LSEG 2021 Preliminary Results - Investor & Analyst Call Transcript

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Hosts:

David Schwimmer - CEO

Anna Manz - CFO

Paul Froud - Group Head of Investor Relations

Paul Froud:

Good morning, everyone and thank you for joining us. On the call today are David Schwimmer, group CEO and Anna Manz, Group CFO. In just a moment, David will set out the strong progress made on integration and the delivery on our strategy for growth. Anna will talk to our numbers for then, David will share some of the additional insights looking ahead into 2022. We will then open up the lines for Q&A. You can submit written questions via the link on this website. And I can see we've already got one question in. Or if you want to ask the question in-person, you will need to be dialled-in on one of the numbers, provided on the release this morning. So with that, let me hand you over to David Schwimmer.

David Schwimmer:

Good morning, everyone.

Starting on slide three. LSEG has had a very successful first year after completion of the Refinitiv acquisition. I am particularly pleased that our clear strategy has delivered a strong financial performance with revenue growth across all three business divisions. We remain highly confident that we will meet or beat the financial targets that we have previously set out, and we see good momentum into 2022. We are significantly ahead of plan on delivering our cost synergies with £151 million pound run- rate achieved in 2021, up from the £88 million pounds we had originally forecast. We have announced an additional £50 million pounds of cost synergies today, increasing the five-year target to total savings of at least £400 million pounds per year. We're making great progress in positioning LSEG to serve our customers better on a global basis, across asset classes and across the trade life cycle.

As you can see on slide four, we are on track against all of our targets. I've already mentioned progress on cost synergies, but a few other areas to highlight here. Total income grew 6.1%, within our original three-year target range of 5-7%. We achieved better than expected performance in Q4. So, we were also ahead of the 4-5% range, that we indicated at the end of Q3. Anna will provide more detail on this shortly. We are improving our EBITDA margin with good cost control, again, Anna will talk more about that. And, we are on track against our five-year revenue synergies with around 25% of our target synergy-related products launched in 2021. We expect to achieve £40 to £60 million pounds of run-rate revenue synergies this year. We've also brought our leverage back within our normal target range of 1-2 times, net-debt to EBITDA, a year ahead of schedule. Turning to slide five, we're making excellent progress against our three strategic objectives - integrating our business, driving growth, and building an efficient and scalable platform. We're doing this through significant but targeted investments in projects that enhance our customer offering and deliver a more scalable and efficient business, particularly in data and analytics.

For example, we are roughly a quarter of the way through the rollout of workspace, which more closely aligns with customers workflow, and modern patterns of data consumption. Similarly, our ongoing migration of services to the cloud is improving the experience for our enterprise customers, by simplifying our data platform and consolidating, a fragmented offering. With these investments in technology and infrastructure, we're building a more agile and efficient operating platform for the future. Let me update you, on some of our achievements in 2021, on the next slide.

Let me start with integration. We told you last year, we would focus on improving the customer experience and bringing rigor to how we run the business, day in and day out. We have brought our sales functions together, and we have invested in capabilities that make us more responsive to our customers. This has led to record retention rates. Let's look at the middle column.

Driving growth in trading and banking, our greater focus on our customers has stabilized revenues and the rollout of workspace in the wealth, investment solutions and banking businesses has been well-received. We also began the beta roll-out of workspace for FX trading at the end of last year. We are seeing incremental growth from investment in new content, particularly in our pricing and reference business. And, as we are building a more scalable platform, we've added over 230 new customers to our cloud-based real-time data service in 2021. Our new tools and services are helping FXall gain market share.

Over the next few slides, I'll give you more specifics on the benefits that the power of our combined business brings to customers, to financial markets, and ultimately to our shareholders.

Slide eight is a quick reminder of why we acquired Refinitiv and what LSEG is now. Prior to last year, we had a primarily European footprint. We are now global with leading capabilities in Europe, the Americas, Asia, and emerging markets.

Prior to last year, we were an important, but niche provider of index data and fixed income analytics. Today, we are one of the world's leading providers of financial data and analytics with unmatched breadth and depth of content.

And, prior to last year, our trading businesses were primarily in equities. Today, we are a leading provider of execution in equities, fixed income and foreign exchange. Our open model approach and unique position across the trade lifecycle provide a compelling offering for all of our customers.

As you can see on slide nine, our businesses have leading positions in the strong growth markets they serve. We are one of the world's top providers of financial data, index products, and analytics with growing market demand for our offerings and services. In post trade, our interest rate swaps clearing business has a market share of more than 90% and we have leading positions in other OTC instruments, such as FX and European repos.

In our capital markets business, FXall is the number one, dealer-to-client platform in the global FX market. And in fixed-income, trade web continues to launch new products and gain market share in the rapidly growing electronic credit and interest rate markets. So, strong market positions, world-class assets, and significant growth opportunities in all of our businesses.

Turning to slide 10. Over 70% of our top-line comes from high-quality recurring revenues, with around 98% annual customer retention. These revenues are very diversified across products and geographies with over 40,000 customers globally. Our data and analytics business, earns over 90% of its revenues from recurring subscriptions and license renewals that are typically 12 to 24 months in length. Our transactional revenues cover a diversified range of activities, such as training and clearing fees, and the revenue we generate in our risk solutions business. These revenues are high-quality and growing, as we increase market share and introduce new products and services. We will provide more detail on this on slide 11.

On this slide, we break out our transactional revenue into three sections. Starting on the left-hand side, we have businesses such as Tradeweb in capital markets, and customer and third-party risk solutions in D&A. Both have been growing quickly, 20% or more last year, taking advantage of secular trends such as electronification of trading and increased regulation. In the middle, we have established leadership positions in growing sectors such as OTC and repo clearing and FX trading, which have been growing in the high single digits or above. On the right side, we have more mature businesses, such as wealth solutions and equities trading. Across all of these areas, we have both a strong presence and opportunities for future growth.

Turning to slide 12, we've shown you this slide before. LSEG is in a unique position, able to serve our customers across the global financial markets value chain. Our business benefits from being aligned to long-term industry trends as well as ongoing regulatory change. Our customers needs are changing as they look for efficiency and simplicity with fewer but deeper relationships with key partners. Most of our customers are dealing with similar issues. How to modernize and digitize their processes, how to manage growing complexity in data and tech and regulation. And how to manage their costs and capital efficiently, while investing in critical new areas like sustainability. We have the right combination of capabilities and assets that position us to help our customers in these areas.

Turning to slide 13, we have natural linkages among our businesses and those linkages drive many opportunities. Our data businesses and our execution businesses are mutually reinforcing. As you may have heard me say before, liquidity begets liquidity. Data begets data. Executions generate more data and data leads to more trading, more execution. Our businesses are working successfully together to create new opportunities and build an integrated business to serve our customers better. A significant first step has been the simplification of our sales team structure to create a single point of contact for all key customers. This coordinated approach allows us to provide products and services from across the group, based on a better understanding of what our customers need. This focus on customer service led to record retention rates in 2021.

Let me give you a couple of examples to bring to life, how the linkages between our businesses are benefiting our customers, facilitating seamless customer workflows, and driving opportunities.

