TP ICAP Group PLC

Full Year Results

For the 12 months ended
31st December 2023

SPEAKERS

Nicolas Breteau
Group, CEO

Robin Stewart,
Group CFO

Daniel Fields,
CEO, Global Broking

Andrew Polydor,
CEO, Energy & Commodities

Mark Govoni,
CEO, Liquidnet

Eric Sinclair,
CEO, Parameta Solutions

Dominic Lagan,
Head of Investor Relations

QUESTIONS

Enrico Bolzoni
JP Morgan

Piers Brown
HSBC

Kim Bergoe
Deutsche Numis

Stuart Duncan
Peel Hunt

Jens Ehrenberg
Investec

Vivek Raja
Shore Capital

Portia Patel
Canaccord Genuity

NICOLAS BRETEAU

Good morning, everyone. Thank you for joining our full-year results presentation. This is our agenda for today. I will start with a brief overview and Robin will take you through our financial performance. The heads of our four divisions, Dan Fields, Andrew Polydor, Mark Govoni and Eric Sinclair, will report on their businesses. Then I will wrap up, before taking your questions.

Let me start with the financial headlines, where movements are in constant currency. 2023 was a good year for productivity and profitability. Group revenue grew 3%, building on our strong performance in 2022. Contribution, which is revenue less front-office costs, increased 6%.

In Global Broking, revenue was, in line with the prior year, a strong comparator with exceptional levels of volatility. Productivity improved with revenue per broker up 5% and contribution per broker up 12%. Energy & Commodities delivered record numbers. Revenue grew 18%, and adjusted EBIT 45% as energy markets recovered from dislocation in the prior year. Liquidnet revenue was broadly stable. Whilst block market activity has been subdued, conditions improved in the fourth quarter when cash equities revenue grew 13%. Revenue in Parameta Solutions increased 8%, with an accelerating trend in the second half to 11%, providing good momentum this year.

Our work on productivity, contribution and costs generated an 8% uplift in Group-adjusted EBIT to £300 million, the highest level of profit ever achieved. Our group-adjusted EBIT margin increased to 13.7%.

We are actively managing our capital in four ways. First, with capital allocations to deliver future growth. Second, by reducing debt to lower future finance cost. Third, by targeting two times cover for dividends and fourth. By returning surplus capital to shareholders, when appropriate. We've met our target of freeing up £100 million of cash and this is being used to reduce Group debt. The £30 million share buyback announced last year completed in January and we are announcing a second buyback of £30 million, starting today.

Our dividend continues to grow and the Board is recommending a final dividend of 10 pence per share, an increase of 27%.
This performance was driven by the disciplined execution of our strategy. That strategy is formed of three pillars, transformation,

diversification and dynamic capital management. Our transformation is propelled by our digital platform, Fusion.

In Global Broking, the Fusion rollout is on track to complete by the end of 2025. Throughout the year, we also added new functionality to increase client adoption.

In Energy & Commodities, we are diversifying in several ways. First, by maximising growth in traditional asset classes; second, by embracing opportunities linked to the energy transition; and third, by monetising more energy data with Parameta Solutions.

In Liquidnet, we continue to diversify the equities franchise and have significantly strengthened operational leverage. Momentum in the block market is now positive and we grew our share in both the US and EMEA. In November last year, we decided to consolidate the group's credit activity, so Liquidnet Credit is now part of Global Broking, where it can leverage Global Broking's deep sellside relationship more effectively.

Parameta Solutions continue to grow by developing new products, expanding its client base and broadening distribution. We're making good progress consolidating Parameta companies under a single legal entity and expect this work to be completed later this year once we've obtained regulatory approval. In addition, long-term agreements are now in place with Global Broking and Energy & Commodities which govern data licensing and the provision of broking data to Parameta Solutions. These developments increase both our commercial and strategic optionality. Commercially, for example, the business is now better placed to pursue new partnerships with third-party data providers.

Strategically, we believe Parameta Solutions is an undervalued asset and we are intent on maximising value for shareholders. So the board is exploring options to unlock value whilst retaining ownership which include a potential IPO of a minority stake. Turning now to the progress we've made since our Capital Markets Day. In 2020, we set out a strategy to deliver two key objectives.

First, to future-proof our broking businesses in the face of a rapidly evolving market infrastructure. Second, to grow the top line, diversify and generate more cash. I'm pleased to say that we're making good progress on all fronts. Since 2019, group revenue has grown by an average of 5% a year. We are transforming global broking through a range of initiatives, including Fusion. Productivity has improved with revenue per broker up 23% since 2021.

Today, the group is more diverse. Non-broking revenue has more than doubled, from 11% of total revenue in 2019% to 23% last year. Parameta Solutions is a key driver and its revenue has grown by 40% over the same period. We're are also generating more cash, with a cash conversion ratio of 124%, compared to 61% in 2019. In addition, we have met or exceeded the majority of our revised targets.

Thank you very much. I'll hand over to Robin now to take you through our financial performance in more detail.

ROBIN STEWART

Thank you Nico and good morning everyone. As you have heard, we delivered another good performance, building on a strong outcome in 2022, I'll start with the income statement, where as usual, my comparisons are in constant currency.

Total Group revenue increased 3% to 2.2 billion. Adjusted EBITDA was up 4% at £373 million Adjusted EBIT grew 8% to £300 million with a margin of 13.7% up 0.6 percentage points. Net finance costs of 29 million were down 41%, significantly below our guidance of 43 million. This was due to a 26 million increase in interest income, as we actively managed the yield on our cash to benefit from rising interest rates.

