

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION



## London Stock Exchange Group plc: Capital Markets Day

***Partnering to transform our industry: accelerating growth and improving profitability; strong cash generation for ongoing investment; £1 billion share buybacks in 2024***

LSEG is hosting a Capital Markets event today and tomorrow, 16 and 17 November 2023. The theme of the event is “Partnering to Transform our Industry.”

At the event, we will highlight LSEG’s differentiation, the attractiveness of our end markets and our plans to accelerate growth, both through continued organic investment in our leading businesses and our extensive partnership with Microsoft. We will also set out our new medium-term guidance, reiterate our capital allocation model and outline our simplified reporting structure.

### **David Schwimmer, CEO said:**

“In less than three years we have transformed our business, trebling the growth rate of the Refinitiv Data & Analytics businesses we acquired and beating our growth targets line by line. But the real opportunity still lies in front of us. As we enter the next phase of growth, we will leverage our leading franchises across the financial markets lifecycle to create seamless workflows within and across asset classes. We will provide our customers with new AI-driven insights based on our trusted and validated data, combined with straight-through execution, risk management and capital efficiency across their businesses.

“LSEG’s heritage – a track record of trusted industry partnership and constant innovation – is also its future. Working with Microsoft and across the industry, I’m excited about the growth opportunities ahead of us, and I am confident we have the right people, assets and partners to deliver them.”

### **Highlights**

- **New medium-term guidance: accelerating growth and improving profitability**
  - Step-up in growth expectations: mid to high single digit organic<sup>1</sup> revenue growth annually, accelerating after 2024 as customers start to benefit from our investment in platforms and the Microsoft partnership
  - Underlying EBITDA margin to increase over time
  - Capex to decline to high single digit % of revenue over time
  - Cumulative free cash flow to exceed underlying profit after tax attributable to equity holders
- **Strong progress with Microsoft:**
  - New cloud environment build well advanced: first applications to migrate shortly
  - Major customers closely engaged through the Design Partner Programme
  - Early product enhancements and new applications to begin to launch in H1 2024
  - Revenue to build from 2025
- **Enhanced shareholder returns:** £1 billion of buybacks to be executed during 2024
- **New reporting:** from 2024, LSEG to report as five divisions and simplify D&A business lines, aligning with new management structure and enabling easier identification of key business trends

1. Organic variance is calculated on a constant currency basis, adjusting the results to remove disposals from the entirety of the current and prior year periods, and including acquisitions from the date of acquisition with a comparable adjustment to the prior year

## Summary

LSEG is hosting a Capital Markets event starting at 5.30pm today and continuing tomorrow, 17 November 2023. The event will begin with presentations from David Schwimmer, CEO and Anna Manz, CFO this evening.

Tomorrow, further presentations from Satvinder Singh, Head of Data & Analytics, and Ron Lefferts, Head of Sales & Account Management, will be followed by a number of break-out sessions with business leaders. The event will end with a panel Q&A session. For more information on the agenda, including the timings of webcast content, please visit [www.lseg.com/en/investor-relations/capital-markets-days-2023](http://www.lseg.com/en/investor-relations/capital-markets-days-2023).

## LSEG's differentiators

During the event, we will highlight five key differentiators for our business:

**We are global:** we have operations in 65 markets and provide services into around 190 countries. The markets we serve and the asset classes our customers trade are increasingly global and cross-border. We are very well positioned to help customers expand into new markets and to drive our own growth through geographic expansion.

**We are multi-asset class:** we have leading businesses in fixed income, foreign exchange and equities. Our breadth supports a wider range of services to customers while limiting our own exposure to volatility in a single asset class.

**We operate across the trade lifecycle:** we provide products and services at scale from capital raising and pre-trade research, through counterparty risk management and performance benchmarking, to trade execution and clearing. This allows us to build seamless platforms through the trade lifecycle and serve our customers by developing bespoke solutions, driving efficiencies across their businesses and significantly enhancing their workflow.