In the first example on slide 14, we look at the journey of an asset manager looking to hedge the currency risk of a transaction. Starting on the left-hand side, the asset manager accesses our news and market data via workspace to evaluate their pre-trade decisions. The asset manager then, obtains quotes and executes the trade through our market leading, dealer-to- customer platform, FXall. After executing, the customer can then, clear the trade through ForexClear, benefiting from central, counterparty risk management of the trade. The customer can seamlessly operate all steps within our ecosystem. And when they do, that execution generates more data to inform future market participants' activity.

On slide 15, we demonstrate how we help a pension fund, manage their fixed income portfolio. Starting again on the left-hand side, the firm obtains real-time and historical pricing data and uses performance measurement tools from FTSE Russell's leading fixed income indices. We are also the exclusive provider of Tradeweb data. The fund then executes trades through Tradeweb's platform and can clear through Repoclear to eliminate counterparty risk and benefit from balance sheet netting. Again, our integrated offering across our businesses, where our data informs our customers trading, which in-turn generates more data. These are just two examples of the many linkages that exist naturally across our business. Between our data and analytics products our capital markets venues, and our post trade services.

Our customer proposition will only get stronger as these connections between our businesses become deeper and more seamless, overtime. We are the only group able to partner globally across asset classes, along the whole-trade lifecycle and with an open model approach. This is something our customers value highly.

Turning to slide 16. We are witnessing a generational shift in capital markets and we take seriously our responsibility to enable sustainable economic growth and a transition to a net-zero economy. We're seeing growing demand and benefiting from that growing demand for sustainable finance, investment data and analytical tools. And, we are embedding these services throughout our business.

Additionally, our markets support the growth of the green economy, enabling issuers to raise equity and fixed income securities aligned with the transition. As a group, we are taking a leadership role in our own approach to sustainability. And, in February 2021, LSEG became the first global exchange group to join the United Nations Climate Change, Race to Zero. Let me illustrate, how we help our customers bring an ESG focus to their investment activities on slide 17.

As you heard, at last June's investor event, the overarching principle of our data and analytics business is that we centralize the ingestion of data and then, distribute that data. However, the customer chooses to receive it. Our ESG data and analytics are no different. LSEG has a massive ESG data set, which covers close to 500 metrics, for over 10,000 companies going back more than 20 years. This content set, helps our customers, identify and target sustainable investment opportunities which meet, their needs. Many investors at the start of their ESG journey may choose to view these metrics alongside other news and financial market data. Other asset managers may want to run their own proprietary analysis on this data. And, investors can also access performance benchmarking and attribution analysis of their portfolios through our climate-themed equity and fixed income indices, and related analytics. These capabilities that facilitate sustainable investment are embedded throughout our products.

For example we are a leading product provider of carbon pricing. Our fixed income analytics allow investors in mortgage products to evaluate flood risk. Linking our businesses in the way, I have outlined over the last few slides, creates a business that is much more than the sum of its parts. As Anna will now explain, we are seeing the benefits of this in our financial performance.

Anna Manz:

Thanks David, and Good morning everyone.

We've had a strong 2021 and the good momentum has continued into the start of this year too. Importantly, we've also made great progress on transforming our combined business, building the platform for future growth. As David shared, we're confident in the delivery of all of our acquisition targets - revenue, margins, cost, and leverage. And our guidance is unchanged. Over the next few slides, I'll share with you, why we're confident.

But the numbers speak for themselves on slide 20. Strong revenue growth, increasing margins, over delivery on cost synergies, a massive 46% increase in adjusted EPS, and leverage back in our target range, and a meaningful increase in the dividend. 2021 was a strong year for us. The key takeaway on our revenue strength is on slide 21.

Our performance was broad-based, strong across all three divisions and most of the subdivisions. I was particularly pleased by the acceleration in data and analytics. That business enters 2022 with good momentum in subscription revenues. And I'll get into that in a bit more detail in a minute. You can also see the strength of our revenue performance on slide 22.

It highlights the positive contribution from each of the divisions. We are well-positioned to benefit from market uncertainty. We saw the impact of this in Q4, as our capital markets and post-trade divisions beat guidance, on the back of interest rate uncertainty. You can also on a reported-basis, our strong underlying performance was impacted by foreign exchange. Now let's take a step back and put the strong performance of our data and analytics business in perspective, on slide 23.

I really like this slide, as it shows how a focus on revenue growth has changed the trajectory in data and analytics. I'm particularly pleased with the roughly 100 basis-point acceleration in our subscription revenues in 2021. The step-up is coming from new sales and better retention. Our pricing policy hasn't changed. And this momentum has continued with organic ASV growth at 4.6% at the end of the year. Now that means, our organic subscription revenues will trend towards the 4.6%. The following slide shows the drivers of this strength.

Trading and banking revenues were broadly flat, ending a period of negative growth. And I'll get into this more in a moment. Investment solutions grew strongly. The 9.4% growth in subscriptions is important to call out, as well as the 165% increase in assets linked to ESG products. Enterprise data has accelerated over the course of the year. We've had record retention in our real-time business by better servicing our customers. And, we've continued to gain share in pricing and reference services as we've executed on the plan we outlined in July. We've improved our data offerings and we've leveraged the combination with FTSE Russell. Now let's look a bit more closely at the stabilization in trading and banking.

This is a simple chart, but it tells a great story. It shows the turnaround underway in our trading and banking business. Dean Barry, who leads that business, shared his approach at the investor education event in July. And it's working. The team have been laser-focused on the needs of our Eikon Premium desktop users and servicing them better. And that drove our revenue performance. However, a sustained growth in this business requires more. A human interface built for the changing needs of the new generation of users. And here too, there's been great progress. Workspace has been successfully rolled-out to roughly half of all banking users. And, we've addressed the customer need for execution capability with the acquisition of TORA. Turning to the strong performance from our capital markets division on slide 26.

This grew 12.5%, driven by the actions we've taken to increase market share and accelerate growth, as well as the benefits from interest rate, uncertainty and market volatility. FXall grew 7% and is gaining market share on the back of new tools and services. Work continues on replatforming our FX matching venue. And we will see improvement in that business, once its complete from 2023. Tradeweb continues to grow strongly, rolling out new services and gaining market share in credit, and interest rate products. We're really pleased with the performance of this business, which is well-positioned for a volatile interest rate environment. We also saw good growth across our post-trade division on slide 27.

Revenues grew 11%. More customers are using SwapAgent and ForexClear. Both businesses have a long runway for growth. The acquisition of Quantile adds balance sheet optimisation to the services we provide to customers. SwapClear, our largest OTC derivative business benefited from greater interest rate uncertainty and reference rate reform. We also saw strong growth in our European repo business. NTI has now returned to a more normal-level following 2020's COVID-related benefit.

Now, let's turn to our disciplined performance on cost. To summarize, our CapEx and costs are all in line with expectations. And, our guidance is unchanged. We've over delivered on cost synergies and increased our operating margins. In short, we're investing in our business and growing our margin. Let's start with a nearly 200-basis points of margin improvement we've delivered on slide 29.

There's good profitability across all of our businesses and we expect to exceed 50% EBITDA margin beyond 2023. You may find the next slide familiar.

It's exactly the same slide, I showed you at the half-year. Our costs in 2021, were in line with guidance growing 4.8%. Revenue growth was higher than we expected at the half-year and that came with some additional expense, that was offset by the outperformance in cost synergies in 2021. We expect to deliver a broadly similar benefit in year from cost synergies in 2022. So our guidance for 2022 and, 2023 is unchanged. Low single-digit growth in costs. This is a good outcome, given the increasing inflationary pressures on all businesses. The integration is going well.

