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# London Stock Exchange Group

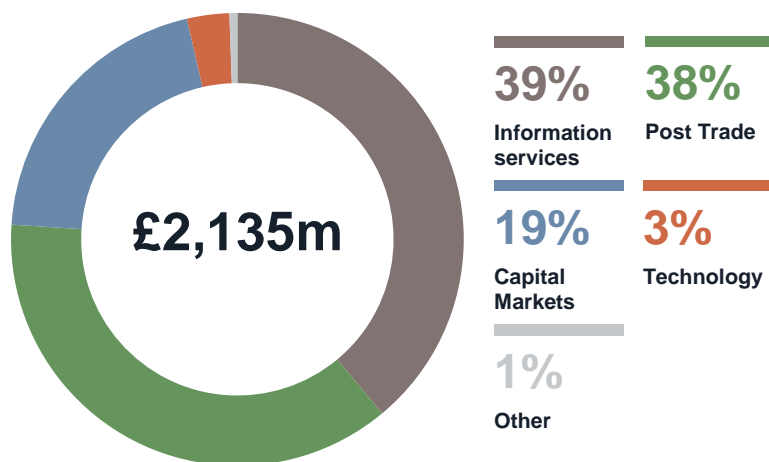
Investor Relations Presentation

June 2019



# Income by segment - 2018

## LSEG 2018 Total Income by segment



## Double-digit growth

### FTSE Russell

**15%**

FTSE Russell revenue up 15% (up 8% at organic constant currency)

### LCH

**16%**

LCH OTC clearing revenue up 16% (up 17% at organic constant currency)

	Twelve months ended			Organic and constant currency variance <sup>1</sup>
	31 December			
	2018	2017	Variance	
	£m	£m	%	%
<b>Continuing operations:</b>				
<b>Revenue</b>				
Information Services	841	736	14%	9%
Post Trade Services - LCH	487	432	13%	13%
Post Trade Services - CC&G and Monte Titoli	102	109	(6%)	(7%)
Capital Markets	407	391	4%	4%
Technology	65	91	(28%)	7%
Other	9	9	(1%)	(2%)
<b>Total revenue</b>	<b>1,911</b>	<b>1,768</b>	<b>8%</b>	<b>7%</b>
Net treasury income through CCP businesses	218	162	34%	35%
Other income	6	25	(73%)	(73%)
<b>Total income</b>	<b>2,135</b>	<b>1,955</b>	<b>9%</b>	<b>9%</b>

### 2018 versus 2017

- Capital Markets £13m reduction in revenues due to adoption of accounting standard IFRS 15 (see 2018 Notes To The Financial Statements)
- Post Trade – LCH: £9m Cost of Sales netted off against Other income
- Post Trade – CC&G and Monte Titoli: £10m Cost of Sales netted off against revenues
- Technology Services: Disposal of MillenniumIT ESP and Exactpro December 2017 £30m revenue

<sup>1</sup> Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes ISPS, The Yield Book, MillenniumIT ESP and Exactpro



# Strong financial performance - 2018

Total income

**+9%**

**£2,135m**

(2017: £1,955m)

Gross profit

**+10%**

**£1,908m**

(2017: £1,740m)

Underlying expenses

**+2%**

on organic and constant  
currency basis, while  
investing for growth

**£834m** (2017: £816m)

Adjusted EBITDA

**+17%**

**£1,066m**

(2017: £915m)

AEPS

**+17%**

**173.8p**

(2017: 148.7p)

Full year dividend

**+17%**

**60.4p** per share

(2017: 51.6p)

# Group Strategic priorities

**Focus on delivering shareholder returns while investing for long-term value**

**Successful strategy with differentiated approach**

Open Access, customer partnership model, strong set of businesses with good growth opportunities

**Group-wide collaboration**

Develop product innovation across the Group; data and analytics; new technologies; deepen Group-wide customer focus

**Operational efficiency**

Invest for growth, focus on efficiency, improve margins, while maintaining operational excellence and resiliency

**Shareholder value**

Focus on delivering performance, while investing for long-term value



# Deliver next-stage benefits of enlarged Group

## Enhance customer partnership approach

further customer collaboration with buy-side and sell-side to drive innovation on new services and products

e.g. LCH, Turquoise Plato & CurveGlobal

## Develop data & analytics strategy

utilise data and analytics to enable further product innovation across businesses in partnership with customers

e.g. explore ISD analytics for LCH customers

## Collaboration, innovation and efficiency

Group model and culture to support collaboration across businesses to join up client delivery, foster innovation, drive efficiency and remove duplication

## Emerging technologies

for product development and cost saving opportunities

e.g. Nivaura and on-going adoption of Cloud technology

## Focus on capital utilisation organic & inorganic investments

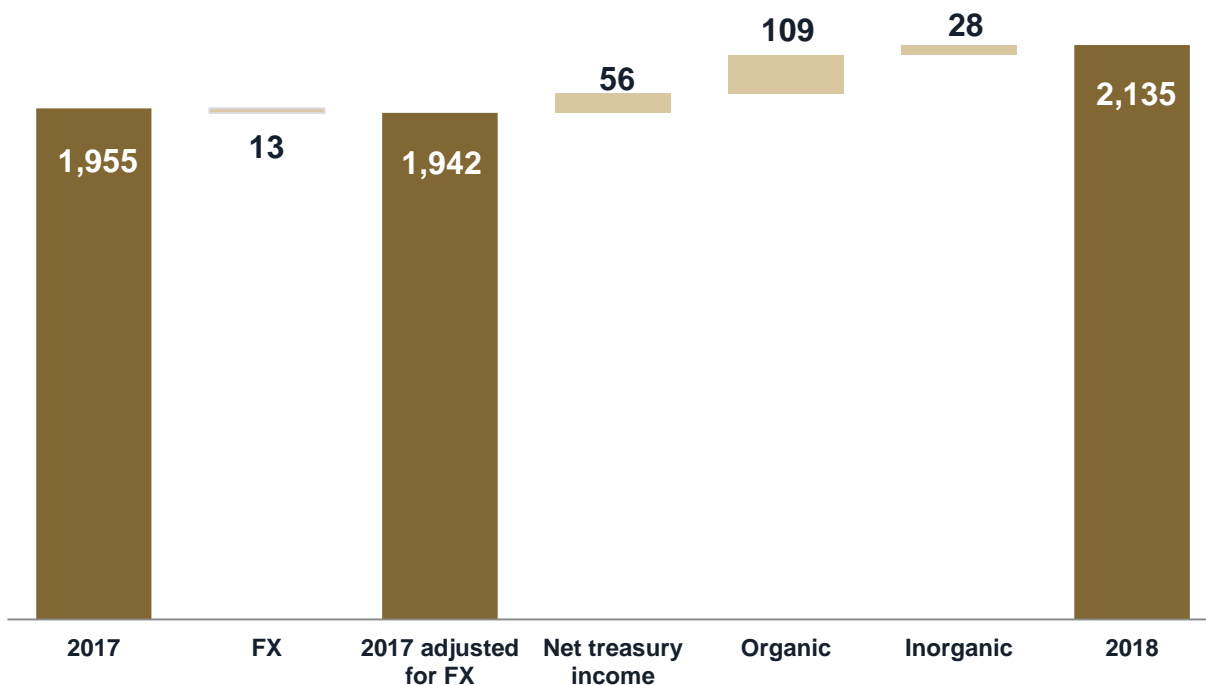
within existing framework – to drive further shareholder returns

**Bringing together a great set of businesses to deliver wider benefits of global Group**

# Income growth - 2018

## Strong organic growth from investment in new products and acquisitions

### LSEG income (£m)



### LCH net treasury income

LCH NTI up 45% to £175m

Cash collateral driven by:

- Volumes
- Volatility

Income driven by

- Quantum of cash margin
- USD rate changes
- Expansion of counterparties
- Active asset allocation