The effective tax rate on adjusted profit reduced slightly to 24.7%. Taken together, this resulted in adjusted earnings before significant items of 227 million, up 17%. Adjusted basic earnings per share also grew 17% to 29.2 pence. As Nico said earlier, we plan to pay a final dividend of 10 pence, an increase of 27%. This is in line with our policy, which targets a 50% payout ratio of adjusted earnings.

Let's turn now to the year-on-year movements in our earnings before interest and tax. Adjusted EBIT was 300 million compared with 275 million reported in 2022. If you retranslate 275 million using 2023 exchange rates, it results in EBIT of 277 million giving us the basis for a like-for-like comparison. Contribution increased by 51 million, mainly due to our focus on productivity and profitability. Management and support costs were 12 million higher, driven by the impact of inflation. This was largely offset by the delivery of a further 9 million of Liquidnet integration savings. Finally, the strengthening of sterling towards the end of the year contributed to a 25 million negative currency movement on the retranslation of net financial assets on the Balance Sheet.

Turning next to significant items. These are not included in our adjusted results so that we can better measure business performance and compare with other reporting periods. Significant items were 153 million after tax, compared with 91 million in the prior year. This increase was mainly driven by a post-tax impairment of 76 million relating to Liquidnet goodwill and acquired intangible assets.

The impairment mainly reflects challenging stock market conditions impacting Liquidnet's equities performance, and an increase in the valuation discount rate since our previous assessment, in line with higher interest rates. About 85% of significant items were non cash, including 44 million of intangibles amortisation. Excluding the Liquidnet impairment, we are slightly below our guidance of £85m pre-tax, which excludes legal and regulatory items.

Turning now to the business divisions, where my revenue comparisons are in constant currency to give you a clear picture of the underlying growth trends. Starting with Global Broking: total revenue of 1.3 billion was in line with an exceptional performance in 2022. Rates is our largest and most profitable asset class, accounting for nearly half of total global broking revenue. Revenue here was stable at 566 million. Credit revenue was down 3% to 121 million, foreign exchange and money markets grew 3% to 121 million, and equities decreased 4% to 237 million. Productivity in Global Broking was up as revenue per broker grew 5% and contribution per broker, increased 12%. Excluding Russian provisions of 20 million in the prior year, contribution per broker increased 7%. Contribution margin increased 2.4 percentage points to 39.2% and adjusted EBIT grew 10% to 206 million, with the margin increasing from 14.9 to 16.4%.

Turning next to Energy & Commodities, the division delivered a strong performance benefiting from good market conditions. Total revenue was up, 18% to 458 million with strong double-digit growth across the three main asset classes, Oil, Power and Gas.

Productivity was also up as revenue per broker grew 24% and contribution per broker, increased 30%. The contribution margin grew from 32 to 33.6%. Adjusted EBIT increased by 45% to 71 million and adjusted EBIT margin was 2.8 percentage points higher at 15.5%.

Turning now to Liquidnet. As Nico mentioned, Liquidnet Credit is now reported as part of Global Broking and is therefore excluded from this slide. Total revenue decreased by 1%, to 315 million. Revenue from cash equities was down 9%, compared to a decline in large block volumes of 13% in the US and 15% in Europe.

However, market conditions improved in the second half and equities revenue grew 13% in the fourth quarter. This positive momentum has continued into 2024. The rest of the division, our agency execution multi-asset offering, delivered a strong performance with growth of 10%. We achieved 43 million of annualised integration cost synergies, well above our 30 million target. And the division benefitted from its strong operational leverage, ending the year with adjusted EBIT of 10 million, up from 1 million last year.

Turning now to our data & analytics business: Revenue in Parameta Solutions was up 8% to 189 million, and growth accelerated in the second half to 11%, providing good momentum into this year.

This reflects increasing demand for over-the-counter data. Adjusted EBIT was down 3% to 77 million at a margin of 40.7%. This is due to a 7 million increase in central management and support costs, largely reflecting continued investment in people to deliver further growth.

Moving now to our 2023 targets in March last year, we updated these to reflect the impact of the pandemic and difficult stock market conditions affecting Liquidnet. We have met or exceeded most of these targets. Energy & Commodities' adjusted EBIT margin was 15.5% above the target range of 13% to 15%. Global Broking's contribution margin was 39.8% at the top of our range. This excludes Liquidnet Credit to ensure a like-for-like comparison. Our cash conversion of 124%, is well above our 80% target. Our group EBIT margin was 13.7% compared to a target of around 14% and excluding the 11 million foreign exchange loss on balance sheet retranslation, our margin would have been 14.2%.

As Nico outlined earlier, we have made significant progress delivering on our objectives. Today, TP ICAP is more diverse, the top line is growing and we are generating significantly more cash. Turning now to capital management: we are using the 100 million of cash freed up to reduce group debt.

At the end of February we had paid down 88 million, which includes the remaining amount of the bond which matured in January, as well as the final Liquidnet deferred consideration payment which would have otherwise required financing. Using the definition of our rating agency, Fitch, our leverage ratio was 1.9 times, down from two times at the end of 2022.

We plan to show the full 100 million reduction in gross debt at our half-year results and expect the leverage ratio to reduce further. We are also returning capital to shareholders and have announced a second buyback of 30 million, starting today. We completed our first 30 million buyback in January, having bought back 16.9 million shares, and these are not included in the share count for EPS and DPS.