As you can see on slide 31, we delivered £151 million, a run-rate cost synergies against a target of 88 million. And we've done this through data center rationalization exiting properties, and removing duplicate rows. You can see from the percentages on the slide that we are well through our plan, and we know how to do this. A year of running the business has helped us identify additional savings. And, we can see that on slide 32.

They increase our total costs synergy target to at least £400 million, which we expect to achieve as part of the original five-year program. And, they come from more of the same, further property reduction and process simplification. These are changes that will improve our agility and customer experience.

Slide 33 is another one, you may recognize from the half-year. There's no change in our investment program. And more importantly, all of our investment projects are on track. We're a year closer to delivering the benefits. Our 2021 CapEx investment was in the middle of our guided range of £650 to £700 million. That guidance for businesses usual CapEx stands for 2022 and 2023. It should fall after that. While we're on the subject of guidance, let's take a look at our expectations for this year on slide 34.

I won't go through everything on this slide, but I will draw your attention to the strong acceleration in revenue synergies. We expect £40 to £60 million of run rate synergies by the end of the year. And that's in line with our five-year program. The debt refinancing we did last year, means our interest expense will fall to around £160 million. And the impact from any change in interest rates is likely to be modest. That debt refinancing was made possible by a strong cashflow, which I'll now get into in more detail on slide 35.

LSEG is a highly cash generative business with £1.4 billion pounds of post-dividend cashflow in 2021. You should expect cash generation to improve as transaction related expenses fall away. And, that brings me on to Leverage, on slide 36.

At 1.9 times leverages back within our target range, within 12 months of the transaction closing and well ahead of the target timeline.

Moving to Capital Allocation on slide 37, We've got a clear capital allocation framework, which I laid out last year. We continue to invest in accelerating the organic growth of our business. Both the near-term growth, but also building the platform for future growth. Inorganic growth is also a key part of our strategy. Quantile and TORA are good examples of how bolt-on acquisitions can strengthen our customer offering. And David will share more on that in a minute. We actively review capital returns to shareholders. We increased this year's dividend by 27%, reflecting the growth in our earnings. As we continue to reduce leverage, it gives us further options for returning surplus capital.

So to summarize, on slide 38, 2021 was a strong year LSEG. And, that growth has continued into 2022. Revenue synergies are accelerating. 2021 costs were as expected and there's no change in our guidance. Low single-digit cost growth this year and next. We're well ahead of our plan on integration, and we've made great progress on the transformation of our business. And, we're a year closer to realizing the benefits of our investment. Further growth and efficiency. We're building a better business and our confident in meeting all of our targets.

Now before I hand back to David, I want to say a few words on the current situation in the Ukraine. We have a small number of employees in the Ukraine and their welfare is our priority. We have taken and we will continue to take all the steps we can, to help them stay safe. We're complying with all relevant sanctions as the authorities put them in place. And our financial exposure to the Ukraine and Russia is small, less than 1% of group revenue. It's a complex and fast moving situation, which we'll continue to monitor closely. David, back to you.

David Schwimmer:

Thank you, Anna. And in particular, I want to echo Anna's comments. We are all distressed by the situation in Ukraine and are focused on the safety of our people there. Now, let me turn back to the presentation.

Turning to slide 40. As I have said, we are successfully executing a multi-year strategy to accelerate our growth and increased scalability. We will continue to integrate our business to add value for our customers. For example, we're making Yield Book's, industry standard fixed income analytics, available to hundreds of thousands of potential additional users by integrating it into Workspace.

We are incorporating Tradeweb and LCH data into FRTB solution, which is valuable for bank customers who need to comply with this challenging regulation. As we continue to focus on driving growth, we will advance the rollout of Workspace for FX trading this year. And as Anna mentioned, we're making excellent progress on our revenue synergies as a driver of incremental growth. And we expect to achieve £40 to £60 million pounds of revenue synergies in 2022. We're also building our efficient and scalable platform for the future, including the development of our new FX matching technology. We're on track, making progress on the data platform and the associated cloud distribution capabilities and, on internal infrastructure, namely our software defined network. Through these multi-year programs, we are building the foundations for future growth and efficiency.

Turning to slide 41. As Anna mentioned, Quantile and TORA are two great examples of how we are creating value through strategic acquisitions. Quantile is a leading provider of portfolio, margin and capital optimization and compression services for the global financial services market. This acquisition will enable our Post Trade customers to optimize their capital and use their balance sheets more efficiently when managing their OTC derivatives portfolios.

Last week, we announced the acquisition of TORA. TORA is a leading provider of multi-asset class order and execution management systems that support customers across global markets. This past year, I have talked about our desire to improve our execution capabilities in trading and banking. And, TORA does exactly that. TORA will enable LSEG to deliver critical "at trade" execution capabilities for the buy-side, seamlessly connecting into Workspace. It will also expand the global footprint of the trading and banking solutions business. With TORA's established presence in Asia and North America, as well as operations in Europe. Both transactions are expected to complete later this year. They are each relatively small acquisitions. But by adding their capabilities into our global machine with our connectivity to, and our relationships with customers all over the world, we can create substantial, incremental value. You should expect us to continue to make strategic investments to strengthen our customer offering. Let me recap on slide 42.

LSEG has had a very successful first year after completion of the Refinitiv acquisition. I'm particularly pleased that our clear strategy has delivered a strong financial performance with revenue growth across all three business divisions. We are making excellent progress on integration and have identified a further £50 million pounds of cost synergies, increasing the five-year target to total savings of at least £400 million pounds per annum.

We have reconfirmed our cost guidance for 2022 and 2023, and remain highly confident that we will meet the other financial targets that we have previously set out. Generating strong cashflow, reducing our debt, and using our capital in a disciplined manner to build a foundation for future growth and efficiency.

To sum up on slide 43. LSEG is incredibly well-positioned. We operate critical market infrastructure, that is essential to our customers, and the functioning of global markets. We have world-class assets and leading positions in growing markets, with the opportunity to create additional value by integrating our offering further.

We have a great business model with a strong foundation of 70% recurring revenues, where you can track the acceleration and growth. And, we have healthy growth in our transactional revenues. We're well-positioned for the current environment with growth across our different businesses and we are likely to benefit from additional volatility or economic uncertainty.

We are improving an already strong operating margin. We have a strong balance sheet, and we generate a lot of cash. We're investing in building for the future, but also highly disciplined in how we use our capital. I am pleased with where we are, and excited about where we are going. With that. I will open it up for questions. While we pause for questions to come through, let's hear from some members of our executive committee.

David Shalders – Chief Operating Officer and Head of Integration:

We've got a great first year of integration. We've done a lot and I think our path is really clear. Look at all the things that we've done. We've now optimized and improved 27 properties across the group. We've looked at all of our third-party contracts, and over 20 of them, we now have a much better partnership with the suppliers. We've introduced a whole operational excellence program really based around simplification and taking out barriers to execution, with the customer at the heart of everything that we do. Now, we got a great transformation program where we tried to bring together all these enormous number of activities and creating a very scalable platform.

