LSEG - H1 2021 results

6 AUGUST 2021

Welcome

- **Introduction**
  David Schwimmer, CEO

- **Financial Performance H1 2021**
  Anna Manz, CFO

- **Strategic and Operational Progress**
  David Schwimmer, CEO

- **Q&A**

A good H1 performance

Financial

☐ Delivered a good H1 financial performance

☐ All divisions reported strong revenue growth – benefits of our business combination becoming visible

☐ Cost synergy programme ahead of plan – full year 2021 target raised

Operational

☐ Completed disposal of Borsa Italiana Group

☐ Excellent progress on integration as we execute across multiple workstreams

☐ Senior management team in place and focused on delivering our strategy

Delivering a faster-growing, more scalable business

1 **Integrating our world-class businesses**

- Focusing on our customers' needs across asset classes, throughout their workflow, on a global basis.
- Leveraging our leading position across financial data and capital markets to create innovative solutions for customers

2 **Driving growth**

- Creating a disciplined culture focused on performance and delivery
- Improving sales execution and partnership with customers
- Capturing the synergies that exist across our businesses

3 **Building an efficient and scalable platform**

- Significant but targeted investment creating a more scalable business centred on a cloud-based, open platform
- Management focused on sustainable long-term financial performance

Financial Performance H1 2021

Anna Manz, CFO

Driving long-term sustainable financial performance

☐ Strong H1 progress

☐ All divisions demonstrating good revenue growth

☐ Cost synergy programme progressing ahead of target and Revenue synergy programme on target

☐ On track for cost and capex guidance

☐ Confident in delivery of all acquisition financial targets

☐ Good progress on embedding a performance-management culture

Good financial performance in H1 generating sustainable growth

Total Income (excl. recoveries)

£3,356m

↑ **4.6%**

+5.5% growth in Q2

Adjusted operating expenses

£1,432m

↑ **1.1%**

Run rate
Cost synergies achieved

£77m

Adjusted EBITDA

£1,657m

↑ **9.4%**

Adjusted EBITDA Margin(1)

49.4%

↑ **2.9%**

Adjusted EPS

146.1p

Leverage
Net Debt / Adjusted EBITDA

2.2x

Interim Dividend

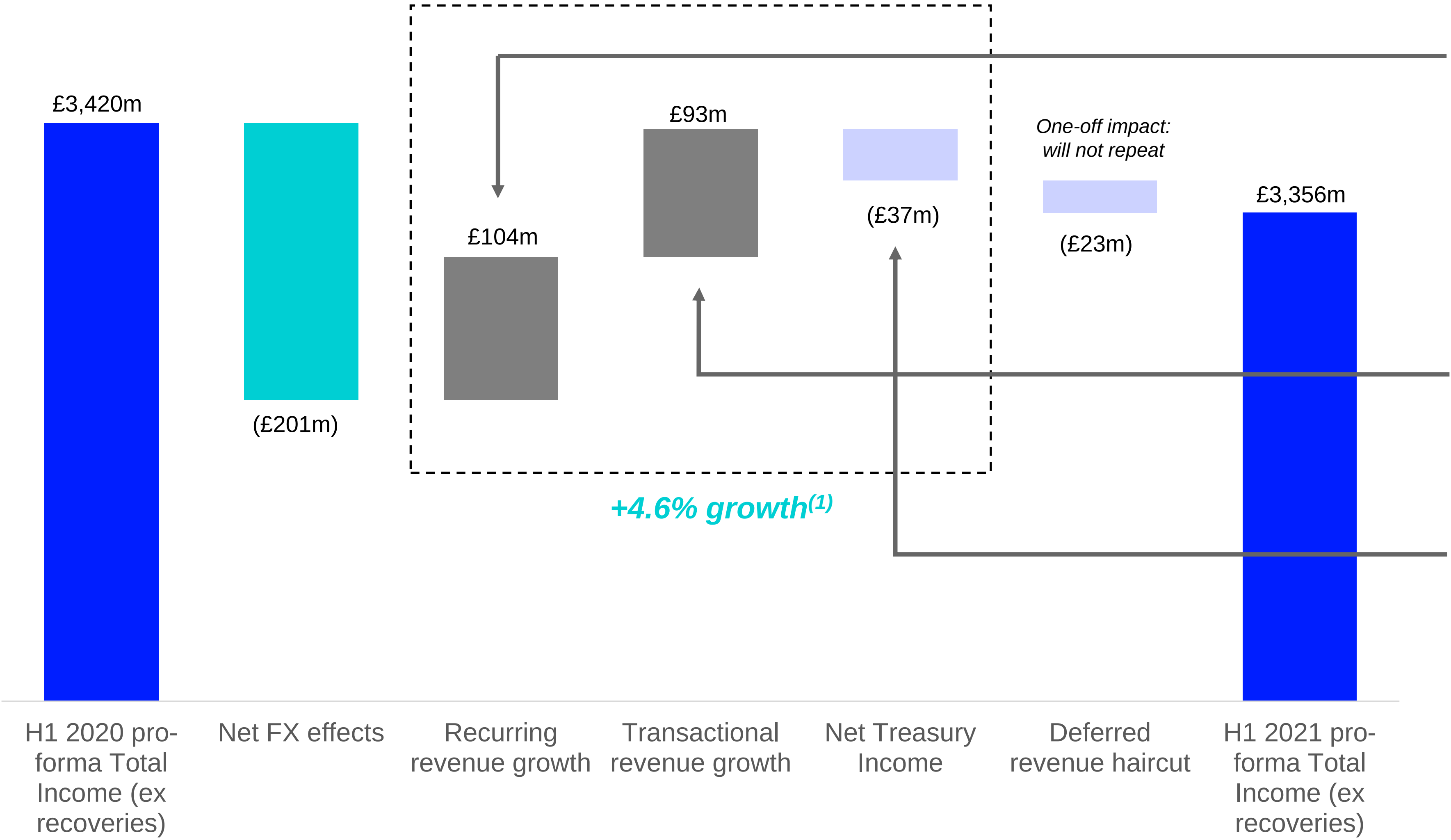
25p

↑ **7%**

Note:
- All variances, except for Adjusted EBITDA Margin variance, are constant currency excluding the impact of the deferred revenue accounting adjustment
- All figures and prior year comparative performance are based on pro-forma performance assuming Refinitiv has been part of LSEG for the full-period with financial performance from Borsa Italiana excluded

(1) Adjusted EBITDA Margin is calculated as Adjusted EBITDA / Total Income (excl. recoveries)