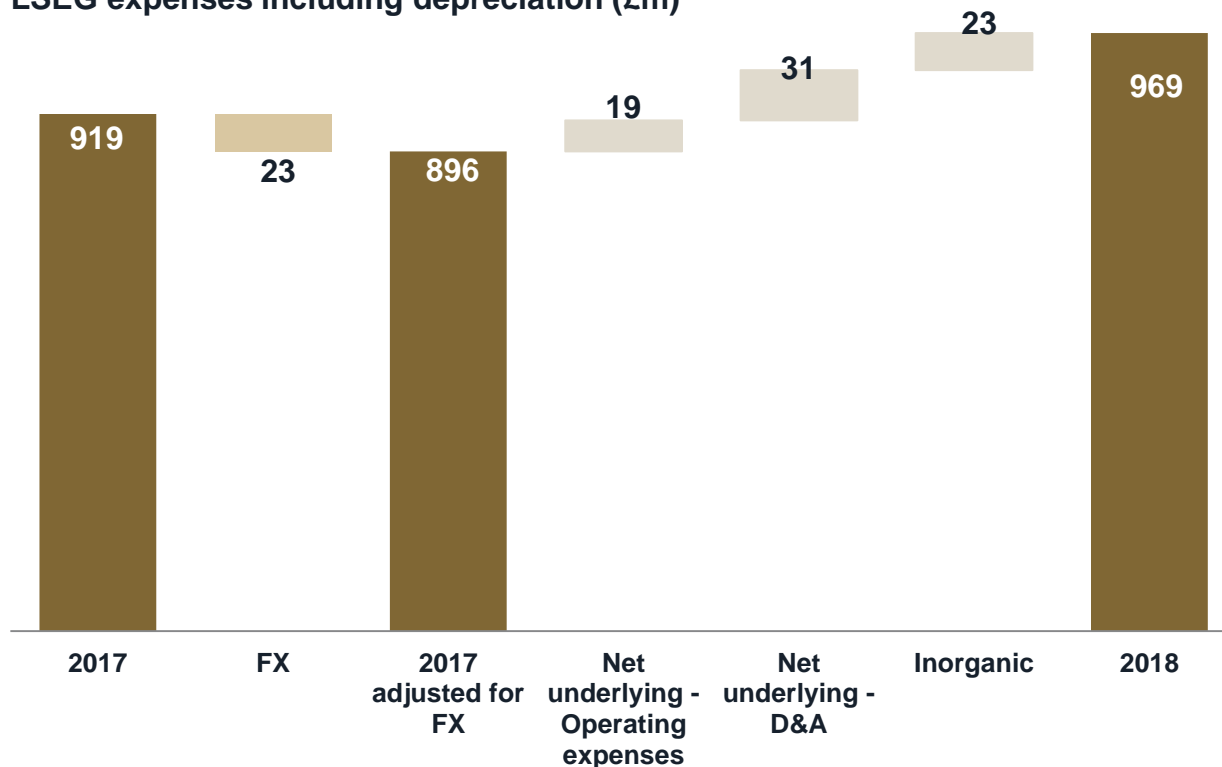
Note: Figures include continuing operations only, Inorganic includes income for businesses held for less than 12 months in either period: ISPS, The Yield Book, MillenniumIT ESP and Exactpro

# Operating expenses - 2018

## Underlying expenses<sup>1</sup> up 2%

Operating expenses including depreciation up 6%

### LSEG expenses including depreciation (£m)



Organic investment in recent periods driving depreciation and amortisation **£135m** (2017: £103m)

Operating expenses before depreciation and amortisation **£834m** (2017 : £816m)

<sup>1</sup> before depreciation and amortisation, on an organic and constant currency basis

# Expenses and Efficiency – looking ahead

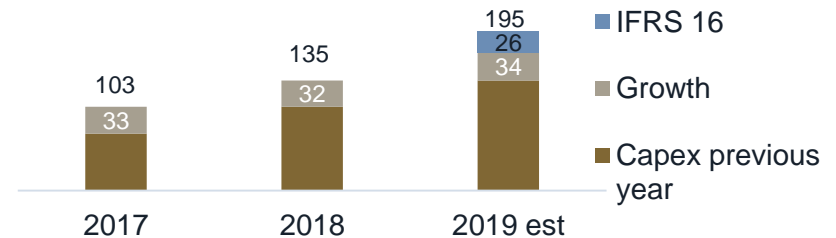
## Cost efficiencies

- **Focus on control of Operating expenses across Group** – real estate, procurement, sourcing strategy
- **Low margin businesses exited** – LSEDM equity derivatives, Exactpro, MillenniumIT ESP
- **Headcount:** drive integration, remove duplication, invest in low cost centres, reduction of contractors. Continue to invest in growth businesses globally. (c.£30m opex reductions - net 250 people/c.5% of global headcount)

## Looking Ahead

- **Depreciation**
  - Expected similar increase in 2019
  - IFRS 16 Leases - 2019 impact adds further c.£26m

### Depreciation £m



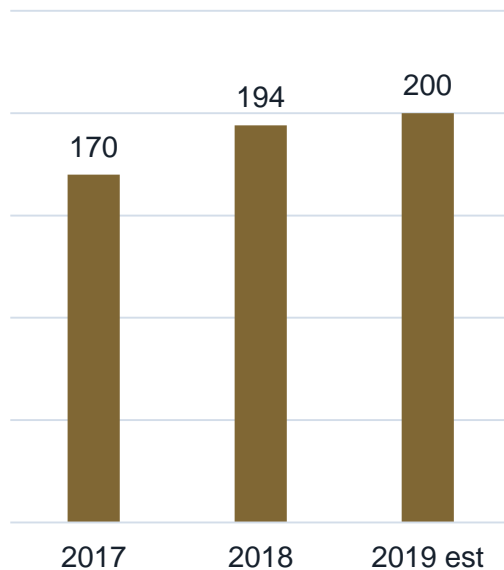
- **Net interest expense**
  - IFRS 16 Leases - 2019 impact adds c.£4m
- **Underlying effective tax rate (excluding one-offs): 2018: 21.9%;**
  - expect ~22% for 2019 (assuming same mix of profits)



# Investment

Investment expense 2019: c.£230m of which Capex c.£200m

## Capex £m



## Investment expense 2019



## Investment for growth and efficiency

- Lower cost service centres
- Restructuring, further integration
- LCH - ForexClear
- Index – data, analytics, multi-asset
- New technology – Cloud
- NY and Tokyo property consolidation

## Operational

- Platform maintenance and upgrades
- Regulatory, including Brexit
- Corporate functions
- Hardware upgrades, data centres
- LCH Collateral management upgrade

# Progress on 2019 financial targets

## Target

### FTSE Russell

Double-digit growth to continue 2017-2019

### LCH

OTC revenue growth to continue at double-digit 2017-2019

### LCH

Adjusted EBITDA margin growth - approaching 50% by 2019  
(2016: 35.6%, 2017: 43.6%)

## Progress

**2018: up 15%**, up 8% on organic and constant currency basis

**2019 Q1: up 7%**, up 2% constant currency

**2018: up 16%**, up 17% on organic and constant currency basis

**2019 Q1: up 16%**, up 14% constant currency

**2018: 45.9%**

# Progress on 2019 financial targets

## Target

Operating expenses at 4% p.a.

## LSEG

Adjusted EBITDA margin of c.55% by 2019 (2016: 46.5%, 2017: 46.8%)

## Update

**2018: +6%**

- Prioritising continued investment in growth opportunities
- 4% target includes depreciation which is expected to grow further, so not achievable in 2019 if continue to invest
- Excluding depreciation, will achieve target in 2019

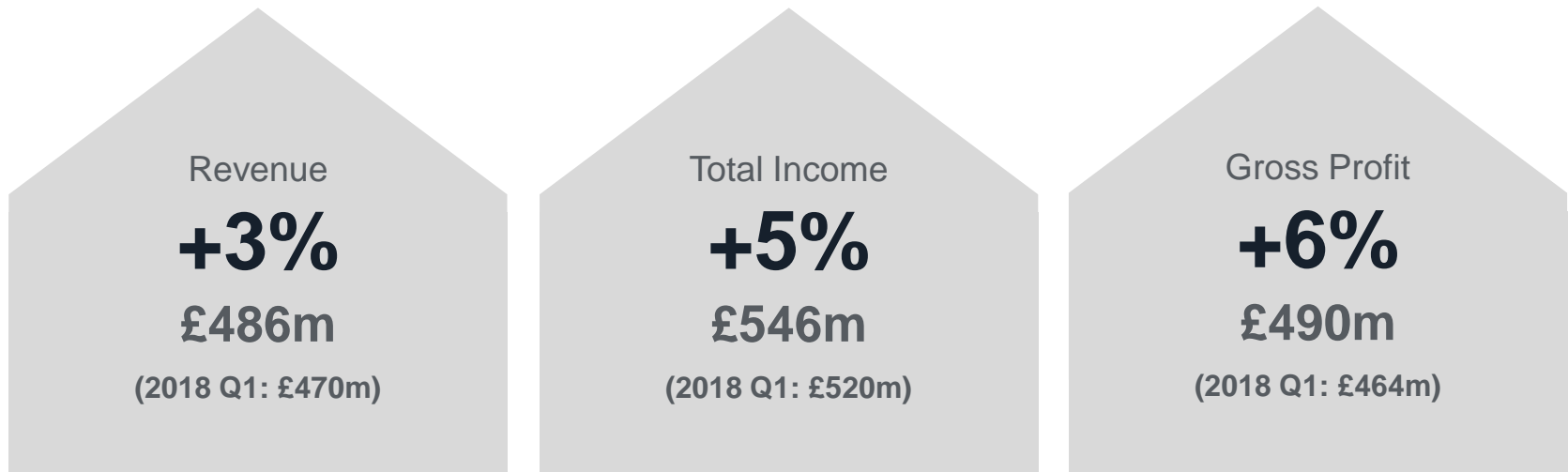
**2018: 49.9%**

- Margin improvement remains a focus; prioritisation of investment means target unlikely to be met in 2019

# Key Q1 financial highlights

## Good overall Q1 income performance against challenging market backdrop

- 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 Divisional highlights

## Information Services

**Revenues up 6% (up 3% on a constant currency basis)**

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

## Post Trade

**LCH income up 17% (up 16% on a constant currency basis)**

With 16% revenue growth in OTC following record volumes at SwapClear

**CC&G and Monte Titoli gross profit up 3%**

## Capital Markets

**Revenues down 9% (down 9% on a constant currency basis)**

Mostly reflecting lower equity trading volumes

## Technology

**Revenues up 9% (up 9% on a constant currency basis)**

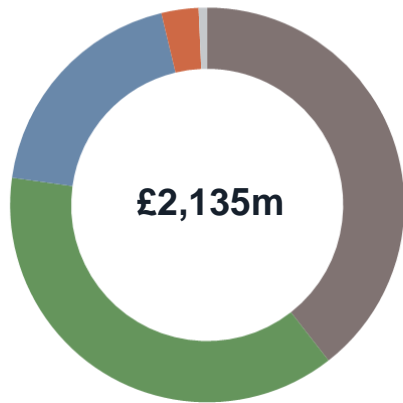


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# Opportunities and development

# Information Services

## LSEG Total Income by Segment - 2018



**39%**

Information services

**30%**

FTSE Russell

**9%**

Real time data and Other

## Intellectual Property

### Benchmarks, Analytics and Data Solutions

We provide customers with an extensive range of valuable and reliable information and data products that inform their investment and trading decisions.