We continue to review our capital to assess further opportunities to pay down more debt, invest in the business or initiate further returns to shareholders. Finally, our total dividend for 2023 of 14.8 pence represents an increase of 19%.

Turning now to cash: this chart shows the movement in our free cash flow. Our reported EBIT for the year was 128 million. Depreciation, amortisation and other non-cash items amounted to 140 million. The impairment of Liquidnet goodwill and acquired intangible assets was 86 million before tax. We have continued to improve our collection of trade receivables which drove the working capital inflow of 104 million. These increases were partially offset by movements including tax paid of 57 million, 32 million of accelerated tax paid, which is expected to reverse in 2024 and 25; 33 million of net interest paid, and 55 million of CAPEX. Taken together, this results in free-cash-flow generation of 281 million. A cash conversion rate of 124%, which is free cash flow divided by adjusted earnings, largely reflects our improved working capital and active capital management.

Turning now to cash and capital resources: the pie charts on the left show our cash, cash equivalents and financial investments at the year end. Most of these are held in regulated entities, which account for just under £1.2 billion. Non-regulated entities account for 36 million. The capital requirements of regulated entities are generally supported by our cash and funded by our bond portfolio. The bar chart on the right shows a breakdown of this cash. About 250 million is held to meet our existing near-term commitments. 950 million is held for operating and regulatory capital requirements, as well as working capital and liquidity.

Turning now to guidance: we expect group net finance expenses of around 25 million this year, a reduction of 4 million compared with last year. We anticipate an effective tax rate on our adjusted earnings of about 29% and pretax significant items of roughly 65 million. This excludes potential income and costs associated with legal and regulatory matters. We remain committed to our dividend policy of two times cover on adjusted earnings. And finally, we expect management and support costs, excluding foreign exchange movements from balance sheet retranslation, to grow broadly in line with the average rate of UK inflation. So thank you very much.

I'll now hand over to Dan to talk about Global Broking.

DANIEL FIELDS

Thank you Robin, and good morning everyone. I'm going to begin with an overview of Global Broking, provide colour on the market and then update you on the progress of our digital platform Fusion. I will close with our priorities for 2024. Let me start by reminding you that Global Broking is the world's largest inter-dealer broker and over-the-counter liquidity venue. We cover all major asset classes, have a global footprint and leading market share.

Our brands are generally number one or two in the market and our rates business is both the industry leader and benchmark. From this position of strength, we continue to make good progress delivering our strategy.

As you heard from Robin, Global Broking's revenue was in line with a strong comparator the prior year. In addition, broker productivity, adjusted EBIT margin and contribution margin all increased. This performance was delivered against a backdrop of rising interest rates, high inflation, the collapse of some regional US banks and takeover of Credit Suisse, together with heightened geopolitical uncertainty.

Global Broking took advantage of these conditions, in particular in our Rates and Foreign Exchange businesses. As the chart indicates, there's been significant movement across the yield curve, short to long, throughout 2023.

Market participants have been active repositioning their portfolios, hedging and issuing debt. Our global rates franchise benefited from this. In Foreign Exchange and Money Markets, movements in interest rates and local currency drove activity, especially in the US dollar, Yen and Emerging Markets.

We benefited here from the scale and breadth of our global franchise. In Equities, the market is in a period of transition as we look towards an environment of falling rates. We continue to diversify our product offering, invest in technology and work with our colleagues in Liquidnet to provide clients with optimal solutions. As you heard from Nico, we have consolidated our credit activities into a single unit within Global Broking, where we expect to benefit from a trend towards electronification. In the last five years, electronic investment grade volumes in credit have doubled, while high yield volumes have almost tripled. Under the new setup, we will be better able to leverage our sellside relationships and accelerate connectivity, drive efficiencies through a shared support infrastructure, and continue to respect separate liquidity pools. We made good progress in primary markets, where trading increased four times year on year. In secondary markets, we now have seven sellside institutions connected across all protocols.

In addition, several protocols are now live alongside Global Broking applications in Fusion, helping to bring more liquidity to our platform and diversify – demonstrate the benefits of all integrated credit offering.

Turning now to Fusion. Fusion equips our brokers to serve our clients better across the full lifecycle of a transaction. It is formed of three core elements working seamlessly together. Fusion Markets is a single portal offering clients access to our global liquidity across asset classes and brands. Fusion Connect delivers straight-through processing and Fusion Clear offers post-trade services. So, Fusion provides the real time data, automated trade processing and settlement solutions the clients require to transact with confidence. This means clients execute more business with us, helping to underpin and grow our industry-leading market share. Fusion is now live on 44% of In-scope desks and we are on track to complete its rollout by the end of 2025. We are also upgrading the platform's functionality as clients increasingly focus on API rather than web-based connectivity. This shift benefits our business in two ways. First, it is easier and faster to deliver new products to clients via desktops rather than an API connexion. The work done this year will enable us to accelerate adoption.

Second, it means we are well placed to increase Fusion's share of the client's trading infrastructure which helps to institutionalise relationships. 43 of our top 50 clients are now

API-integrated via Fusion Connect, giving clients access to every brand, product and market. In addition, client adoption of Fusion, measured by the number of unique client logins, is up 24% year on year in rates and 16% in foreign exchange. Fusion is also helping drive our financial performance.

Broker productivity, measured by the revenue that each broker generates, is a key metric that we track closely. The chart on the left shows this for both Fusion-enabled and non-Fusion desks and rates. As you can see, Fusion delivers higher revenue per broker. The chart on the right shows our progress since starting Fusion's rollout in 2021. Revenue per broker has increased from 552,000 to 681,000, whilst the average number of brokers has declined.