Good growth in both recurring and transactional revenues



Recurring revenue growth

Driven by improving performance in Data and Analytics

Transactional revenue growth

- Strong Tradeweb volume growth
- Strong growth in RepoClear volumes

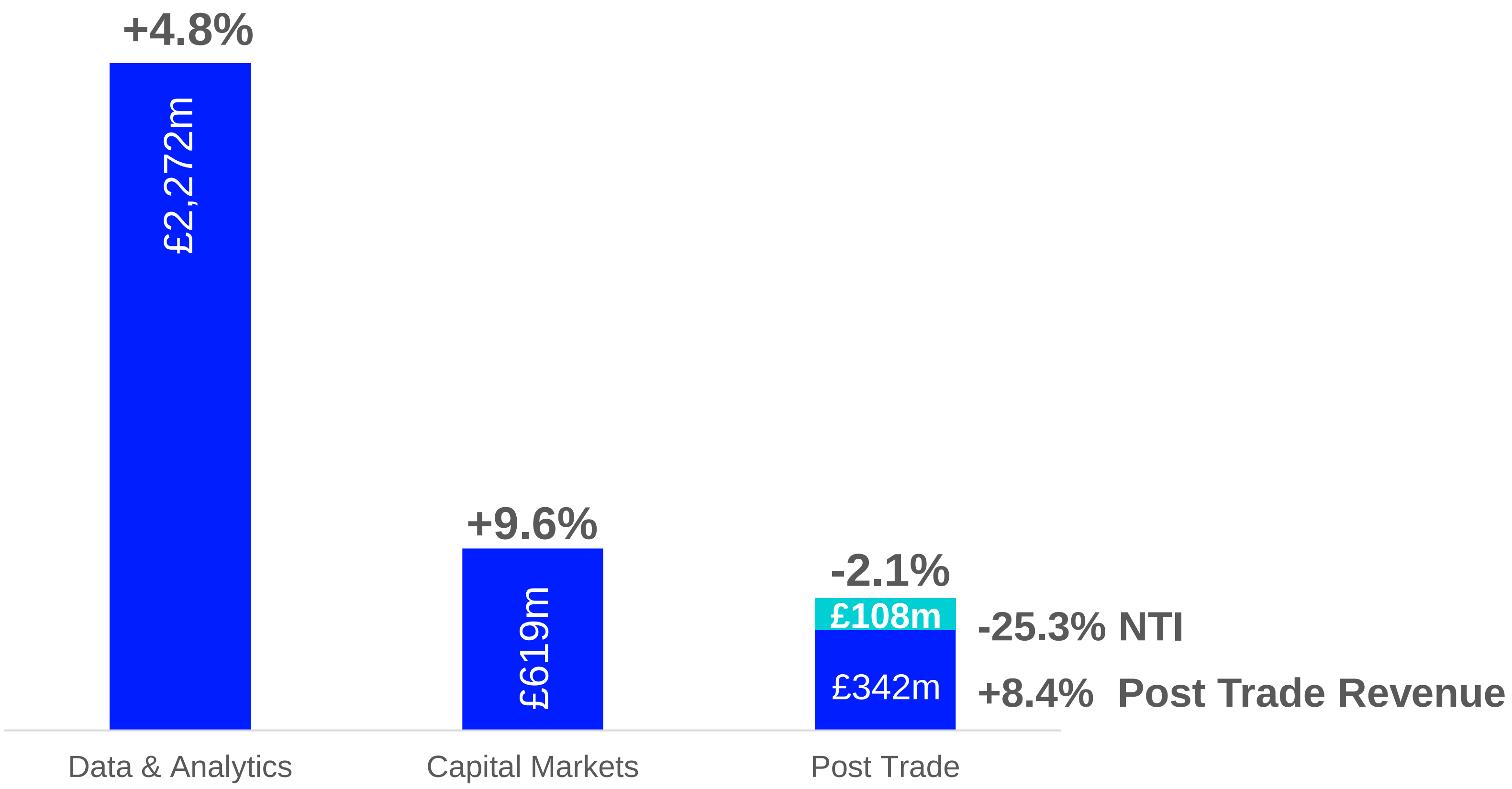
Net Treasury Income

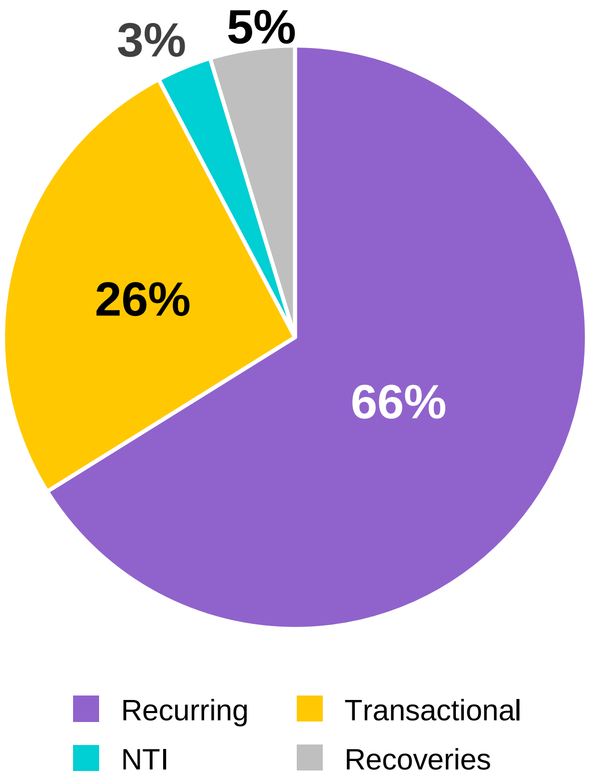
- Cash collateral balances and investment returns at more normalised levels after exceptional prior year period

Note:

(1) Growth is on a constant currency basis excluding the impact of the deferred revenue accounting adjustment

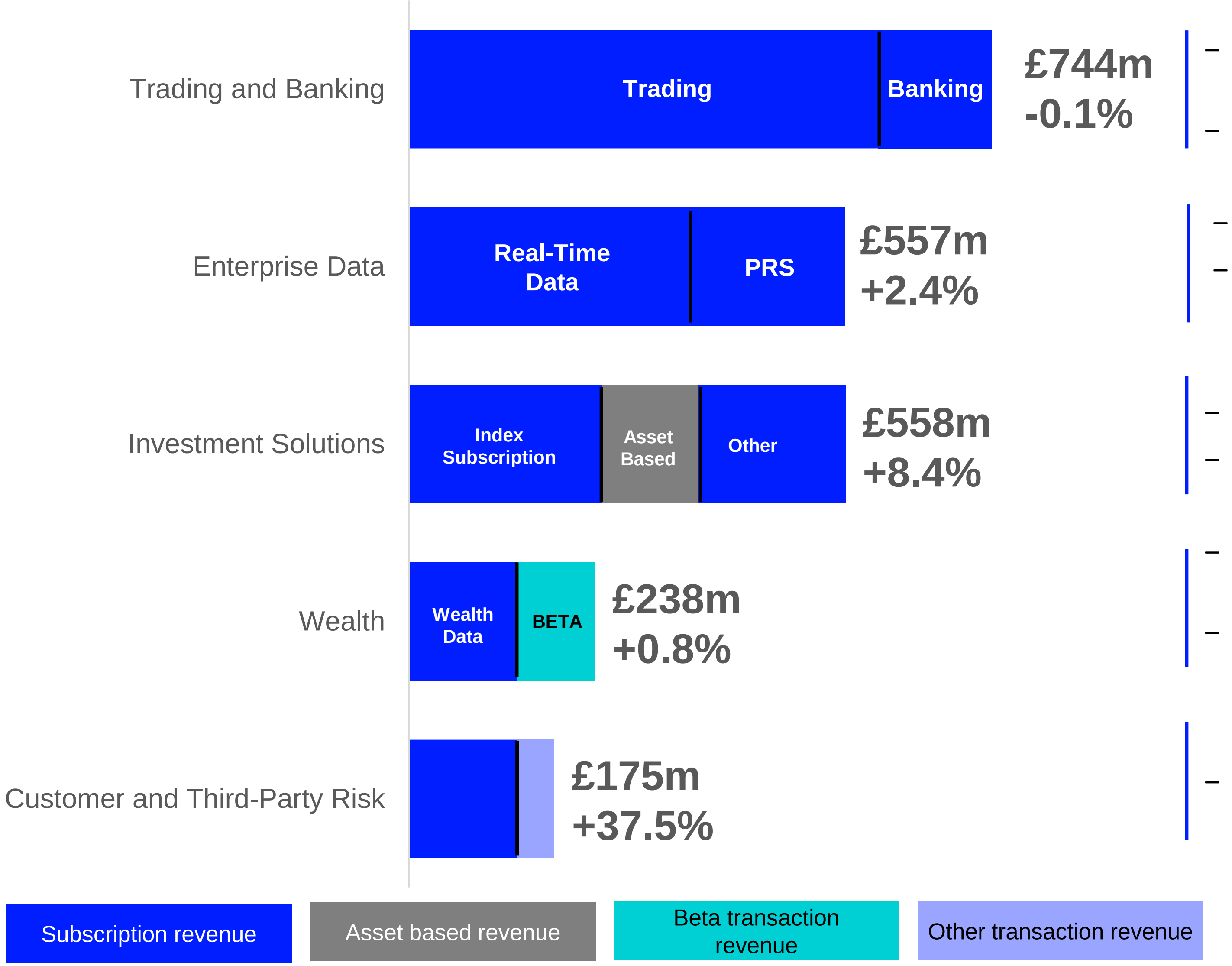
High quality recurring income with broad-based growth





Note:
- All growth rates are stated on a constant currency basis excluding recoveries and the impact of the deferred revenue accounting adjustment
- RHS pie chart based on constant currency segmentation of revenues, including recoveries

Data & Analytics revenue – broad-based improvement in performance



- Trading (-0.6%): Slowing decline in Eikon premium desktop partly offset by good growth in Fixed Income, FX and Commodities
- Continued growth in Banking (+1.9%)

- Continued strong growth in Pricing & Reference Services (+6.1%)
- Stabilising growth and improving outlook in Real-Time Data (+0.8%)

- Double digit growth in Asset Based revenue (+18.2%)
- Strong growth in Index Subscriptions (+7.9%)

- Strong growth in Wealth data & analytics driven by digital solutions (+5.7%)
- Offset by decline in Beta revenues given extraordinary prior year comparator (-5.3%)

- Strong growth, ahead of market across all businesses

Note:
All growth rates are stated on a constant currency basis excluding the impact of the deferred revenue accounting adjustment

Data & Analytics – New KPIs give insight into drivers of performance

ASV Growth(1)
+3.9%

Subscription Revenue(1), (2) Growth
+3.1%

Links to Subscription revenues (2) (c.87% of D&A revenues)

- ASV growth > Subscription Revenue growth at H1, showing positive momentum in the business
- ASV growth shows good new business and retention performance

ETF AUM
$1.04trn
⬆ 55%

ESG AUM(3)
$132bn
⬆ 187%

Linked to Asset-based revenues

Growth reflects momentum in ESG index franchise

- Strong resurgence in ETF AUM resulting from market inflows back into equity markets
- Growth in ESG AUM reflecting estimated c.7% share of the market

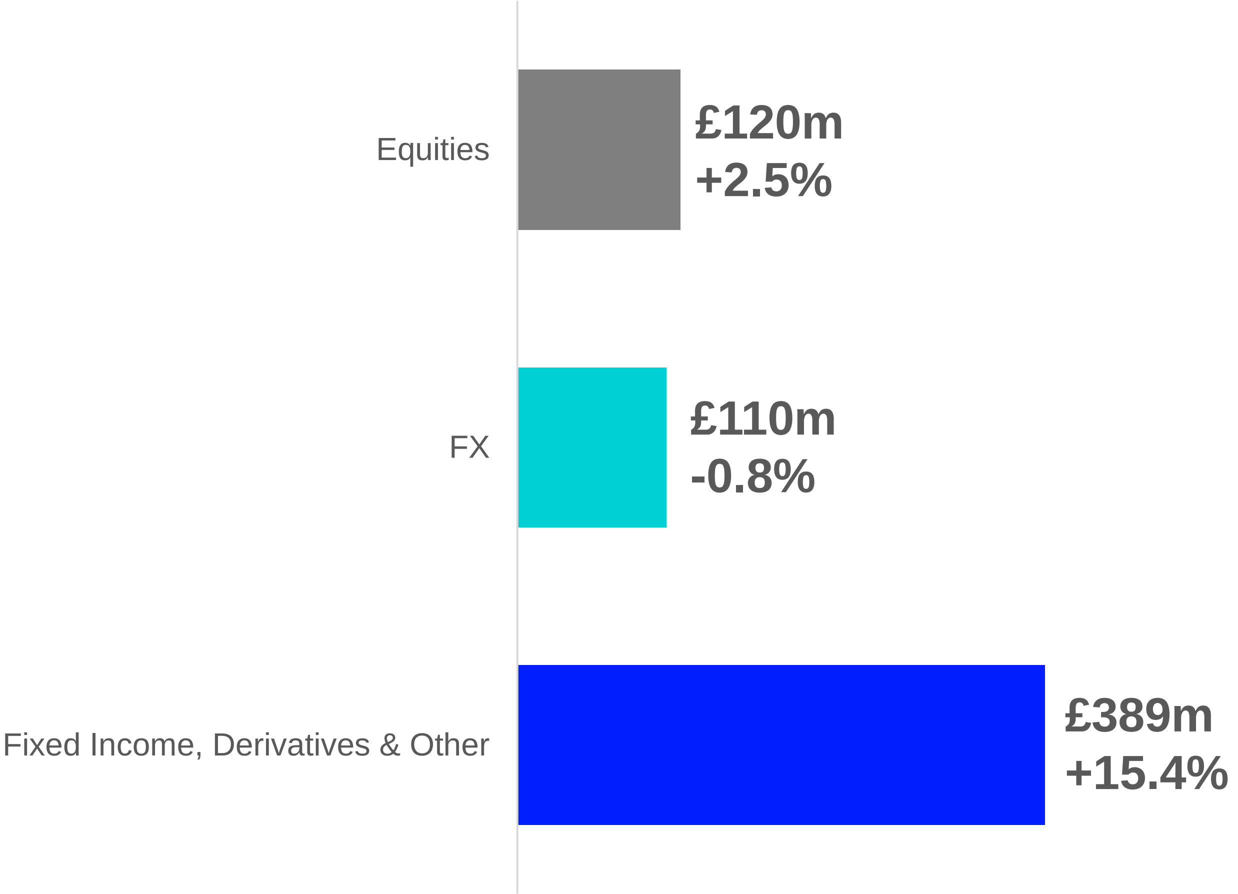
BETA Transaction Volumes
285m
⬇ (3%)

