

CEO's statement

“The Group remains well positioned for future growth in this evolving environment.”

David Schwimmer
CEO



Overview

2019 was another eventful year of macroeconomic and geo-political events directly influencing global financial markets. Despite this complex backdrop, it was also another strong year for London Stock Exchange Group – delivering a strong financial performance; making meaningful progress executing on our strategic objectives; and taking significant steps on a number of Group-wide initiatives. We announced the proposed acquisition of Refinitiv, which will accelerate our strategy, while continuing to progress financially, strategically and operationally across our core businesses of Information Services, Post Trade and Capital Markets. Our successful strategy is underpinned by the continuation of our Open Access and customer partnership approach to deliver innovative solutions across the financial markets value chain.

At the end of 2018, the Board and the executive team evaluated the Group's strategy in order to ensure that LSEG is well positioned for the decade ahead. We carried out this evaluation from a position of strength, building on the successful execution of the strategy and financial performance of recent years. Over the last 20 years, the financial market landscape has changed significantly – driven by technology, regulatory and macroeconomic factors – and change is happening at an even greater pace today. We are consistently hearing from our clients that they want to trade across different regions and asset classes, with fewer providers that are better positioned to do more for them across the financial markets value chain, while maintaining an open access model built on customer choice.

LSEG is looking to drive that evolution and position the Group for long-term sustainable growth. In August 2019 we announced the transformational acquisition of Refinitiv in an all-share transaction for an enterprise value of approximately US\$27 billion, as at 1 August 2019. The proposed acquisition, which has been well received by the market and approved by shareholders, significantly accelerates our existing strategy to be a leading global financial markets infrastructure provider. Refinitiv brings highly complementary capabilities in data, analytics and capital markets as well as deep customer relationships across a truly global business. As a result, we will significantly expand our data and analytics offering to create a global multi-asset class capital markets business. Shortly after the announcement of the proposed Refinitiv transaction, we received an unsolicited approach from Hong Kong Exchanges and Clearing Limited (HKEX). As noted in the Chair's statement on page 4, the Board reflected fully on the conditional proposal and highlighted fundamental concerns about the deliverability, value and strategic benefit of the approach. HKEX later announced that it would not proceed with an offer. The Board remains convinced that the Refinitiv transaction provides superior benefits, and we continue to make good progress towards achieving regulatory approvals. We remain on target to close the transaction in the second half of 2020.

Information Services

In our Information Services division, FTSE Russell is a key contributor to Group revenues, delivering 10% revenue growth over the course of the year. This included strong growth in subscription revenues, up 12% in 2019, reflecting new sales across a number of indices.

The growth in passive investing continues and is now increasing at approximately 20% per year with assets expected to reach US\$30 trillion by 2023. FTSE Russell is well placed to capitalise on these industry trends, with increased demand for its data and analytical tools. At the end of 2019, the value of ETF assets tracking its indices was US\$765 billion, up 26% on the previous year.

LSEG's Information Services business is also responding to the rapidly growing demand among asset owners to integrate sustainability and Environmental, Social and Governance (ESG) considerations. In June, we announced the acquisition of Beyond Ratings, a highly regarded provider of ESG data for fixed income. Beyond Ratings is very complementary to FTSE Russell's existing ESG index and data offering as well as the analytics tools provided through The Yield Book.

In July, FTSE Russell launched the first climate risk-adjusted government bond index, which allows the market to access a quantitative climate risk assessment for sovereign debt. FTSE Russell has worked with institutions across the globe to develop indices that meet their sustainability criteria as well as the underlying benchmarks for exchange traded funds. FTSE Russell will continue to help develop and promote more global standards for measuring progress against ESG and sustainable development goals.

FTSE Russell successfully began inclusion of China A Shares and Saudi Arabia securities into its global equity benchmarks, marking significant developments for these emerging markets. We have received positive feedback from index users with many passive asset managers moving quickly to adjust portfolios. We estimate that the inclusion of these countries within the FTSE Emerging Index will equate to around US\$15 billion in net passive inflows of assets under management.

