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LONDON STOCK EXCHANGE GROUP PLC TO HOST FTSE RUSSELL WEBINAR

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An LSEG Business

CORPORATE PARTICIPANTS

- **Fiona Bassett** *London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell*
- **Chris Turner** *London Stock Exchange Group PLC - IR*
- **Bruce Kenworthy** *London Stock Exchange Group PLC - Chief Financial Officer - FTSE Russell*

CONFERENCE CALL PARTICIPANTS

- **Operator**

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to LSEG FTSE Russell webinar, hosted by Fiona Bassett, Head of FTSE Russell. (Operator Instructions)

A question-and-answer session will follow the presentation, during which Fiona will be joined by Bruce Kenworthy, Head of Finance at FTSE Russell. The Q&A session will be moderated by Chris Turner from LSEG's investor relations team. (Operator Instructions)

I would like to remind all participants that this call is being recorded. And with that, I hand over to Fiona Bassett to begin the presentation.

Fiona Bassett *London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell*

Hello, everyone. I'm delighted to join you today. My name is Fiona Bassett. I've been CEO of FTSE Russell for a little over a year now, having joined in August last year.

Almost my entire career has been building and transforming businesses, and much of that in the index, ETF, and structured product space. Most recently, prior to joining, I was Global Head of Systematic Investment Solutions, which included the ETF and index business, in Deutsche's asset management business, DWS, where I was a client both of FTSE Russell, as well as other index providers. So when I was approached about the role, the opportunity was clear to me.

The aim of the session today is to share the story of FTSE Russell, who we are, the strategic opportunity set, and how we intend to capture it. We have an hour with you today, so we'll walk you through that for the first 45 minutes, and then I'll be joined by my CFO, Bruce Kenworthy, and we'll open this up for questions.

(Event Instructions)

So without further ado, let's kick this off. FTSE Russell is the third largest provider of benchmark and index solutions globally. We serve clients across the financial ecosystem in over 70 countries around the world, and we do that at scale.

With over $18 trillion assets benchmarked against our indices, 94 of the top 100 asset managers use our indices, and 9 out of the 10 largest global banks are our clients. That translates to strong financial performance, with value creation of roughly £900 million in annual revenue and a growth rate of approximately 11% year-to-date.

Now, importantly, this is a diversified business across products, asset classes, clients, and geographies. One of the key differentiators between us and the other top three players is our strength and depth across asset classes, including both traditional and non-traditional assets.

In equities, we are known for our Russell US franchise and our global equity index series, but we're also strong in emerging markets, with FTSE China A50 being one of our flagships, and, of course, developed market single country indices, a great example of which is FTSE 100 in our home market.

In fixed income, we are perhaps most known for our leading sovereign bond franchise, with the World Government Bond Indices, WGBI, and our very strong position in Canada. But we also have a comprehensive offering across the entire fixed income spectrum, having acquired Citi's fixed income index business in 2017 and having built that out further subsequently.

In foreign exchange and rates, we have the number one benchmark in WMR and have a broad range of interest rate benchmarks. In sustainable, we've been present in that market for over two decades and have one of the market-leading climate transition offerings through our partnership with the Transition Pathway Initiative, and we've recognised the emergence of new asset classes with early innovation in digital.

This breadth and depth of asset classes is married with deep research and thought leadership capabilities and coupled with a robust and transparent approach to policy and governance. We believe that together this allows us to offer a full service offering to our clients, and one that also uniquely and critically allows us to position for leadership in multi-asset, which we see as one of the next waves of growth.

We partner with our clients across the financial ecosystem, serving asset owners, so pension funds, sovereign wealth funds, wealth managers, but also asset managers, both active and passives, banks, hedge funds and insurance companies, in a broad range of ways to provide solutions.

We help them understand the performance of their investment strategies and explain it to their clients. We provide them with the intellectual property underlying their passive investment strategies, and we provide client reporting, valuation, and risk management.

Let me talk you through an example of this on slide 7 to bring this to life a bit for you. I'd like to share with you a recent case study with Phoenix, who for those of you who may not be familiar, are Europe's largest life and pensions consolidator. They have a commitment to net zero and decarbonisation and have been looking to cut the carbon intensity of the assets under their control by 25% by 2025, and to be entirely net zero by 2050.