Turning now to 2024: we expect market conditions to be broadly supportive this year given the interest rate environment and ongoing geopolitical uncertainty. In order to continue driving profitable growth and maintain our leading market position, we remain focused on attracting and retaining brokers in a competitive market and advancing the rollout and adoption of Fusion.

This blend of talent and technology is key to providing our clients with a choice of high-touch, hybrid or automated trading. Thank you very much.

I will now hand over to Andrew to talk about Energy & Commodities.

ANDREW POLYDOR

Thanks Dan and good morning everyone. Our performance in 2023 was exceptional. As you heard from Robin, revenue was up 18%, adjusted EBIT grew 45% and adjusted EBIT margin was up 15.5%.

I'll start with a brief snapshot of the business. We are the leading OTC broker in Energy & Commodities. We operate across three premium brands: Tullett Prebon, ICAP and PVM.
Our client base is well diversified. It includes trading companies, producers, banks and a growing number of buyside clients.

Oil generates just over half of our revenues and we have a large global footprint in both Power and Gas. Energy transition products are a small but increasing portion of our revenue mix and are central to our diversification strategy. We are expanding this business in partnership with Parameta Solutions by providing more data and analytics linked to the Energy Transition.

Our electronic platform, Fusion is important in these markets as we consolidate our revenue on screens. The use of OTC pricing in the Oil markets is still in its early stages. But with growing client demand for real-time pricing, we are partnering with a third-party technology company to deliver these screens for Oil.

Turning next to the market backdrop. There was a strong recovery in 2023 in market volumes for Oil, Power and Gas. The chart here shows the year-on-year percentage change in the combined number of contracts traded on ICE. We outperformed the combined ICE volumes, resulting in a double-digit revenue growth across these asset classes. Strong oil volumes were an important factor in our performance. They were up nearly 20%.

There were five months last year when volumes on WTI, one of the major Oil benchmarks, were at a record level. It's important to remember that the price of Oil and volumes are not necessarily linked. We make money when the price goes up as well as down. Gas also recovered in 2023, with the market volumes up 16%. The price of Gas reverted to historic norms following market dislocation in the prior year, when significant price spikes caused issues with liquidity. Although macro and geopolitical uncertainty will be an important factor for the Oil markets in 2024, the International Energy Agency estimates that global demand for Oil will continue to grow. Forecasts also predict strong growth in the long-term demand for gas, and we are cautiously optimistic this year.

Strong storage levels in Europe and the winter to date has been mild, but these potential risks of geopolitical events could result in further price spikes. Electricity demand is also forecast to grow and this should support our power franchise. We expanded in this market during 2023 through the launch of a desk in Japanese Power.

I'll turn now to the energy transition. We see products linked to the Energy Transition, including carbon credits, biofuels, renewables, battery metals, as a substantial growth opportunity. And we are well positoned to be the leading broker in this space because of our global scale and reach. As I mentioned earlier, Fusion plays an important role in these markets as it streamlines the way our clients access data from Parameta Solutions. To date, Fusion is live in the green certificate market in Norway, the voluntary carbon markets globally, together with renewables and Gas markets in Australia. From now on, we will use Fusion for all new product launches in this sector.

I'd like to focus on one example, namely battery metals. As you all know, electric vehicles are driving strong demand for essential metals such as cobalt and lithium, shown here on the right. The IEA predicts that battery metal volumes could increase by a factor of more than 40 between 2020 and 2040. So there's a growing need for price transparency and more effective risk management. We recently hired an experienced broker to build a team for battery metals, which is expected to be in place by the second quarter. The data in this new illiquid market is incredibly valuable and we will work closely with Parameta Solutions to monetise it.

So let me turn now to 2024. As you heard, the medium-term demand for traditional products across Oil, Power and Gas is forecast to grow, while growth from those linked to the energy transition is expected to be even greater. Market activity this year is likely to be driven by geopolitics and we also expect increased competition for brokers due to their growing interest in the sector.

Against this backdrop, we are focused on growing our market-leading position in the traditional assets classes, while at the same time growing in the rapidly expanding energy transition markets. We also working closely with Parameta Solutions to monetise more of our data and in particular the data generated through this energy transition. And of course we'll continue to roll out Fusion as an important part of this collaboration.

Thank you very much and I'll hand you over to Mark for an update on Liquidnet.

MARK GOVONI

Thank you Andrew, and good morning everyone. I will share an update on our business, cover wider market context and brief you on our priorities for 2024. Liquidnet is a tech-driven agency execution specialist that operates in 49 markets and serves more than 1000 institutional clients.

For over two decades we have been a powerful disruptor in the market, acting as a partner to the buy side and helping investors source liquidity efficiently. The equity markets were challenging in 2023, so we took action to protect our franchise and drive performance.

We reduced our cost base and delivered £43 million of annualised synergies, exceeding our £30 million target and significantly strengthening our operational leverage.

The integration of Liquidnet is now complete. We also grew share in block equities. Market activity increased in the second half and revenue in cash equities grew 13% in the fourth quarter, building good momentum into 2024. This uplift shows that we are well positioned as markets normalise. As a result, we delivered £10 million of adjusted EBIT in 2023, a significant improvement on the prior year. Turning now to an overview of the Liquidnet division: despite the recent recovery in block markets, we continue our strategy of diversifying our equities through algo program and interregion trading.