Linked to BETA revenues

- Lower volumes due to Covid-related volatility in the prior year

Note:
(1) ASV = Annual Subscription Value - reflects the year-on-year growth in current minimum annualised value of subscription contracts as at period-end date
(2) Subscription revenues are recurring revenues within the D&A business excluding asset-based revenues
(3) Passive AUM benchmarked to FTSE Russell Sustainable Investment indices. Date of metric is as at 31 December 2020

Capital Markets revenue – strong H1 growth driven by primary markets activity and Tradeweb



- Strongest IPO market since 2014 driving primary markets revenues
- Secondary markets revenues down reflecting lower equity market activity

- Good growth in FXall business driven by client growth and volumes
- Offset by decline in Matching, notably in the higher yield spot business

- Strong growth driven by Tradeweb cash credit volumes which attracts significantly higher fees per $ million and rates derivatives

Note:
All growth rates are stated on a constant currency basis excluding the impact of the deferred revenue accounting adjustment

Capital Markets KPIs – good growth in FX volumes and strong growth in Tradeweb; UK Equities affected by strong prior year comparator

UK Equity ADV(1)

£4.7bn

↓ 16%

Linked to secondary markets revenues (c.35% of equities revenue)

- UK Equity ADV down significantly on prior year reflecting more normalised equity market activity
- Prior year benefited from Covid related volatility

FX ADV(1)

$455bn

↑ 4%

Linked to transactional FX revenues (c.78% of total FX revenues)

- Resilient FX volumes despite strong prior year comparator
- Continued volume growth in FXall

Tradeweb ADV(1)
Rates - Derivatives

$272bn

↑ 19%

Tradeweb ADV(1)
Credit - Cash

$10bn

↑ 32%

Linked to Tradeweb revenues (c.92% of Total Fixed Income, Derivatives & Other revenue)

- >50% of Tradeweb revenue derived from Rates business
- Credit cash business largest contribution to revenue growth
- Continued strong growth in rates derivatives and credit cash business, reflecting increasing electronification and higher market share

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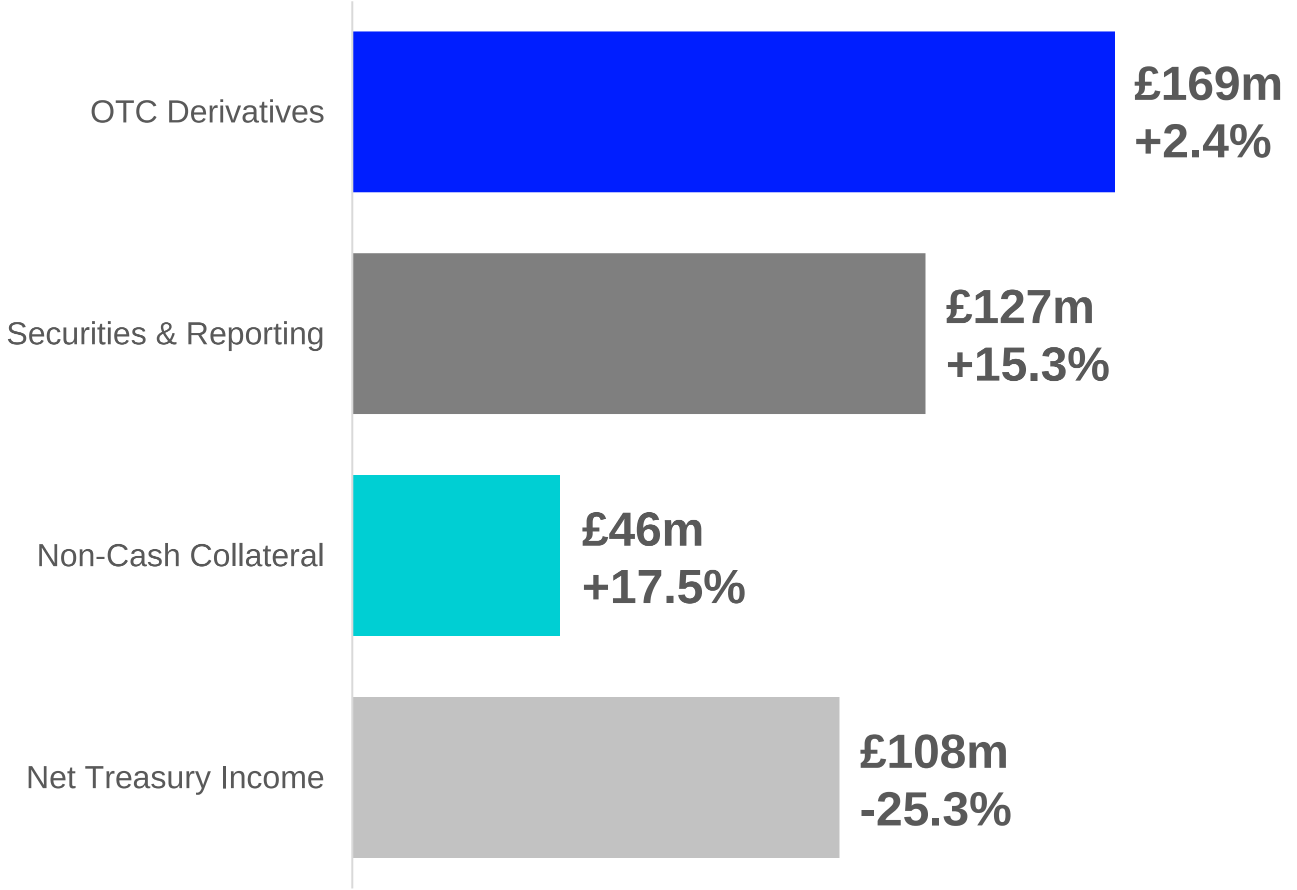
Note:
(1) ADV = Average Daily Volume / Value

Resilient Post Trade H1 revenue performance despite strong prior year comparator



- Good growth driven by increased client activity and new client wins despite strong prior year comparator

- Strong growth and market outperformance in RepoClear driven by European debt issuance and customers benefitting from a consolidated liquidity pool and service expansion

- Commercial policy changes combined with an overall preference for non-cash collateral

- Balance returned to more normalised levels after elevated prior-year and reduced levels of investment return

Note:
All growth rates are stated on a constant currency basis

Post Trade KPIs – strong growth in RepoClear volumes

SwapClear client average 10 year notional equivalent

$4.4trn

▲ 10%

Linked to SwapClear revenues (c.85% of total OTC revenues)

- Notional quantity of 10-year USD interest rate swaps required to hedge the SwapClear client portfolio risk. Correlates well with SwapClear revenues

- Increase in the period reflects higher proportion of longer-tenor swaps in comparison to prior year

Non-OTC
RepoClear nominal value

€113.4trn

▲ 10%

Linked to Securities & Reporting revenues

- Strong market volumes reflecting new members onboarded, European debt issuance and service expansion

Average Non-Cash Collateral

€161.5bn

▲ 3%

Linked to Non-Cash Collateral

- Shift towards non-cash collateral vs cash in a lower volatility environment

Average Cash Collateral

€106.4bn

▼ 9%

Linked to Net Treasury Income

- Balances and rate of return remain at more normalised levels, compared with exceptional prior-year period

Update on costs, investment and margin

☐ **Synergies**

- Cost synergies delivery ahead of plan in 2021
- Total benefits and costs unchanged; 2021 integration and separation capex in line with guidance at £150m(1)

☐ **Adjusted operating expenses**

- Targeting 5% cost growth for 2021, in line with guidance
- Targeting low-single digit cost growth for 2022 and 2023, as previously stated
- Medium-term guidance of 50% EBITDA margin

☐ **Ongoing Capex**

- Guidance unchanged - maintained at £650m-£700m p.a. until end of 2023, driving growth, scalability and resilience – *tapering thereafter*

Investment benefits will drive further margin improvement, beyond 50% medium-term guidance

