TP ICAP Group PLC

Half Year Results

For the 6 months ended
30 June 2024

SPEAKERS

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Andrew Polydor
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Mark Govoni
CEO, Liquidnet

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QUESTIONS

Stuart Duncan
Peel Hunt

Piers Brown
HSBC

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Jens Ehrenberg
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NICOLAS BRETEAU

Good morning everyone, and thank you for joining us today. This is our agenda today.

I will start with a brief overview. Robin will take you through our financial performance. Our Group CEO, Max Spoto, will talk about our new efficiency programme, and the heads of our four divisions will report on their businesses.

Then I will wrap up before we take questions. Before I go any further, I'd like to introduce Max Spoto and Silvina Aldeco-Martinez. Max joined TP ICAP last year from UBS. He's worked for over 20 years in financial services and has led several successful transformation programmes.

Silvina joined us in March as the new CEO of Parameta Solutions, taking over from Eric Sinclair. Silvina has worked for 30 years in the data and analytics industry, including 25 years at S&P Global. She joined from PitchBook Data and led a successful sale of the business to Morningstar.

So, let me turn now to the financial headlines, where movements are in constant currency. Group revenue increased 3%, including strong growth in Parameta Solutions, the equity's business in Liquidnet and energy and commodities. Global Broking revenue was stable against a strong comparator in 2023. We are controlling our cost base tightly.

Group management and support costs, which tend to be fixed, reduced by 4% despite inflation. In Liquidnet, they decreased 18%, reflecting our work last year to position the business for a revival of the equities market. Group adjusted EBIT was up 9% to £170 million, a record level, with margin growing from 14.1 to 14.9%. I am especially pleased about the turnaround in both revenue and profitability at Liquidnet. The adjusted EBIT was of £24 million, was more than twice the first half last year, and Liquidnet now accounts for 14% of group EBIT, while their market share continues to grow. Our interim dividend per share of 4.8 pence is in line with last year. This performance is the result of successful execution of our strategy. As a reminder, our three strategic priorities are transformation, diversification, and dynamic capital management.

I'll start with transformation. Today, we have announced a new efficiency programme that will increase both our agility and operating leverage. As a result, we are targeting a release of surplus cash of at least £50 million from further legal entity consolidation. We also expect efficiencies to deliver at least £50 million of annualised cost savings. Max will cover this in more detail later.

We also continue to roll out our digital platform, Fusion, and drive client adoption. We are on track to complete the implementation across in-scope desks by the end of 2025. We continue to diversify our business by broadening our client base and moving into different asset classes and geographies. This is important, as it brings high-quality revenue and reduces earnings volatility. Adjusted EBIT from non-broking activities was 37%, up from 23% at the end of 2022.

Finally, we are managing our capital dynamically to give us flexibility so that we can invest in the business, pay on debt, or return capital to shareholders. We have announced our third buyback programme today of £30 million. This will start after the completion of our second £30 million programme announced in March. We are also progressing strategic options in relation to Parameta Solutions. Nothing certain at this stage, but these options include a potential initial public offering and possibly a US listing, with a group maintaining majority ownership.

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

ROBIN STEWART

Thank you, Nico, and good morning, everyone. As you have heard, we delivered a good first half performance. I'll start with the income statement, where as usual, my comparisons up to adjusted EBIT are in constant currency.

Total group revenue increased 3% to £1.1 billion. Adjusted EBITDA was up 7% at £206 million. Adjusted EBIT grew 9% to £170 million, with a margin of 14.9% up 0.8 percentage points. Net finance costs of £10 million were down 41%, due to an £8 million increase in interest income as we continued to actively manage the yield on our cash.

The effective tax rate on adjusted profit increased slightly to 28.8% in line with guidance. Taken together, this resulted in adjusted earnings before significant items of £123 million, up 5%. Adjusted basic earnings per share grew 8% to 16.2 pence. As Nico said earlier, we plan to pay an interim dividend of 4.8 pence in line with last year. Our policy targets a 50% payout ratio of full year adjusted earnings. This typically includes 30 to 40% of first half earnings, with the balance paid in the final dividend. Let's turn now to the year-on-year movements in our earnings before interest and tax.

Adjusted EBIT was £170 million, up from £163 million reported for the first half last year. If you retranslate £163 million using 2024 exchange rates, it results in EBIT of £156 million, giving us the basis for a like-for-like comparison. Contribution increased by £3 million, and management and support costs were £4 million lower, despite business investment and inflation. This was helped by the delivery of a further £2 million of Liquidnet integration savings.