The pie chart on the left shows our revenue breakdown by asset class now that credit business sits within global broking. As you would expect, Liquidnet cash equities is our largest asset class. This is followed by rates, futures, foreign exchange and advisory. The chart on the right excludes Liquidnet cash equities so that you can see the breadth of our multi-asset offering where total revenue has grown by an average of 16% over the last three years. Profit margins have also increased significantly from 9.8% in 2022 in 2020 to 13.4% in 2023.

Turning now to the market backdrop for equities. As I mentioned earlier, the market environment in 2023 for trading large blocks was challenging. In the third quarter, the global commission wallet was the lowest it has been in more than nine years. Trading volumes were down 13% in US agency and the largest block volumes in Europe fell 15% year on year.

However, the fourth quarter was encouraging. In November, inflows into equities grew and cash allocation was at its lowest for two years. In December we were pleased to print the second and third largest blocks in the market for 2023 in what is traditionally a quiet period. And we grew market share in both the US and Europe. We are the largest player in EMEA with a 36% share and in the US we are the second largest with a share of 24%. The actions we took in 2023, which include tight cost management and driving efficiency, puts us in a strong position as equity markets continue to normalise. The chart on the right shows our equity cost base and cost-income ratio for non-front office costs over the last three years. Costs have reduced by an average of 19% a year since 2020 and with the cost-income ratio falling from 59% to 45%.

Simultaneously, we have continued to invest in diversifying our equities franchise by growing in Algos, program and inter-region trading. Our all-weather strategy is about building out new offerings to complement strength in our large blocks.

Progress includes increasing programme trading revenue by 26%, growing average daily algo users by 16% and making our entry into the listed derivatives market, with the launch of new pre-trade analytics product, as well as adding 100 new equity clients during the year. We also continue to focus on enhancing our position as the partner to the buyside. Changes in technology are reshaping the investment landscape and in this environment, clients value our combination of leading technology and expert high-touch service.

We are not just providing clients with agency execution, we are also deepening relationships by brainstorming ideas for new products with them and by offering executive coaching to our buyside traders. This helps to build client loyalty. 93% of our clients who traded in 2022 were retained in 23. Cross-selling our multi-asset services to traditional equity clients plays a key role in building retention. I'd like to conclude with our priorities for 2024. We are seeing a continuing rotation out of cash this year and block market conditions are improving.

In our Equities business, we are known for our strength in block trading, and we will take advantage of this recovery, but we will also continue to diversify. In addition, we plan to advance our multi-asset offering, especially in Rates and Futures where inflation and interest rate movements are creating interesting opportunities for a relative value strategy.

So in summary, Liquidnet is well placed as a result of the actions we have taken. We have reduced our cost base, increased our profitability and as our retention rates show, we have strong client relationships which will underpin growth as we capitalise on markets normalising.

Thank you. I'll hand it over to Eric to talk about Parameta Solutions.

ERIC SINCLAIR

Thank you Mark and good morning everyone. Parameta Solutions is the world's leading provider of OTC market data solutions. We are a high-margin business that has grown consistently, as you can see from the chart on the left. We have a subscription-based model giving us 96% recurring revenue and a retention rate of 98%. This is founded on our access to a unique set of neutral proprietary data from the world's largest interdealer broker.

We have a clear strategy based on, first, growing our data and product offering. During the year, we launched new indices in collaboration with Global Broking and Energy & Commodities, which I'll talk about later. Second, diversifying our client base. We added 30 new clients in 2023 and our client base increasingly includes Global Macro Hedge Funds. Third, we are expanding our multi-channel distribution. This year we added Fusion Connect as a direct distribution channel. And fourth, we are building partnerships with others to accelerate growth. I'll talk in more detail about these priorities on the next slide, starting with products.

Regulators increasingly demand that clients evidence transaction data, and in particular trades, in their independent price verification process. So we are creating new products to help meet these requirements. We now offer clients evidence-backed pricing for a wide range of asset classes. These products draw on neutral data from real transactions that have taken place, not just opinions. Fusion is also helping Parameta Solutions to access a much richer set of data, including trade and order data, which we now use to help clients manage risk and optimise regulatory capital.

We are developing partnerships with others to help us leverage our data and drive growth. For example, our partnership with US tech company PeerNova combines our transaction data with their Cloud-based software to help clients with independent price verification and consensus pricing.

This has accelerated our licensing of evidential pricing and trade and order data. We are also working with global analytics firm Numerix to build independent fair valuations of over-the-counter derivatives. We expect to launch a new derivatives valuation product later this year. In addition, we have partnered with General Index, a benchmark provider in the energy and commodities markets, to launch indices for liquefied natural Gas.

We expect to follow this with other indices which I'll talk about in a moment. Multichannel distribution is helping to drive new client acquisition and we increasingly distribute directly to clients, for example via Cloud-based solutions.

Global Macro Hedge Funds in particular prefer the agility of our direct offerings via the major public Cloud providers. This year we added Fusion Connect as a direct distribution channel, giving clients the benefit of broking and data capabilities on the same platform. We currently have well over 1,000 direct connections to clients and direct delivery accounts for 20% of our revenues.

This improves our margins and increases the opportunities to cross-sell. I'd like to turn now to our opportunities in Energy & Commodities sector.

Demand for data in this sector is growing rapidly and our collaboration with Energy & Commodities division is opening up new opportunities such as weather derivatives, voluntary carbon and battery metals, which Andrew spoke about earlier. These new environmental products will help clients navigate both regulatory and geopolitical headwinds.

