150	7%	2%
Real time data	24	24	(1%)	(1%)
Other information services	29	27	7%	7%
Total revenue	214	201	6%	3%
Cost of sales	(17)	(18)	(2%)	(7%)
Gross profit	197	183	7%	3%

Post Trade Services - LCH

	Three months ended 31 March			Constant currency variance %
	2019	2018	Variance	
	£m	£m	%	
Revenue				
OTC - SwapClear, ForexClear & CDSClear	76	66	16%	14%
Non OTC - Fixed income, Cash equities & Listed derivatives	34	33	2%	3%
Other	24	19	26%	27%
Total revenue	134	118	14%	14%
Net treasury income	48	38	26%	24%
Other income	-	-	-	-
Total income	182	156	17%	16%
Cost of sales	(32)	(25)	26%	28%
Gross profit	150	131	15%	14%

Post Trade Services - CC&G and Monte Titoli

	Three months ended 31 March			Variance %	Constant currency variance %
	2019 £m	2018 £m			
Revenue					
Clearing	11	10	3%	4%	
Settlement, Custody & other	14	18	(18%)	(16%)	
Total revenue	25	28	(10%)	(9%)	
Net treasury income	11	10	13%	15%	
Total income	36	38	(4%)	(3%)	
Cost of sales ¹	(2)	(4)	(61%)	(61%)	
Gross profit	34	34	3%	5%	

¹ Pass through of T2S costs, Cost of sales have now been netted off against Settlement, Custody & other, 2019 Q1 impact £3m

Capital Markets

	Three months ended 31 March			Variance %	Constant currency variance %
	2019 £m	2018 £m			
Revenue					
Primary Markets	28	29	(2%)	(1%)	
Secondary Markets - Equities	37	45	(18%)	(18%)	
Secondary Markets - Fixed income, derivatives and other	32	33	(4%)	(3%)	
Total revenue	97	107	(9%)	(9%)	
Cost of sales	(1)	(5)	(67%)	(67%)	
Gross profit	96	102	(6%)	(6%)	

Technology Services

	Three months ended 31 March			Variance %	Constant currency variance %
	2019 £m	2018 £m			
Revenue					
MillenniumIT & other technology	14	13	9%	9%	
Cost of sales	(2)	(3)	(16%)	(16%)	
Gross profit	12	10	16%	16%	

Basis of Preparation

Results for the period ended 31 March 2019 have been translated into sterling using the average exchange rates for the period. Constant currency growth rates have been calculated by translating prior period results at the average exchange rate for the current period.

	Average rate 3 months ended 31 March 2019	Closing rate at 31 March 2019	Average rate 3 months ended 31 March 2018	Closing rate at 31 March 2018
GBP : EUR	1.15	1.16	1.13	1.14
GBP : USD	1.30	1.30	1.39	1.40

Appendix – Key performance indicators

Information Services

	As at		Variance %
	31 March 2019	2018	
ETF assets under management benchmarked (\$bn)			
FTSE	413	399	4%
Russell Indexes	256	240	7%
Total	669	639	5%

Terminals

UK	67,000	68,000	(1%)
Borsa Italiana Professional Terminals	105,000	109,000	(4%)

Post Trade Services - LCH

	Three months ended		Variance %
	31 March 2019	2018	
OTC derivatives			
SwapClear			
IRS notional cleared (\$tn)	318	291	9%
SwapClear members	119	105	13%
Client trades ('000)	411	407	1%
CDSClear			
Notional cleared (€bn)	176	162	9%
CDSClear members	26	13	100%
ForexClear			
Notional value cleared (\$bn)	4,311	4,286	1%
ForexClear members	34	30	13%
Non-OTC			
Fixed income - Nominal value (€tn)	26.2	23.9	10%
Listed derivatives (contracts m)	36.4	38.5	(5%)
Cash equities trades (m)	180.8	221	(18%)
Average cash collateral (€bn)	91.1	83.0	10%

Post Trade Services - CC&G and Monte Titoli

	Three months ended		Variance %
	31 March 2019	2018	
CC&G Clearing			
Contracts (m)	25.0	29.7	(16%)
Initial margin held (average €bn)	13.7	9.0	52%
Monte Titoli			
Settlement instructions (trades m)	10.7	11.7	(9%)
Custody assets under management (average €tn)	3.31	3.30	-

Capital Markets - Primary Markets

	Three months ended		Variance %
	31 March		
	2019	2018	
New Issues			
UK Main Market, PSM & SFM	11	19	(42%)
UK AIM	5	12	(58%)
Borsa Italiana	7	6	17%
Total	23	37	(38%)
Money Raised (£bn)			
UK New	0.5	1.0	(50%)
UK Further	3.0	5.5	(45%)
Borsa Italiana new and further	0.0	1.5	(100%)
Total (£bn)	3.5	8.0	(56%)

Capital Markets - Secondary Markets

	Three months ended		Variance %
	31 March		
	2019	2018	
Equity			
Totals for period			
UK value traded (£bn)	294	388	(24%)
Borsa Italiana (no of trades m)	15.6	19.2	(19%)
Turquoise value traded (€bn)	163	254	(36%)
SETS Yield (basis points)	0.68	0.61	11%
Average daily			
UK value traded (£bn)	4.7	6.2	(24%)
Borsa Italiana (no of trades '000)	248	305	(19%)
Turquoise value traded (€bn)	2.6	4.0	(35%)
Derivatives (contracts m)			
LSE Derivatives	0.8	1.8	(56%)
IDEM	8.3	9.2	(10%)
Total	9.1	11.0	(17%)
Fixed Income			
MTS cash and BondVision (€bn)	836	1,030	(19%)
MTS money markets (€bn term adjusted)	28,809	19,588	47%

Total Income – Quarterly

£ millions	<u>2018</u>				<u>2018</u>	<u>2019</u>
	Q1	Q2	Q3	Q4		Q1
Index - Subscription	89	96	94	94	373	99
Index - Asset based	52	53	59	55	219	52
FTSE Russell	141	149	153	149	592	151
Real time data	24	23	23	24	94	24
Other information	36	39	36	44	155	39
Information Services	201	211	212	217	841	214
OTC - SwapClear, ForexClear & CDSClear	66	64	65	73	268	76
Non OTC - Fixed income, Cash equities & Listed derivatives	33	34	34	35	136	34
Other	19	21	21	22	83	24
Post Trade Services - LCH	118	119	120	130	487	134
Clearing	10	12	10	9	41	11
Settlement, Custody & other	18	12	15	16	61	14
Post Trade Services - CC&G and Monte Titoli	28	24	25	25	102	25
Primary Markets	29	33	20	31	113	28
Secondary Markets - Equities	45	44	39	41	169	37
Secondary Markets - Fixed income, derivatives & other	33	31	30	31	125	32
Capital Markets	107	108	89	103	407	97
Technology	13	19	16	17	65	14
Other	3	2	2	2	9	2
Total Revenue	470	483	464	494	1,911	486
Net treasury income through CCP:						
CC&G	10	11	11	11	43	11
LCH	38	45	46	46	175	48
Other income	2	1	1	2	6	1
Total income	520	540	522	553	2,135	546
Cost of sales	(56)	(50)	(57)	(64)	(227)	(56)
Gross profit	464	490	465	489	1,908	490

Note Information Services:

Mergent and some other minor items (previously reported in FTSE Russell subscriptions), are now included in Other information services