Finally, the weakening of sterling contributed to a positive currency movement of £5 million on the retranslation of net financial assets on the balance sheet. Turning next to significant items. These are not included in our adjusted results, so that we can better measure business performance and compare with other reporting periods. Significant items were £32 million after tax, a reduction of 37% on the first half last year. This was mainly driven by three factors. Property rationalisation costs in the US were £7 million lower, Liquidnet integration and acquisition-related costs, together reduced by £9 million, and legal and regulatory costs were down £6 million. About 80% of significant items were non-cash, including £21 million for the amortisation of intangible assets. Turning next to the business divisions, where my revenue comparisons are in constant currency to give you a clear picture of the underlying growth trends.

Starting with Global Broking. Total revenue of £647 million was in line with a strong performance in the first half last year, which benefited from volatility arising from the collapse of US regional banks and takeover of Credit Suisse. Revenue was down 7% in the first quarter, with strong momentum returning in the second when revenue grew 8%. Rates is our largest and most profitable asset class, accounting for 45% of total Global Broking revenue. Revenue here was stable at £291 million. Foreign exchange and money markets grew 4% to £162 million. Equities decreased 4% to £120 million, and credit revenue was down 3% to £63 million. Revenue per broker increased by 1% as a result of lower head count. Contribution of £255 million reduced by 5% as front office costs increased, due to a higher mark-to-market of employee share awards, reflecting a higher average group share price in the first half.

We changed the share plan from the second quarter so that awards are now equity settled, which removes any future share price volatility from the income statement. Adjusted EBIT decreased 12% to 110 million, with a margin of 17%, as the division continues to invest in the rollout and adoption of Fusion.

Turning next to energy and commodities. The division maintained its growth momentum in the first half, benefiting from good market conditions. Total revenue was up 8% to £244 million, with strong growth across the three traditional asset classes, oil, power and gas.

Productivity was also up as revenue per broker grew 9%. The contribution margin reduced from 34.2 to 31.6% as a highly competitive broker environment increased front office costs. Management and support costs were 5% higher, reflecting increased investment in Fusion and our energy transition offering. Adjusted EBIT decreased by 13% to £33 million, and adjusted EBIT margin was three percentage points lower at 13.5%.

Turning now to Liquidnet. As Nico mentioned, Liquidnet had a very successful first half. Profits increased as a result of growing revenue and strong operational leverage. Total revenue increased 8% to £171 million. Revenue from cash equities was up 14%, as institutional block market activity benefited from inflation coming down and the expectation of interest rate cuts. Revenue decreased 1% across the other asset classes in the division, compared to a strong first half last year, which benefited from exceptional volatility. Liquidnet's enhanced operational leverage delivered a substantial uplift in adjusted EBIT to £24 million, and the margin grew 8.5 percentage points to 14%.

Turning now to our data and analytics business. Revenue in Parameta Solutions was up 10% to £97 million, maintaining double-digit growth from the second half last year. This reflects increasing demand for over-the-counter data and Parameta's efforts to expand its product range and diversify its client base through multi-channel distribution. Adjusted EBIT increased by 3% to £39 million, at a margin of 40.2%, slightly down on last year, reflecting an increase in central recharges as we continue to develop Parameta as a standalone business.

Moving now to cash. As expected, there was an outflow during the first half, an operating cash flow reduced by £40 million to £117 million. This was mainly driven by a working capital outflow of £32 million, as the level of cash collections normalised. This compares to an inflow of £47 million last year when we significantly reduced debtor days to current levels.

Our final deferred consideration payment for Liquidnet of £50 million is included in investing activities, while the prior year included a receipt net of tax of £30 million following the closure of our UK defined benefit pension scheme. There was an outflow of £192 million for financing activities. This includes the repayment of the Liquidnet vendor loan note and the remainder of the bond that matured in January, as well as cash paid in the first half for the second share buyback.

The strengthening of sterling, especially against the US dollar, resulted in a foreign exchange loss of £4 million compared to a loss of £46 million last year. Taken together, these movements resulted in the group's cash balance decreasing from just over a billion at the start of the year to £913 million at the end of June.

As Nico mentioned earlier, we are announcing a new efficiency programme that will release at least £50 million in both cost savings and capital. I'd like to remind you of the capital efficiencies we have already delivered since our redomiciliation to Jersey in 2021. This allowed us to optimise the capital structure of the group and free up more than £100 million of cash.

As you can see on the right, we have used this to reduce debt and financing obligations by more than £100 million since our interim results in 2022. We have also announced three consecutive buybacks of £30 million each over the last 12 months. Turning now to full year guidance. This remains unchanged, with the exception of significant items where we are increasing our guidance from £65 to £90 million pre-tax, excluding legal and regulatory matters. As you would expect, this reflects costs related to our new efficiency programme and to progressing strategic options for Parameta Solutions.