We've also looked at our culture, are trying to bring everybody together and again, break down any silos that exist, and connect people together. Our people have worked really hard over the last year. We've still got an awful lot to do, but we've had a great start.

Andrea Remyn Stone – Group Head, Data & Analytics:

2021 was a great year for the data and analytics division with strong acceleration of high-quality recurring revenues and retention rates. We saw good growth momentum across all of our businesses, particularly in investment solutions and customer and third-party risk.

In trading, we've stabilized the downward trend and received very positive feedback from the rollout of Workspace. And, the recent acquisition of TORA will strengthen our offering even further. We continue to improve the resiliency in the data platform and derive significant value from the investment we're making into Workspace. We've also positioned ourselves well in the sustainable finance and investment space, with the ability to provide customers with credible, longstanding, ESG data, analytics and benchmarking tools. All of this sets us up well, for further growth and progress in 2022.

Murray Roos – Group Head, Capital Markets:

Another strong year for the capital markets division. The integration of our equities, fixed income and FX businesses has created a truly multi-asset class, global and diversified offering. The London Stock Exchange remains the leading exchange in Europe, raising more capital than any venue outside the US and Greater China.

FXall has expanded trader's access to clearly affect workflows via seamless integration with LCH. Capital markets really sets up the value chain at LSEG. It has significant scale and a strong network within the group and its target market is vast.

Daniel Maguire – Group Head, Post Trade & CEO - LCH Group:

2021 has been another strong year for the business and we've seen great organic growth across all of the services. Particularly impressed with the growth in SwapAgent where we see more volumes, more trades, but importantly more participants. So very excited about how that'll grow in 2022 and beyond. And similarly RepoClear good volumes across both services, but also the advent now, a sponsored clearing really brings the buy-side into clearing. So again, super excited about what that brings for 2022, 2023 and beyond.

I'll also call out LIBOR reform. We've had a huge and important role in the transition away from the old LIBOR indices to the new. And that's gone very seamlessly, working very closely with the industry at large. And, with that, sets us up well for the dollar libor transition, over the course of the next year or so. And then finally, I'm really, really excited about the proposed acquisition of Quantile, which is really going to thrust us into the capital, the collateral, and the risk optimisation space, which you think is going to be a real core growth engine for the businesses, as we go forward.

Paul Froud:

Thank you very much. We're now into the Q&A section of the presentation. Before we get into that, I just like to make an apology. I understand that a few people experienced some interference at the beginning of the webcast. I can't do anything about that, but we will have the on-demand replay service available on our website, a little bit later on today. So if you did miss anything at the beginning, you can access it again. So, apologies.

On to the Q&A. Just as a reminder, you can submit questions in written form which you need to do through the chat line on this webcast. Please don't email me directly, I'm not able to pick those up, but go through the chat line. Secondly, you can put your questions in person through the phone lines on this call, I can see that we've got three people queued up already. We've also got three or four questions that have come in written submissions while we've been presenting. And we're going to deal with those ones first, and then we'll open the lines up.

So with that, let's get started. We've got a couple of questions. I can see that have come through in relation to revenue. So let me kind of group those ones together to start off with.

So the first of those, is you beat expectations in Q4, you delivered a performance above where you were guiding earlier. Can you give some colour on that outperformance? And then secondly, how does that play into your longer-term, 5-7% revenue growth guidance? Is that still the right range?

David Schwimmer:

Thanks Paul. So really pleased with the growth performance that we saw across all of our businesses last year, accelerating growth in data and analytics. And that's something that you all can track with the ASV growth metric. So we're really pleased to see how that's gone and the continuing momentum coming into this year. Strong growth in post-trade, strong growth in capital markets.

I think that, in Q4 we benefited from increased uncertainty around interest rates and increased volumes associated with that, as well as increased volumes associated with the Omicron surge at the end of the year. So this really speaks to the very strong business model that we have, where we have about 70% recurring revenues. Where again, you can track the growth and the momentum in those recurring revenues through that ASV growth metric. And then we're very well positioned in periods of market uncertainty, in periods of incremental volatility, and the transaction volumes that go with that, to benefit from the upside there.

So overall, very strong year, good growth across the business. To the last part of your question, Paul, no change in terms of our growth guidance, feel very comfortable about that 5-7% top-line growth range, over three years.

Paul Froud:

Great. Thank you, David. The second question is on the cost side. Can you explain the inflationary pressures that you're facing and what are the implications that you've given for the low single-digit cost growth guidance?

Anna Manz:

Our cost base is largely people and technology. Unlike all companies, we are seeing some impact of inflation and less so on the tech costs, more so on the people cost, but it varies significantly by geography. But a year into the acquisition, I think we feel we've got already good handle on our cost base. We've got the levers to pull to manage this. So it's in that context that we're reiterating our guidance today as low single-digit, which I think is a really good outcome in this current environment.

I would also point out that, of course, uncertainty around inflation and interest rates is a good thing for our business, because it drives volume. Volume and Tradeweb and volume and post trade. So net-net actually, uncertainty around inflation is not a good thing.

Paul Froud:

Great, Thanks Anna. The tradition of providing multiple questions continues in written form as well, as it does in person. So I've got four parts to this question. So I'm going to break it into a couple of sections first. And it's probably questions for both of you.

First of all, David, in the slide presentation, you had a stat in there about the 50% growth in ESG data revenues, which sounds impressive. Can you put an amount on that? And then can you also say, what you're doing to continue the growth at this level, particularly given that MSCI have got a lead in this area.

Second question, just taking them in order, says, since that you are ahead on your cost synergy delivery in 2021, yet still growing the costs around 5%. Does this mean that you're ahead of the investments that you had planned? So let's do all those questions before we go to the next year.

David Schwimmer:

Thanks. I'll take the first one, and then Anna can address the second one.

So the 50% growth in our ESG revenue that is referred to in the materials, that is specifically in our enterprise data business. So when I talk about, and I've talked about this over the past year, that 10,000 or so companies where we have about 500 metrics going back, 20 years.

First of all, that the number of companies is now about 11,700 given the continued growth and investment in our business. But it's that kind of data set in our enterprise data business that has had that 50% CAGR.

Now, ESG revenues as we've talked about in the past, are embedded across our business. And, it's in the enterprise data, it is in the carbon pricing and carbon data that we have. It is in the issuance of sustainable finance on the London Stock Exchange. It's in our mortgage analytics, so in many different parts of the business. So we don't track that as one single number. But that metric in terms of the 50% CAGR of that ESG dataset gives you a sense of the demand for this. We also have put out an updated KPI on the assets under management growth associated with our ESG indices. And that is, I believe, 165% growth year-over-year.

So you can see, in terms of these different metrics and the embedded nature of sustainability and ESG products across our business, high-demand is a significant growth area for us.

Anna Manz:

And, synergies. So firstly, we are ahead in 2021. I'm really pleased about that. We've executed really well. Now, that has given us a benefit in year on our cost base. But as I said in the presentation, we've also had an outperformance on revenue too, this year. Again, which I'm really pleased about, and that incremental revenue has come with some additional costs. So that the two really net off in 2021.

Your question was, are we ahead on the investments? I'd say across the work that we're doing, we're absolutely on track to ahead. Um, so, you know, making really good progress, different places, project by project. But overall, exactly where I would want to be, and feeling really well set up for 2022.