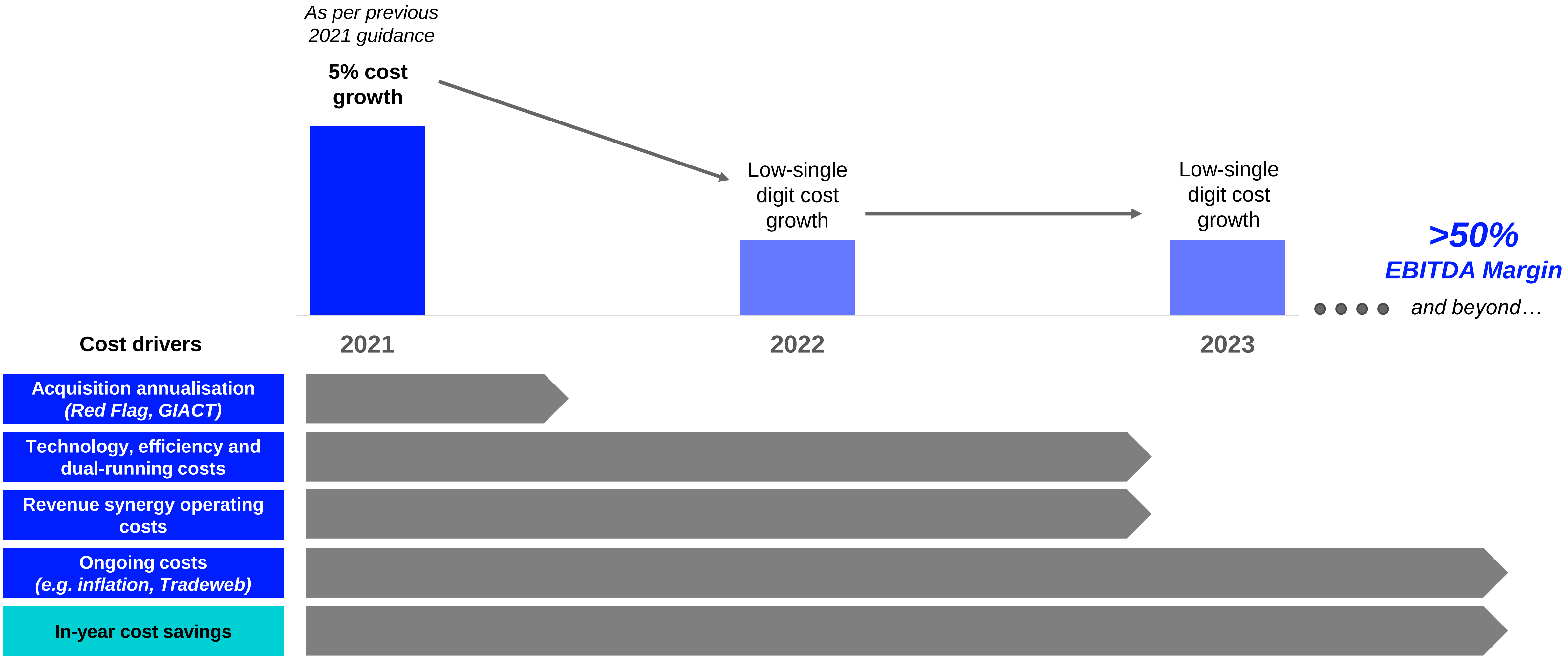
Note:
All cost growth rates are on a constant currency basis and refer to year-on-year growth
(1) Refer to slide 37 on further information on Cost to Achieve synergies which forms the majority of integration and separation capex

Cost synergies ahead of plan – increasing 2021 outlook on run-rate synergies to £125m

	Cost synergy activity in H1	**Expected total for end 2021**
Technology and IT	– 2 data centres removed	– 4 data centres removed
Property and Other	– 19 properties exited – 10 strategic supplier contracts renegotiated	– 25 properties exited – 25 strategic supplier contracts renegotiated
Corporate and headcount reduction	– c.£50m net employee cost reduced(1)	– c.£70m net employee cost reduced(1)
Cost synergy run-rate delivered	**£77m**	**c.£125m**
	£27m in-period benefit(2)	c.£65m in-period benefit(2)

Note:
(1) On a run-rate basis
(2) On a constant currency basis

Investment will drive growth and further margin improvements, beyond the 50% EBITDA margin guidance in the medium-term



As per previous 2021 guidance

5% cost growth

Low-single digit cost growth

Low-single digit cost growth

>50%

EBITDA Margin

● ● ● ● *and beyond…*

Cost drivers

2021

2022

2023

Acquisition annualisation *(Red Flag, GIACT)*

Technology, efficiency and dual-running costs

Revenue synergy operating costs

Ongoing costs *(e.g. inflation, Tradeweb)*

In-year cost savings

Note:
- All cost-growth references are on a constant currency basis and refer to a year-on-year basis
- Please refer to slide 40 for further detail on the cost drivers in H1

Capex guidance unchanged: investments in 2021 driving revenue growth, scalability and resilience

Ongoing Capex £650m-£700m p.a.

Expected to continue until end of 2023; tapering thereafter

H1 spend: £273m

Initiative	Benefit to LSEG and its customers	Financial benefits
Data platform and cloud	A consistent experience, making it easier for customers and partners to access, distribute, and develop with LSEG or in the cloud	Revenue growth and cost efficiency following roll-out to full benefit from 2023 onwards
Workspace	Next-generation user interface, cloud-based, that uses open platform technologies	Revenue benefits follow roll-out to end 2024
Network infrastructure	Software defined – better agility, higher capacity and increased resilience	Cost benefits from 2023 onwards
Content transformation	Improved speed and efficiency of ingestion of new data sets to support rapidly evolving customer demand for enriched data and new products	Driving ongoing revenue growth and cost efficiency over the next three years.
Tradeweb	Continued product and development	Underpin double-digit growth trajectory

Improving agility and resilience across the group

Delivering high growth

2021 Integration and separation capex(1) of c.£150m

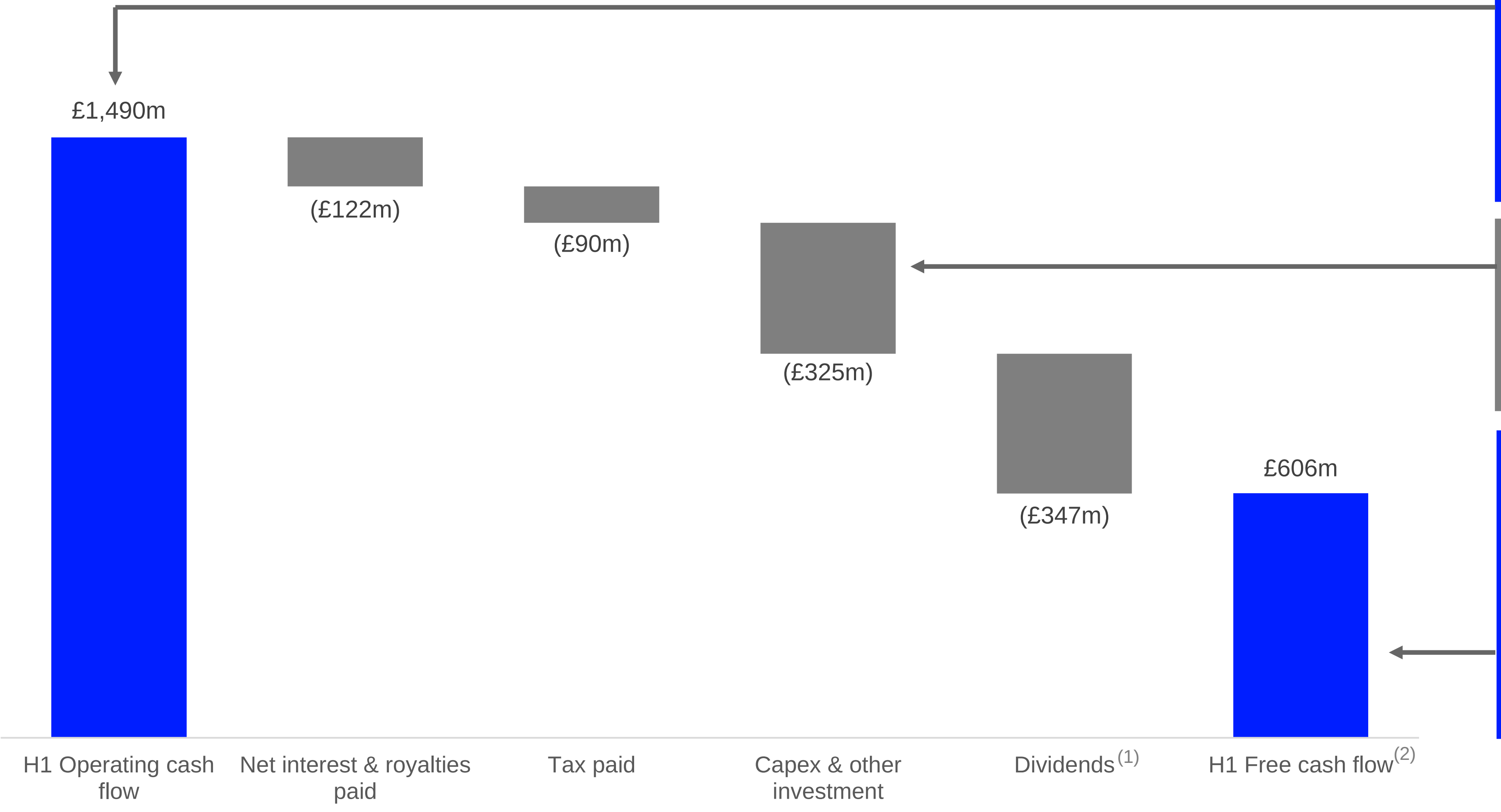
Largely Capex element of announced Cost to Achieve synergies

H1 spend: £45m

Note:

(1) Refer to slide 37 in the appendix regarding Cost to Achieve synergies which forms the majority of integration and separation capex

Strong cash generation and continued investment



Operating cash flow:

- Strong cash generation driven by high quality subscription revenues
- Stated after Cost to Achieve synergies incurred as non-underlying operating expenses (£83m) and transaction related fees

Capex & Other investment:

- Includes £318m of capex of which c.£273m of ongoing capex and c.£45m of integration and separation capex

Free cash flow:

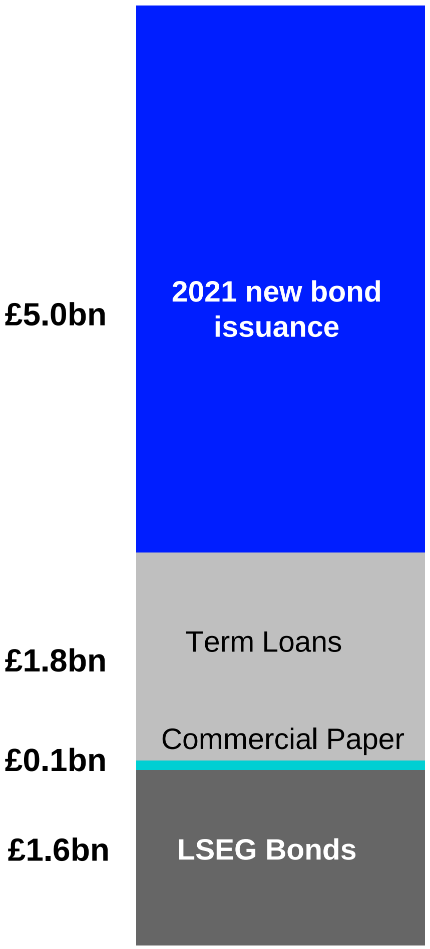
- Continue to generate strong free cash which should continue to increase as non-underlying expenses and integration and separation capex falls away with time
- Generating free cash flow per share of 173.4 pence(3)

Note:

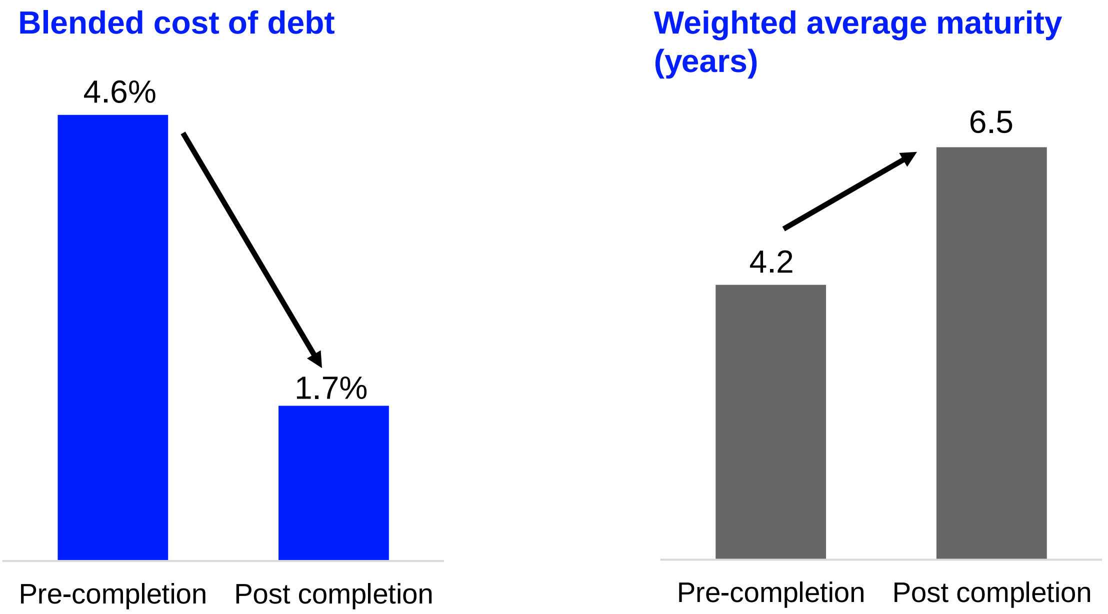
(1) Dividends comprises of £358m of LSEG dividend offset by £11m dividend income received from EuroClear
(2) Free cash flow represents the underlying cash flow generated by the Group
(3) Based on a weighted average share count of 555.8m shares

Refinancing complete at attractive rates

Debt Mix



Post completion - quickly lowered blended cost of funds and increased average maturity



Net Debt / EBITDA
2.2x

Moody's
A3

S&P
A

- Full Bridge refinancing complete
- Borsa Italiana disposal proceeds reduce debt
- Credit ratings affirmed at pre-Refinitiv announcement levels

Outlook unchanged for 2021 – higher run-rate cost synergies expected

Total Income *(excluding recoveries)*	– Good performance in H1; on track for c.4-5% growth for 2021
Underlying operating expenses	– On track to meet 5% rise in operating expenses(1)
Cost synergies	– Expect to achieve c.£125m run-rate cost synergies by the end of 2021
Depreciation and Amortisation	– c.£790m reflecting accounting allocation changes(2)
Net Finance Expense	– c.£205m for 2021 on a pro-forma basis
Tax	– Effective Tax Rate of 21.5% - *expect a tax rate of 22-24% for 2022 and 2023*
Capex	– Total capex of c.£850m including c.£650m-£700m of ongoing capex and c.£150m integration and separation capex(3)

On track to achieve acquisition financial targets(4)

Note:

All guidance is on a constant currency basis and does not factor in any movements in currencies, notably USD and EUR versus GBP as well as other FX adjustments

(1) Because of the mix in FX and FX related adjustments, on a reported basis we **expect the cost growth for 2021 will be around a c.1-2% step down from the new 2020 pro-forma level of £3,023m**

(2) Please refer to slide 41 and 42 for further detail on accounting changes

(3) Refer to slide 37 for additional information on Cost to Achieve synergies

(4) Please refer to slide 35 in the appendix for a full list of acquisition financial targets

Driving long-term sustainable financial performance

☐ Strong H1 progress

☐ All divisions demonstrating good revenue growth

☐ Cost synergy programme progressing ahead of target and Revenue synergy programme on target

☐ On track for cost and capex guidance

☐ Confident in delivery of all acquisition financial targets

☐ Good progress on embedding a performance-management culture

Strategic and Operational Progress

David Schwimmer, CEO

LSEG

A leading global financial markets infrastructure and data provider

☐ We are well positioned in large and growing markets

☐ We have a diverse set of world-class assets, providing:
  - Global scale
  - Multi-asset class capabilities across the trade lifecycle
  - A leading role in the sustainable transition

☐ Track record of partnering with our customers to drive innovation
  - Trusted operator of large-scale critical market infrastructure

Creating an ecosystem of connected businesses driven by customer demand

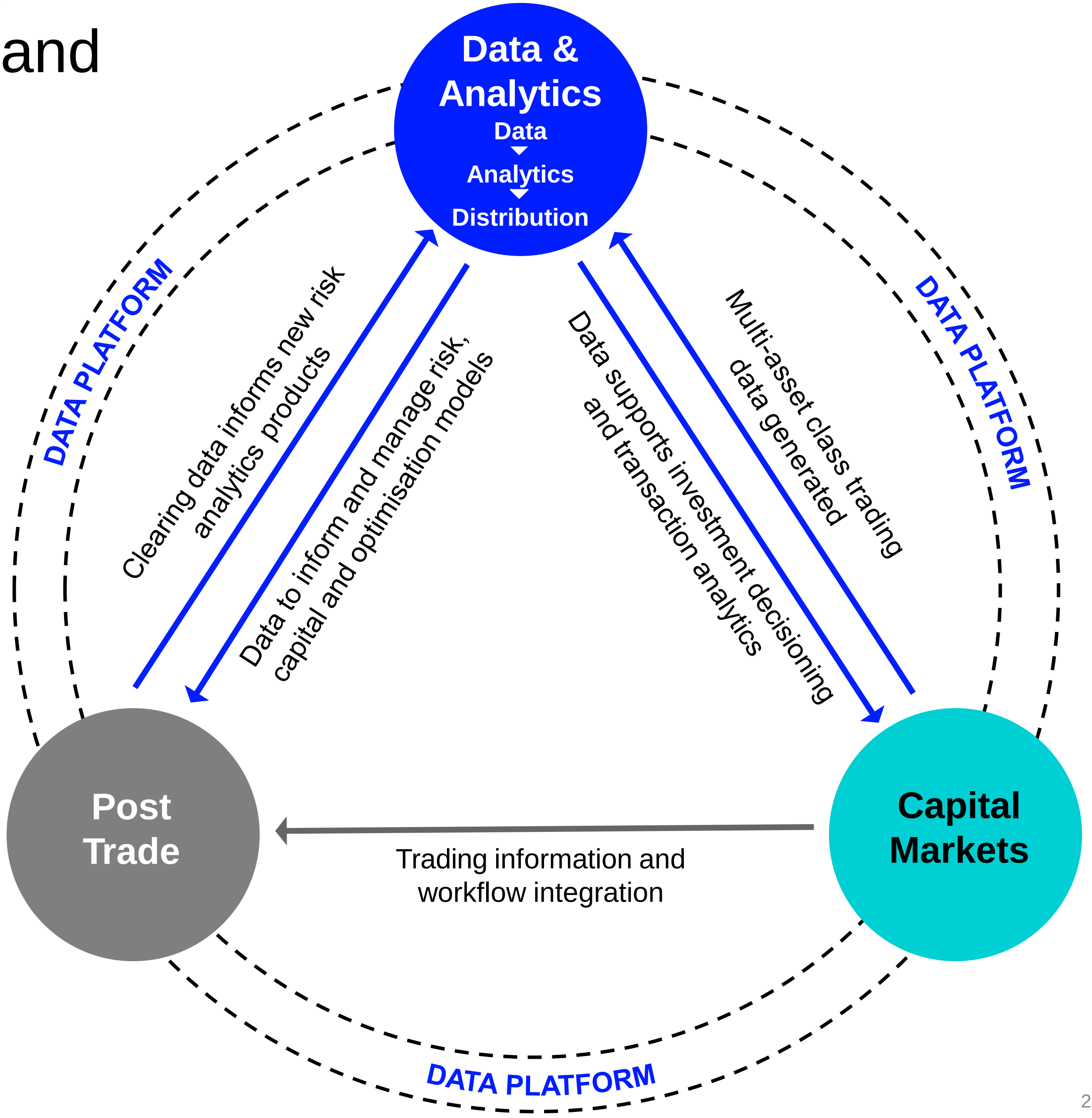
Strong momentum with early wins – £4m run rate revenue synergies achieved in H1

- 27 new or enhanced products launched
- FTSE Russell customers buying PRS data
- Refinitiv ESG data through Yield-book add-in
- Post Trade SMART data enhancements

Multiple development opportunities identified

- Front to back analytics (Fixed Income, FX and Digital Assets)
- Post trade data & analytics
- Sustainable Finance & Investment

Meaningful revenue synergy impact expected end of 2022



H1 operational achievements and immediate priorities

Trading & Banking Solutions	– Greater customer focus and improving retention – Workspace roll out for banking customers
Enterprise Data Solutions	– Cross-selling of pricing and reference services to FTSE Russell customers progressing well – Became a certified data vendor for Swiss stamp duty compliance
Investment Solutions	– ETF's indexed against FTSE Russell benchmarks exceeded $1 trillion of assets for the first time – Launched Workspace for Research and Portfolio management, 4th community to go live
Wealth Solutions	– Workspace product selected for global adoption by Nomura's International Wealth Management business
Customer & Third Party Risk Solutions	– Integration of acquisitions, GIACT and Red Flag, providing a combined offering

Priorities for H2

- Accelerate PRS / FTSE Russell initiative
- Early access programme for Workspace into our FX community
- Yield Book analytics to be incorporated into Refinitiv distribution channels, including Workspace
- Introduction of further sustainable index and benchmark products, leveraging Refinitiv data

H1 operational achievements and immediate priorities

Equities

- Strong IPO market highlighting London’s attractiveness as a capital raising venue – third most active IPO market globally
- Turquoise growing share of European equity trading post Brexit

FX

- New connectivity (API) launched for FX Forwards on our Matching platform
- Trade Performance Reporting launched for FXall liquidity providers