We remain comfortable with current market expectations for full year adjusted EBIT, subject to movements in foreign exchange. Sterling has strengthened against the US dollar since the general election. And if current rates continue, foreign exchange will be a headwind in the second half.

Thank you very much. I'll now hand over to Max.

MAX SPOTO

Thank you, Robin, and good morning, everyone. I joined the firm 17 months ago, and I'm delighted to be here today. As Nico mentioned, I've run several transformation programmes in my previous roles at UBS and JPMorgan, and a large part of my current role is to help TP ICAP become more efficient and agile.

Our new efficiency programme has a clear and a simple purpose, and that is to future proof the group through investment in operational excellence and simplification. We have already improved our operating model to enable sustainable value creation.

We are now making a step change to increase our operating leverage. The programme is three elements: improving our tech platform scalability to meet our future growth needs; simplifying our operating environment; and delivering capital efficiencies through further consolidation of legal entities.

We have identified five key initiatives after a bottom-up analysis independently reviewed by third parties. First, technology and data. We plan to reduce the number of IT applications by around 20% and migrate a further 30% of our tech platform onto the cloud. About half of our tech stack is already on the cloud. By migrating more, we can reduce cost while centralising and enhancing our data.

Our overall aim is to enable faster tech deliveries and minimise risk. In addition, we're looking at external partners for the ongoing development of Fusion as we continue to improve it in response to advances in technology and client feedback.

Second, our target operating model will be more automated and scalable. By looking at our organisation design and co-locating different functions, we can improve both efficiency and productivity. We already have two centres of excellence for our support functions, in Manila and Belfast. But there is more we can do to align functions and co-locate them in offices outside larger cities.

Third, we will improve procurement and vendor management to reduce third-party cost, including consolidating vendors to drive economies of scale.

Fourth, we continue to rationalise our use of office space in line with utilisation patterns and hybrid working. We have a good track record to build on. Our real estate footprint has come down by nearly 30% since 2021.

Finally, we will reduce the number of legal entities in the group. We have already freed up around £80 million of capital since the TP ICAP merger by consolidating around 60 legal entities, but we can do more. Today, TP ICAP operates through 189 entities, and our ambition is to reduce this to around 150.

This will create a simple structure while maintaining an appropriate level of regulatory capital. The first four initiatives are expected to deliver annual savings of at least £50 million. They will be faced by prioritising those with most value. We will also free up at least £50 million of restricted cash by reducing the number of legal entities.

We expect more than half the savings and freed-up cash to be realised by the end of 2026. An investment of about £70 million over the next three years, equivalent to 1.4 times the cost of savings, will be required to achieve our targets. We will provide more detail at our full year results next March. So in short, we plan to invest to create a simpler, more agile organisation that can grow with greater operating leverage.

Thank you very much. I will now hand it over to Dan to talk about Global Broking.

DANIEL FIELDS

Thank you, Max, and good morning, everyone. I'm going to start with an overview of Global Broking, then provide colour on the market and update you on our key strategic initiatives, including Fusion.

Let me begin by reminding you that Global Broking is the world's largest inter-dealer broker and over-the-counter liquidity venue. We cover all major asset classes, have a global footprint, and command an industry-leading market share.

You can see that our two largest asset classes are rates and foreign exchange. Our rates business is both the industry leader and benchmark. Credit is the smallest part of our mix and presents an opportunity to grow. As you heard from Robin, Global Broking delivered a strong return to revenue growth in the second quarter. This followed a relatively slow first quarter against last year's strong comparator.

Overall, revenue is stable year on year for the first half. We are in the midst of transforming our business through technology, and this transformation is paying off. The chart on the right shows the average growth rate for revenue per broker since 2021 is 8%. Our revenue per broker is the highest in the industry. Turning now to the global macro environment. Clearly, there has been considerable market volatility this week, but conditions in the first half were more subdued.

As the chart shows, expectations of US interest rate cuts were more pronounced at the start the year than they were at the end of the first half. The possibility of further rate cuts in the second half, combined with an uncertain political landscape, could generate more market volatility, which is always favourable for our business. Global equities markets in the first half were mixed.

Strong tech earnings in the US and investment in Asia contribute to a bullish sentiment. However, the client activity in equity derivatives was more muted. In credit, despite significant volumes of new issuance in the first half, secondary market volumes were subdued.

In the current context, we maintain our focus on attracting top-quality brokers to build our revenue pipeline and maintain our market leading rates and FX franchises. In credit, having consolidated Liquidnet's fixed income business under the leadership of Global Broking, we continue to make progress in both primary and secondary markets. In primary, volumes more than doubled.

