

23 October 2020

LONDON STOCK EXCHANGE GROUP PLC

TRADING STATEMENT INCLUDING REVENUES AND KPIS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2020 (Q3)

- Resilient Q3 performance across the Group despite challenging market conditions
- Q3 total income up 2% to £600 million
- On a nine-month year-to-date basis total income up 6% to £1,835 million
- Continue to demonstrate strong operational resilience, focusing on continuity of service for customers and the welfare of employees, majority of whom continue to work remotely due to COVID-19 pandemic
- Well positioned for Brexit with diversified revenue mix. LCH Limited recognised as a Tier 2 CCP under the EMIR 2.2 supervisory framework as part of the wider ESMA recognition of the UK framework as equivalent until at least 30 June 2022
- Proposed acquisition of Refinitiv continues to make good progress; additional merger clearances achieved and conditional divestment of Borsa Italiana to Euronext agreed; expect to complete Refinitiv transaction in Q1 2021

Q3 summary

- Information Services: revenues up 1% to £223 million and up 4% on an organic and constant currency basis (up 4% on a nine-month year-to-date basis). Subscription revenue at FTSE Russell up 4% (up 7% on a constant currency basis) while asset-based revenues decreased 7% (down 3% on a constant currency basis) reflecting lower levels of passive fund AUM in the prior quarter, however, assets benchmarked against ETF products continued to rise
- Post Trade: income up 5% to £259 million (up 14% on a nine-month year-to-date basis). Good growth in non-OTC and Net Treasury Income; decline in OTC revenues reflecting lower SwapClear volumes compared to elevated prior year period. Cost of Sales down 17% due to one-off positive revenue sharing impact as a result of strong income generation in the nine months year-to-date; a further small benefit is expected in Q4 2020
- Capital Markets: revenues flat on prior year at £102 million (up 8% on a nine-month year-to-date basis and excluding the one-off benefit of an IFRS 15 adjustment in prior year). Primary markets revenue up, with good further issuance activity; equities trading revenues lower as a result of reduced market activity

Commenting on performance in Q3, David Schwimmer, CEO, said:

“The Group delivered a resilient performance in the quarter against a challenging market backdrop while we continue to execute our strategic plans across our business. We remain focused on our strong operational resilience, continuity of services to our customers and market participants, and the wellbeing of our employees, the majority of whom continue to work remotely.

“We are making good progress on the highly attractive Refinitiv transaction, having secured further regulatory approvals around the world. We continue to engage constructively with the European Commission and believe the potential divestment of the Borsa Italiana group will contribute significantly to addressing the EU’s competition concerns.”

Developments in the period

Information Services

- FTSE Russell index selected by BlackRock for the first climate risk-adjusted Government Bond ETF utilising the FTSE Advanced Climate EGBI
- FTSE Russell’s China Government Bond Index selected as the basis for China’s first onshore Bond ETF listed in Singapore
- FTSE Russell entered into a long-term strategic partnership with Singapore Exchange (SGX) focused on developing a broad range of Asian and Emerging markets index derivatives
- FTSE Russell launched its enhanced Green Revenues 2.0 Data Model, measuring the green revenue exposure of more than 16,000 listed companies across developed and emerging markets

Post Trade

- LCH Limited recognised as a Tier 2 CCP under the EMIR 2.2 supervisory framework as part of the wider ESMA recognition of the UK framework as equivalent until at least 30 June 2022
- European Investment Bank joined LCH SA as the first supranational clearing member of LCH SA’s RepoClear service
- LCH became the first clearing house to offer clearing of Israeli Shekel-denominated interest rate swaps bringing the total number of cleared currencies to 27
- CC&G entered into an agreement to provide CCP.RO BUCHAREST S.A. with CC&G’s Clearing and Risk Management Solution enabling centralised clearing services for Romania’s capital and energy markets

Capital Markets

- China Yangtze Power Co. raised \$1.83 billion through Shanghai-London Stock Connect, the first Chinese issuer to receive London Stock Exchange’s Green Economy Mark and highlighting London’s position as an international centre for sustainable finance
- The Hut Group listed on London Stock Exchange by way of a £1.88 billion IPO, London’s largest technology IPO by market capitalisation at listing and Europe’s largest e-commerce listing

Financial Position

The Group's financial position remains strong with a good level of funding flexibility in place. As at 30 September 2020, the Group had available committed facility headroom of £757 million having paid the interim dividend to shareholders. LSEG's credit ratings with Moody's and S&P remained unchanged (long term A3 and A), both with negative outlooks as a result of the debt component of the Refinitiv acquisition. Both agencies remained constructive on the strategic rationale for the deal and noted the planned disposal of the Borsa Italiana group as credit positive in their most recent publications, with S&P limiting the potential downgrade to a single notch (from two previously).