The Yield Book  
by FTSE Russell



Real Time Data

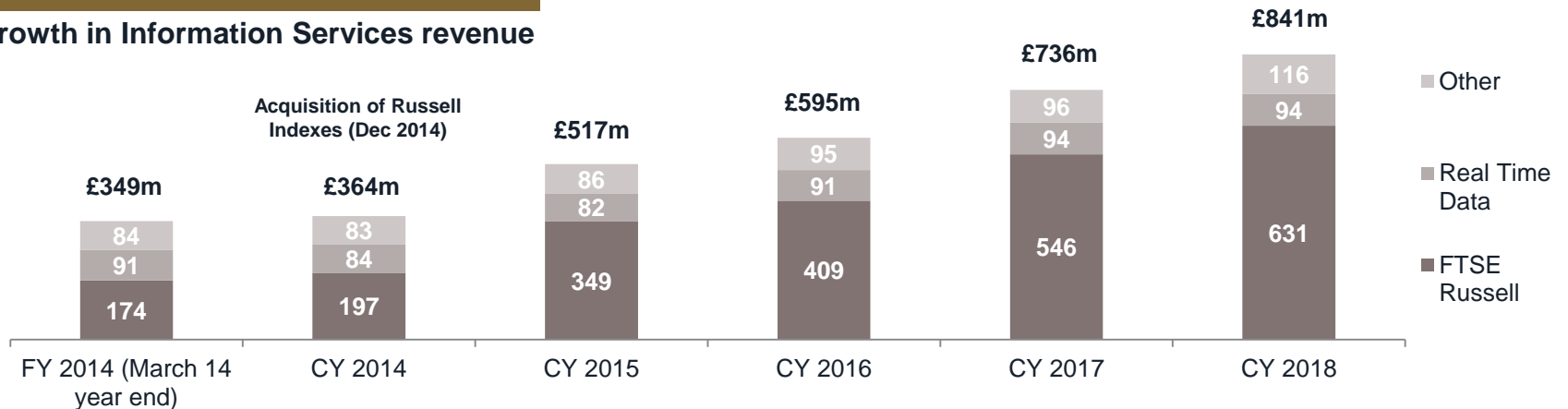
## CAGR of 29%

FTSE Russell revenue CAGR of 29% from FY2014-CY2018

## Double-digit revenue growth

2017-2019 at FTSE Russell

## Growth in Information Services revenue



Note: Revenues based on pre-Q1 2019 Information Services disclosure format

# Information Services



- Leading global multi-asset provider with **~\$16tn** assets benchmarked
- ETF AuM benchmarked **\$669bn**, including smart beta ETF **\$210bn**
- Authorised as EU-based Administrator under new European Benchmark Regulation

## Continued expansion of offering by product and location

<b>Global expansion</b>	<ul style="list-style-type: none"> <li>— China A shares to be included in FTSE's global equity benchmarks from June 2019</li> <li>— Saudi Arabia promoted to Emerging Market status from March 2019</li> </ul>
<b>ETFs</b>	<ul style="list-style-type: none"> <li>— \$669bn ETF AuM benchmarked by over 70 issuers to FTSE Russell Indexes</li> <li>— Positive global secular trends, active to passive</li> </ul>
<b>ESG</b>	<ul style="list-style-type: none"> <li>— FTSE Russell 1st Green Revenues report highlights opportunity represents \$4tn in market capitalisation</li> <li>— Developing ESG benchmarks and data solutions responding to client demand in multiple regions</li> </ul>
<b>Smart beta / Factor</b>	<ul style="list-style-type: none"> <li>— Smart beta ETF AuM of \$210bn</li> <li>— Factor, multi factor, ESG &amp; risk based indexes across multiple asset classes</li> </ul>
<b>Fixed income</b>	<ul style="list-style-type: none"> <li>— Yield Book performing well</li> <li>— Acquired 100% ownership of FTSE TMX Global Debt Capital Markets Ltd</li> <li>— China likely to be added to Watch List for possible inclusion in FTSE's global bond indexes including WGBI</li> </ul>
<b>Unique content &amp; IP</b>	<ul style="list-style-type: none"> <li>— Data, Analytics and IP that supports the investment process</li> <li>— Extend data coverage and developing data and analytics solutions for the full spectrum of clients</li> </ul>

# ~\$16tn

Leading global multi-asset provider with ~\$16tn assets benchmarked

# \$669bn

ETF AuM benchmarked at the end of March 2019

# \$210bn

Smart beta ETF AuM at the end of March 2019





# Leading multi-asset class provider

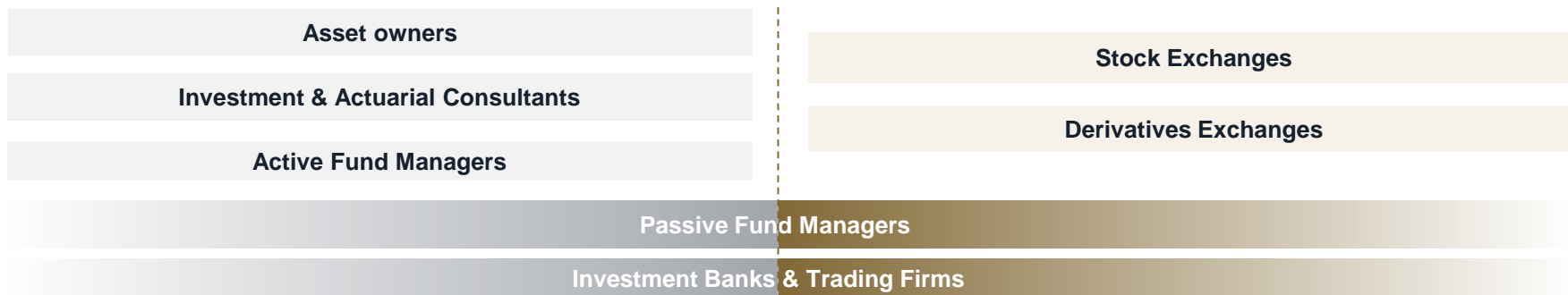
## Driving further growth and opportunities:

- **Multi-asset class capabilities** - development of fixed income analytics and indices
- **Increased data and analytics** opportunities
- **Deepen customer partnership** approach with asset owners/managers
- **Emerging Markets** - build on existing strengths in China, emerging markets
- **Passive investment strategies**, including **ETFs**
- **Smart beta** and factor-based analytics and indices