Major banks are connected via the Fusion screen, and 80% of new issuance is captured by Fusion. In secondary markets, the Fusion dealer-to-client negotiation screen is live, and banks are using the platform to trade with clients.

Liquidity is increasing, and we continue to focus on connecting the sell-side across all protocols. We've also made strategic hires in credit and developed a strong product pipeline for the next 18 months. In equities, we are enhancing our operating and collaborating with Liquidnet to serve a broader client base. Across Global Broking, we are using our operations in Asia to develop a follow-the-sun approach, providing 24/7 service across different time zones for specific products in response to client demand.

Finally, given the growing importance and value of our data, we continue to advance our collaboration with Parameta Solutions.

Turning now to Fusion. To be competitive now and in the future, an inter-dealer broker must be a platform business. This reflects the increasing importance of straight-through processing and the potential of technology to make markets more effective and efficient.

As you know, Fusion is our flagship digital programme. Along with our brokers, it effectively serves as our shopfront, connecting clients to our full range of products and protocols to provide deep liquidity. Fusion transforms our ability to develop and deploy products and protocols across asset class and brand on a global basis. This is helping us to increase client penetration, drive revenue growth and institutionalise relationships.

It is also helping to attract and retain the highest quality brokers. We have a granular plan to drive the rollout of Fusion to in-scope desks, which will conclude at the end of 2025. Fusion is currently live on more than 50% of in-scope desks. Several major releases planned for the second half of the year will advance and accelerate our rollout rate.

Beyond 2025, our strategy is to continue to enhance Fusion by deploying more products and adding more functionality, which will help broaden and deepen client adoption. Turning now to the outlook. We expect market conditions to be broadly supportive for the second half, given the prospect of increased volatility driven by further interest rate reductions and geopolitical uncertainty.

To drive profitable growth, we continue to invest in our client franchises by supporting and enhancing best-in-class broking teams in a competitive environment, building coverage in products and regions where we can be number one or two in the market, growing our credit offering, and advancing our transformation through the rollout and adoption of Fusion.

Thank you very much. I will now hand over to Andrew Polydor to talk about energy and commodities.

ANDREW POLYDOR

Thank you, Dan, and good morning. As you know, we are the leading OTC broker in energy and commodities. We have a well-diversified client base comprising of trading companies, producers, banks and the buy-side.

Our strategy consists of the following: core, delivering continued revenue growth in traditional markets; new, leveraging our footprint for the energy transition to harness the growing demand in commodities; adjacent, which means working the Parameta to monetise more of our data; and fourth, enabling, which entails rolling out Fusion to improve workflows for both our clients and our brokers.

As you heard from Robin, last year's momentum has continued into the first half with revenues 8% higher than 2023, which itself was a record year. We are well positioned in both traditional markets such as oil, power and gas, and those linked to the energy transition. Before I talk about these markets, I'd like to update you on our digital asset business.

During the first half, we successfully soft launched our digital asset venue with market makers committed to streaming prices. Our exchange processes an average of five million orders and 1,200 trades a week. With new clients in the process of onboarding, we expect both size and volumes to grow.

Moving on now to the market. Demand for traditional energy sources, oil, power and gas, continue to grow in the first half, building on the strong momentum of 2023. The chart on the right shows the growth in the number of oil contracts traded on ICE. Oil is represented by the blue lines. Gas is shown in orange.

As a reminder, these are exchange-traded contracts rather than over-the-counter, and don't always represent a direct proxy to OTC volumes. ICE volumes in oil were up 26% during the first half, and research from Goldman Sachs predicts global demand for oil will continue to grow until 2034, plateauing thereafter. The gas market remains very active, with market volumes up 35%. The outlook here is also positive. Shell estimates that global demand for liquefied natural gas will grow by 50% by 2040. In addition, demand for electricity is forecast to grow, and this should support our power franchise.

So, we remain well positioned to benefit from continued growth in traditional energy sources, and we seek the energy transition as a major opportunity for growth. Our ambition is to take advantage of our global footprint to become the leading broker in the transition. Around one-third of our existing clients are actively trading energy-transition products.

We expect this to ramp up as new clients enter the market. Our existing products include Norwegian and Australian renewable certificates and voluntary emissions, but we are also creating new products to meet client demand. For example, we are developing tools to generate more liquidity in US renewable energy certificates.

This is a growing market driven by significant regulatory change. We have also launched a battery metals team in London and Singapore. The International Energy Agency estimates that demand for rare metals will more than double by 2030. This is creating a significant opportunity for us. As just one example, the move from coal to wind power requires a six-fold increase in metals to create the necessary infrastructure.