Sterling was flat against the Euro and strengthened 7% against the US dollar on a three-month closing rate average basis, and was flat against both currencies on a nine-month year-to-date average basis in comparison to the same period last year. To illustrate our exposure to movements in exchange rates, a €0.05 change in the average Euro:Sterling rate would have resulted in a change to continuing operations total income of £8 million for Q3, while a US\$0.05 move would have resulted in a £7 million change.

Update on the proposed acquisition of Refinitiv

The proposed acquisition of Refinitiv continues to progress well with further merger clearances secured around the world. We continue to engage constructively with the European Commission on achieving antitrust approval for the transaction and we believe the proposed divestment of the Borsa Italiana group will significantly contribute to addressing EC concerns. Detailed integration planning is well developed in preparation for completion.

The Group has received further merger control clearances from the relevant authorities in the United States, Australia, Canada and the UAE, bringing the total number of approvals to date to 15 while good progress has been made in relation to outstanding jurisdictions. Furthermore, the Group also received foreign investment clearance from the Italian Government ('Golden Power Law') for the Refinitiv transaction, in addition to the approvals already received from the US (CFIUS) and Germany. All remaining merger control, foreign investment and regulatory approvals are expected by Q1 2021.

On 9 October 2020, the Group entered into an agreement to sell its entire shareholdings in London Stock Exchange Group Holdings Italia S.p.A., the parent company of the Borsa Italiana group, to Euronext N.V. for an all cash consideration of €4.325 billion. The transaction is conditional upon, amongst other things, the disposal of the Borsa Italiana group or any material part thereof (including MTS) being a condition of any European Commission clearance decision for the Refinitiv Transaction. While the principal benefit of the transaction is to facilitate the completion of the Refinitiv transaction, the divestment, which represents an enterprise valuation of 16.7x 2019 adjusted EBITDA, allows LSEG to achieve an attractive valuation for Borsa Italiana. LSEG's intention is to use the net proceeds from the divestment to repay indebtedness related to the Refinitiv transaction and for general corporate purposes. This will allow LSEG to reduce leverage following completion of the transaction and move more quickly to its target net debt to adjusted EBITDA ratio of 1.0-2.0x. The divestment is subject to approval by both LSEG and Euronext shareholders.

Refinitiv continues to realise its own cost efficiencies having achieved annualised run-rate cost savings of \$613 million as at 30 September 2020 and is on-track to achieve the full \$650 million run-rate target by the end of 2020.

Further information is available from:

London Stock Exchange Group plc	Gavin Sullivan / Lucie Holloway / Sarah Bailey – Media	+44 (0) 20 7797 1222
	Paul Froud – Investor Relations	+44 (0) 20 7797 3322

Additional information on London Stock Exchange Group can be found at www.lseg.com

The Group will host a conference call for analysts and investors today, Friday 23 October at 09:00am (UK time). On the call will be David Schwimmer (CEO), David Warren (CFO) and Paul Froud (Group Head of Investor Relations).

To access the telephone conference call or audio-only webcast **please pre-register in advance using the following link** and instructions below:

<http://www.lsegissuerservices.com/spark/LondonStockExchangeGroup/events/949ac0bc-42fb-4c8a-ab5f-b403286d24a0>

- Upon registering with your full name, company name and email address, you will be provided with participant telephone numbers and access codes as well as the link to the audio-only webcast. Please note that if you wish to participate in Q&A this can only be done via the telephone conference.

For further information, please call the Group's Investor Relations team on +44 (0) 20 7797 3322.

