

# **LONDON STOCK EXCHANGE GROUP PLC**

## **Annual General Meeting**

**Wednesday 29 April 2015**

### **Chairman's statement by Chris Gibson-Smith**

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#### **1. Introduction**

- Good afternoon and welcome to the 2015 Annual General Meeting of London Stock Exchange Group.
- Please first allow me to introduce you to my colleagues joining me on the podium today.
- From my far left to far right, you can see:
  - Massimo Tononi
  - Stuart Lewis
  - Paul Heiden
  - David Warren, Group CFO
  - Lisa Condron, Group Company Secretary
  - Xavier Rolet, Group CEO
  - Sherry Coutu
  - Robert Webb
  - Sharon Bowles
  - Stephen O'Connor
- Unfortunately Jacques Aigrain, Andrea Munari, Raffaele Jerusalmi and Baroness Shields are unable to attend today's meeting.
- I would like to start by expressing sincere thanks to Robert Webb, who is stepping down from the Board today. He has been a Non-Executive Director of the Group for 14 years including serving as Senior Independent Director and Chairman of the Remuneration Committee. I would like to thank Robert for his insight, guidance, intellect and good humour over many years on the Board.
- As already announced, Paul Heiden has been appointed as Senior Independent Director and Sherry Coutu as Chair of the Remuneration Committee. Already valued members of our Board, a warm welcome to them

both in their new roles as both these roles are critical to the ongoing success of our business.

- As there is a quorum present, we can start.

## **2. Group Transformation**

- I announced in last year's meeting, this will be my last AGM as Chairman of LSEG. Before providing an update on our strategic priorities, permit me to take a look back at some of the changes and fortunes of your Group over the course of my tenure.
- I have had the privilege to chair the Board of Directors of LSEG for the last 12 years. During this period, the Group has transformed from a largely domestic business into a major global market infrastructure firm, with brands and businesses across the world. Our shareholders, customers and colleagues have each played vital roles in making the business what it is today.
- 12 years ago, the company was predominantly a London-based, UK-focused equities business. It drew 86% of its business from the UK, 60% from capital markets and saw an income of £237m in 2004. The share price stood at just £3 in May 2003.
- While capital markets still remain a cornerstone of what we do, today we are now a more diverse and more global business. We generate more than 50% of revenues from outside the UK and have employees in 14 countries. Over the last 12 months, the Group's income stands at almost £1.4bn. Our share price this year hit an all time high of 2595p.
- The Group has gone from the position of being the subject of five major bids to making more than a dozen successful acquisitions of its own.
- The merger with Borsa Italiana in 2007 marked the start of this transformational journey. Next, the acquisition of MillenniumIT in 2009 enabled the Group to develop and franchise its own leading global exchange technology.
- Taking full ownership of FTSE in 2011 embedded intellectual property and leading global indices to the Group's portfolio of information services. In 2013, the Group gained a majority share in one of the most important global clearing houses, LCH.Clearnet.
- These acquisitions, alongside other smaller yet still strategic transactions, brought together a full suite of services across the entire trading cycle.
- Our most recent transaction last year – Frank Russell Company – has given us an even stronger foothold in the world's largest financial market – the US.
- LSEG today is a genuinely international group, better balanced and very well positioned for the future.

- Throughout this journey it has been an honour and privilege to work with a set of highly experienced colleagues across the business.
- I want to thank them all for their individual contributions. In particular, to Clara Furse and Xavier Rolet, CEOs, who in very different ways, have shown leadership and nurtured the Group against a difficult economic background and an unprecedented competitive environment.

### **3. Political and Regulatory Outlook**

- Turning now to our performance over the last year, let me first comment on the macro economic, political and regulatory context in which we operate and how that bears upon our business.
- The impact of the 2007/8 financial crisis continues to be felt. Earlier this year, the IMF cut overall global growth for 2015 from 3.8 per cent to 3.5 per cent<sup>1</sup>. Sources of uncertainty for the global economy remain including conditions in the Eurozone, fears of economic slowdown in China and elections in the UK, Spain and Turkey.
- However, there are grounds for optimism. The US and UK showed signs of recovery in 2014 and are predicted to be the strongest growing economies in the G7 this year.
- The regulatory response to the global crisis is moving closer to full implementation. The MiFID II legislation in Europe will promote competition, lower costs and increase capital efficiencies, particularly in clearing. This legislation will provide for greater customer choice, known as 'open access'. Uniquely amongst our global peers, LSEG already operates an open access model– for example; you can trade on SETS but choose from different clearers. MiFID II therefore offers us a great opportunity to tailor our offering in different markets and create greater potential for innovation in response to customer demand. In turn this brings us closer to the buy side, sell side and corporate issuers. EMIR also brings opportunities for the Group, and particularly LCH.Clearnet, with mandated clearing of OTC derivatives in Europe.
- As a Group, we are well positioned to benefit from these ongoing regulatory changes.
- We also continue to engage with policymakers and governments across the world about the role of the Group in economic growth.