We are also developing an aggregated view of all our renewable products. These markets are highly receptive to electronic platforms, and given our deep liquidity pool, it offers clients a compelling proposition.

So in summary, we continue to execute our strategy by growing our leading market position in traditional asset classes, leveraging our expertise in transition markets, working closely with Parameta Solutions to monetise our data and create more indices, in particular those linked to the energy transition, and finally rolling out Fusion to enable a seamless broker-client experience.

Thank you very much, and I'll hand you over to Mark Govoni to talk about Liquidnet.

MARK GOVONI

Thank you Andrew and good morning everyone. As you've heard from Robin, Liquidnet had a very successful first half. The actions we took in 2023 to manage costs and drive efficiency have put us in a strong position, now that equity markets have normalised.

Liquidnet equity's revenue increased 14% year on year, has grown for five consecutive quarters, and we gain market share. This activity includes having executed the largest ever dark pool trade in Europe in January. Management and support costs, which excludes front office, reduced by 18% from £9 million.

This enhanced operational leverage, combined with growing revenues, led to a significant uplift in profitability. Adjusted EBIT more than doubled year on year to £24 million, with equities the main driver. We continue to diversify our revenue streams, and the pie charts on the left show a distribution of revenue by both asset class and geography. I'll now turn to the market environment in equities. Positive momentum at the end of last year has continued into 2024.

A more supportive macro environment led to an ongoing rotation from cash into equities, boosting institutional block market activity and growing the commission wallet by 11% in the first quarter. Block volumes in the US were up 7% year on year, and in Europe, large in-scale volumes were up 23%.

The charts on the right show that Liquidnet maintained its leading position in Europe, growing its market share by 18% or 600 basis points. In the US, we are the second largest player and increased our share by 19% or 440 basis points. These gains were a result of stronger execution in sales, trading and technology. Turning next to a brief update on the business. The successful execution of our strategy is paying off. We are diversifying our revenue streams, both within equities and through other asset classes. I'll start with equities.

In April, we launched our SuperBlock Matching initiative, which brings new functionality where traders can participate in exceptionally large and illiquid blocks with a single click. This is an example of innovation from our Liquidnet Labs, which brainstorms ideas for new products with clients. We're also diversifying our equities business through algo, programme, high-touch and inter-region trading to access a larger addressable market.

Our algo usage continues to grow, with the number of average daily users up 22% versus last year. Programme trading has expanded to eight additional markets, bringing the total number to 57. Programme and high-touch revenue was up 45%. Cash equities is our largest asset class at 58% of divisional revenue.

We also have a broad offering in rates, futures, foreign exchange and advisory. We have been expanding our multi-asset business to further diversify and complement our global offering. In rates, we continue to grow our footprint with new hires in Brazil and the US.

In listed derivatives, we launched new protocol for futures execution. And in foreign exchange options, we made strategic hires in the US and Asia Pacific. Turning now to the outlook. We expect a more supportive macro environment to continue as central banks start to reduce interest rates. Looking ahead, we will focus on expanding our liquidity, growing our algo programme and inter-region offering in equities, and developing our capability in other asset classes.

In short, we have reduced our cost base, significantly enhanced our operational leverage, grown our market share, and now taking advantage of improved market conditions.

Thank you very much. I will now hand it over to Silvina to talk about Parameta Solutions.

SILVINA ALDECO-MARTINEZ

Thank you, Mark, and good morning. I am delighted to be here as a new CEO of Parameta Solutions. I joined because of the breadth and the variety of solutions we actually offer in the over-the-counter market, which, in my opinion, enables large risk transfer at scale.

This presents a unique opportunity for us to have a very, very positive impact in the financial market ecosystem. It is an exciting time for Parameta, and I look forward to leading the journey onto the next stage. Parameta Solutions is a leading player and is the leading marketplace for technology and data, and we provide scarce data in a unique market.

As you heard from Robin, we delivered double-digit growth in the first half in combination with stable contribution of 48.2% and an adjusted EBIT margin of 40.2%. We've also maintained a recurrent subscription-based revenue at 97%, and we have achieved a net revenue retention ratio of 104%. Net revenue retention is a valuable metric for subscription-based businesses. It shows the ability not just of maintaining revenue, but also growing revenue from the existing client base. Anything greater than 100% is a good outcome. During the first half, we made significant progress expanding the depth of our established product offerings across both rates and commodities.

We are also piloting innovative technology solutions. So let's start now to look at our customer base.

We continue to win across all segments and geographies. We are well diversified across all major regions and deliver data to more than 60 countries. This is an impressive achievement for the company of our size.