Q3 Revenue Summary

Revenues for three months and nine months ended 30 September 2020 refer to continuing operations, with comparatives against performance for the same period last year, provided below. Growth rates for both Q3 and year-to-date performance are also expressed on an organic and constant currency basis. All figures are unaudited.

	Three months ended 30 September			Organic and constant currency variance ¹	%	Nine months ended 30 September			Organic and constant currency variance ¹	%
	2020	2019	Variance			2020	2019	Variance		
	£m	£m	%	%	£m	£m	%	%		
Continuing operations:										
Revenue										
Information Services	223	220	1%	4%	660	636	4%	4%		
Post Trade	183	181	2%	2%	555	523	6%	6%		
Capital Markets	102	102	-	-	319	328	(3%)	(3%)		
Technology Services	15	16	(6%)	(5%)	45	46	(1%)	(1%)		
Other	1	2	-	-	3	6	-	-		
Total revenue	524	521	1%	2%	1,582	1,539	3%	3%		
Net treasury income through CCP businesses	76	65	16%	17%	252	185	36%	36%		
Other income	-	1	-	-	1	3	-	-		
Total income	600	587	2%	3%	1,835	1,727	6%	6%		
Cost of sales	(49)	(58)	(16%)	(15%)	(170)	(167)	2%	1%		
Gross profit	551	529	4%	5%	1,665	1,560	7%	7%		

¹Organic growth is calculated in respect of businesses owned for at least 9 months in either period so excludes Beyond Ratings (acquired June 2019)

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

More detailed revenues by segment are provided in tables below:

Information Services

	Three months ended			Organic and constant	Nine months ended			Organic and constant
	30 September			currency	30 September			currency
	2020	2019	Variance	Variance ¹	2020	2019	Variance	Variance ¹
	£m	£m	%	%	£m	£m	%	%
Revenue								
Index – Subscription	112	108	4%	7%	330	311	6%	6%
Index – Asset based	57	61	(7%)	(3%)	169	173	(3%)	(3%)
FTSE Russell Indexes	169	169	-	3%	499	484	3%	3%
Real time data	27	24	12%	11%	79	72	9%	9%
Other information services	27	27	-	1%	82	80	2%	2%
Total revenue	223	220	1%	4%	660	636	4%	4%
Cost of sales	(16)	(19)	(14%)	(11%)	(52)	(55)	(5%)	(5%)
Gross profit	207	201	2%	5%	608	581	5%	4%

¹Organic growth is calculated in respect of businesses owned for at least 9 months in either period so excludes Beyond Ratings (acquired June 2019)

Note: UnaVista and other minor items (previously reported in Other information services), are now included in Post Trade

Post Trade

	Three months ended			Constant	Nine months ended			Constant
	30 September			currency	30 September			currency
	2020	2019	Variance	variance	2020	2019	Variance	variance
	£m	£m	%	%	£m	£m	%	%
Revenue								
OTC - SwapClear, ForexClear & CDSClear	74	80	(8%)	(6%)	231	228	1%	1%
Non OTC - Fixed income, Cash equities & Listed derivatives	40	36	11%	11%	120	104	14%	14%
Other	29	28	2%	2%	85	78	10%	10%
Total LCH revenue	143	144	(1%)	(1%)	436	410	6%	6%
Clearing	10	11	(12%)	(12%)	32	33	(2%)	(2%)
Settlement, Custody & other	15	16	1%	1%	46	45	2%	2%
Total Post Trade Italy revenue	25	27	(4%)	(4%)	78	78	-	-
UnaVista	15	10	59%	59%	41	35	19%	19%
Total revenue	183	181	2%	2%	555	523	6%	6%
LCH - Net treasury income	63	53	19%	20%	212	149	43%	42%
CC&G - Net treasury income	13	12	3%	3%	40	36	9%	9%
Total income	259	246	5%	6%	807	708	14%	14%
Cost of sales	(29)	(35)	(17%)	(17%)	(109)	(100)	9%	9%
Gross profit	230	211	9%	10%	698	608	15%	15%