Fixed Income

- 22% increase in daily volumes on Tradeweb – to more than $1.0trn a day
- Tradeweb completed acquisition of Nasdaq’s US Fixed Income electronic trading platform

Priorities for H2

- Regulatory engagement to further strengthen competitiveness of UK capital markets
- Expanded Issuer Services offering
- ForexClear / FXall connectivity
- FX Matching re-platforming onto LSEG Technology

H1 operational achievements and immediate priorities

OTC

- SwapClear registered trades from 47 new clients across a diverse range of geographies in H1
- SwapAgent continues to see growing activity - with cross-currency trades growing more than five-fold

Securities & Reporting

- RepoClear registered 25% more trades in H1
- Actively clearing French, German and Italian Green bonds and the European SURE and Next Generation EU issuance

Priorities for H2

- Supporting seamless transition to LIBOR - replacement benchmarks
- ForexClear - customer engagement ahead of the next phase of the uncleared margin rules in September
- Sponsored clearing customer adoption in RepoClear SA
- Expansion of non-cash collateral acceptance at LCH SA to non-Euro instruments
- Rolling out a value at risk (VaR) framework for the Euro debt pool

LSEG: supporting the global drive to a net zero carbon economy

Data and disclosure
Catalysing consistent, comparable and reliable global climate data

- Largest set of sustainable data available today with back history spanning **20+ years**
- **500+ ESG** metrics captured; **10,500+ companies** covered across **200 countries** globally
- Green crime screening

Growth of the green economy
Leading sustainable capital raising venue

- Helping customers identify green equity and fixed income opportunities
  - **103** equity issuers now hold the Green Economy Mark
  - **300** bonds listed on Sustainable Bond Segment
  - **205** sustainable ETFs listed
  - Launch of Transition Bond Segment

Benchmarking tools
Leading provider of sustainable benchmarks

- **$132bn** passive AUM benchmarked to FTSE Russell indices
- Broad suite of climate-themed equity and fixed income indices e.g. FTSE TPI Climate Transition Index

Sustainability embedded in our strategy

- **Consistently ranked towards the top of leading ESG ratings** within our peer group
- **First global exchange group to commit to net zero** - signed the business ambition for 1.5ºC and joined the UN race to zero campaign - 100% renewable electricity used in 2020
- **Supporter of the Task Force for Climate-related Financial Disclosures (TCFD) since launch** - encourage issuers to report against TCFD through our reporting guidance and we embed these standards into our own financial reporting
- **Environmental Management Group** established to ensure delivery of our associated targets and drive continued performance improvement.
- **50% of 2020 external hires at senior manager level were female** - 44% female representation at Board level as of year end
- **Public commitments on race and disability equality** - e.g. Race at Work Charter and Valuable 500 initiative
- Adhere to the UN Guiding Principles on Business and Human Rights, together with the International Labour Organization Conventions and Recommendations within our global locations

A-

CDP Rating (1)

AA

MSCI ESG Rating (2)

16.9

Sustainalytics ESG Risk Rating (3)

4.6

FTSE Russell ESG Rating (4)

61

Dow Jones / SAM Corporate Sustainability Assessment (5)

Note:

(1) Leadership band. Significantly higher than the European average of C and higher than the specialised services sector average of D

(2) Top performer within peer group due to strong corporate governance and ethics

(3) Identified low risk of experiencing material financial impacts from ESG factors. LSEG classified as lowest risk within Diversified Financials. LSEG particularly noted for its strong corporate governance framework. Score is out of 100, where 0 is best

(4) LSEG identified in the top 3% best performer in its supersector

(5) Top performer in peer group due strong corporate governance and ethics policies, ranked in the 89th percentile

In summary

☐ Good H1 performance

☐ Delivering a faster-growing, more scalable business

- Integrating our world-class businesses
- Accelerating growth through targeted investment
- Building an efficient and scalable platform

☐ Strong and experienced management team in place

☐ Building on our strengths to create an integrated business that is much more than the sum of the parts

LSEG

Appendix

☐ Acquisition financial targets

☐ Modelling information

☐ H1 Pro-forma revenues and KPIs

Acquisition financial targets

On track to achieve all acquisition financial targets

☐ **5 – 7% Total Income** (excluding recoveries) CAGR over the first three years (2020PF – 2023) (1)

☐ **>£225m of annual run-rate revenue synergies** phased over five years (2020PF – 2025) (2)
Phasing 60% by 2023 and 100% by 2025

☐ **>£350m of annual run-rate cost** synergies phased over five years (2020PF – 2025) (2), (3)
Phasing 70% by 2023 and 100% by 2025

☐ **50% Adjusted EBITDA margin** (excluding recoveries) over the medium-term

☐ **Leverage to reduce to 1-2x target range** within 24 months of completion (4)

☐ **>30% EPS accretion** in the first year from completion and increasing in years two and three (4)

Note:
All guidance is on a constant currency basis and does not factor in any movements in currencies, notably USD and EUR versus GBP
(1) Total income growth target to be measured off the 2020 pro-forma Total Income (excluding recoveries) of £6,767m and runs until 31 December 2023
(2) Revenue and cost synergy targets run to 31 December 2025
(3) Year 1 cost synergy phasing refers to the full 12 months to 31 December 2021
(4) From the date of Completion of the Refinitiv transaction: 29 January 2021

Modelling Information

Further information on Cost to Achieve (CTA) synergies

Total Synergy CTA = £730m incurred by 2025
- Total Cost Synergy CTA = £550m
- Total Revenue Synergy CTA = £180m

Total £730m CTA = **c.30% Capex and c.70% Non-underlying Operating expenses**

Expect to incur the **majority of CTA over the course of 2021 and 2022**

H1 CTA(1) - £131m CTA incurred of which 27% Capex and 73% Non-underlying Operating expenses

CTA in 2021
- c. £130m Synergy related Capex + c.£20m Borsa Italiana Separation related Capex
- c. £250m Opex CTA expected in 2021

Note:
All run rate and Cost to Achieve figures are stated on a constant currency basis except for H1 reported CTA
(1) On an actual rates basis

Deferred revenue accounting adjustment

As a result of the acquisition of Refinitiv and the associated purchase price accounting rules, Refinitiv’s deferred revenue balances are subject to a one-time haircut at the time of acquisition.

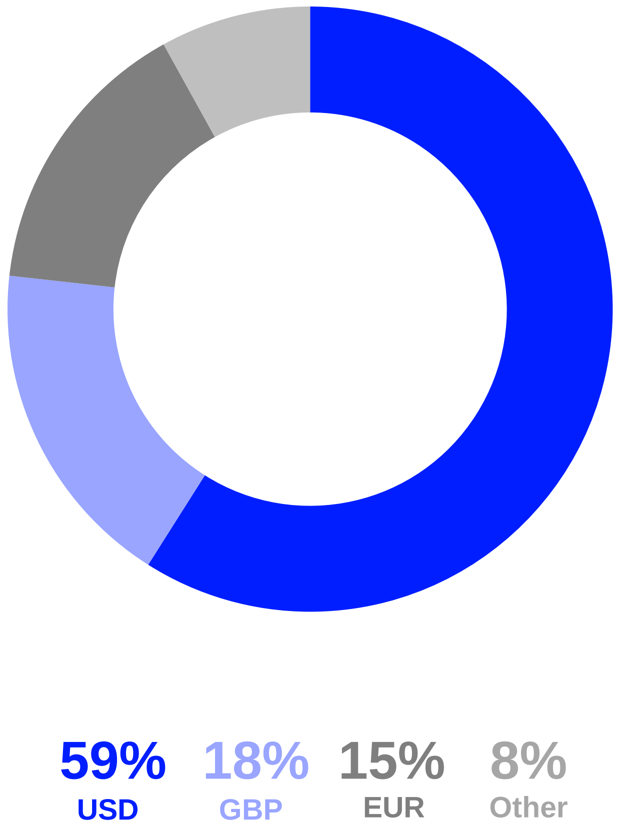
This is a non-cash adjustment. The negative revenue impact is mostly in Q1 2021 at approximately £22 million, with an additional £1 million in Q2; the remaining impact will be immaterial over subsequent quarters in 2021.

The impact will be mostly in the Group’s Data & Analytics division, with a much smaller impact on the Group’s FX venues business sitting within Capital Markets.

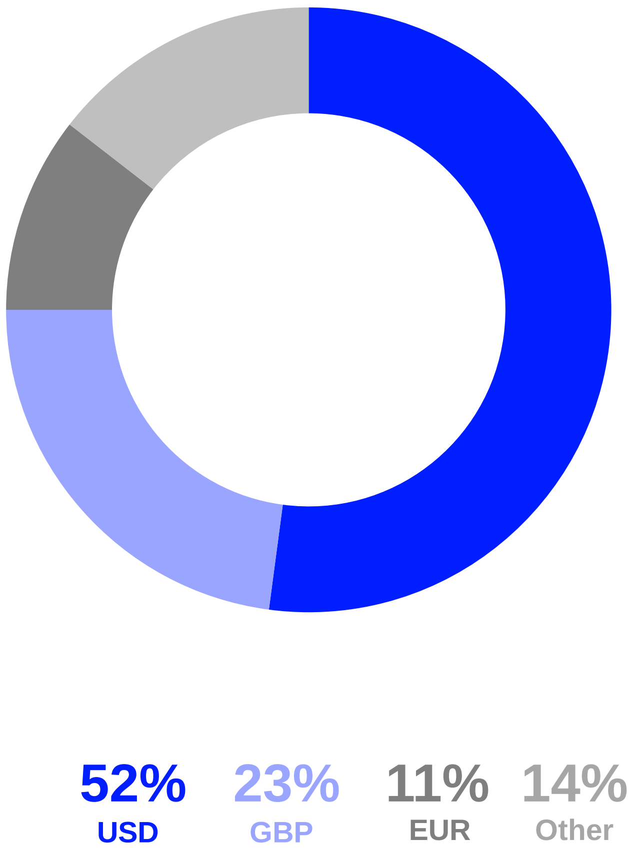
An adjusted variance, excluding the deferred revenue adjustment, has been presented to show true underlying business growth on the prior year.