Last year we also launched new products for traditional asset classes, including US Domestic Crude and this year we will launch real-time pricing in the Oil market in response to client demand. We expect the global market data industry to continue growing, driven by our clients' need to meet regulatory requirements and increase capital efficiency. We are also creating new products to meet this demand.

We expect to launch new indices this year including Fuel Oil and Carbon Credits in the Energy sector as well as inflation swaps and additional Interest Rate Swap Volatility indices in the capital markets. We continue to diversify our client base with a focus on Energy and Commodity clients and Global Macro Hedge funds who are Seeking Alpha in the over-the-counter markets. And we will continue to expand direct distribution with Fusion as well as develop third-party relationships to drive future growth.

Many thanks. Now back to Nico to wrap up.

NICOLAS BRETEAU

Thank you Eric. So to conclude, 2023 was another good year for TP ICAP. As a group, we play a central role in the wholesale market with a leading client franchise across every major asset class and a highly valuable data business. We have a clear strategy focusing on Transformation, Diversification and Dynamic Capital Management which we are executing to good effect.

This means that we are well placed to deliver sustainable shareholder value. We're pleased to announce today an increase in the final dividend of 27% together with our second 30 million buyback.

Thank you very much. We'll now open up for questions, so if you could please tell us your name and organisation before asking your question.

Thank you.

AUDIENCE QUESTION - ENRICO BOLZONI, JP MORGAN

Good morning. Enrico Boloni, JP Morgan. On Liquidnet I wanted to hear your thoughts on whether you think competition will increase, will change and what can you do to protect the business from these new entrants in the space. My second question relates to the potential IPO of Parameta. So just be good to hear your thoughts in terms of what you could possibly do with the proceeds, should this go through. Would you consider returning capital to shareholders? Or you think there are new areas, also in light of the completion of the Liquidnet integration, that you could deploy to expanding organically further. And finally, clearly you moved some parts of the business around. You have Credit that sits within the Global Broking. And partially related, the consolidation of Parameta under one single entity. I just wanted to understand whether these two movements could come with some cost benefit or some revenue benefits just because of a simpler structure? Thank you.

NICOLAS BRETEAU

Thank you for your question. So Mark, would you like to talk a little bit about the competitive landscape on Liquidnet on the block particular?

MARK GOVONI

Yes, thanks for the question. As we think about the competitive landscape, we are in a highly competitive industry. I think there'll always be some sort of competitive threats. If we think about our positioning – the fact that we have been in the business for 20-plus years is a huge advantage. The trust that we have with clients is a massive advantage. But most importantly, it's our connectivity through all of our clients, OMS and EMS vendor connectivity. That connectivity takes decades to build. And we've got that not only locally in each region, but to the extent we continue to grow, the interregion aspect of that. So leverage US clients trading into other regions and UK clients trading into other regions as well. I think we are well positioned. We'll continue to innovate there. We've got some exciting ideas for 2024. So I think the combination of our history, the combination of our client breadth and the combination of our vendor connectivity, I think we are confident in our position and I still think we have room to grow.

NICOLAS BRETEAU

Thank you. Mark. Your second question relates to Parameta. So yes, I think you've seen through the presentation that we believe Parameta is a fantastic asset. It's been growing at a component growth rate of 9% over the last five years. It's a leading franchise in OTC data, so it's very unique. It has a fantastic retention rate of clients, around 96%, recurring revenues north of 93%. So we have worked a lot in order to grow, to mature and to scale Parameta and we think that we've spent a lot of time exlpaining the business model to the market. And we came to the conclusion that it's probably not really valued at its right level today. And therefore we've started a strategic exploration with the board to see how we could materialise more value for our shareholders. So our purpose is to get value recognition, but also value creation going forward. It's a core asset, it's part of TP ICAP. But you will understand that we are at the very early stage of that strategic thinking. So it's too early to talk about what we will do with the proceeds. I think Robin explained very clearly our policy in terms of cash allocation.

NICOLAS BRETEAU

So investing in the business, having a good dividend policy, also making sure that we constantly improve our situation regarding debt, but returning capital also to shareholders when appropriate. So I think we will apply these same criteria when the time comes. You ask also about the credit organisation because we've decided to combine all our credit activities into Global Broking. So it's an important move for us. Maybe you would like to say something about that, Dan?

DANIEL FIELDS

Yeah, I think that we see a big opportunity in credit. As I talked about, there's increased electronification in the market. Structurally, the credit market remains with dealers as an integral part of most of the transactions. And therefore we believe that the constant connectivity between Global Broking and dealers will allow us to accelerate connectivity throughout the various protocols.

And I think your final question. You talked about consolidating parameter under one Holdco? That is part and parcel of the journey of us looking to show value of the asset. But again, it's another part of our simplification of the group organisation. Over time, not just for Parameta, but for the rest of the group, we continue to look at efficiencies and cost-saving drives, and consolidating entities is a general theme that we would do as a normal course.

AUDIENCE QUESTION - PIERS BROWN, HSBC

Hi, it's Piers Brown from HSBC. Just coming back to maybe one on Liquidnet. I mean, you've taken a small impairment on the value of the goodwill on Liquidnet. And I think you mentioned the difficulties in the block trading business this year. Is there anything that that implies in terms of the revenue potential you see in the credit business? That's the first question. And then secondly, on Parameta, is IPO the only option now, or is that just the preferred option? And is there any reason why you wouldn't divest of a majority stake over time?

NICOLAS BRETEAU

Thank you for your question.