Paul Froud:

Great. Thank you Anna. I'm going to do the other two parts of the question as submitted. I think we've got several more people on the phone lines now. So once we've done these two, will go over to the phone lines. However, if you do want to submit more written questions, we will get to them. It's just switched the phone lines after this.

So the other two questions we got, are can you talk about the 20% Q on Q step-up in the OTC revenue line, that we saw in Q4. What is driving that? Is it volumes? Is it member fees, is it pricing?

Then the last part of this question is, can you talk about the expected P&L impact from the last two acquisitions you mentioned, Quantile and TORA. And, are those costs factored into again, your cost guidance for 2022?

David Schwimmer:

Thanks, Paul. I will answer the first one, and then maybe I'll make a brief comment on the second one, before turning that over to Anna.

So the OTC revenue line in post-trade, that was about volumes. That was not about incremental member fees or price changes or anything along those lines. And again, as I touched on earlier, we saw with both the interest rate activity, some of the surprises around interest rates, as well as Omicron and the volatility associated with that, as that came in. That really drove some incremental volume. So that's that's really what drove that.

In terms of acquisitions, we did announce Quantile in December. We announced TORA last week. And as I just mentioned in the presentation earlier, Quantile will really improve our capabilities and expand our capabilities to help our members in post trade and other users in post trade to manage, optimize their capital across their OTC derivatives portfolios. And then in TORA, we've got a order and execution management system capability across multiple-asset classes on a global basis. And that will plug-in very well in terms of improving the execution capabilities of our trading and banking solutions business.

The great benefit of these kinds of transactions, they're both small transactions for us on a relative basis. But what we can do is plug them into the global relationships that we have, and plug them into the global distribution that we have and that will allow us to take their capabilities and scale them on a global basis, really quickly and really effectively. So, really excited about what that does in terms of the strategic opportunity and you should expect us to continue to think about such strategic acquisitions going forward. But Anna, maybe you want to touch on the specific question around the numbers.

Anna Manz:

Yeah. So on guidance, all of our guidance, revenue and cost excludes the impact of these two acquisitions. We will give you more financial information about both of them and we'll do that at the point, we close them. So at the moment everything excludes them.

Paul Froud:

Great. Thank you. So we're now going to go to the phone lines. I think we've now got about eight people queued up to ask questions. So let me open it up to the Operator. If you could even provide whatever instructions you need to or put the first caller on the line. Thank you.

Operator:

Thank you very much, Paul. Just a quick reminder, everyone, if you wish to ask a question, please signal by pressing *1 on your telephone.

All right, our first caller is going to be Bruce Hamilton calling in from Morgan Stanley. Please proceed, Bruce, your line is open.

Bruce Hamilton:

Hi morning. Morning. And thanks for all the information, I'm just looking at slide 25. I see quite encouraging improvement in the trading and banking pieces of data. I guess given that, none of the success with Workspace in banking will yet be in the 2021 run rate, given the lag, plus the fact you will have TORA impacting some of 2022. I assume it would be fair to assume that it should be positive, not just midterm, but probably in 2022, any reason that would be wrong.

And then secondly, on the balance sheet, sort of optionality which clearly has improved as you've de-levered more quickly. In terms of M&A, are you seeing more opportunity because of the dislocation in the markets and packs some expectations around valuations becoming more reasonable. And if so, which sort of areas are probably throwing up the most often opportunity. And then as we think about the balance sheet flexibility to potentially address any flow back as lockups come off from next year. How are you thinking about that? Thank you.

David Schwimmer:

Thanks Bruce. So let me, let me take those in turn. In terms of trading and banking, really pleased with the trajectory. You highlighted page, I think it's 25. Yes. And this is a business that we have been very focused on in terms of working with our customers, making sure that we are staying closer to them. We have diminished the cancellations, improved retention, continuing to invest in the capabilities there. And of course, the acquisition of TORA, which will help our execution capabilities in the trading and banking solutions. That business is pretty close to flat at this point. And I'm not going to give you any sort of specific guidance for 2022 performance, but we expect that upward trajectory and that positive trajectory to continue. So pleased with where we are so far, but continuing to work on that.

I think it is great to see that this is exactly what Dean Berry talked about at our investor day presentation, last year. And he and the team have been delivering, and more to do there. But feeling good about that trajectory.

On the question around whether we would see more opportunities in terms of dislocation in the markets? I think it's fair to say, actively monitoring what's going on in the markets. I think it's also fair to say, the dislocation...you know.. If there are sellers out there, they tend not to adjust their price expectations in a matter of weeks. So, I'm not sure I would give you any predictions about some, distress acquisitions anytime soon. I would just say we, as a matter, of course, are very thoughtful about the M&A that we engage in. And, we make sure that it makes sense both from a strategic perspective and also from a financial perspective. And I think both Quantile and TORA fit squarely within both of those areas. Really good strategic fit, make a lot of sense and in terms of the financial opportunity and returns that we expect to achieve in the coming years. Feel very, very comfortable with that. So, as I said earlier, we will continue to evaluate opportunities to the extent that we can take advantage of pricing dislocation, of course, we would. But I think that's not something that is easy to bet on, at this point in time.

And then your third question, Remind me was using the balance sheet.

Paul Froud:

Lock up.

David Schwimmer:

Yes. We have very good relationships with both Blackstone and TR. And we're just continuing to execute on the business and good partnership and engagement with them in the boardroom. So that's really all there is to say about that, at this point. But in terms of the broader balance sheet and capital allocation, we are, as Anna mentioned in the discussion this morning, very focused on our continued organic investment.

We will make inorganic investments and strategic M&A, where it makes sense. And then to the extent that there is surplus capital, we will, of course, evaluate the appropriate shareholder returns.

Paul Froud:

Thank you David. Bruce, Thank you for your question. Can we, the operator go to the next person, please?

Operator:

Definitely. Our next question is coming from the line of Philip Middleton from the Bank of America. Please proceed, Philip. Your line is open.

Philip Middleton:

Yes. Thank you. And thanks for the presentation. I wondered if you could tell me a little bit about what's going on in the real time data segment of the enterprise, because this was a slightly difficult area, you said it would recover and it seems to have recovered, but how are you feeling about that?

I wanted to also, just how much of the light of the FX adjusted growth, you achieved this year, would have been the same on constant perimeter. So, how much of that, was down to the customer and third-party risk acquisitions you made?

And also, slightly more longer-term when you look at your balance sheet, well done ,for getting it so quickly under control, but you do look under levered, compared to some of your peers. How do you think about that leverage target over the medium-term?

David Schwimmer:

Thanks, Phil. I take your first question and then Anna can touch on the second and third ones.

We're very pleased with the execution of, as you said, exactly what we talked about last year with respect to enterprise data. And just to recap that, in the past couple of years there had been some significant pricing pressure, competitive pricing pressure, what we referred to as, I'll say, "irrational pricing pressure", where a competitor was basically trying to give their product away to take business away from ours.

Our team has, I think it's fair to say, fended that off successfully by staying close to our customers, making sure that our customers realized the strength of our offering and the fact that even if someone else was giving it away, it didn't make sense to move, given how strategic this is, and how how strong our offering is.