**Build on competitive advantages to develop multi-asset and data and analytics opportunities**

## High quality recurring revenue

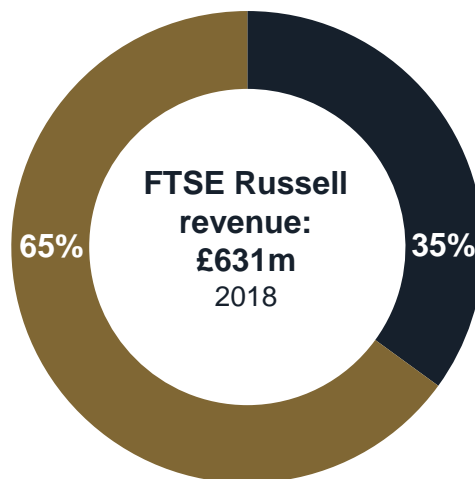
### Clients



### 2018 Revenue Split<sup>1</sup>

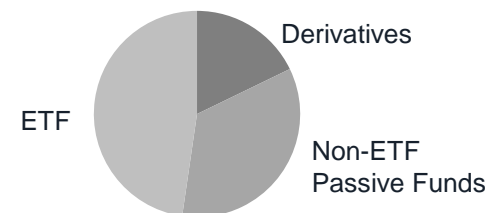
#### Subscription revenues

- Index data subscriptions, including licences, data services and analytics



#### Asset linked

#### FTSE Russell asset linked revenues



<sup>1</sup> Rounded %

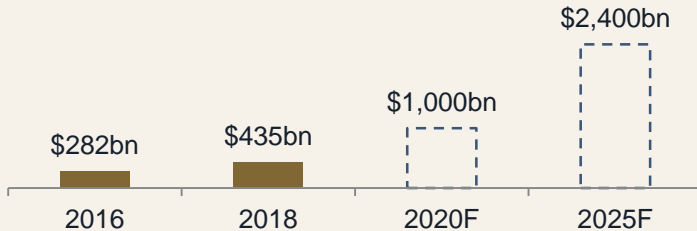
# Ability to commercialise trends

## Index growth through deep client relationships

### Smart Beta

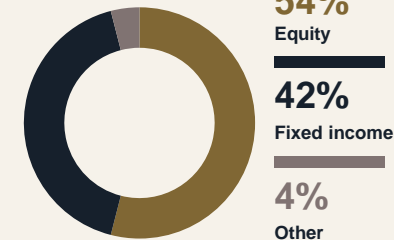
#### \$2tr+ AUM increase

Smart Beta ETF AUM growth to 2025F<sup>1</sup>

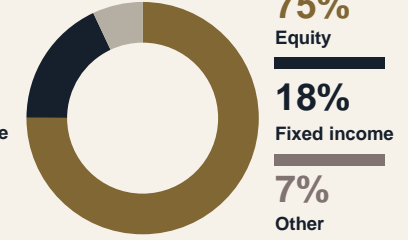


### Fixed Income and multi-asset

Global institutional AUM by asset class<sup>2</sup>

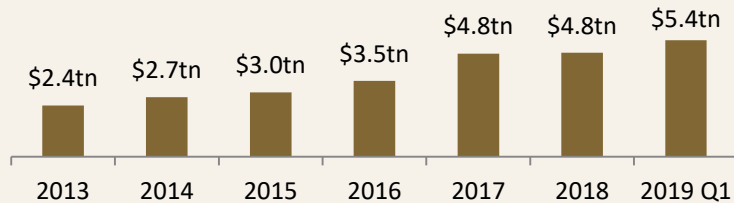


Global ETP AUM by asset class<sup>3</sup>



### Passive and ETF

ETF AUM 2013-2019 Q1<sup>1</sup>



**4.5x<sup>4</sup>**

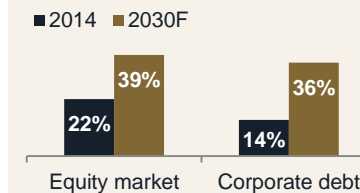
Passive mutual fund AUM grew 18% in 2016, 4.5x faster than actively managed funds

**42%<sup>5</sup>**

Passive forecasted to comprise 42% of cumulative net flows to 2020

### Emerging Markets including China

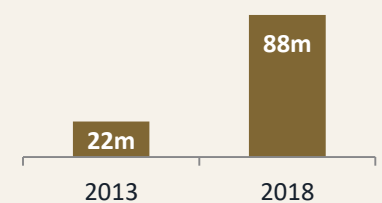
Emerging markets capitalisation<sup>6</sup>



**39%**

Emerging markets forecast to make up 39% of global equity market value by 2030

China A50 futures contracts traded<sup>7</sup>

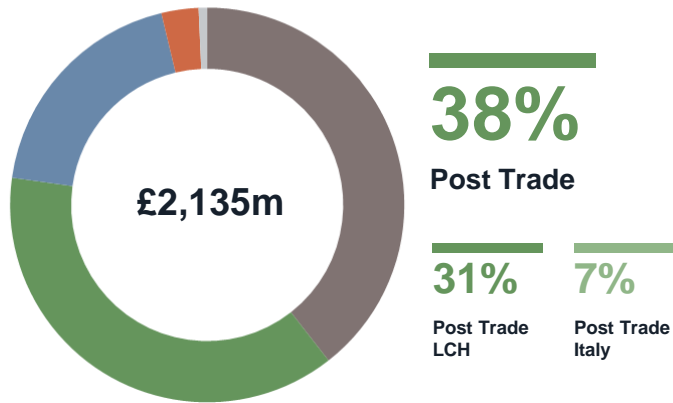


**+32% CAGR**

FTSE China A50 index futures volume +32% CAGR since 2013

# Post Trade

## LSEG Total Income by Segment - 2018



## Risk & Balance Sheet Management

### Clearing, Settlement and CSD services

The Group offers a full range of post trade services, providing risk and balance sheet management solutions to a range of customers.

**LCH** The Markets' Partner **CC&G**  
**Monte Titoli**

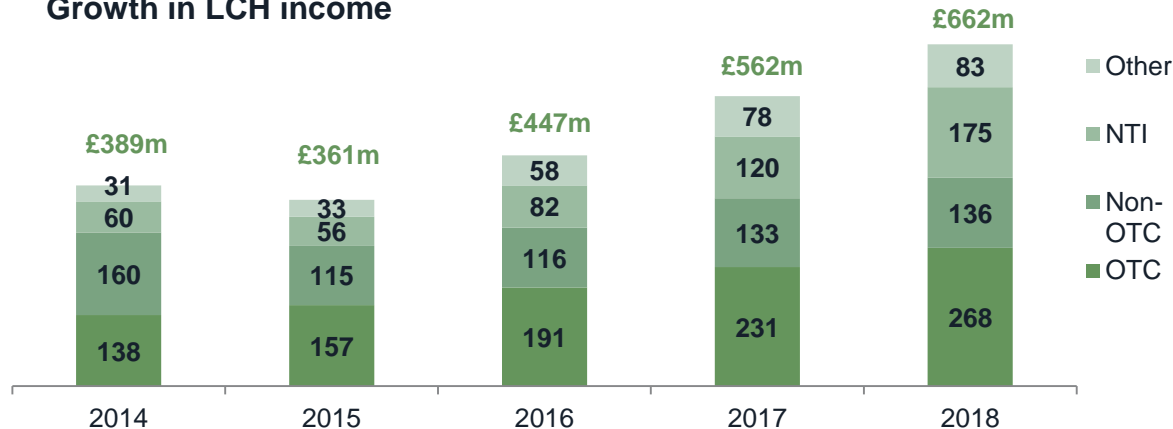
## Double-digit revenue growth

2017-2019 at LCH OTC Clearing

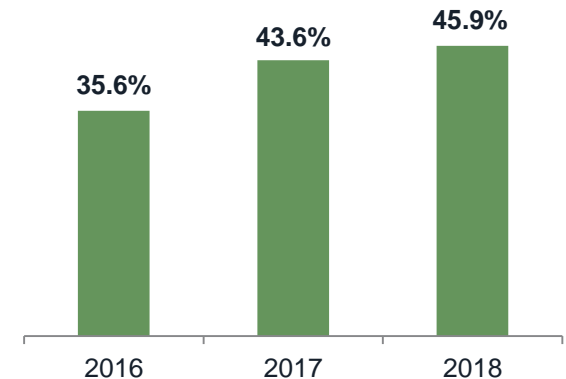
## c.50% margin

Adjusted EBITDA margin growth by 2019 at LCH

## Growth in LCH income



## LCH adjusted EBITDA margin





# Expanded Post Trade Opportunities

## Customer partnership to drive innovation and further service development

**Strong growth** in OTC clearing and other post trade services, focused on:

- **SwapClear** – leading global clearing service providing critical margin and capital efficiencies to member and clients
- **ForexClear** – strong early stage growth, further build on established lead in NDFs and new options clearing, with additional product clearing
- **RepoClear** – enhanced choice and efficiency with clearing offered through LCH SA
- **Uncleared market** – develop services, including compression and efficiency tools, **SwapAgent** and benefits of **AcadiaSoft** investment

**Euroclear** - opportunities for stronger commercial collaboration and product development – based on common open access customer partnership approach

# SwapClear

## Continued global leadership in OTC rates clearing

### SwapClear 2018:

- **\$1,077tn record** notional cleared (2017: \$874tn) **up 23%**
- **1.5m record** number Client trades cleared (2017: 1.2m) **up 21%**
- **\$773tn record** total notional compressed (2017: \$609tn) **up 27%**
  - **Saving customers c.\$39.5bn in capital**
- **\$309tn** notional outstanding
- LCH SwapClear **26 currencies** cleared; launched April 2018 first **non-deliverable interest rate swaps** denominated in Chinese Yuan, Korean Won and Indian Rupee, over **\$5tn** cleared
- **Alternative reference rates clearing launched;**
  - **SOFR** Secured Overnight Financing Rate for USD swaps
  - **SONIA** Sterling Overnight Index Average
  - **SARON** Swiss Average Rate Overnight

**90%+**

Share of clearing notional value (member and client)

**+23%**

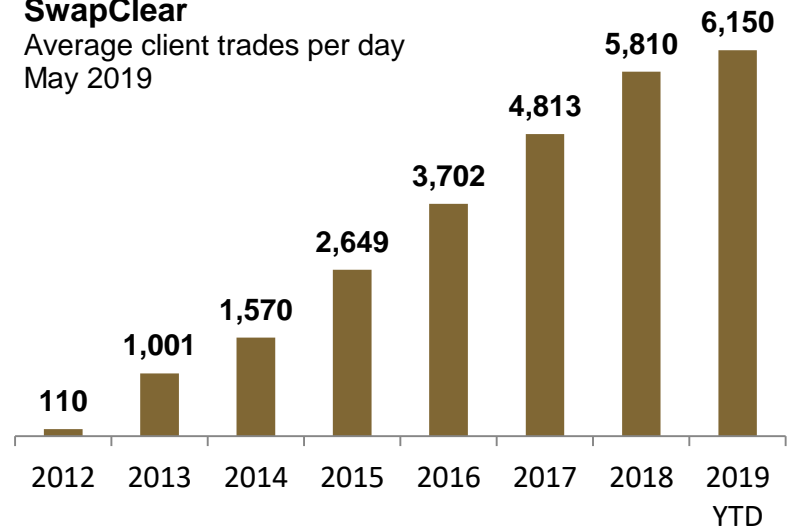
Growth in notional cleared in 2018 to over \$1 quadrillion

**+21%**

Growth in number of client trades cleared in 2018 to 1.5m

### SwapClear

Average client trades per day  
May 2019



## Regulatory tailwinds supporting growth in core business and new product areas

## Driving efficiencies for non-cleared derivatives

### SwapAgent simplifies the processing, margining, and settlement of non-cleared OTC rates and FX derivatives

- Extends SwapClear infrastructure to the bilateral market without novation to a central counterparty and default fund contributions, while following a similar operational process to cleared trades.