ROBIN STEWART

Would you like the first question on. I think yes. We've taken an impairment; you'll have seen at the half-year results, some of the sensitivity analysis on the valuation of the asset. I think that the main drivers for that impairment really are the continued decline in the equities markets in the the first two-and-a-half years, from 2021-22 and the first half of 23 when we saw 20% declines in equities revenues over that period. We've seen a reversal of that. But in the context of that momentum shift, just in terms of the way that we value the asset on a DCF basis, that creates a lower valuation, which has created that impairment alongside a reduction in the discount rate since the last valuation analysis that we did. The credit component that you asked about is a minor part of that. And that's just really about the timeframe, in which we think we'll deliver the value of that revenue growth.

NICOLAS BRETEAU

Regarding Parameta, as I said, we are exploring several options because we think that a different configuration could help Parameta to source other data providers, could also help grow the business, maybe on a non-organic manner going forward. So we need to complete our work before we could decide on what will be the preferred route. But we believe that it's a core asset. We believe that we are a good owner of Parameta Solutions, and it's important for us to get the right value recognition because it's not part of where TP ICAP price is trading today. So we want our shareholders to benefit from that. But going forward, we also want the shareholders to benefit from the growth and the development of Parameta Solutions.

AUDIENCE QUESTION - KIM BERGOE, DEUTSCH NUMIS

Yes, sorry, I think it was just one question for me. It's Kim Bergo from Deutsch and Numis. One question about market shares. You talk about the market share for Liquidnet, that you've been growing your market share. But outside of Liquidnet, specifically if I think about in Global Broking Credit, I'm sort of looking at on your slide, I think it's 51.

We look at Credit and it's been sort of reasonably correlated. But it looks in the end as though your revenue on Credit and what the general market...

has done there is a little bit of a disconnect. But generally, if you can talk about in Global Broking, what market shares are doing, if you're seeing any trends?

DANIEL FIELDS

In Global Broking, as we've discussed pretty consistently, we've been focusing on high-quality revenue and growing the profitability of Global Broking. And that's been seen in the targets that were achieved in contribution margin and the EBIT of the business. In terms of market share, we have maintained our leading market share over the last two to three years, while increasing profitability of the business as a whole. Now, obviously, market share is very dependent upon specific market events and times. We increased our market share last year in 22 and we gave some back in 23. But over the cycle we have maintained our leading market share and increased profitability. So we see a big opportunity in credit and we're investing in credit. The consolidation of Credit into Global Broking is because we see that opportunity and we believe that Global Broking and Liquidnet Credit combined is a very powerful offer.

AUDIENCE QUESTION - STUART DUNCAN, PEEL HUNT

Thanks. It's Stuart Duncan from Peel Hunt. I've got a couple of questions if it's okay. First of all, it's almost following on from the last question. But can you just talk a little about the dynamics in Global Broking between broker productivity and the contribution margin, and whether we should expect some further improvement there? The second question is kind of similar. On Energy & Commodities, the EBIT margin was obviously ahead of the target, just whether that's sustainable and whether there should be scope again to improve that. And then third question, on the balance sheet, dynamic capital management, there's also been a couple of specific actions over the last year or two which has helped release that 100 million. Just wondering if there's anything else specifically you could do which would have some benefit.

DANIEL FIELDS

Very good; on Global Broking productivity. Yes, as I just said, we've been investing in quality revenues and investing in Fusion to make sure that we are profitable. That obviously gives brokers additional tools to differentiate themselves from others and to be more productive in and of themselves. Along with that is an efficient transaction process which leads to an increased contribution margin, all things being equal in equal market conditions. So they're not the same metric, but I think the two metrics are very closely linked in their operational efficiency and the focus on profitability.

ROBIN STEWART

Just adding to that the contribution margin. Also, the other factor to bear in mind is the mix of the revenue growths across the different asset classes, because there are different contribution margins in the different revenue lines.

NICOLAS BRETEAU

Yes, good point. Because Credit in particular, going back to your question, Credit is traditionally an asset class, commending the highest comp ratios in the industry. So while we identified white spaces to invest and grow our business, we also have to be cognisant of the efforts we might make on contribution versus revenue. So Credit in particular. Energy & Commodities, you asked a question about. So we've improved our KPIs quite strongly. So I think your question, if I'm correct, is, is this sustainable? Could we continue to increase contribution? Maybe Andrew, you want to say?

ANDREW POLYDOR

Yeah, we had an exceptional year last years, as we said during the presentation. There's momentum in the market, so we anticipate the same sort of results going forward. A lot of it's market dependent, but all the things we're doing are to improve all these metrics continuously.

NICOLAS BRETEAU

I was going to say, as you know, we've seen slightly lower level of contribution improvement overall on Energy & Commodities compared to Global Broking. The reason being that it's a more competitive space, it's a more fragmented space, particularly in the US. So I want to nuance that we want to continue to improve profitability, but this is a very very competitive space. So it's, I would say, more difficult to progress the contribution ratio than in Global Broking.

It's the same with Global Broking. The mix is very important regionally for us, not so much product-specific, but regionally, it's really important that we keep an eye on that.

Yes, the US being a lower level of contribution versus the rest of the other regions. But the other side of the coin is that in Energy & Commodities, we have more opportunities to consolidate going forward and to grow the revenue line. So that's the positive aspect of it. The third question is on balance sheet optimisation.

ROBIN STEWART

Yeah, on the final question, Stuart. Yes, we continually look at opportunities to maximise the efficiency of the balance sheet and we've delivered on the 100 million, the original 100 million. We will continue to look for more opportunities to free up cash, but we do have to balance that out with, I suppose, our investment grade sort of desire. We have to keep ensuring that we offer investment grade rating. And in that regard, having sufficient tangible capital on the balance sheet is an important aspect. So there is a balancing act here to drive efficiencies and also to create a better return on capital employed, but in the context of that investment grade.