Post Trade

The Group's post trade divisions continued to perform well. LCH delivered a strong performance with income up 14% to £756 million. Post Trade – Italy saw income increase by 5% to £152 million. In January 2019, LSEG also announced the purchase of a 4.92% minority stake in Euroclear, a leading provider of settlement, custody and collateral management services across Europe, which further strengthened LSEG's and Euroclear's existing operational and commercial relationship to the benefit of our respective customers.

LCH's OTC clearing services continued to set new records in 2019 and have seen good growth in member and client clearing. SwapClear remains the largest OTC rates liquidity pool in the world, processing over US\$1.2 quadrillion in notional volume in 2019. Alongside this, the increased use of its compression services has enabled members and customers to save approximately US\$35.1 billion in capital over the course of the year. In October, LCH became the first clearing house to offer clearing of Euro-denominated swaps benchmarked to the new reference rate €STR, as the industry adopts new interest rate benchmarks. The move follows its launch of clearing for SOFR swaps and SONIA Futures in 2018, and SARON swaps in 2017. Through SwapAgent, LCH has the opportunity to expand its offering in the non-cleared OTC derivatives space, which represents around 25% of the global OTC interest rate derivatives market. ForexClear has also expanded its product offering to include the clearing of deliverable FX forwards. In Italy, the Group's central securities depository (CSD), Monte Titoli, is implementing a digital transformation programme to deliver increased efficiency, risk reduction and simplification for clients.

In October, we announced that we would align our Post Trade businesses in one division from January 2020, under the leadership of Daniel Maguire. The new Post Trade division includes LCH Group, CC&G, Monte Titoli and UnaVista, our trade reporting business that previously sat within Information Services. The new division will ensure greater Group-wide collaboration and benefits for customers, while continuing to operate on an open access basis with no changes to local legal entity governance and regulatory oversight.

The withdrawal agreement in relation to the UK's departure from the European Union provides for a transition period until 31 December 2020 during which the UK will continue to apply European Union law. As such, LCH Ltd remains an EMIR 'Authorised' UK CCP and continues to offer clearing for all products and services to all members and clients. LCH Ltd also continues to engage in the application process under the revised supervisory framework for EU and third country CCPs (EMIR 2.2) to ensure a smooth transition to being a recognised, third country CCP.

12%

Rise in FTSE Russell
subscription revenues

15%

Revenue increase in
LCH OTC clearing

CEO's statement

(continued)

£23.4
billion

Total raised by new
and further issues
on our markets

31

New issues
on AIM Italia

Capital Markets

Capital Markets continued to perform well despite macroeconomic headwinds with revenue up 5% to £426 million.

While IPO activity globally has been slower this year due to macroeconomic and political uncertainty, London Stock Exchange and Borsa Italiana attracted significant listings with a total of £23.4 billion raised by firms in new and further issues across the Group's markets. London Stock Exchange retained its status as the leading European exchange in terms of money raised and Borsa Italiana recorded the highest number of new listings in Europe.

AIM, which will celebrate its 25th anniversary in 2020, remains the world's largest growth market, helping firms to raise over £3.8 billion in new and further issues during 2019. As part of our ongoing commitment to broadening our services to help make markets more accessible, London Stock Exchange also signed an agreement with PrimaryBid to enable retail investors real time access to listings. AIM Italia welcomed 31 companies to its markets, the highest number since it launched in 2009. In fixed income, a number of companies and sovereign issuers chose London to raise capital, including Aramco's inaugural international US\$12 billion bond in April.

After four years of development, including close work with the UK and Chinese Governments and regulators, we launched Shanghai-London Stock Connect, welcoming Huatai Securities as the first issuer of GDRs on the new segment in June. While we expect it will take a while to build, it is a significant achievement in our relationship with China.