**€4.5bn**

Compressed in first run facilitated with TriOptima

**15**

Dealers have signed up to SwapAgent

#### Products coverage (first trades)

- Interest rate swaps (Sep 2017)
- Inflation swaps
- Cross-currency basis swaps (Nov 2017)
- Swaptions (Nov 2018)
- FX derivatives

#### Uncleared Service Comparison: LCH SwapAgent vs. Bilateral

Category	Bilateral	LCH SwapAgent
Standardised collateral documentation	X	✓
Standardised trade processing	X	✓
Independent valuation agent	X	✓
Dispute elimination	X	✓
VM / coupon / interest netting	X	✓
Standardised risk factor calculation	X	✓
Standardised payment processing	X	✓
Cross-currency and swaptions	✓	✓

#### AcadiaSoft

- LSEG acquired c.16% minority stake in June 2018
- Combining LCH's global reach and track record in risk management with AcadiaSoft's expertise in non-cleared market infrastructure
- Improves operational efficiency for customers of both SwapAgent and AcadiaSoft

# ForexClear – The FX Opportunity

## Economic incentives increasingly driving FX products into scope for central clearing

LCH well positioned to address capital and margin challenges within the vast \$5.1tr daily FX market

Instrument Category	Average Daily Turnover <sup>(1)</sup>	LCH offering	
NDFs	\$134bn	Live today	Current ForexClear offering
Vanilla Options	\$151bn	Live today	
NDOs	\$22bn	Aim to launch late 2019 / early 2020	2019/2020 ForexClear focus
FX Swaps & Deliverable Forwards	\$2,944bn	Aim to launch in 2019	
Spot	\$1,652bn	Some clears as FX Option hedges	
Currency Swaps	\$82bn	Shorter-dated Currency Swaps are likely to clear in time alongside FX swaps	2021+ likely ForexClear focus
Exotics	\$81bn	Potential to clear some first generation exotics is growing as impediments fall away	

(1) Source: BIS Triennial Central Bank Survey Global foreign exchange market turnover in 2016 (Dec 2016); (2) New products subject to regulatory approvals

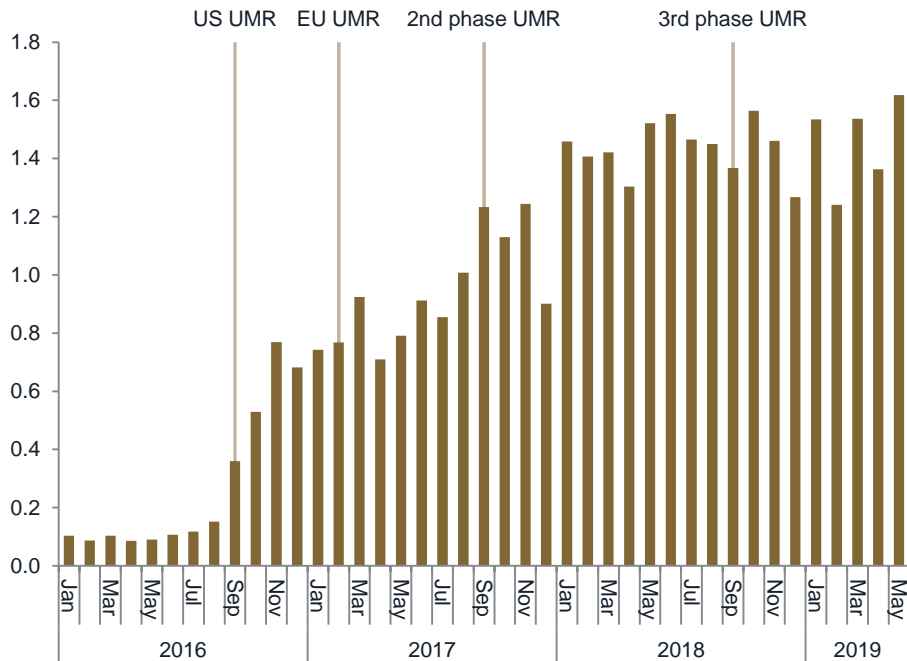




# ForexClear

## Expanding beyond position as the leading NDF clearing platform

### ForexClear: Cleared Notional - \$tn



**+1%**

In cleared notional  
2019 Q1 \$4.3tn  
(2018 Q1 \$4.3tn)

**+12%**

In trade count 2019  
Q1 0.7m trades  
(2018 Q1 0.6m  
trades)

**97%**

Of NDF clearing  
notional is at  
ForexClear <sup>2</sup>

#### Developments

- Client clearing and deliverable FX clearing are rapidly growing driven by UMR
- Membership increased to 34
- Compression and Settle-to-Market (STM) live in 2018

Uncleared Margin Rules phase-in began in the US, September 2016 and Europe, February 2017, further phases have been introduced each September since and will continue until 2020

<sup>2</sup> Source: ClarusFT January 2019

# CDSClear

## LCH continues to offer the broadest range of CDS products of any clearing house

### Highlights

- A record of **€612 billion in notional cleared** across its CDS index, single names and options offering in 2018
- **100 index series and 500 single name** CDS contracts are eligible for clearing
- CDSClear introduced an electronic exercise platform for Credit Index Options in November 2018. 5 members have onboarded to the CIOs clearing service

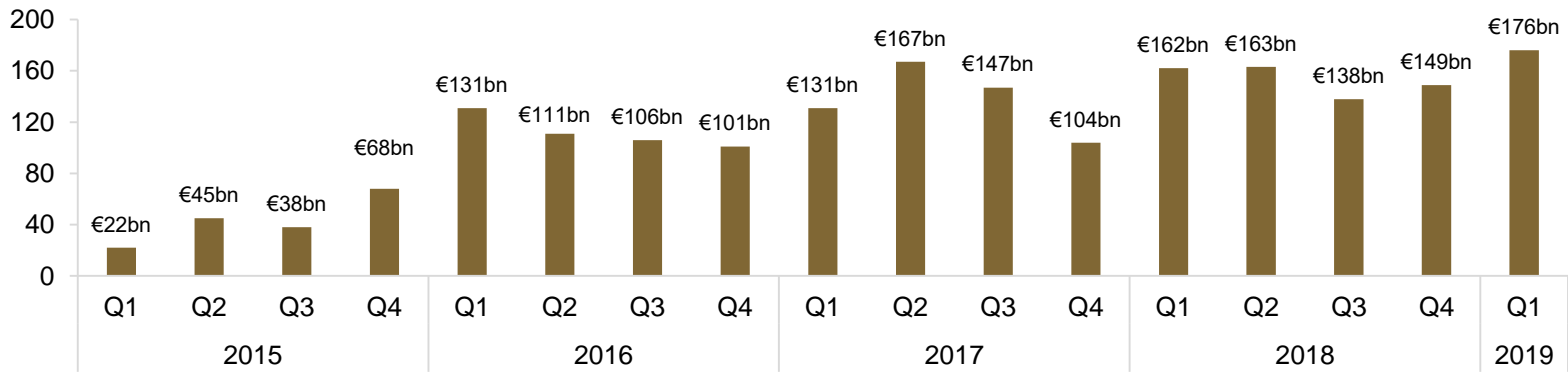
**+9%**

In cleared notional  
2019 Q1 \$176bn  
(2018 Q1 \$162bn)

**26**

Members at the end  
of 2019 Q1

### CDSClear: Cleared Notional - \$bn



Note: Notional cleared is single counted

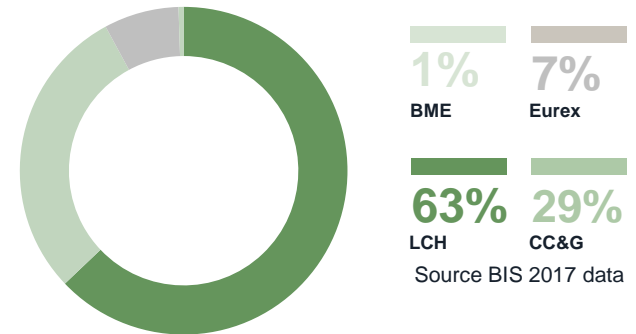


# RepoClear

## Continued European leadership in Repo clearing

- LCH SA offers clearing of all Euro-denominated debt repo products, with full benefits of T2S settlement
- European government bond repo clearing – the majority has now consolidated in LCH SA
- RepoClear's Sponsored Clearing extends benefits of CCP membership to the buy-side