We have added 25 brand new firms in the first half, and we currently reach over a thousand customers, including the sell-side, buy-side and corporates. We are expanding faster in these last two segments, and they represent now about 20% of our revenue base. Let me share an example. In the image on the right, you can see the interaction with a buy-side firm that was the first customer to request OTC data on iron ore.

We responded by expanding our data offering and making the first sell of historical iron ore indicative pricing, and this was for pre-trade purposes. This customer then began trading, and as they took positions, they developed additional needs of OTC data for valuation and risk management.

This was a second opportunity for monetising a use of post-trade solutions, and obviously, a new opportunity for Parameta to generate revenue.

At Parameta, we are building a comprehensive set of proprietary multi-asset class OTC solutions. We have an exclusive long-term arrangement with Global Broking and energy and commodities. And these agreements govern the data provision of OTC data to Parameta, to asset Parameta. We source data from competing brands within TP ICAP, but we also source data from external third parties.

Today, we are the leading provider of indicative pricing data, which gives customers an insight into pricing and market activity. This is a very well-established and growing part of our business, and it represents today 94% of our revenue.

One key focus in the first half was to expand our indicative pricing offering in commodities. Iron ore, base metal options, Australia green certificates, and US domestic oils are examples of this. We are also creating proprietary technology solutions.

This is a more recent area of our business. However, it grew 19% on a year-on-year basis. This includes artificial intelligence software as a service solution, where we combine our high-quality data with the power of Google BigQuery, Amazon's cloud services, and Snowflake data warehouse capability. One example of this expansion is the transaction cost analysis offering that we offer to one of our customers in Asia Pacific.

We started with this customer back in 2022 on bonds and on foreign exchange. And this year, they've asked us to expand this offering to rates. In sum, we aim to actually meet our customers, wherever they are, providing the data through the distribution channel that best works for them. Most of our data today is distributed through third parties, as you can see on the graph. But increasingly, our customers are opting to receive the data directly, either via the cloud or from this year through Fusion Connect.

This change is grounded on more efficiency, both for them and us, which also reflects in a better cost for them and for us. Our ability to share large historical data sets directly across all other classes is an attractive proposition, especially for the buy-side. Direct distribution provides a higher margin, and today represents 20% of our revenue.

I'm turning now on to the future. We expect increased demand for OTC data because of several positive tailwinds, including growing regulation and greater monitoring of OTC trading, banks optimising their balance sheets, and an acceleration of movements into the cloud across financial services. And I shall not forget the greater use of quantitative and real-time analytics, a very, very important driver.

As a result, we will continue to focus on growing our trade surveillance offering with the sell-side, supporting the buy-side, especially global micro-hedge funds in their search for yield in this asset class, and we will continue to build our commodity offering. Finally, we plan to continue expanding our direct distribution. In summary, Parameta has delivered double-digit revenue growth, strong margins, and we have made great progress on our product roadmap.

Thank you very much, and I will now hand over back to Nico to wrap up.

NICOLAS BRETEAU

Thank you, Silvina. So, to conclude, we've delivered a good performance in the first half. Our group has leading client franchises across every major asset class. We have a clear strategy, which we are executing to good effect. We're progressing our strategic options to unlock value in Parameta Solutions, and a US listing is one option being considered.

We've announced today an efficiency programme that will release at least £50 million in surplus cash and at least £50 million of savings from operational efficiencies. We're also pleased to pay an interim dividend of 4.8 pence and announced our third buyback of £30 million. This makes us well placed to deliver sustainable shareholder value. Thank you very much. We will now open up for questions. Please, could you tell us your name and organisation before you ask your question? Thank you.

Thank you. Well, I think we have a question here. Where is the mic? We have a question here. Thank you.

AUDIENCE QUESTION - STUART DUNCAN, PEEL HUNT

Morning. It's Stuart Duncan from Peel Hunt.
I've got three questions, if that's okay.

The first one is probably for Robin.

You mentioned the impact from the share schemes on Global Broking margins. Just wonder if you can give us a sense on the quant, how much that would be, and whether that's built into next year as well, or whether there's some impact going forward. Second question is probably for you as well, actually. You mentioned this about the potential FX headwind.

We also thought about 60% of the revenues being dollar-related, just if that's still the case or whether that's changed given the changing mix of the business.

Then lastly on energy and commodities.

You spoke about competition for brokers and the impact that had on margins. Just a general comment on how you actually deal with that, whether it's just a case of paying people more, whether there's more impact going forward as maybe there's more competition in future months and years.

Thank you.

ROBIN STEWART

Okay, thank you, Stuart. Just on the first question relating to the share price or the equity share plan that impacted the contribution margin in Global Broking.