So we told you last year that, that business was recovering and it is recovering. And on the real-time side, we're seeing positive trajectory there. And on the non-real-time side, as we said last year, we would continue to invest in that business as well. And that growth is also accelerating. We're seeing the benefit of synergies there. We're seeing the benefit of new investment in terms of fixed income evaluated pricing, in terms of corporate actions. So really pleased with how enterprise data is performing. And I would say, I expect it to continue to perform very well. Anna.

Anna Manz:

Yeah. So, to answer your specific question for the impact of the acquisitions on the customer and third-party, in customer and third-party risks on the group as a whole was about 0.6, 0.7 of a percent of growth.

Now, what I'd say is those are great businesses. They were it was a great acquisition in an area where there's significant growth. And those businesses were growing solid double-digit through 2021. And we're seeing strong growth as we look forward. And in this current environment where there's a lot of uncertainty and questions around sanctions, these are businesses that are providing a really critical service to our customers.

And, on your second one, We're under levered versus our peers. So I laid out our capital allocation framework in the slides. And, as we state, there are a range of net-debt to EBITDA that we operate in, is 1-2x. I'm really pleased at the pace that we have delivered to be at 1.9 times now within a year of acquisition, I think it is a great outcome, particularly when we'd guided to getting there 24-30 months post-acquisition. So, great progress.

Paul Froud:

Thanks Anna. And thank you Philip, Operator can we go to the next person, please?

Operator:

Our next question is coming from the line of Kyle Voigt from KBW. Please proceed, Kyle. Your line is open.

Kyle Voigt:

Hi. Good morning. Maybe you could just ask a follow-up on capital management and the response that you gave earlier. I understand the priority is organic as well as inorganic growth, but even considering potential cash as used for that, there still will be excess cash flows that you're generating this year.

Given the stock price, is there something that's currently keeping you on the sidelines in terms of announcing a buyback program, for example, would you simply want to see the leverage get to under a certain level or 1.5x leverage or something like that. I don't know, if there's a bogey that you're looking for before, you more seriously consider buybacks.

David Schwimmer:

Thanks, Kyle, and thank you for getting up early this morning for us.

This business does generate a lot of cash and really strong business from that perspective, we're really pleased about that. As Anna just mentioned, it is great, for us to go from about 3.5x net debt to EBITDA when we close the transaction. And within 12 months of that time here to get down to the 1.9. Now, having said that, we are, we have just now gotten within our, our target range.

As I mentioned earlier and I will reiterate it. We see plenty of opportunities in terms of use of organic capital and inorganic capital and to the extent that we have surplus capital, we will of course, evaluate the options for shareholder returns. So that's, that's really all I'm going to get into at this point, but thank you Kyle.

Paul Froud:

Thanks, Kyle.

Kyle Voigt:

And then I could forget to ask a follow-up as well. Sorry. Just a clarification question. On the ASV acceleration into the end of the year on a run-rate basis is what was realized for the full year, 2021. Just wondering if you could break down that in terms of whether you are seeing an acceleration across all of the data analytics sub-segments, or are there one or two specific segments, that are kind of driving a majority of that ASV acceleration into the end of the year.

Anna Manz:

Yeah. Thanks. So in 2021 and ending the year at an ASV growth of 4.6%. which really talks to the opportunity for momentum going into 2022.

Now, that has come from greater rigor and really working with our customers to meet their needs. And, so what we've seen is broad-based improvements in retention and broad-based improvements in sales. As I said earlier, our pricing policy is unchanged. So really, the uptick in in growth is coming from us doing a better job of retaining customers and selling more. And no, it's not one particular business. It really is across the whole of Data and Analytics

Kyle Voigt:

Very helpful. Thank you.

Paul Froud:

Thanks, Kyle Go. So we got five more people in the queue on the phone line. So we're gonna make our way through those and we've got a few more questions just to finish off with, that have come through in the written form. So operator, can we have the next question, please?

Operator:

Our next question is coming from Mike Werner calling in from UBS. Please proceed, Mike. Your line is open.

Mike Werner:

Thank you. And, thank you for the presentation. I have two questions. First, on the retention rates. We heard 98% retention rates in 2021. Can you just give us an idea of what the range of that retention rate was in the previous years, either 2019 or 2020?

Second, David, I know you've spoken about this multiple times, so I apologize. But with regards to the equivalence issue, certainly there has been some developments in recent months, where the regulators now have a working paper out there and it seems like they are getting a bit more aggressive, with regards to stating that, they don't expect to rollover the equivalence in 2025. Can you just let us know, what percent of LCH's revenues are coming from European-based clients? I'm also, in theory of the equivalence is not rolled over, that also offers you some opportunities, particularly in the CDS side. So I would love to get your thoughts on that. Thank you.

David Schwimmer:

Great. Thanks, Mike. Anna, you want to talk about retention and then I'll touch on the clearing topic.

Anna Manz:

Yeah, so it's quite hard to answer that question actually because going backwards, the legacy business measured some of this data in different ways. But almost stepping back from that, we've seen retention improve relatively, significantly over the last few years. And very, very consistently and that's across all customers and actually has broad-based across products too, because we measure both customer retention, which is what you're quoting, but also individual product retention. So I've been really pleased by that consistent improvement. And that, along with the gross sales improvement is what's driving the sustaining improvement that we're seeing in our subscription, KPI and our ASV metric.

David Schwimmer:

And, with respect to the equivalents, Mike, I'm always happy to talk about this so you don't need to apologize for asking me about it.

Just so everyone's on the same page over the, over the last couple of months, both the European Commission and ESMA have recognized the systemic importance of LCH limited to the EU economy, to member institutions and clients in the EU. LCH Limited is now fully regulated by ESMA. We continue to see growth in the business coming out of Europe.

There has been an announcement that LCH Limited will continue to be able to serve European domiciled members and clients through June of 2025. And then, our expectation is that after that, there will be an effort to have what the authorities in Europe are calling more of a rebalancing of volume. Now that is, at this point aspirational. We have talked with the authorities about that.

We're very supportive of the EU becoming a more competitive environment for clearing houses. We have a clearing house in the EU and Paris. And we have given them some very constructive and productive suggestions as to how to make the EU are more attractive and competitive environment from a clearing perspective. But the fact of the matter is, that LCH Limited continues to be critically important to our customers and members in the EU. There was a consultation process ongoing.

My expectation is that, we will be in a position to continue serving our EU customers through 2025 and beyond, and we will continue to work with the European Commission and ESMA, as they work through their consultation.

Your specific questions what percentage are from European based clients? It's mid single digits, I think about 6% in Euros. And then if you look across all currencies, its low double digits, so just over double, double that amount.

And then to your question on whether there's an opportunity for us in the CDS market. Just to explain that to people, we clear CDS in our European clearing house in Paris, whereas the competition clears outside of the EU and therefore might be subject to similar concerns. From our perspective, CDS clear has actually been taking market share from the competitor. So regardless of any outcome in terms of the EU, where we expect to be able to continue serving our customers after 2025. And we expect the competition in London to continue to be serving our customers after 2025. Our CDS clearing business is taking market share from the competitor, as I said, regardless of that.

So we feel very good about our position in clearing. As I said, ongoing growth in that business coming out of Europe.

Mike Werner:

Excellent. Thank you very much, David. Yep.

David Schwimmer:

Thanks, Mike. So operator, can we go to the next person? Of course, our next question is coming from the line of Martin Price calling in from Jefferies. Please proceed, Martin.