We worked with Phoenix to build an appropriate solution, working with them on ideation and product construction, by bringing transparency and clarity of design and our index research capabilities to bear. And importantly, we did this in a holistic partnership approach, working across the various teams and functions within Phoenix, whether that was their investment team, their sustainable team, their climate risk specialists, their stewardship team and marketing and C-suite engagement.

And because of this, Phoenix allocated £30 billion of initial seed capital to FTSE Russell Climate Aware Indices, and we are now exploring future opportunities through co-development of additional products.

Hopefully, I have given you a flavour of the diversity and breadth of our business, and the ways in which we add value to our clients. This ultimately translates to monetisation through two broad types of revenue streams.

Approximately two-thirds of our revenue is from subscriptions, which is slightly higher than our peers, and typically this is annual or multi-year in nature, with very high retention levels. The remaining balance of our revenue is asset-based in nature. That comes from ETFs and other passive vehicles that track our indices but also include structured products.

Now these revenues also reflect market moves, although the variety of commercial models we have in place, including basis points on assets under management, caps, fixed fees, et cetera, and the diversity of asset classes dampens the sensitivity to market beta. Taken together, this actually means we have a strong base of high-quality recurring revenues, and we also benefit from the growth in passive AUM over time.

Now, importantly, both sides of the book show strong year-on-year growth. On the slide are a couple of charts I'd like to share with you. On the left, you will see our subscription growth. This is a function of new clients, new products, as well, of course, as the existing book. Now, whilst there's some variability in any given year that reflects the composition of renewals, you can see the very clear growth trend year on year.

Similarly, on the right-hand chart, you can see the strong growth in ETF assets using our indices, and that reflects the health of our asset-based business and the strong market trends which we see continuing. Now, before we pivot to talk about the strategic opportunity set, I would like to spend a few moments on what I believe is one of the other key differentiators for FTSE Russell versus our peers.

And that is the fact that we're part of the broader LSEG proposition, its offering along the whole end-to-end workflow of customers, its strength across multiple asset classes, and its philosophy of openness and customer partnership.

There are several dimensions to this. Firstly, clients increasingly want to rationalise the number of providers they work with. So being able to offer a broad, holistic offering is a huge value add. Secondly, indices do not exist in a vacuum but are part of a broader interconnected ecosystem, which includes not only the indices themselves, but the data, the analytics, various capital markets components, derivative contracts, and even the platforms through which clients consume those services, which ultimately serve to create a flywheel effect.

Now, I'll talk later about how we are operationalising this to deliver an even stronger value proposition for our clients. But let me bring this to life for you and give you a couple of examples of how this works. With Data & Analytics, our access to the breadth and depth of data is making FTSE Russell's products better. And it helps bring new products to market faster. And growing index consumption also drives further additional demand for the underlying data sets.

With Capital Markets and Post Trade, our trading venues and platforms provide best-in-class pricing data for our indices. Through our strategic partnership with Tradeweb, many of our government bond indices are now linked to tradable closing prices, reducing the execution friction for clients, and driving further volumes onto platforms.

We believe we're just scratching the surface on this and see many ways in which this can be further operationalised to deliver value going forward. One example in this context is when you consider the full breadth of LSEG and all the data sets we have access to, not just within Data & Analytics, but the broader Group. It presents a significant opportunity to bring some really interesting anonymised aggregated proprietary IP to the market downstream.

So that's a little bit on who we are, the value we create, and the growth we've delivered. But let me tell you how we're going to continue this strong performance into the future and the strategic opportunity set we see ahead.

We operate in a large and growing segment. You've seen the figures on the left-hand side before from last November's Capital Markets Day, a £4 to 5 billion market growing 8 to 10% per annum. And we have 15 to 20% of that market. Perhaps most importantly, though, there are very strong structural tailwinds driving that growth.

This year, we celebrated 40 years of FTSE and Russell, independently and collectively. In US equities, passively managed assets now exceed actively managed assets. So it may be really surprising to you, given that backdrop, that I believe we are still early in the growth of index investing. What is clear is that policymakers in both developed and developing markets are working on evolving retail from a savings to an investment culture. And ETFs and index funds are very much the vehicle of choice for this journey.

Now, couple that with digitisation, which is changing both the way in which investors are consuming financial services, but also the potential reach. I have an interesting statistic for you. 57% of Americans do not have a retirement account. Think about that for a moment. They nearly all, though, have a phone. The emergence of digital wealth platforms that are offering retirement-like product through vehicles such as ETFs and index funds offers the opportunity for much further reach into these underserved segments.