**We are a trusted, long-term partner.** many of LSEG's businesses were originally founded by market participants. We have constantly enhanced these platforms under our ownership, laying the foundation for trusted, long-term relationships across the industry, which continues to work in partnership with us to solve new challenges.

**We have a high-quality revenue profile:** in 2022, 73% of our total income (excluding recoveries) was from recurring subscriptions, and most of our transactional revenue was from leading franchises in Post Trade and Tradeweb. As a result, our growth has been very consistent despite significant volatility in broader market drivers.

## Attractive end markets, significant growth potential

We have closely aligned our business to highly attractive end markets and continue to shape those markets through innovation and investment, both through our own transformation and our partnership with Microsoft. We see a number of major drivers of future growth.

**Demand for data and its integration into workflows is growing,** with the increasing trend towards algorithmic trading and other quant strategies, and the appetite for newer data sets like ESG. Our leadership in Real-Time, our investments across the latency spectrum and our growing share in Pricing & Reference Services position us well for continued growth.

**The rise of new technologies including AI** will increase the usage and value of data and give rise to new applications and use cases. Our investments here will drive customer consumption, enhance workflows and create new opportunities as we launch Data Management, Analytics and Modelling as a Service.

**The electronification and digitisation of trading** continues to be a tailwind for Tradeweb, which is also expanding successfully into new products and markets. In addition, we are examining the potential in digital markets infrastructure after the initial exploratory work we undertook with Microsoft.

**Reputational and financial risk management** is a fast-growing space where we have a leading platform with WorldCheck. More broadly, Post Trade is a vital and trusted partner for the world's major financial institutions, helping them to manage trillions of dollars of exposures every day.

**Changing regulation is increasing pressure on customers' capital requirements.** Financial institutions are looking to optimise capital across their derivatives book (cleared or uncleared) with simplified and standardised processes governing uncleared business specifically. We have built Post Trade Solutions - combining SwapAgent with the acquisitions of Quantile and Acadia - to address this customer need, which will significantly expand the medium-term growth opportunity in the division.

## Progress with Microsoft

We have made excellent progress in our strategic partnership with Microsoft since its launch in December 2022, and we are well into the product build phase across all workstreams. The major developments over the last 11 months include:

- **The commercialisation of generative AI:** the combination of Microsoft's strong position in generative AI with LSEG's unparalleled breadth and depth of trusted data and analytics will enable us to develop even more powerful tools to streamline workflow and generate new insights.
- **The launch of Microsoft Fabric,** which will be the cornerstone of LSEG's Data Platform. Our development teams are working together to enable customers to use AI and other capabilities with LSEG's trusted financial markets intelligence natively integrated into Microsoft Fabric.
- **The Design Partner Programme,** which is engaging a number of global financial institutions operating across the trade lifecycle to help inform product development, trial prototypes and give feedback as part of an agile and iterative process.
- **An acceleration of our time to market,** with a number of applications entering external pilot and general availability from H1 2024. These include the first elements of Workspace interoperability and initial launches in our Analytics as a Service suite. We will also start to migrate our applications and datasets into the new Microsoft Azure cloud environment as we enter 2024.

## Medium-term guidance

For 2023, we remain on track to achieve our guidance. We expect to deliver full year revenue growth towards the upper end of the 6-8% guidance range, with EBITDA margin also in line with guidance.

Our guidance framework for the medium term is as follows:

- **Accelerating growth:** a step-up in growth expectations to mid to high single digit organic revenue growth annually, accelerating after 2024 as customers start to benefit from our investment in major platforms and the Microsoft partnership. For comparison, our guidance of 6-8% constant currency growth for 2023 included an M&A benefit of approximately 1%.
- **Improving profitability:** underlying EBITDA margin to increase over time, as the benefit from top-line growth more than offsets underlying inflation and our reinvestments in growth. For guidance purposes, we will measure EBITDA margin excluding the impact of foreign exchange-related balance sheet items.
- **Sustained investment:** total capex (including Refinitiv integration) to remain around current levels of 11-12% of revenue in 2024, then declining over time to high single digit % of revenue.