NICOLAS BRETEAU

So we continue to study what initiatives we could take to continue to optimise our usage of capital, so we have better monitoring within the business units to see what's the return on capital employed. And we're also looking at macro initiatives such as legal entities. So we continue to work and we will probably accelerate the work in 24 and 25 around the optimisation of legal entities around the group. It's another source of optimisation.

AUDIENCE QUESTION - JENS EHRENBERG, INVESTEC

Good morning, it's Jens Ehrenberg from Investec. Just one left from me really. On Energy & Commodities. I think you've spoken a couple of times about sort of the opportunities within the environmental part around voluntary carbon and carbon credits more generally in other adjacent products. Obviously, at the moment, it's a relatively small contribution to the overall revenue mix. I mean, clearly, Oil, Gas and Power are a big part of the market, but where do you think the revenue contribution could go over the next few years? Is there any particular events in the market required for that to grow further, or what's the expectation there?

ANDREW POLYDOR

We're always looking for better contributing businesses, obviously, but as Nico said, it's highly competitive at the moment, particularly with the sector being so hot. We're seeing a lot of approaches of our staff, as an example, but generally, as you go into newer markets, you get a better margin before these markets explode, more people go into it. So that's where our focus is at the moment. We're trying to consolidate everything. We're seeing a pretty good uptake in electronics, so that can potentially create a sort of barrier in those markets for us so we could achieve better margins. But it's too early to tell yet. These markets are still nascent.

NICOLAS BRETEAU

Any other questions in the room? No.

DOMINIC LAGAN

It doesn't appear to be any more questions in the room. Can I just check with the phone operator if there are any questions coming in on the phone?

Yes, yes, we have a question.

I believe we have a question from Vivek Raja at Shore Capital.

That's correct.

CALLER QUESTION - VIVEK RAJA, SHORE CAPITAL

Hi. Good morning, gentlemen.

NICOLAS BRETEAU

Morning.

VIVEK RAJA

A couple of areas, if I could. The first one is on the Liquidnet D2C proposition, I think I remember reading you've got seven or eight dealers plugged in now. I just wondered, where do you need to get to before it's a sort of critical mass, and that proposition, I suppose, starts generating meaningful flow? And what are your sort of strategies to encourage more dealers to connect? The second question was about where you've ceded market share in 23 in Global Broking, which asset classes? Thanks.

NICOLAS BRETEAU

Thank you, Vivek.

DANIEL FIELDS

Sure. So, on the credit proposition, we have seven institutions connected across the D2C protocols. We have another four who are working and who will be connecting in a visible time horizon. I'm not sure that there is one number which is the magic number, but we're seeing increasing volume and interest from the clients on the client side, as well as connectivity on the dealer side. And we're increasing critical mass across the various protocols. It's not just, obviously, the number of connections we have, it's also the additional functionality that we're working on with the dealers and with their clients to bring them alternative sources of liquidity. In terms of market share on Global Broking across the asset classes? Is that the question?

Yeah.

So, I mean, we're the largest interdealer broker. Our strengths are obviously in rates and FX. In rates and FX, our global market share is in the 40% to 50% range. Credit, less and we're investing there because we see an opportunity to grow across the asset class, as discussed. And in Equities, it's a difficult market share to define, given the all-to-all nature and exchange-based nature of equities. But we see there, between Liquidnet and Global Broking, we have a business of £400 million-plus, which is a meaningful player in the space.

MARK GOVONI

One thing I'll say too, in terms of D2C, I think the move from credit into Global Broking centres around, obviously attracting more dealers. And Fusion as an asset is critical for us. Right, Fusion, its breadth of offering across the dealer community, and our ability for dealers to access our credit ecosystem via Fusion, is a strategic differentiator, in our opinion.

DANIEL FIELDS

And to echo that, when I talk about additional functionality, logging into Fusion for certain credit dealers means logging into all of our brands, including Liquidnet, which is a one-step login, and a very powerful differentiator.

ONLINE QUESTION - PORTIA PATEL CANACCORD GENUITY

I just have one more question coming through on the platform here. It's from Portia Patel from Canaccord Genuity. You mentioned the legal agreements now in place with Parameta and the broking businesses. And I guess this is one for you, Eric: Please could you expand on what these agreements formalise with respect to sale of data, as well as the relationships with third parties?

ERIC SINCLAIR

Great. Thank you, Portia, thanks for the question. So we have established a very long-term arrangement with our partners in Global Broking, and that allows us to secure the intellectual property on an exclusive basis. And that's extremely valuable because it's scarcely available neutral content, which has enormous opportunities on a go-forward basis, particularly in the regulatory space and the risk management space for us. And it just furthers our independence. So everything that we've done on this journey, among other things, also makes us an ideal candidate to be a content redistributor on behalf of other parties. We already have over a dozen third-party content providers and we see that as an expanding opportunity. And the more independent we are, the more viable it is for us to leverage our infrastructure to take on other content sources. We have a global presence in all three regions and we want to leverage that.

DOMINIC LAGAN

If there are no further questions in the room and I don't see any more online, it leaves me to thank you all for your attendance this morning in person, as well as those who dialled in. We look forward to welcoming shareholders to our AGM in May. Thank you.

ROBIN STEWART

Thank you.

NICOLAS BRETEAU

Thank you very much.

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