H1 pro-forma currency splits

Total Income (including recoveries)



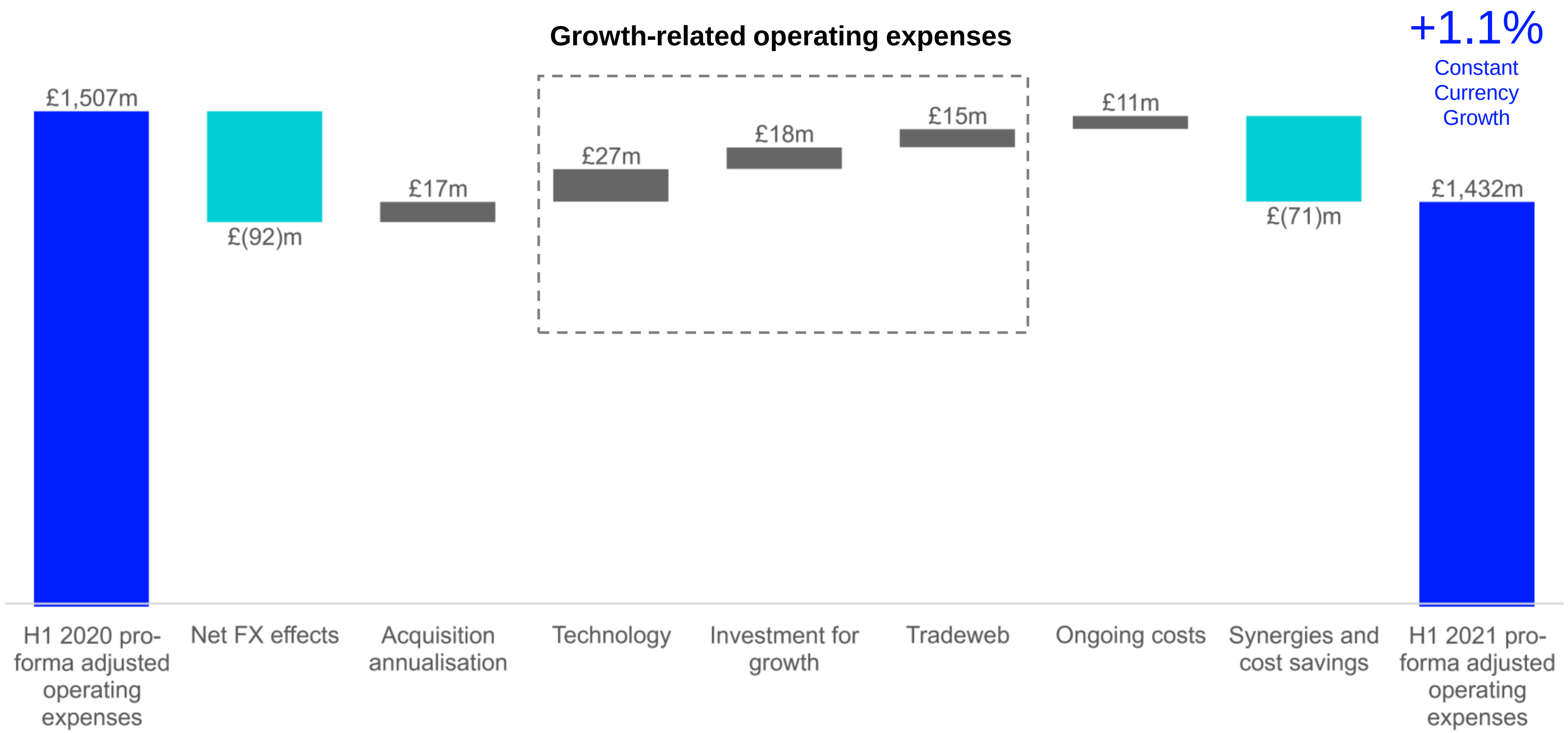
Total Costs[1]



Note:

(1) Total costs includes cost of sales, adjusted operating expenses and underlying depreciation and amortisation

H1 adjusted operating expenses



Acquisition annualisation:

- Annualisation and growth of costs associated with 2020 acquisitions – no impact beyond 2021

Growth-related expenses:

- Technology - Includes dual-running costs as infrastructure is modernised, including cloud migrations, delivering scalable platforms for the future
- BAU investment for growth including staff hiring to generate growth and operating expenses associated with achieving revenue synergies
- Tradeweb operating expense growth to deliver further top-line growth

Ongoing costs:

- Inflation related to technology and staff costs
- Offset by covid-related underspend (£20m), likely to unwind in H2

Synergies and cost savings:

- In-year benefits associated with £77m run rate achieved at H1
- Annualisation of Refinitiv cost saving programme prior to completion; $650m run rate savings achieved at the end of 2020 (will not continue post 2021)

Note:
Please refer to slide 18 for direction of cost growth for these cost categories over the medium-term

FY2020 pro-forma P&L

£m	FY 2020 (1)
Data & Analytics	4,653
Capital Markets	1,170
Post Trade Services	915
Other	29
Total income (excl. recoveries)	**6,767**
Recoveries	338
Total income (incl. recoveries)	**7,105**
Cost of sales	(946)
Gross profit	**6,159**
Adjusted operating expenses	(3,023)
Income from equity investments	-
Share of profit / (loss) after tax of associates	(4)
Adjusted EBITDA	**3,132**
Underlying depreciation and amortisation	(747)
Adjusted operating profit	**2,385**

Changes to the 2020 pro-forma

As stated in the Financial Review within our FY 2020 Preliminary results, the presented pro-forma financial information was unaudited and did not include adjustments for intercompany transactions, reallocations of costs, any fair value adjustments arising out of the purchase price allocation exercise, any future changes to accounting estimates or judgements, and were therefore subject to change, albeit not expected to be material.

At LSEG's Q1 results, an updated pro-forma 2020 was provided for revenue and cost of sales on a quarterly basis. The revenue was rebased to use a constant FX approach and included the recognition of sub-lease revenues and elimination of inter-company revenues. For H1, further changes have been made to our 2020 pro-forma through the application of accounting treatments.

These changes are:

- The application of IFRS 16 leasing treatment which adjusts the costs between depreciation, rental expenses and financing expense. This increases adjusted operating expenses by £49 million in 2020 and reduces underlying depreciation, amortisation and impairment by £34 million
- For transaction related indemnified costs and incentive plans which are considered as non-underlying under the Group's policies. This increases adjusted operating expenses by £11 million

The combined impact of these changes is a £26 million reduction to Adjusted Operating Profit in 2020.

These changes do not impact on our 5-7% revenue target from 2020 pro-forma to 2023, or our mid-single digit cost growth in 2021 (both on a constant currency basis). The £34 million reduction of underlying depreciation, amortisation and impairment in 2020, does however impact on our stated guidance of ~£830m in 2021 as the base is £34m lower in 2020. The Group now expects c.£790 million for the 2021 full year on a constant currency basis.

Note:
(1) Excludes income associated with the Borsa Italiana Group divestment, all numbers are on an underlying basis

Reconciliation of 2020 pro-forma

£m		Pro-forma changes made at 2021 Q1		Pro-forma changes made at 2021 H1			PRO-FORMA 2020
	31-Dec-20	Sub-lease impact(1)	Intercompany impact(2)	IFRS16 Leasing treatment(3)	Transaction related costs(3)	Total	31-Dec-20
Data and Analytics	4,675	–	(22)	–	–	(22)	4,653
Capital Markets	1,170	–	–	–	–	–	1,170
Post Trade	915	–	–	–	–	–	915
Other	3	26	–	–	–	26	29
Total income (excluding recoveries)	**6,763**	**26**	**(22)**	**–**	**–**	**4**	**6,767**
Recoveries	340	–	(2)	–	–	(2)	338
Total income (including recoveries)	**7,103**	**26**	**(24)**	**–**	**–**	**2**	**7,105**
Cost of sales	(970)	–	24	–	–	24	(946)
Gross profit	**6,133**	**26**	**–**	**–**	**–**	**26**	**6,159**
Adjusted operating expenses	(2,937)	(26)	–	(49)	(11)	(86)	(3,023)
Income from equity Investments	-	–	–	–	–	–	–
Share of loss after tax of associates	(4)	–	–	–	–	–	(4)
Adjusted EBITDA	**3,192**	**–**	**–**	**(49)**	**(11)**	**(60)**	**3,132**
Underlying depreciation and amortisation	(781)	–	–	34	–	34	(747)
Adjusted operating profit	**2,411**	**–**	**–**	**(15)**	**(11)**	**(26)**	**2,385**

Note:

(1) Income for sub-leases were treated as a positive cost within Refinitiv's accounts prior to completion. Under LSEG's policies these are now treated as "Other" income. The effect on this for the FY2020 pro-forma is to add a further £26 million of revenue to this line. This is offset by an equal increase to underlying operating expenses.

(2) Intercompany revenues and costs between heritage LSEG and Refinitiv businesses, are eliminated in the results post acquisition. The pro-forma results reflect this elimination in all periods. The effect on the FY2020 pro-forma is to reduce total income by £24 million, mainly impacting Data & Analytics and Recoveries revenues but improves Cost of Sales by the same amount. The data agreement between Tradeweb and Refinitiv is eliminated in all periods, in line with previous disclosures.