Martin Price:

Good morning. And thanks for the presentation. I have two quick questions, if I may. The first is on synergies. I think in the past you said that Tradeweb is not within the scope of existing targets. I was just wondering if you could provide an update on some of the opportunities you're exploring with Tradeweb and when we might hear more on those.

I'm afraid the second question is the terminals business. I wonder if you could provide some more specific detail on Eikon Premium revenue performance within trading and banking last year. And the top-line impact you've seen following the Workspace upgrades that have been completed so far. Thank you.

David Schwimmer:

Okay, Martin, Thank you. You're absolutely correct in terms of the synergies that we announced at the time of the transaction, as well as the £50 million increase in synergies that we announced today. None of that has anything to do with Tradeweb.

And, just to be clear in terms of how we were thinking about this coming into the transaction. And then over the last year or so, we've had a number of other areas to focus on where we've made terrific progress. And Tradeweb has been doing very, very well. So from a synergy perspective, that was not sort of first on the list. Now having said that, we are working more and more closely with Tradeweb As I've said in the past, terrific business, great respect for and relationships with Lee and Billy really pleased to see this smooth leadership transition there, and really looking forward to working with the team, more closely.

But in terms of opportunities, there are a number of specific areas that we are looking at and working on, that we think will create incremental value with Tradeweb for their shareholders and our shareholders. But I don't want to get ahead of myself. I don't want to get into specifics at this point.

In terms of your question on Workspace. The Eikon Premium, we don't break out specific around Eikon Premium and Anna, you can jump in in a moment if you like, on anything around the the financial results in trading and banking. But in Workspace, as we have mentioned, we're really pleased with the progress we're making in terms of the rollout of Workspace. And about 25% done, in terms of the transition and migration from customers, from Eikon to Workspace So we've got really, really strong capability there, now in terms of delivering on those migrations and retaining the customers as we deliver on that.

But very early days in terms of seeing any kind of revenue impact, that's something that we expect to see more really in 2023 and beyond. Anna, anything you would like to add to that?

Anna Manz:

I just put you back to my favourite slide, 25, because I'm predominantly trading and banking that is, that is terminals and Eikon Premium is right at the heart of that.

And, the acceleration that you see Dean Berry and his team delivering is through better sales and better retention of that product set. And as David said, we've made great progress on the Workspace rollout. And that will help us move this business into growth going forward. And will TORA as well. Because one of the challenges that we get is the at execution capability. And TORA helps us solve that challenge going forward. So, that's the trajectory that we're on.

Martin Price:

That's great. Thanks very much.

David Schwimmer:

Thank you.

Paul Froud:

Still four or five more people on the call. So if we can go to the next one, please.

Operator:

Definitely. Our next question is coming from the line of Johannes Thormann, calling from HSBC. Please proceed.

Johannes Thormann:

Good morning, Johannes Thormann, HSBC, some follow-up questions, please. First of all, on, on just the trading and banking business. You said the Workspace integration, one-quarter is done and the three quarters are still to come. Can you elaborate a bit on the time-frame when this will happen and when do you think, it will be finalized?

Secondly, on your costs. Just to understand the underlying cost base, you have showed on page 39, of your release staff costs, but I guess it's on the statutory levels. Could you also probably provide the staff costs on the proforma levels to understand it better? And then therefore, on the staff cost, just under inflationary pressure is half of your staff are roughly in the US. Could you help us with how you will balance this inflationary pressure to still come in your guidance? What is the driving force for your confidence of having low single-digit cost growth in this respect?

And last but not least, did you miss an opportunity in last October, being careful on your leverage when some private equity firm bought the stake in Euroclear from another exchange peer? Thank you.

David Schwimmer:

Thank you Johannes. I am happy to take your first and the third question on. And, then I'll turn it over to you for the question on inflationary pressure and staff costs.

So, in terms of your question on trading and banking, let me be very clear in terms of my comment about the 25% of migration complete, that refers to Workspace, across all of our businesses. So as we've mentioned in the past, last year, we launched the rollout of Workspace for banking, for wealth, for analysts and portfolio managers. And then at the end of last year, Beta version of Workspace for FX trading.

And so if you look across all of our customers, across all of our different business segments, that's, that's sort of 25% completion of transitional migration. In terms of timeframe, we view this as we're making very good progress. But it could be up to another four years. But we expect, we will start to see the revenue impact in sooner than that, and probably in 2023. But I'll let, let Anna comment on that, if she would like.

And, then in terms of the - did we miss an opportunity around Euroclear? No, we did not miss out an opportunity around Euroclear, we're very comfortable with the size of our stake in Euroclear. We have a board seat. We are at the table actively involved in the discussions with management and the board. That's exactly where we want to be. We have no interest in raising our stake. So we noted that, but that was not a missed opportunity. So, Anna, over to you on the second question.

Anna Manz:

Listen, I'll let the IR team follow up with you on the specifics of proforma staff costs so you have all the numbers and can work through it. But sort of stepping back, you know, why am I confident in our guidance?

We have staff across 70 countries globally. And we're very thoughtful about where we build stuff and where we have different capabilities across the group. And the inflationary pressures differ significantly country by country. So I don't think it's as simple as just, focusing on inflation levels in the US.

I think the second reason, why I'm confident in the delivery of our low single- digit guidance is I think we're really getting our hands around this cost base now. We understand outside of specific integration, the opportunities we've, we've got to run the business more efficiently. And that is why I'm confident about our ability to deliver on our low single-digit guidance.

Johannes Thormann:

Thank you.

Paul Froud:

Thanks Johannes. So let's go to the next question, please.

Operator:

Our next question is coming from the line of Andrew Coombes calling in from Citi. Please proceed.

Andrew Coombes:

Good morning. I have two questions. Two questions based on firstly on Russia exposure. Yeah. You've talked about suspending trading in more Russian GDR today. Perhaps, you could just elaborate on the revenue contribution it makes, perhaps it's small, but if you could confirm the revenue contribution from trading those Russian GDR, as in any other asset classes? And if you could also just comment on any residual risk if there is any within the clearing house?

Second question is on the synergies, you've identified the extra £50 million on property rationalization. Today, you talked about being 75% the way through that process versus the original target. Do you feel you've now reviewed everything in that portfolio? And effectively, this extra £50 million is taking everything into consideration? Could potentially more updates to come on those cost synergy targets in future? Thank you.

David Schwimmer:

Thanks Andrew. I'll take your first question on Russian exposure and then Anna will address your question on synergies.

So as we have mentioned in today's release, our overall exposure to Russia and the region is less than 1% of our revenues. And then I think your question was specifically around what kind of exposure we have from trading Russian GDRs. I mean, that is much much less than that, it's, it's much, much smaller than immaterial if I can put it that way. So, really not from a financial perspective. No concern, no issue around that at all.

And then on the clearing house, also, no concern on our exposures. We have been managing our risk business as usual. And the clearing house is in very good shape with respect to any kind of exposure to what I'll call Russia risks, just not an issue at this point.

So with that, over to Anna.

Anna Manz:

Yeah, so as you say, we've announced an extra £50 million of cost synergies today. And, no, I don't think we're done yet. We're working through the business and we're looking at opportunities for simplification across the board. And I suspect we will find further opportunities as we get further underneath it.

Andrew Coombes:

Right. Thank you. Bye. Thank you.