- **Strong cash conversion:** cumulative free cash flow to exceed underlying profit after tax attributable to equity holders. LSEG’s cash flow dynamics are very strong, giving us the capacity to invest consistently for growth and resilience, to target M&A where it adds value and to return excess capital to shareholders.

## Capital allocation

In addition to our capex plans outlined above, the other key elements of capital allocation are as follows:

- **Simplified dividend policy:** we are removing the link between the prior full-year dividend and the current year interim dividend. From 2024 our policy will be:
  - progressive dividends;
  - a targeted 2.5x – 3.0x cover ratio (c.33% – 40% pay-out) based on expected full-year AEPS growth; and
  - a split of approximately one-third/two-thirds between the interim and final dividends.
- **Consistent M&A strategy:** we continue to focus on acquisitions that are value-accretive and will add new technology, capabilities or data to enhance our offering to customers.
- **New share buybacks:** as a result of our continued strong cash generation, we plan to return £1 billion to shareholders via share buybacks during 2024. We will provide more detail on the proposed structure of these buybacks with the 2023 preliminary results. We continue to expect to maintain day-to-day leverage around the middle of our target range of 1.5-2.5x operating net debt to adjusted EBITDA.

## New divisional reporting

With effect from 2024, we are changing our reporting structure, simplifying our Data & Analytics reporting under product lines and aligning divisional disclosure with changed management reporting lines. The new structure is set out in the table below.

| Division                    | Business line              | Approx % of 2022 revenue ex recoveries |
|-----------------------------|----------------------------|--|
| <b>Data &amp; Analytics</b> |                            | <b>50%</b>                             |
|                             | Workflows                  | 25%                                    |
|                             | Data & Feeds               | 23%                                    |
|                             | Analytics                  | 2%                                     |
| <b>FTSE Russell</b>         |                            | <b>11%</b>                             |
|                             | Subscription               | 7%                                     |
|                             | Asset-based                | 4%                                     |
| <b>Risk Intelligence</b>    |                            | <b>6%</b>                              |
| <b>Capital Markets</b>      |                            | <b>20%</b>                             |
|                             | Equities                   | 3%                                     |
|                             | Fixed Income & Derivatives | 13%                                    |
|                             | FX                         | 4%                                     |
| <b>Post Trade</b>           |                            | <b>13%</b>                             |
|                             | OTC Derivatives            | 5%                                     |
|                             | Securities & Reporting     | 3%                                     |
|                             | Collateral                 | 5%                                     |

We will now report under five divisions. Within Data & Analytics, we will report under three business lines: Workflows, Data & Feeds and Analytics. This will align with our Microsoft workstreams for Workspace, the Data Platform and Analytics and Modelling as a Service. Workflows will consolidate all of our “user interface” business and comprise all of Trading & Banking, plus the desktop activities previously reported within Investment Solutions and Wealth. Data & Feeds will comprise Enterprise Data plus the data and feeds activities previously reported within Investment Solutions and Wealth. Analytics was previously reported within Investment Solutions.

Benchmarks & Indices will be split out from the Investment Solutions segment of Data & Analytics and be renamed FTSE Russell. Customer & Third Party Risk will also become a stand-alone division, and be renamed Risk Intelligence.

There will be no change to our Capital Markets or Post Trade reporting, apart from the combination of our Non-cash Collateral and Net Treasury Income revenue lines.

We will report 2023 financials under the existing structure, and subsequently provide 2023 segmental performance under this new structure during March 2024.

### **Registration for webcast**

Presentations will be webcast at 5.30-6.30pm UK time today, 16 November, and continue tomorrow, 17 November at 9.00-10.00am and approximately 3.15-4.15pm. To access the webcasts please register in advance using the following links:

16 November: <https://www.lsegissuerservices.com/spark/LondonStockExchangeGroup/events/8f332467-588d-4757-9fc3-cc7e791d95e9>

17 November: <https://www.lsegissuerservices.com/spark/LondonStockExchangeGroup/events/6d23af44-ce4b-4593-87d3-9b9aec03e55e>

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