Capital Markets

	Three months ended 30 September				Constant currency variance %	Nine months ended 30 September				Constant currency variance %
	2020	2019	Variance			2020	2019	Variance		
	£m	£m	%			£m	£m	%		
Revenue										
Primary Markets ¹	33	30	8%	8%	98	120	(19%)	(19%)		
Secondary Markets - Equities	37	39	(4%)	(4%)	128	113	14%	14%		
Secondary Markets - Fixed income, derivatives and other	32	33	(4%)	(4%)	93	95	(2%)	(3%)		
Total revenue	102	102	-	-	319	328	(3%)	(3%)		
Cost of sales	(1)	(1)	-	-	(3)	(4)	(43%)	(43%)		
Gross profit	101	101	-	-	316	324	(2%)	(2%)		

¹ Primary Markets 2019 Q3 YTD includes a one-off change in estimate for IFRS 15 accounting, with an impact of £32 million, recognised in H1 2019. Adjusting for the one-off change in estimate, primary markets revenue on a 9 month year-to-date basis would have grown 11%

Technology Services

	Three months ended 30 September				Constant currency variance %	Nine months ended 30 September				Constant currency variance %
	2020	2019	Variance			2020	2019	Variance		
	£m	£m	%			£m	£m	%		
Total revenue	15	16	(6%)	(5%)	45	46	(1%)	(1%)		
Cost of sales	(2)	(2)	-	-	(5)	(6)	(4%)	(4%)		
Gross profit	13	14	(8%)	(8%)	40	40	-	-		

Basis of Preparation

Results for the period ended 30 September 2020 have been translated into Sterling using the average exchange rates for the period. Constant currency growth rates have been calculated by translating prior period results at the average exchange rate for the current period.

	Average rate 3 months ended 30 September 2020	Average rate 9 months ended 30 September 2020	Closing rate at 30 September 2020
GBP : EUR	1.11	1.13	1.10
GBP : USD	1.31	1.27	1.29

	Average rate 3 months ended 30 September 2019	Average rate 9 months ended 30 September 2019	Closing rate at 30 September 2019
GBP : EUR	1.11	1.13	1.12
GBP : USD	1.22	1.27	1.23

Appendix – Key performance indicators

Information Services

	As at		Variance
	30 September	2019	%
	2020	2019	
ETF assets under management benchmarked (\$bn)			
FTSE	436	407	7%
Russell Indexes	282	273	3%
Total	718	680	6%
Terminals			
UK	63,000	65,000	(3%)
Borsa Italiana Professional Terminals	96,000	100,000	(4%)

Note: FTSE ETF assets under management benchmarked KPI has been rebased to remove previously reported active ETFs. The previous year comparator has also been adjusted, with a change of \$16 billion

Post Trade - LCH

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2020	2019		2020	2019	
OTC derivatives						
SwapClear						
IRS notional cleared (\$tn)	209	337	(38%)	852	997	(15%)
SwapClear members	122	121	1%	122	121	1%
Client trades ('000)	367	472	(22%)	1,364	1,280	7%
CDSClear						
Notional cleared (€bn)	495	438	13%	1,893	1,134	67%
CDSClear members	26	26	-	26	26	-
ForexClear						
Notional value cleared (\$bn)	4,556	4,795	(5%)	14,400	13,561	6%
ForexClear members	35	34	3%	35	34	3%
Non-OTC						
Fixed income - Nominal value (€tn)	52.1	56.0	(7%)	154.8	161.6	(4%)
Listed derivatives (contracts m)	70.8	72.6	(2%)	262.3	218.6	20%
Cash equities trades (m)	424	358	18%	1,471	1,057	39%
LCH Average cash collateral (€bn)	103.9	103.8	-	112.2	96.3	16%

Note: CDSClear notional cleared and LCH Non-OTC volumes have been rebased to count both sides of each cleared trade. This aligns with how activity is reported on LCH's website. The previous year comparator has also been adjusted

Post Trade - Italy

	Three months ended			Nine months ended		
	30 September		Variance	30 September		Variance
	2020	2019		2020	2019	
CC&G Clearing						
Contracts (m)	25.2	24.7	2%	92.7	74.7	24%
Initial margin held (average €bn)	13.4	15.1	(11%)	14.2	14.3	(1%)
Monte Titoli						
Settlement instructions (trades m)	11.7	11.4	3%	38.0	32.9	16%
Custody assets under management (average €tn)	3.42	3.33	3%	3.35	3.31	1%