### Repo clearing - Europe



**20yrs**

of clearing liquidity, delivering capital and operational efficiencies through netting

**€26tn**

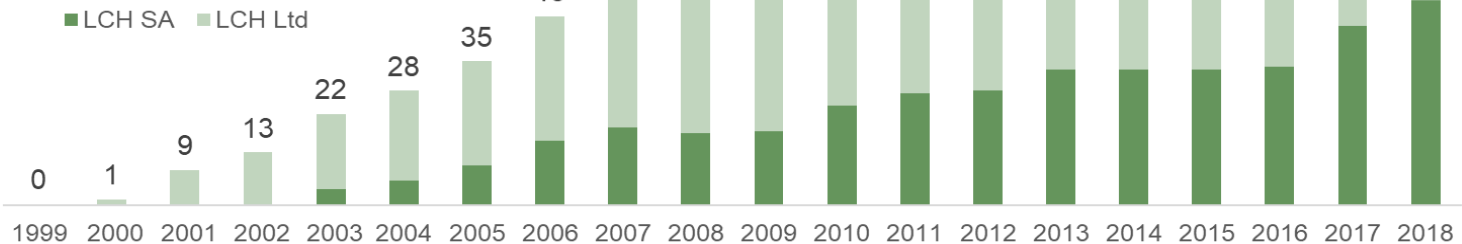
record notional cleared in 2019 Q1, (2018 Q1: €24tn) up 10%

**90**

Members

### RepoClear

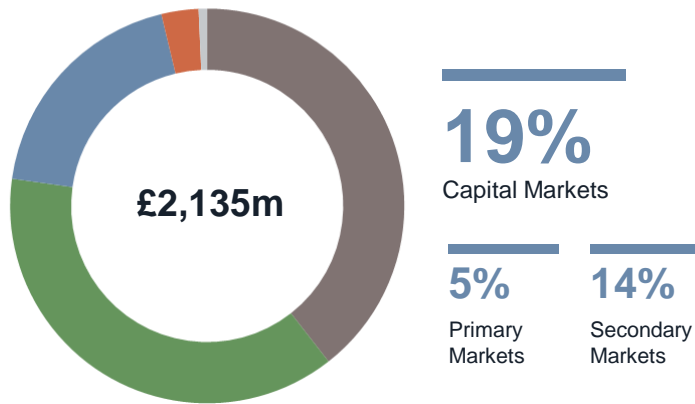
nominal cleared - € trillions



Note: Notional cleared is single counted

# Capital Markets

## LSEG Total Income by Segment - 2018



## Capital Formation

### Primary Markets (Capital Raising)

Our central function is to bring together companies seeking capital with investors from around the world.

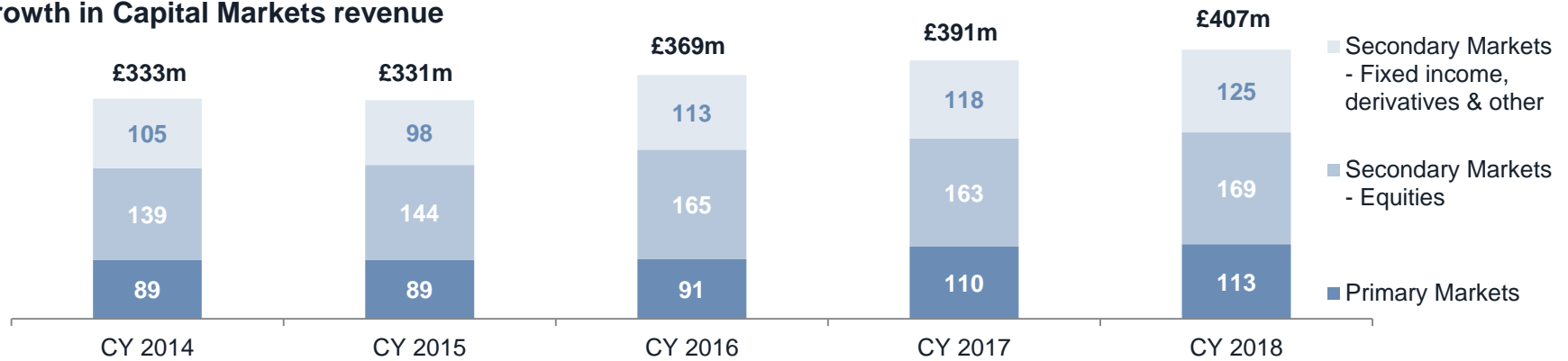


### Secondary Markets (Trading)

Our markets and systems provide all market participants with efficient, liquid and deep access to financial securities for the purpose of capital allocation and risk transfer.



## Growth in Capital Markets revenue



# Capital Markets Highlights

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## Leading UK & Italy listing and trading businesses, LSE plc and Borsa Italiana

### Fixed income markets

- **MTS Repo €87.4tn** traded up **13% in 2018**
- **MTS selected by Johannesburg Stock Exchange** to power South Africa's first electronic government bond market
- **Over 2,000 bonds listed in 2018** - more than 50% were international issues, including green financing, Chinese RMB, Indian Rupee and Sukuk bonds

### Turquoise Plato dark book - largest European dark pool in 2018

- Turquoise Plato Block Discovery Large in Scale value traded **€93bn**

### Shanghai-London Stock Connect – ongoing preparations for launch

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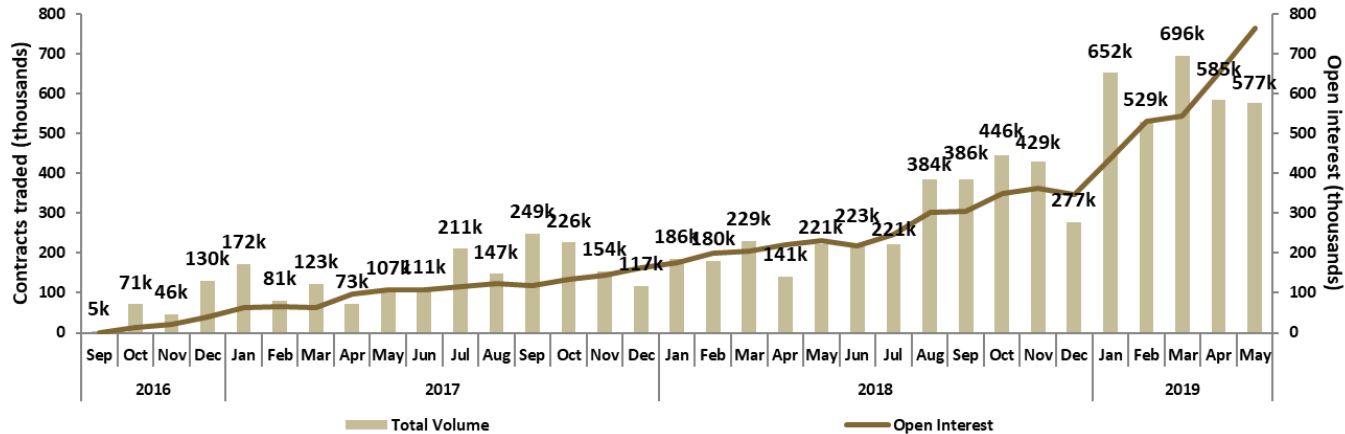
Capital formation core to Group business model delivering partnership and innovation across capital markets lifecycle

Partnership approach with customers drives product innovation e.g. Turquoise Plato, CurveGlobal

International growth opportunities continue to offset market headwinds



# CurveGlobal



**231%**  
Rise in open interest  
on platform in last 12  
months

- **1.9m** lots traded in 2019 Q1, **up 215%** (2018 Q1: 0.6m)
- **3.3m** lots traded in 2018, **up 88%** (2017: 1.8m)
- **231% rise** in open interest on platform in last 12 months to May 2019, to 763k lots (May 2018: 231k)
- SONIA® three month futures contract launched April 2018, over 965k lots traded to end May 2019
- LCH Spider II launched long term interest rate clearing 2018 Q4
- MiFID II Best execution – Banks smart order routers being deployed across futures

**Customer partnership model delivering choice, innovation and low cost service**

# Brexit - LSEG well positioned

**LSEG committed to orderly function of markets, continuity of service to customers and supporting financial stability.**

<b>Global business, balanced portfolio</b>	<b>Global business, balanced portfolio of assets</b> across listing, trading, index and clearing services in the UK, EU, United States and Asia
<b>Global clearing operations</b>	<b>Clearing houses</b> operate globally across 59 jurisdictions with equivalence and enhanced cooperative regulation arrangements
<b>Diversified mix of revenues</b>	Revenues earned in a variety of currencies – over 50% income non-GBP
<b>No discernible change in customer behaviour</b>	Committed to supporting customers as they prepare contingency plans, but <b>no discernible change in customers' current behaviour across listing, trading, index and clearing businesses</b>
<b>Additional licence and regulatory preparations in hand</b>	<p>LCH Ltd recognised as a third country (TC) EMIR CCP to provide EU customers with continued access</p> <p>LCH SA and CC&amp;G allowed under the Bank of England Temporary Recognition Regime (TRR), to continue to offer clearing services and activities in the UK for up to 3 years under a Hard Brexit scenario,</p> <p>UnaVista and TRADEcho received regulatory authorisation in The Netherlands; Turquoise application in advanced stages; Businesses prepared should a EU27 location be needed to serve EU customers in Hard Brexit scenario.</p> <p>MTS has established two MTF markets in Italy to replace markets operated by EuroMTS from the UK</p>



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# Appendices



# Notes - 2018

Adjusted operating profit, Adjusted EBITDA and Adjusted basic earnings per share - excludes amortisation of purchased intangible assets and non-underlying items, to enable comparison of the underlying earnings of the business with prior periods.