And this is before you consider the underlying asset class dynamics that are driving index adoption in fixed income, in sustainable, in digital and in the future private markets. We have a very clear strategy to drive growth and capitalise on these dynamics.

Broadly, we look at our business in three strategic pillars. The first is amplifying, where we will deliver growth in our core equity and multi-asset products from a position of strength, building on our existing capabilities, but also expanding them across new or under-penetrated geographies and clients and expanding into new product types.

The second pillar is around scaling. One-third of our revenues already comes from non-traditional equity areas. These have long runways for growth and play to the existing strengths of FTSE Russell. And I would highlight fixed income and sustainable in this regard.

And finally, the third pillar is activating. And these are areas where we generate little revenue today, but where it's important that we build the capabilities to meet future client needs. And we feel we're well-placed to play a leading role in shaping this.

Now, we operate in a fast-moving industry. And so it's really important that we ensure our business also has the right culture, systems, capabilities, and go-to-market approach to deliver success across our initiatives. So let's start with a few of the changes we're making to FTSE Russell to make it fit for the future.

We are strengthening the foundations of FTSE Russell and ensuring we have the right strategic enablers to underpin our efforts. We are investing in our operating platform to increase agility, scalability, and efficiency. An important aspect of this is adding new client capabilities.

One recent example of this in action is that FTSE Russell is now directly on Amazon Marketplace. And we now also enable our clients to allow redistribution of our data through cloud marketplaces and cloud distribution channels, subject, of course, to the terms of their agreements. You can expect to see more enhancements as we progress through 2025.

We are also driving a culture of innovation. And this is critical, given that being the first mover, or perhaps more accurately, the first to tell the story and scale effectively, is critical in successfully building market share in new areas. We are already seeing a much-improved pace of product delivery, with 2.5 times the number of products launched in 2024 versus 2022.

But of course, it's not just about the quantity of our products, but also the quality. And this has been recognised by the market. A couple of examples to share with you: FTSE Russell winning Climate Index Provider of the Year in the Sustainable Investment Awards this year, as well as Fixed Income ETF of the Year from ETF Stream for our work with Goldman Sachs Asset Management on their UK Gilts ETF.

And finally, we are partnering. And this is really at the core of our philosophy and demonstrated in the way in which we interact with our clients. I talked earlier about the Phoenix case study, which is a great example of that.

But it's also evident in the way we partner with others, where we believe, through partnership, there is opportunity to further enhance the value we bring to our clients. For example, through our partnership with EPRA and Nareit, we have a leading proposition in listed real estate. Through the Transition Pathway Initiative, we have unique climate transition solutions. And our partnership with Tradeweb has strengthened our fixed income index proposition. You can expect this to be a core tenor to how we operate going forward.

Now, before we close out, I do want to spend some time giving you some further colour on the different product lines, and bring to life for you how we're amplifying, scaling, and activating them.

First, our equity franchise. I thought I'd share some statistics with you, as the breadth and depth of our equity franchise sometimes goes under the radar. We have over 40 years of equity index leadership. Over $10.6 trillion assets track our Russell US Index Series alone.

Now, whilst we already have a very scaled franchise, I believe there is a lot more runway here to drive further growth over the medium term, expanding our footprint across underserved regions, markets, client segments and products.

US equities is typically the largest allocation sleeve in investors' strategic asset allocation portfolio in most places around the world. And yet, we have not told the story of Russell outside of the US. Think about that. We are focused on bringing Russell to EMEA and APAC and are starting to see this come to fruition with progress with European ETF issuers, as well as in Japan. But it's not just a Russell story. With our Global Equity Index Series, we believe we're well-placed to compete with MSCI in international and are focused on driving adoption further.

And of course, there is our heritage in emerging markets, where we're committed to working on a policy perspective with countries to help them develop their capital markets ecosystem, as well as through the launch of flagship indices, such as FTSE China A50, which celebrated a 20-year anniversary last year. But also with our strength in developed market single country indices. I would be remiss not to highlight our flagship home market benchmark, FTSE 100 in this regard.

But we're also focused on positioning for new market developments, particularly the increased interest in defined outcome and engineered product. And we see significant runway for growth, not just with ETF managers, but in particular as well on the sell side, where we've seen real momentum in the past few years. And we have invested in this area with additional headcount.