(3) Refer to slide 41 for further information

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H1 pro-forma Revenues and KPIs

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H1 pro-forma revenue and KPIs – Data & Analytics(1)

Continuing operations	**H1 2021 £m**	H1 2020 £m	Reported Variance(2) %	Constant Currency Variance(3) %	**Constant Currency Variance (excl. DRAA)(3),(4) %**
Trading & Banking Solutions	**744**	806	(7.7%)	(1.3%)	**(0.1%)**
Trading	*599*	*653*	*(8.3%)*	*(1.7%)*	*(0.6%)*
Banking	*145*	*153*	*(5.2%)*	*0.6%*	*1.9%*
Enterprise Data Solutions	**557**	582	(4.3%)	1.2%	**2.4%**
Real Time Data	*359*	*384*	*(6.5%)*	*(0.5%)*	*0.8%*
PRS	*198*	*198*	-	*5.1%*	*6.1%*
Investment Solutions	**558**	554	0.7%	7.7%	**8.4%**
Index - Subscription	*247*	*244*	*1.2%*	*7.4%*	*7.9%*
Index - AUM	*122*	*112*	*8.9%*	*18.2%*	*18.2%*
Investment solutions data & analytics	*189*	*198*	*(4.5%)*	*1.5%*	*3.6%*
Wealth Solutions	**238**	257	(7.4%)	0.4%	**0.8%**
Wealth data & analytics	*139*	*138*	*0.7%*	*5.0%*	*5.7%*
Beta	*99*	*119*	*(16.8%)*	*(5.3%)*	*(5.3%)*
Customer & Third-Party Risk Solutions	**175**	136	28.7%	36.0%	**37.5%**
Total Revenue (excl. recoveries)	**2,272**	2,335	(2.7%)	3.9%	**4.8%**
Recoveries	178	164	8.5%	(1.1%)	(0.6%)
Total Revenue (incl. recoveries)	**2,450**	2,499	(2.0%)	3.5%	**4.5%**
Cost of sales	(382)	(400)	(4.5%)	3.6%	3.6%
Gross Profit	**2,068**	2,099	(1.5%)	3.6%	**4.7%**
Adjusted operating expenses	(988)	(1,060)	(6.8%)	(0.8%)	(0.8%)
Adjusted EBITDA	**1,080**	1,039	3.9%	7.9%	**10.1%**
Depreciation, amortisation and impairment	(280)	(264)	6.1%	8.2%	8.2%
Adjusted operating profit	**800**	775	3.2%	7.8%	**10.7%**
Adjusted EBITDA Margin	47.5%	44.5%			

	H1 2021	H1 2020	Reported Variance %
Annual Subscription Value growth (ASV) (%) (5)	3.9%	-	-
Subscription Revenue growth (%) (5)	3.1%	-	-
Index – ETF AUM ($bn)	1,040	669	55%
Index – ESG Passive AUM ($bn)(6)	132	46	187%
Beta Transaction Volumes (m)	285	293	(3%)

Note:

(1) Pro-forma assumes that the acquisition of Refinitiv took place on 1 January 2021 for the current financial year and 1 January 2020 for the prior financial year comparator figure. Both figures exclude the financial contribution from the businesses contained within the Borsa Italiana divestment

(2) Reported variance is the difference between current and prior year periods on a pro-forma underlying basis, using year-to-date FX rates prevalent at each time, therefore any changes in the FX rates are also reflected in the variance percentage alongside business performance

(3) Constant currency variance shows underlying financial performance, excluding currency impacts, by comparing the current and prior period at consistent exchange rates

(4) The deferred revenue accounting adjustment (DRAA) is explained on slide 38

(5) Growth rates are on a constant currency basis excluding the impact of the deferred revenue accounting adjustment. There is no prior year comparator

(6) ESG Passive AUM is as at 31 Dec 2020 and prior period comparator is as at 31 December 2019. The metric is updated bi-annually with June 2021 available in early Q4

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H1 pro-forma revenue and KPIs – Capital Markets(1)

Continuing operations	**H1 2021 £m**	H1 2020 £m	Reported Variance(2) %	Constant Currency Variance(3) %	**Constant Currency Variance (excl. DRAA) (3),(4) %**
Equities	**120**	118	1.7%	2.5%	2.5%
FX	**110**	121	(9.1%)	(0.8%)	(0.8%)
Fixed Income, Derivatives & Other	**389**	361	7.8%	15.4%	15.4%
Total Revenue	**619**	600	3.2%	9.6%	9.6%
Cost of sales	(13)	(13)	-	16.7%	16.7%
Gross Profit	**606**	587	3.2%	9.4%	9.4%
Adjusted operating expenses	(290)	(292)	(0.7%)	3.8%	3.8%
Adjusted EBITDA	**316**	295	7.1%	15.5%	15.5%
Underlying depreciation, amortisation and impairment	(37)	(37)	-	11.4%	11.4%
Adjusted operating profit	**279**	258	8.1%	16.0%	16.0%
Adjusted EBITDA Margin	51.1%	49.2%			

	H1 2021	H1 2020	Reported Variance %
Equities			
Primary Markets			
New issues	75	30	150%
Total money raised (£bn)	15.6	19.2	(19%)
Secondary Markets – Equities			
UK Value Traded (£bn) – Average Daily Value	4.7	5.6	(16%)
SETS Yield (bps)	0.72	0.69	4%
FX			
Average daily total FX volume ($bn)	455	436	4%
Fixed income, Derivatives and Other			
Tradeweb Average Daily ($m)			
Rates – Cash	348,673	319,578	9%
Rates – Derivatives	272,063	229,185	19%
Credit – Cash	9,951	7,534	32%
Credit – Derivatives	12,628	17,937	(30%)

Note:

(1) Pro-forma assumes that the acquisition of Refinitiv took place on 1 January 2021 for the current financial year and 1 January 2020 for the prior financial year comparator figure. Both figures exclude the financial contribution from the businesses contained within the Borsa Italiana divestment

(2) Reported variance is the difference between current and prior year periods on a pro-forma underlying basis, using year-to-date FX rates prevalent at each time, therefore any changes in the FX rates are also reflected in the variance percentage alongside business performance

(3) Constant currency variance shows underlying financial performance, excluding currency impacts, by comparing the current and prior period at consistent exchange rates

(4) The deferred revenue accounting adjustment (DRAA) is explained on slide 38

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H1 pro-forma revenue and KPIs - Post Trade(1)

Continuing operations	**Reported H1 2021 £m**	Reported H1 2020 £m	Reported Variance(3) %	CCY Variance(4) %
OTC Derivatives	**169**	169	-	2.4%
Securities & Reporting	**127**	110	15.5%	15.3%
Non-Cash Collateral	**46**	40	15.0%	17.5%
Net Treasury Income	**108**	149	(27.5%)	(25.3%)
Total Income	**450**	468	(3.8%)	(2.1%)
Cost of sales (2)	(58)	(73)	(20.5%)	(20.0%)
Gross Profit	**392**	395	(0.8%)	1.5%
Adjusted operating expenses(2)	(146)	(139)	5.0%	4.2%
Adjusted EBITDA	**246**	256	(3.9%)	-
Underlying depreciation, amortisation and impairment	(47)	(44)	6.8%	6.7%
Adjusted operating profit	**199**	212	(6.1%)	(1.4%)
Adjusted EBITDA Margin	54.7%	54.7%		

	H1 2021	H1 2020	Reported Variance %
OTC			
SwapClear			
IRS notional cleared ($trn)	468	643	(27%)
SwapClear members	122	122	-
Client trades ('000)	1,066	997	7%
Client average 10-year notional equivalent ($trn)	4.4	4.0	10%
ForexClear			
Notional value cleared ($bn)	10,776	9,844	9%
ForexClear members	35	35	-
CDSClear			
Notional cleared (€bn)	1,038	1,398	(26%)
CDSClear members	25	26	(4%)
Securities & Reporting			
EquityClear trades (m)(5)	976	1,047	(7%)
Listed derivatives contracts (m)	150.3	191.5	(22%)
RepoClear – nominal value (€trn)	113.4	102.7	10%
Non-Cash Collateral			
Average non-cash collateral (€bn)	161.5	156.5	3%
NTI			
Average cash collateral (€bn)	106.4	116.3	(9%)

Note:

(1) Pro-forma assumes that the acquisition of Refinitiv took place on 1 January 2021 for the current financial year and 1 January 2020 for the prior financial year comparator figure. Both figures exclude the financial contribution from the businesses contained within the Borsa Italiana divestment

(2) Cost of sales incorporates the elimination of intercompany transactions in the Post Trade division as part of the pro forma financial disclosure and adjusted operating expenses include centralised group charges allocated to the Post Trade division as part of the pro forma cost allocation

(3) Reported variance is the difference between current and prior year periods on a pro-forma underlying basis, using year-to-date FX rates prevalent at each time, therefore any changes in the FX rates are also reflected in the variance percentage alongside business performance

(4) Constant currency variance shows underlying financial performance, excluding currency impacts, by comparing the current and prior period at consistent exchange rates

(5) EquityClear trades exclude interoperability trades, these will differ to the volumes published on the LCH website which includes these trades

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Quarterly pro-forma revenue progression

	2020					2021	
£m	Q1	Q2	Q3	Q4	**2020**	**Q1**	**Q2**
Trading & Banking Solutions	**396**	**410**	**399**	**391**	**1,596**	**372**	**372**
Trading	321	332	322	316	1,291	300	299
Banking	75	78	77	75	305	72	73
Enterprise Data Solutions	**285**	**297**	**290**	**291**	**1,163**	**277**	**280**
Real-Time Data	187	197	191	191	766	177	182
PRS	98	100	99	100	397	100	98
Investment Solutions	**272**	**282**	**278**	**279**	**1,111**	**272**	**286**
Index - Subscription	118	127	125	125	495	121	126
Index - Asset Based	58	54	56	57	225	58	64
Investment solutions data & analytics	96	101	97	97	391	93	96
Wealth Solutions	**126**	**131**	**123**	**120**	**500**	**122**	**116**
Wealth data & analytics	66	72	71	69	278	69	70
Beta	60	59	52	51	222	53	46
Customer & Third-Party Risk Solutions	67	69	69	78	283	85	90
Data & Analytics	**1,146**	**1,189**	**1,159**	**1,159**	**4,653**	**1,128**	**1,144**
Equities	62	56	52	57	227	61	59
FX	64	57	56	57	234	57	53
Fixed Income, Derivatives & Other	186	175	170	178	709	201	188
Capital Markets	**312**	**288**	**278**	**292**	**1,170**	**319**	**300**
OTC Derivatives	87	82	80	85	334	87	82
Securities & Reporting	59	51	58	62	230	65	62
Non-Cash Collateral	19	21	21	21	82	22	24
Net Treasury Income	67	82	63	57	269	55	53
Post Trade	**232**	**236**	**222**	**225**	**915**	**229**	**221**
Other	11	6	6	6	29	5	10
Total Income (excl. recoveries)	**1,701**	**1,719**	**1,665**	**1,682**	**6,767**	**1,681**	**1,675**
Recoveries	87	77	82	92	338	88	90
Total Income (incl. recoveries)	**1,788**	**1,796**	**1,747**	**1,774**	**7,105**	**1,769**	**1,765**
Cost of sales	(242)	(244)	(228)	(232)	(946)	(231)	(223)
Gross Profit	**1,546**	**1,552**	**1,519**	**1,542**	**6,159**	**1,538**	**1,542**

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