### **4. Strategic Business Outlook**

- Moving to the strategic business outlook, it has been another good year for the Group. We further strengthened our position in our core areas of focus: capital formation, risk and balance sheet management and intellectual property.

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<sup>1</sup> IMF, World Economic Outlook, January 2015

- Firstly, the acquisition of Frank Russell Company in December last year was a rare opportunity to acquire a high-quality leading US brand. We are grateful for the support of our shareholders for this transaction.
- The combination of FTSE with Russell Indexes creates a truly global index provider. This leaves us strongly positioned to capitalise on key industry trends such as growth in passive investment strategies.
- Our post trade operations across the world have never been more relevant to the stability and success of international financial markets.
- LCH.Clearnet's position as a global multi-asset clearing provider was further reinforced this year. Through SwapClear, record volumes of interest rate swaps were processed, with \$642 trillion in notional value cleared in 2014. Yet, through innovative new services, such as compression, we have helped customers better manage their risk. This has led to the first ever reduction in the overall level of notional swaps outstanding to \$362 trillion. This is despite record volumes being cleared and demonstrates LCH's leading ability to provide greater efficiencies for clients.
- LCH.Clearnet's French and UK subsidiaries, alongside CC&G, our Italian clearing business, also received approval for reauthorisation under EMIR.
- As part of our core capital raising function, our role in providing capital to UK and international companies continues to grow. We provide companies access to the largest and deepest pool of global liquidity. In 2014, we welcomed 219 new companies to our markets in London and Italy, helping companies to raise £42 billion. This was our busiest year for IPOs since 2007.
- Of these IPOs, 80 joined our AIM market, the world's most successful growth market. This makes it the fifth best year on record for AIM. Companies raised £2.8bn, with an additional £3.3bn raised in further issues. AIM is not an index-investment market but the companies on it significantly contribute to our prosperity. In 2013, AIM-quoted companies contributed £14.7 billion to the UK economy, directly supported over 430,000 jobs and contributed £2.3 billion in tax payments to the UK Exchequer<sup>2</sup>. It is AIM's 20<sup>th</sup> Birthday in June. We look forward to celebrating this with the many companies and advisers that AIM has supported over two decades.
- The UK government's steps to rebalance the tax treatment of equity and support small and medium sized enterprises have significantly contributed to boosting the attractiveness of AIM. This has received support across all political parties. AIM stocks became available for inclusion in ISAs in 2013 and in 2014 the trading of shares on AIM became free of stamp duty. As a result of these ISA changes, £4.4bn investments transferred to AIM stocks in 2014.

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<sup>2</sup> Grant Thornton, 2015

- We will also continue to expand our pioneering ELITE programme, providing financial education, a vibrant community and key introductions for high growth businesses. The programme has already supported over 200 Italian and UK companies fast track their development and capital raising process. We are now rolling out this programme across Europe. Just this week we welcomed our latest cohort of ELITE companies.

## **5. Financial Results**

- Turning to our financial results: we delivered a strong financial performance to 31 December 2014. Adjusted income on a 12 month basis was up 26 per cent to £1.4bn. Adjusted operating profit rose 8 per cent on an organic and constant currency basis to £558 million.
- Following these results and the Group's change in accounting reference date, we are proposing a final dividend of 12.8 pence per share. This results in a total dividend of 22.5 per share for the reported 9 month period.
- The final dividend will be paid to shareholders on the register as at 8<sup>th</sup> May.
- Today we have announced our Q1 revenues for the period to 28 April 2015. We delivered a good financial performance with revenues up 86 per cent and total income up 79 per cent, to £602.5 million.
- This reflects both organic growth and the contribution from Russell since acquisition at the end of last year. Capital Markets revenues have continued to grow, up 2 per cent. FTSE and Russell Indexes have both performed well. We have seen good underlying performance in our Italian post trade business with revenues up 4 per cent at constant currency with increased clearing and settlement activity. And LCH is flat on an underlying basis.
- In terms of outlook, we have said that the Group is well placed from revenue and efficiency benefits and we remain confident that we will continue to develop and grow.

## **6. Conclusion**

- As I conclude my final AGM as Chairman, I am pleased to say the Group has again delivered a strong financial performance with organic growth in all business areas and contribution from acquisitions.
- We continue to extend our global presence and business footprint while delivering growth and returns for shareholders.
- These results show that a global capital markets infrastructure business has never been more relevant. It is in prime position to be responsive to, and capitalise on, global and industry changes.

- With a clear strategy and strong customer relationships, we remain an ambitious business and I am confident that the Group is in an excellent position to continue its growth.
- Until my successor is appointed I look forward to serving the Group's shareholders and working with my LSEG colleagues, and thereafter to watching the continued success of the Group.

Further information is available from:

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