Paul Froud:

Thanks Andrew. Last two questions on the phone line. So we go to the penultimate one, Ben Goy first.

Ben Goy:

Thank you. Yes. Hi, good morning. Two questions please. One on your new acquisition sounds like you want to be bit more qualitative, but still trying. Can you at least highlight the growth profile or they're growing well, double-digit, both acquisitions?

And then secondly, I think your growth business, or you should be a growth business. And some of your peers are heavily investing and more growing double-digit the cost base in 2022. I was just wondering why is low single-digit growth on the cost side, the right number, and how much faster you could potentially grow in case, you have some extra investment budget? Thank you very much.

David Schwimmer:

Thank you. That's an interesting turn in terms of the question. Number two, which I will turn over to Anna, who I'm sure will take great pleasure in answering it.

Look, the acquisitions, as Anna mentioned earlier, we'll put more financial information out on those businesses when they close. But I think it's very safe for you to assume that they are both, very highly attractive growth businesses. So that's probably all I should say about that at this point. But when we close on those transactions, you have more information about those.

Anna you want to touch on the second question.

Anna Manz:

Yeah, I'm pleased to say we are investing for growth. So, the opportunity, our cost synergies gives us and some of the opportunities to look for efficiency as we put these cost bases together is allowing us to take costs out of the group. And the right cost that allows us to run our business more efficiently, whilst at the same time, investing in those areas that will grow.

So for example, we're investing significantly ahead of our revenue synergies, whereas investing ahead of other product launches as well. So I don't feel constrained from investing in growth. I just think we have the capability to do both, and that is good management of our cost base.

Ben Goy:

Understood. Thank you.

Paul Froud:

Thanks Ben. And finally, the last question on the line comes from Ian, and Ian sorry to keep you waiting, but the line is open for you.

Ian White:

Thanks a lot. Thanks for the presentation. Just a few follow-ups. From my side, please, on the areas that already in partly covered. First up, on the retention rates. I saw it was at, there was a number you put out, 90.5% for Refinitiv at 1Q 2021. Is that broadly comparable to the 98% you've put out on slide ten. Is that the sort of order of improvement that we're seeing across that business, please. I know you said it's hard to compare, but is that the right sort of ballpark, please?

Second question on trading and banking solutions. I guess, I'm just interested to understand how you think about the cyclical versus the sort of structural growth, that you've seen there, over the last couple of years. Basically, I'm just conscious that 2021 and to a lesser extent, 2020, very good years for capital market deal activity. A lot of sort of fairly extreme events in markets. How much of the growth has been driven by those cyclical factors versus sustained improvements in what you've been doing please, how you think about that?

And finally, just to follow up on OTC clearing. Acknowledged the point you made earlier to a previous question. Just to clarify, is it within your within your gift essentially to relocate LCH Limited either to the EU or the US, perhaps in the event, that that was perhaps necessary to preserve your market share in euro clearing in particular, is there anything that stops you from doing that in terms of the impact it might have on customers, for example, as an option to sort of mitigate some of this uncertainty. Thank you.

David Schwimmer:

Got it Ian. Anna, you want to take the retention question and then I'll answer the second and third questions.

Anna Manz:

Yeah. So those are apples and pears figures. The 98% is customer retention. And we've given that because, that is what a lot of our peers measure. Actually, the way we run our businesses, at the more challenging level of product retention and the 90.2% that was given a year ago, now was a product retention metric, around the retention of individual products. We are seeing improvement in retention, a number of points of improvement, but no, it's not 90% to 98%, those are apples and pears.

David Schwimmer:

And on your question around trading in banking and whether they are cyclical versus structural growth there. I think the way, we think about that is that, we positioned it this way at our investor day last year. We think about that as an opportunity for low single-digit growth. This is not one of our other businesses where you see much higher growth. And some of that relates to changing usage in the industry and more algorithmic or machine driven trading, and fewer humans sitting at desktops.

But you're absolutely right. There has been a lot of capital markets activity over the last couple of years, and we have seen impacts of that on particularly some of the banking side of the business. So it's really that combination. And, as a result of that we expect over the medium-term there at that low single digit growth. And as we've talked about in this session, we are driving improvement in trading and banking solutions and it's now virtually flat, and we intend to continue driving on that trajectory.

On the OTC clearing, the issue there is that, it's about what our customers and what our members want to do. And they have no interest in moving the clearing pool of interest rate swaps out of London to Europe, or to any other market. And that includes, the EU domiciled banks. So there is no push for us to move. In fact, there's strong support for us to maintain that. We are not ideological about this. We are not sort of dogmatic about a geography. Those of you who follow this closely, will know that a couple of years ago, we actually moved the clearing of euro denominated repos from London to Paris, because our customers, our members wanted us to, so that they could have the clearing of all of the European denominated repos in one clearing house in our Paris-based Clearing house, and that benefits them in terms of netting and capital efficiency.

Now it's very different in terms of moving Repos, which typically I think the average tenure, there is about eight days. So you can move that whole market relatively quickly. Whereas with swaps you have lots of 30 years, swaps. So it's much, much, much more challenging in terms of trying to shift a market like that. But the bottom line is, no interest from our customers in doing that, including from our European customers.

Ian White:

Okay, thanks very much. Appreciate that.

Paul Froud:

Thanks. So that concludes, all the questions we've got on the phone line. So I've got a couple of written questions which I said that we would get to. This leaves Legal & General Jennifer, you've asked a question around the clearing equivalent, so I think we've had a couple of goes at answering that, so I won't pose that one. But if there's more you want to know, then please contact me afterwards and we can go through that.

So the last question or last two questions come from the same person, Greg at Exane. First of those is, can you talk about the role of pricing within data and analytics, what it's contributing to the growth. And are you looking to increase prices in 2022 in light of the higher inflation environment?

And then secondly, on NTI or net treasury income, LCH, is this at the sustainable level at this point? What happens if interest rates, move upwards?

David Schwimmer:

Anna, you want to take both of those?

Anna Manz:

Yeah, sure. So with respect to pricing, what I've said previously around data and analytics is that, our growth is fairly evenly split in three ways around pricing, around improving retention, and around driving sales. Now, we have a long-term relationship with our customers. And as a part of that, we do take price annually. And we're building medium-term relationships, but which create value for both. And so you won't see us suddenly spiking prices for a moment of inflation, but you will see us working with our customers to create sustained win-win outcomes, which is why you're seeing the ASV improvement that we're generating.

And, with respect to NTI, Q4 as David said earlier, was impacted by significant uncertainty around interest rates and therefore higher volume. Now, I think it's fair to say that we're seeing a similar level of uncertainty in the world in Q1. And therefore, would you expect NTI levels to be similar? Probably.

As I look out across the rest of the year, I'm not going to guide on NTI, because it's very hard to know what level of volatility we're going to see in the world. But I think you can see from what we've said before and what the impact of volatility has been for us in Q4. I think that allows you to make a judgment.

Paul Froud:

Great. Thank you, Anna. Thank you, David. So that neatly brings us up to the 90 mins and we've managed to get through all your questions online and through the phone lines. Thanks everyone for bearing with us. Hopefully we've answered your questions and a large range of topics covered, so hopefully we can justice to what you wanted to discuss. We're going to finish here. We're obviously online and we can take any more questions offline later. But thank you very much for joining us, and we're going to end the call.