That's really a function of over the last few years, offering more equity compensation into our wider workforce to align our workforce with shareholders, which is a good thing. But over the course of the first half of this year, in particular, with the share price increasing, the fact that that equity share plan was a cash-settled plan over phantom shares, not over actual equity, it meant that we have volatility through the income statement.

That probably impacted the contribution margin by about more than two percentage points. That's been changed. It's now an equity settled plan, which means that it's no longer from an accounting perspective, there's no longer volatility through the contribution margin. We should see no further volatility and the contribution margin should stabilise.

On the second point, on an FX headwind, yes, the group absolutely still has the same dynamic. Around about 60% of our revenues are in US dollars, compared with around about 40% of the group's costs being mainly in GBP functional currency.

So, that leverage that we get through sterling, or the unfavourable leverage that we get through sterling, strengthening, particularly against the US dollar, does potentially give us a headwind, particularly as we've seen the US dollar. Sterling, I suppose, is strengthening against the US dollar since the UK general election. But that's just something to watch out for should that continue.

E&C, maybe, Andrew.

ANDREW POLYDOR

Yeah, on the E&C front. We are the obvious place for people to come when the asset class is hot. We've got three brands and we're good in most things that we do.

The loss of staff went in two directions. In the US, it was the obvious players, but in the UK, it came from the shipping industry, which we weren't expecting. So it was a bit of a leftfield thing. They flushed with cash, so they came into the market. They got a few people.

We stabilised our business. We were in a position where we have a better margin than most people, so we could sustain the attack, and we got over the line. In terms of forward impact, I think we're over the worst of it.

We've secured the business, and we should be fine going forward. That's how we see it.

AUDIENCE QUESTION - PIERS BROWN, HSBC

Yeah, good morning.

Piers Brown from HSBC.

I've got two questions, probably one for Nico and one for Robin. Nico, just on the distribution strategy. You've announced an 8% growth in EPS, but held the dividend flat, the interim dividend flat.

Can you just talk a little bit about the thinking behind that and to what extent you might be favouring buybacks in the future as a means of distributing out surplus cash?

The second question to Robin on the significant items changing guidance. So you've upped that by 25 million for this year, but you're talking about potentially 70 million of course to achieve the 50 million of cost savings from the cost-saving programme.

So just how much of that additional 70 million of course to achieve may be booked into P&L in future periods and whether that might impact significant items into next year as well.

Thanks.

NICOLAS BRETEAU

Yeah, thank you.

On the distribution strategy, so you've noticed that we kept our dividend flat for H1 because we just have an approach in H1 to always give between 30 and 40%, and we just decided to keep the same number as last year, but we will see the increase according to our dividend policy in the full year distribution.

So regarding the distribution, we've been able to invest in the business. We've continued to invest in the business quite significantly. You've seen the progress in various initiatives, Fusion being probably the central one. We paid back debts north of £100 million, and we have now announced our third buyback of £30 million. So we feel that it's a good application of our distribution strategy.

We are not saying that there will be a continuous buyback programme. I think it will depend on various elements, the capacity to invest in the business being one, et cetera. But I think we've improved quite considerably our distribution strategy over the last 24 months.

ROBIN STEWART

On your second question, Piers, on significant items; yes, we've increased it by £25 million pre-tax for this year, and the majority of that reflects investing in the efficiency programme, which we will continue to spend. It's part of that 70 million that we expect to spend over the next three years.

The majority of that will probably be spent by the end of 2026 in line with when we expect to receive or achieve a significant cash saving as well, as well as delivering on the actions that will give us the £50 million per annum savings through the income statement.

So in terms of phasing, we'll be able to give you a better, clearer picture of the phasing that by half, when we come to the year end in March next year. But I expect most of that to be spent over the next two years by the end of 2026.

DOMINIC LAGAN

Thank you. There are no more questions in the room at the moment. I believe we have one caller on the line, Vivek Raja from Shore Capital. Vivek, go ahead with your three questions when you're ready.

Thanks.

AUDIENCE QUESTION - VIVEK RAJA, SHORE CAPITAL

Thanks, Dom. Good morning, gentlemen and Silvina.

I had three questions, or three areas to question, please.

The first one is on Parameta. So just wondering, as you've put more cost into the business, the central recharges, I'm just wondering what is the normalised operating margin of that business? Is it now fully costed, and where could that operating margin get to? The next question is about the group operating margin.

So, if I look at consensus, it's looking for 14% in terms of adjusted EBIT margin for the current year, 24.

That's against 14.9 per cent in H1.

Appreciating it's difficult to predict what revenues will do, although your Outlook comments have broadly been fairly favourable. I just wanted to comment on consensus as 14% operating was, which to me feels light.