Now, let's turn to an asset class that is at the earliest stage of its growth trajectory, fixed income. There are multiple structural drivers fueling the growth of fixed income index investing. You have the continued expansion of debt markets, the electronification of trading, improved data, and increasing institutional adoption of index solutions. And of course, the macro rate environment is also more supportive than it has previously been.

We are a top three provider of fixed income indices globally, with a comprehensive offering across the fixed income space. Our position is further strengthened here by LSEG assets, like Tradeweb; our analytics platform, Yield Book; evaluated pricing; and our Workspace distribution. We have a disruptor mindset in this space and aim to become a key provider of choice in the longer term. If Bloomberg is a walled garden, we aspire to be the open meadow.

Now, we have specific initiatives to deliver against that opportunity, both by innovating and expanding in adjacent segments, as well as building on the end-to-end linkages provided by LSEG and the opportunities for partnership.

On the product development side, we've expanded our offering further by indexing different universes. A couple of examples from this year include US preference shares and local currency Korean bond indices. We believe investors, as they look to broaden and diversify their investment choice set, that it will be incredibly important to continue to unlock new segments and provide them with the appropriate granularity of index solutions.

Now, I'd like to spend a few minutes also on our partnership with Tradeweb, which we announced in Q4 2023, and which is a key plank of our fixed income strategy. As the electronification of fixed income continues at pace, trading volumes are increasingly gravitating to platforms. Tradeweb is the world's leading fixed income trading platform with significant volumes across sub-asset types.

The benefit of the partnership is that Tradeweb FTSE pricing is considered best-in-class as it's volume-driven, it's algorithmic, and it's governed as a benchmark. And because Tradeweb benefits from large volumes, the pricing is a better representation of the market and therefore reduces tracking error, something which our ETF providers appreciate.

So using best-in-class pricing with our indices, coupled with well-designed innovative indices and excellent tooling, for example, we have our index module tool, which essentially provides a sandbox capability for clients, strengthens the overall displacement opportunities against competitors and positions us well for the flow into this space.

What can we expect from the FTSE Russell-Tradeweb partnership in 2025? Well, as well as more of the same, more pricing sets, including credit; more adoption of pricing within FTSE flagship indices; and specific basket and index trading protocols for FTSE indices on the Tradeweb platform.

Overall, we believe that the FTSE Tradeweb partnership aligns with our objective to establish ourselves as a fixed income passive provider of choice and is already bearing fruit.

Now, our foreign exchange and rates benchmarks business often flies under the radar. So let me spend a few minutes explaining that business. We have the number one FX benchmark globally with our WMR franchise, which is embedded across the financial service ecosystem. 49 of the top 50 global banks use WMR. We are building on that strength across the broader fixed income currency and commodities benchmark space and have seen high growth in this area, which is driven by how we have successfully responded to market structure changes relating to LIBOR cessation and licensing.

A few examples of this include the development of FTSE Term SONIA, Term €STR, and the Tokyo Swap Rate amongst others. Our go-forward strategy in benchmarks is quite simply to further commercialise those offerings, as well as to continue to expand our product set.

In response to the 2014 FSB recommendations, central banks and regulators continue to reform IBORs and introduce risk-free rates, but many markets are still to develop new solutions. We continue to respond to these developments by launching new risk-free rates and term rate benchmarks where it makes sense. But we also see the opportunity to launch new benchmarks using unique data sets.

For example, LSEG both generates and partners with third parties that create unique content. We believe this provides opportunities to source unique trade and quote data from which to build differentiated benchmarks, for example, precious metal swap rates.

Another area we're focused on scaling is sustainable indices. We have a long-term commitment to this space, having been one of the very early movers back in the day with FTSE4Good. We believe that notwithstanding some short-term headwinds, the longer-term growth trajectory is clear.

I'd like to share with you some stats from our recent asset owner study on sustainable investing. And this survey gets sent to all asset owners that we do business with. 86% of asset owners with AUM of greater than $10 billion or more say they are implementing sustainable investment considerations as part of their investment strategies. And 74% of all asset owners surveyed are implementing and evaluating sustainable investment considerations in their investment strategy.

So asset owners are also increasingly implementing or considering implementing sustainability considerations through passive strategies rather than active ones, with 66% passive in 2024. So globally, the outlook remains positive, despite, of course, the ongoing macro headwinds. Ultimately, we believe that the markets and client will reward those who have been consistent in this space.