## Adjusted earnings per share

Based on number of shares 347.0m (2017 : 345.0m), excludes ESOP

## Exchange rates

	Average rate		Average rate	
	12 months ended	Closing rate at	12 months ended	Closing rate at
	31 December 2018	31 December 2018	31 December 2017	31 December 2017
GBP : EUR	1.13	1.11	1.14	1.12
GBP : USD	1.34	1.27	1.29	1.35

A €10c movement in the average £/€ rate for the twelve months would have changed the Group's continuing operating profit for the period before amortisation of purchased intangibles and non-underlying items by approximately £25 million.

A \$10c movement in the average £/\$ rate for the twelve months would have changed the Group's continuing operating profit for the period before amortisation of purchased intangibles and non-underlying items by approximately £29 million.

Full year dividend 60.4p per share, final dividend 43.2p ex-dividend date 2 May 2019, record date 3 May 2019 and payment date 29 May 2019

### 2018 versus 2017 Income and Cost of sales changes

- Capital Markets £13m reduction in revenues due to adoption of accounting standard IFRS 15 (see 2018 Notes To The Financial Statements)
- Post Trade – LCH: £9m Cost of Sales netted off against Other income
- Post Trade – CC&G and Monte Titoli: £10m Cost of Sales netted off against revenues
- Technology Services: Disposal of MillenniumIT ESP and Exactpro December 2017 £30m revenue



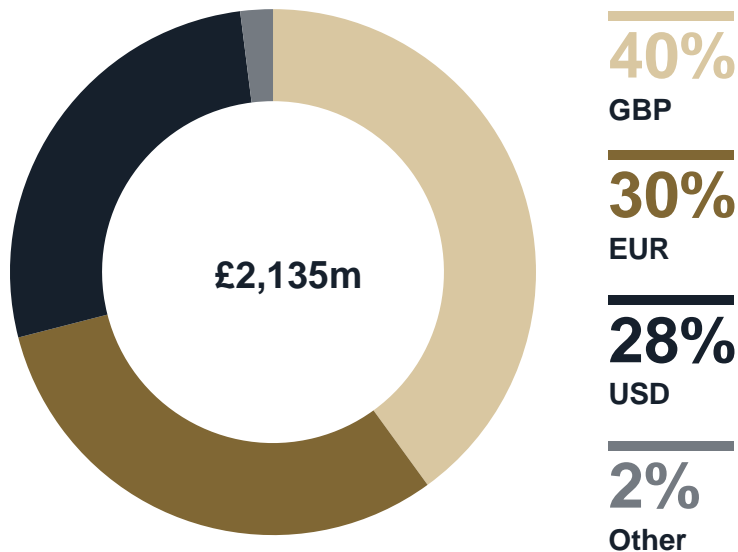
# Overview of results - 2018

	Twelve months ended 31 December			Organic and constant currency
	2018 £m	2017 £m	Variance %	variance %
<b>Total income</b>	<b>2,135</b>	1,955	9%	9%
Cost of sales	(227)	(215)	6%	16%
<b>Gross profit</b>	<b>1,908</b>	1,740	10%	8%
Operating expenses before depreciation, amortisation and impairment <sup>1</sup>	(834)	(816)	2%	2%
Underlying depreciation, amortisation and impairment <sup>1</sup>	(135)	(103)	31%	30%
<b>Total operating expenses</b>	<b>(969)</b>	(919)	5%	6%
Share of profit / (loss) after tax of associates	(8)	(9)	(14%)	(14%)
<b>Adjusted operating profit<sup>1</sup></b>	<b>931</b>	812	15%	11%
Add back underlying depreciation, amortisation and impairment <sup>1</sup>	135	103	31%	30%
<b>Adjusted earnings before interest, tax, depreciation, amortisation and impairment<sup>1</sup></b>	<b>1,066</b>	915	17%	13%
Amortisation of purchased intangibles and non-underlying items and profit on disposal	(180)	(186)	(3%)	(2%)
<b>Operating profit</b>	<b>751</b>	626	20%	14%
<b>Net finance expense</b>	<b>(66)</b>	(62)	6%	
<b>Adjusted profit before tax<sup>1</sup></b>	<b>865</b>	750	15%	
Effective tax rate	21.6%	22.4%		
<b>Basic earnings per share (p)</b>	<b>138.3</b>	153.6	(10%)	
<b>Adjusted earnings per share (p)<sup>1</sup></b>	<b>173.8</b>	148.7	17%	
<b>Dividend per share (p)</b>	<b>60.4</b>	51.6	17%	

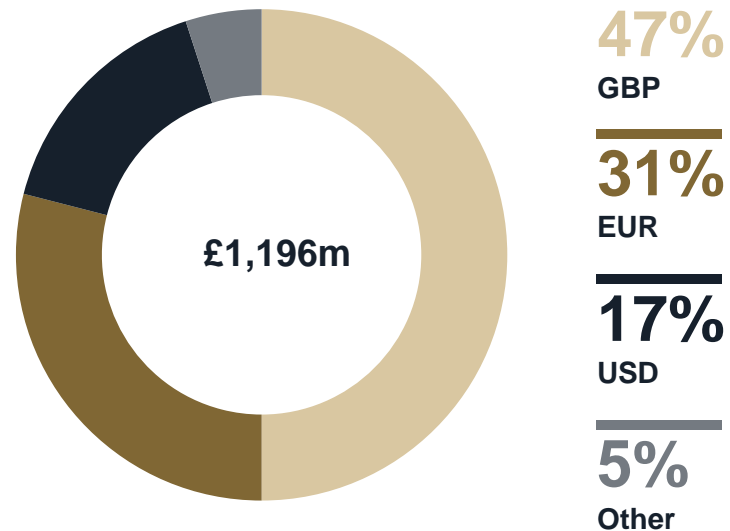
# Diversified by currency

## Diversification by both income and expenses across GBP, EUR and USD

### 2018 Income

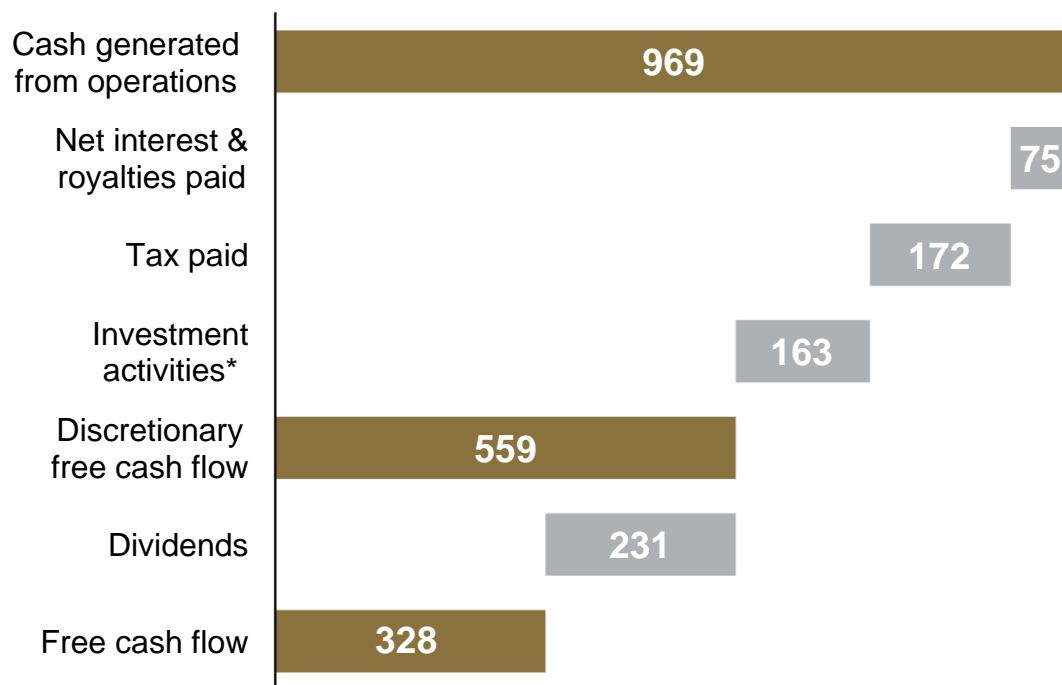


### 2018 Underlying Expenses



Note: figures include continuing operations only, expenses include depreciation and cost of sales, but exclude non-underlying expenses