LSEG continued to support issuers and investors in the transition to a sustainable, low-carbon economy throughout 2019. Over a third of the £6.9 billion total capital raised by investment funds through IPOs and further issues this year has been raised by green funds. Borsa Italiana's third Italian Sustainability Day welcomed a record number of participants amidst the growing focus on sustainable investment. In October, London Stock Exchange launched two green initiatives to recognise the increased interest from issuers and investors. The new Green Economy Mark recognises listed companies with 50% or more of their revenues derived from products and services that contribute to the global green economy. The Sustainable Bond Market builds on the success of the Green Bond Segment, launched in 2015, and includes new sustainability, social and issuer-level segments, based on independently verified frameworks and use of proceeds.

CurveGlobal, the interest rate derivatives business, continued to innovate and build momentum. CurveGlobal trading volumes rose by 78% in 2019, compared to 2018, as it continues to drive competition in the futures markets. CurveGlobal is supporting the transition away from LIBOR-based derivatives, enhancing price discovery and helping the market manage risk. It has also introduced a unique uncapped pre-paid trading scheme to encourage further use of CurveGlobal services.

“LSEG continued to support issuers and investors in the transition to a sustainable, low-carbon economy throughout 2019.”

Leadership

During the course of the year, we announced some changes to strengthen further our executive management team. David Shalders joined the Group as Chief Integration Officer and Chief Operating Officer and Anthony McCarthy was appointed Chief Information Officer, following Chris Corrado's decision to leave the Group. As noted in last year's report, Waqas Samad was appointed Group Director, Information Services in January 2019, while Daniel Maguire, CEO LCH Group was appointed Group Director, Post Trade following the creation of a single Post Trade division. Tim Jones, Group Head of Human Resources, and Gavin Sullivan, Group Communications Director, both joined the executive management team from 1 January 2020, reflecting the importance of these roles as the Group continues to develop. From 1 April 2020, Murray Roos will join LSEG as Group Director, Capital Markets as Raffaele Jerusalemi steps down from that role, while continuing as CEO, Borsa Italiana.

Finally, in October we announced that David Warren, Group Chief Financial Officer had informed the Group of his intention to retire from the company. David will continue in his current role as Group CFO and a member of the Board through to the close of the Refinitiv transaction to ensure a smooth transition to his successor. However, I would like to express my thanks now for David's significant contribution to the Group's success.

“We have continued to invest across our businesses, working in partnership with customers.”

Our purpose

LSEG supports global financial stability and sustainable economic growth by enabling businesses and economies to fund innovation, manage risk and create jobs. As a global financial markets infrastructure business, LSEG provides critical services to clients around the world. We understand the vital role we play in supporting and enabling a financial ecosystem that fosters long-term sustainable economic growth, for the benefit of all participants in capital markets – issuers, investors and intermediaries. We run businesses that are of systemic importance and recognise that in doing so we hold an important position in the financial ecosystem with a broad set of responsibilities to our stakeholders.

We are also cognisant of our responsibilities to our people and to the wider communities in which we operate. We are committed to supporting a culture of collaboration and embracing the diversity of the Group. In 2019, we launched our Inclusion Network (IN) which will support networks embracing all forms of diversity. Colleagues in all locations have actively supported cultural initiatives from mentoring to organising activities that promote our values. It is also encouraging to see a rise in the number of colleagues participating in our paid volunteering days initiative to support various local charities around the world. You can read more in our separate Corporate Sustainability report available on our website and in the supporting sustainable growth section of this report from page 40.

Looking forward

We keep a close eye on the broader macroeconomic, technology and regulatory factors which continue to drive change in our industry. We have continued to invest across our businesses, working in partnership with customers to deliver innovative products and services, while also controlling costs. The Group remains well positioned for future growth in this evolving environment as a global financial markets infrastructure leader.

Finally, I would like to take the opportunity to thank all colleagues across the Group for their hard work in delivering another successful performance.

David Schwimmer

CEO
28 February 2020