Note: Monte Titoli Settlement instructions for prior year on both a 3 and 9 month basis have been updated to reflect additional trades that took place in Q3 2019. The equivalent figure for the 12 months ended 31 December 2019 was already updated at the time reflecting these additional trades

Capital Markets - Primary Markets

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2020	2019		2020	2019	
New Issues						
UK Main Market & PSM	6	13	(54%)	26	41	(37%)
UK AIM	6	5	20%	16	20	(20%)
Borsa Italiana	4	11	(64%)	8	26	(69%)
Total	16	29	(45%)	50	87	(43%)
Money Raised (£bn)						
UK New	2.7	1.0	170%	4.8	3.7	30%
UK Further	5.6	1.9	195%	22.6	12.7	78%
Borsa Italiana new and further	-	0.1	-	0.7	2.0	(65%)
Total (£bn)	8.3	3.0	177%	28.1	18.4	53%

Capital Markets - Secondary Markets

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2020	2019		2020	2019	
Equity						
Totals for period						
UK value traded (£bn)	244	309	(21%)	948	892	6%
Borsa Italiana (no of trades m)	18.5	16.3	13%	67.2	47.4	42%
Turquoise value traded (€bn)	107	111	(4%)	402	423	(5%)
SETS Yield (basis points)	0.76	0.68	12%	0.71	0.69	3%
Average daily						
UK value traded (£bn)	3.8	4.8	(21%)	5.0	4.7	6%
Borsa Italiana (no of trades '000)	280	254	10%	350	249	41%
Turquoise value traded (€bn)	1.6	1.7	(6%)	2.1	2.2	(5%)
Derivatives						
Contracts (m)	5.0	7.8	(36%)	19.1	26.2	(27%)
Fixed Income						
MTS cash and BondVision (€bn)	1,024	803	28%	2,726	2,453	11%
MTS money markets (€bn term adjusted)	22,033	31,759	(31%)	77,875	89,508	(13%)

Note: The Q3 2019 number of derivative contracts includes 0.6 million from LSE Derivatives. The 9 month year-to date 2019 number includes 2.2 million. This service no longer accepted new trades from November 2019

Total Income – Quarterly

£ millions	<u>2019</u>					<u>2020</u>		
	Q1	Q2	Q3	Q4	<u>2019</u>	Q1	Q2	Q3
Index - Subscription	99	104	108	107	418	105	113	112
Index - Asset based	52	60	61	58	231	58	54	57
FTSE Russell	151	164	169	165	649	163	167	169
Real time data	24	24	24	25	97	25	27	27
Other information	26	27	27	29	109	27	28	27
Information Services	201	215	220	219	855	215	222	223
OTC - SwapClear, ForexClear & CDSClear	76	72	80	79	307	82	75	74
Non OTC – Fixed income, Cash equities & Listed derivatives	34	35	36	35	140	41	39	40
Other	24	25	28	26	103	26	30	29
Post Trade Services - LCH	134	132	144	140	550	149	144	143
Clearing	11	11	11	10	43	12	10	10
Settlement, Custody & other	14	15	16	15	60	15	16	15
Post Trade Services - CC&G and Monte Titoli	25	26	27	25	103	27	26	25
UnaVista	13	12	10	12	47	16	10	15
Post Trade	172	170	181	177	700	192	180	183
Primary Markets	28	62	30	31	151	32	33	33
Secondary Markets - Equities	37	37	39	38	151	49	42	37
Secondary Markets – Fixed income, derivatives & other	32	30	33	29	124	31	30	32
Capital Markets	97	129	102	98	426	112	105	102
Technology	14	16	16	20	66	14	16	15
Other	2	2	2	3	9	2	-	1
Total Revenue	486	532	521	517	2,056	535	523	524
Net treasury income through CCP:								
LCH	48	48	53	57	206	67	82	63
CC&G	11	13	12	13	49	12	15	13
Other income	1	1	1	-	3	1	-	-
Total income	546	594	587	587	2,314	615	620	600
Cost of sales	(56)	(53)	(58)	(43)	(210)	(60)	(61)	(49)
Gross profit	490	541	529	544	2,104	555	559	551

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