# Summarised cash flow - 2018



£194m capex – mainly business and corporate technology upgrades, acquisition integration, regulatory changes and new projects

Discretionary free cash flow remains strong at **161.1p** per share<sup>1</sup> (2017: 139.7p)

Investment activities excludes 2018 acquisitions:

- LCH stake increased from 66% to 82.6%
- FTSE TMX Global Debt Capital Markets stake increased to 100%

January 2019

- Euroclear 4.92% minority stake

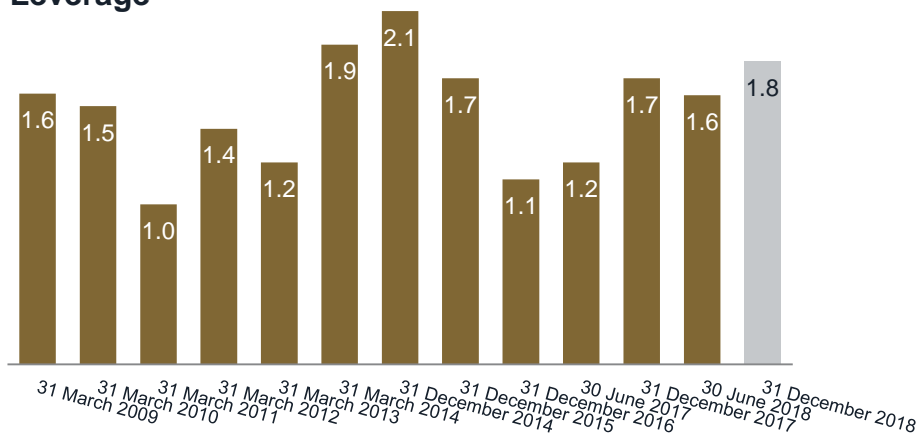
Note

<sup>1</sup> Based on weighted average shares in issue for the period of 2018: 347m, 2017 345m

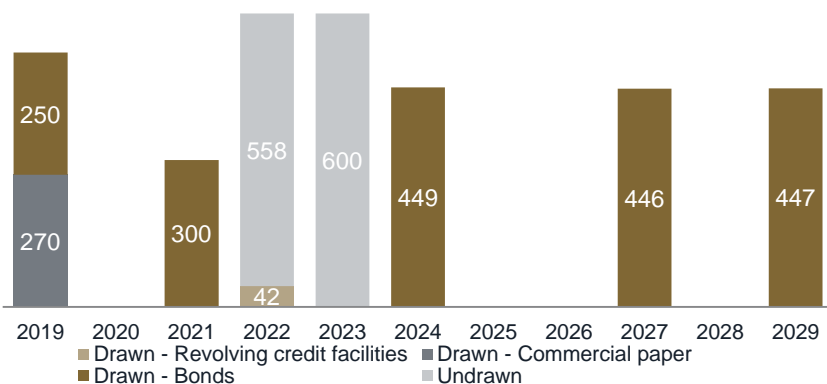
\* Investment activities includes capital expenditure, investment in associates and proceeds from disposal of assets

# Financial position

## Leverage<sup>1</sup>



## Debt maturity profile



## 31 December 2018

Operating net debt **£1.9bn**  
(30 June 2018: £1.6bn)

**Net debt: adjusted EBITDA 1.8x** (excluding £1.1bn restricted cash)

**€500m 1.75% 2027 Bond** issued December 2018

Committed undrawn credit lines out to 2023 of over £1,100m (including backstop to commercial paper issuance)

£250m 9.125% 2019 Bond due for repayment in October 2019

## Ratings

LSEG: S&P long term **A** with **stable** outlook and Moody's **A3** with **stable** outlook

LCH LTD & SA: S&P long term **AA-** with **stable** outlook

<sup>1</sup> Pro forma as if acquisitions held for the complete year

# Capital management framework

## Focus on enhancing shareholder returns

### **Prudent Balance Sheet management**

Maintain existing leverage target of 1.0-2.0x Net Debt / EBITDA

Flexibility to operate within this range for normal investment / development and to go above this range in the short term for compelling strategic opportunities

Manage credit rating, debt profile, and regulatory requirements

### **Investment for growth**

Preserve flexibility to pursue growth both organically and through 'bolt-on'/strategic M&A

Selective inorganic investment opportunities - meeting high internal hurdles

Continued organic investments

### **Ordinary dividend policy**

Progressive ordinary dividend policy

Progressive dividend - reflects confidence in strong future financial position

Operating in target 2.5-3.0x dividend cover range

Interim dividend payment of 1/3 of prior full year dividend results

### **Other capital returns**

Continue to keep other returns under review

# Key performance indicators

## Information Services

	As at		Variance %
	31 March		
	2019	2018	
<b>ETF assets under management benchmarked (\$bn)</b>			
FTSE	413	399	4%
Russell Indexes	256	240	7%
<b>Total</b>	<b>669</b>	<b>639</b>	<b>5%</b>
<b>Terminals</b>			
UK	67,000	68,000	(1%)
Borsa Italiana Professional Terminals	105,000	109,000	(4%)

## Post Trade Services - CC&G and Monte Titoli

	Three months ended		Variance %
	31 March		
	2019	2018	
<b>CC&amp;G Clearing</b>			
Contracts (m)	25.0	29.7	(16%)
Initial margin held (average €bn)	13.7	9.0	52%
<b>Monte Titoli</b>			
Settlement instructions (trades m)	10.7	11.7	(9%)
Custody assets under management (average €tn)	3.31	3.30	0%

## Post Trade Services - LCH

	Three months ended		Variance %
	31 March		
	2019	2018	
<b>OTC derivatives</b>			
<b>SwapClear</b>			
IRS notional cleared (\$tn)	318	291	9%
SwapClear members	119	105	13%
Client trades ('000)	411	407	1%
<b>CDSClear</b>			
Notional cleared (€bn)	176	162	9%
CDSClear members	26	13	100%
<b>ForexClear</b>			
Notional value cleared (\$bn)	4,311	4,286	1%
ForexClear members	34	30	13%
<b>Non-OTC</b>			
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%

Note: Minor rounding differences may mean quarterly and other segmental figures may differ slightly.

# Key performance indicators

## Capital Markets - Primary Markets

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

## Capital Markets - Secondary Markets

	Three months ended		Variance %
	31 March		
	2019	2018	
<b>Equity</b>			
<b>Totals for period</b>			
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%)
<b>SETS Yield (basis points)</b>	<b>0.68</b>	<b>0.61</b>	<b>11%</b>
<b>Average daily</b>			
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%)
<b>Derivatives (contracts m)</b>			
LSE Derivatives	0.8	1.8	(56%)
IDEM	8.3	9.2	(10%)
<b>Total</b>	<b>9.1</b>	<b>11.0</b>	<b>(17%)</b>
<b>Fixed Income</b>			
MTS cash and BondVision (€bn)	836	1,030	(19%)
MTS money markets (€bn term adjusted)	28,809	19,588	47%

Note: Minor rounding differences may mean quarterly and other segmental figures may differ slightly.





# Income & gross profit

£ millions	2018				2018	2019
	Q1	Q2	Q3	Q4		Q1
Index - Subscription	89	96	94	94	373	99
Index - Asset based	52	53	59	55	219	52
<b>FTSE Russell</b>	<b>141</b>	<b>149</b>	<b>153</b>	<b>149</b>	<b>592</b>	<b>151</b>
Real time data	24	23	23	24	94	24
Other information	36	39	36	44	155	39
<b>Information Services</b>	<b>201</b>	<b>211</b>	<b>212</b>	<b>217</b>	<b>841</b>	<b>214</b>
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
<b>Post Trade Services - LCH</b>	<b>118</b>	<b>119</b>	<b>120</b>	<b>130</b>	<b>487</b>	<b>134</b>
Clearing	10	12	10	9	41	11
Settlement, Custody & other	18	12	15	16	61	14
<b>Post Trade Services - CC&amp;G and Monte Titoli</b>	<b>28</b>	<b>24</b>	<b>25</b>	<b>25</b>	<b>102</b>	<b>25</b>
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
<b>Capital Markets</b>	<b>107</b>	<b>108</b>	<b>89</b>	<b>103</b>	<b>407</b>	<b>97</b>
<b>Technology</b>	<b>13</b>	<b>19</b>	<b>16</b>	<b>17</b>	<b>65</b>	<b>14</b>
<b>Other</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>9</b>	<b>2</b>
<b>Total Revenue</b>	<b>470</b>	<b>483</b>	<b>464</b>	<b>494</b>	<b>1,911</b>	<b>486</b>
<b>Net treasury income through CCP:</b>						
CC&G	10	11	11	11	43	11
LCH	38	45	46	46	175	48
Other income	2	1	1	2	6	1
<b>Total income</b>	<b>520</b>	<b>540</b>	<b>522</b>	<b>553</b>	<b>2,135</b>	<b>546</b>
Cost of sales	(56)	(50)	(57)	(64)	(227)	(56)
<b>Gross profit</b>	<b>464</b>	<b>490</b>	<b>465</b>	<b>489</b>	<b>1,908</b>	<b>490</b>

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