The last question was on Liquidnet.

Unless I missed it, I don't think I heard anything about the D2C proposition and how you progressed with that. I just wondered if you could provide some comments on that.

Thank you.

NICOLAS BRETEAU

Thank you, Vivek, the cost in the business Parameta, maybe.

ROBIN STEWART

Yes. So thanks, Vivek. Just in terms of the cost, we've obviously been looking heavily at setting Parameta up as a standalone business, which has meant that we've been realigning and right-sizing its cost base over the last year or so.

That's led to its margin being just over 40.2%, the EBIT margin, but with a stable contribution margin, which is higher than that. I'd anticipate over time as we continue to do that, we would hope to maintain that margin at those sorts of levels, but we can be clearer as we go further down the line and after we've done some more work on exploring those strategic options.

So far as the group margin is concerned; yes, we're at 14.9% at the half year, remembering that seasonally the H1 is always higher than the full year, if you look back in time, just because of the fact that we tend to generate more than half of the group's revenue in H1.

So as we start to look at what the full year looks like, we're comfortable with where consensus is at the moment, bearing in mind also the fact that, as I mentioned earlier, we potentially face some FX headwinds, which do have some impact on the margins.

So for now, we're comfortable with where full year consensus is on the group's operating margin. But as you can see, we are starting to see a contribution to that from the improvement in the performance of Liquidnet. That's really helping push that margin, and we hope over time that can start to be accretive.

NICOLAS BRETEAU

I would just add one word on costs. You've seen that we have beaten our targets on the management and support cost for H1, but there is always a seasonality effect, which means that this gap will reduce in H2. As we've invested, we'll get the full impact of some of the cost in the full year. That's important to have that in mind.

Then you had a question about update on our dealer-to-client proposition. So yes, we've continued to make some progress on Credit, but also on Rates. So maybe.

DANIEL FIELDS

So we're working heavily across the different dealer-to-client prospects within Global Broking, and obviously in Liquidnet, and we work closely together.

In terms of Credit, Vivek, I imagine that's what you're referring to. We have over seven sell-side firms connected to our various protocols, and we're in deep discussions with all the dealers about expanding that offer and expanding connectivity across the client base from the full suite of buy-side to sell-side. And on rates, we are working to develop that offer across D2C within iSwap and throughout global working in Liquidnet.

NICOLAS BRETEAU

Yeah, that's something we started later. But on rates, leveraging the consortium with banks that we have on iSwap is a really interesting route to scale up the business, because we have the major banks as shareholders of the initiative on iSwap, but we have north of 21 investment banks connected on the platform, electronically. So that's the way we are building the D2C on rates. Another question?

DOMINIC LAGAN

No other questions on the phone at this stage. We do have one coming through online from Jens, who's from Investec.

AUDIENCE QUESTION - JENS EHRENBERG, INVESTEC

The first question relates to Global Broking and the outlook for the second half. Jens is just wondering, is there some degree of caution in this expectation? To what extent do we expect any positive impact from the Yen carry trade over the last week? That's the first question.

Then there's another question on the efficiency programme, fairly similar to the last question. Just like to understand, are we saying that roughly 25 million of the cost savings will be realised by 26?

I guess same question in relation to the capital surplus. Just any further colour on what to expect for the remainder of this year. And would there be any material savings coming through in the second half of this year?

NICOLAS BRETEAU

Thank you. Global Broking outlook, are we too conservative, Dan?

DANIEL FIELDS

I think in terms of Global, we're comfortable with current market estimates is one statement. The second statement is that the unwind of the yen carry trade, which I think is what is being referred to in the consequence on the other markets, is broadly supportive for the broking environment.

ROBIN STEWART

On the efficiency programme, just picking up that one again. I think for the time being, we're very much focused on getting that underway.

So, the changing guidance on significant items is really a more reflection of the fact that we will be spending money in H2. We don't expect really to see significant savings coming through this year, but should do start to see those coming through during 2025 onwards.

I think, again, in terms of being specific on exactly what we're going to be spending next year and what we anticipate, the annualised savings of those actions versus what we will see coming through in the income statement is something which we will be able to pick up at the full year when we talk to you.

We're very conscious that, particularly from the analyst perspective, you want to see what those numbers look like coming through your models. And so we'll be a bit more definitive to help you get there.

DOMINIC LAGAN

Thank you, Robin.

Just one final check for any remaining questions in the room. We don't have any further questions on the phone or the platform. So that leaves me to conclude this morning's presentation.

Thank you very much for your attendance, for those in the room, and also watching the webcast.

We look forward to updating you again at our full year 2024 results in March next year.

Thank you.

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