And as such, our focus is in three main buckets. Firstly, in sustainable more broadly. I'd like to highlight in this regard our FTSE Blossom Japan franchise, which we are now taking global with, of course, the FTSE Global Choice Index Series. And we have recently launched FTSE ESG Risk-Adjusted product in the UK and for the MIB.

Secondly, in climate, specifically in the need that our clients have for transition and decarbonisation solutions. We have already launched the FTSE Global Climate Index Series and FTSE TPI Climate Transition Index Series. But we're building a broader suite of global multi-asset climate transition offerings that leverage best-in-class data sets and extend that beyond equities.

One example of this is that the TPI methodology that we use benefits from forward-looking methodologies and management quality scores. This combination has not been used in the fixed income credit universe, which again underscores the importance of our ability to deliver multi-asset solutions.

A common problem with SI fixed income indices is also high turnover, which can impact tracking error and cost. And so this index is specifically designed using a glide path methodology to mitigate that turnover whilst aligning with transition goals and maintaining a diversified basket. So a great example of the value that we're bringing to the market.

And finally, in thematic, where the intention is to commercialise proprietary climate solution data for climate thematic and expand the range in new and emerging themes, such as nature and biodiversity for ETF, wealth, and sell side clients.

Now, finally, we're also building solutions for tomorrow's indexing needs. And we intend to establish leadership in both digital assets and private markets, as well as position for a future of personalisation at scale, which ultimately will be a technology play. Each of these is at very different stages of development.

In digital assets, we've been an early mover with a range of single coin and broader strategies since 2018. We've been building out the derivatives ecosystem to support those indices. You may have seen our recent announcement of Bitcoin future and options contracts with Eurex. But we also established several strategic client partnerships. For example, in the US with Grayscale, who are one of the leading US digital asset managers, where we co-developed a range of crypto sector indices to answer the question of what's next after Bitcoin and Ethereum.

And similarly with HashKey in Asia, who are one of Asia's premier digital asset management finance companies to develop a range of custom index to market. You can expect more to come in this space.

In private markets, we already have a comprehensive offering across what I call listed markets. Through our partnership with EPRA and Nareit, we are leaders in our suite of real estate and infrastructure indices. We also have a range of proxy private equity and VC indices. We're currently in planning to tackle the unlisted space.

The key challenges here are the availability of data and liquidity. Candidly, we believe the existing solutions that are in place in the market do not address the needs of investors fully. And we're working on an alternate approach. It's a little too early for me to share more, but I promise we'll be back to talk about that in due course.

So in summary, FTSE Russell is a strong, diversified, and growing franchise, and one that is very well positioned in an attractive market with strong structural tailwinds that provide multiple opportunities for growth across a range of established and emerging asset classes.

We are driving that growth in partnership with clients across the entire investment community, building solutions that address their critical needs and helping them grow so that we can grow together. And this proposition is enhanced by the natural linkages with LSEG's other businesses across Data & Analytics, Capital Markets, and Post Trade.

I hope that that has given you a flavour of FTSE Russell and the journey we're on and why we're so excited about it. And with that, I will hand to Chris Turner from our Investor Relations team to begin the Q&A.

QUESTIONS AND ANSWERS

Chris Turner *London Stock Exchange Group PLC - IR*

That's great. Thank you, Fiona. For the Q&A, we will be joined by Bruce Kenworthy, Head of Finance for FTSE Russell.

We've had a number of questions in already. (Event Instructions)

Unsurprisingly, we've had a number of questions come in on growth and price. Russell Quelch at Redburn, and Arnaud Giblat at BNP Exane, both with similar questions. So I'll merge those together and split it into two parts.

Firstly, for you, Bruce, can you give some colour on how much of FTSE Russell's growth is coming from price rather than volume? And then for you, Fiona, given the pressures that we all know about for asset managers, do you think that FTSE Russell can continue to grow as quickly as it has in recent years?

Bruce Kenworthy *London Stock Exchange Group PLC - Chief Financial Officer - FTSE Russell*

Thanks, Chris. And hello, everyone. Yeah, on price. So our approach to pricing is to reflect the service and product enhancements that we've made and also consider the environment that we're pricing into. So we have -- on our subscription business, we have an annual price increase and that's for those contracts that are rolling one-year contracts.

The price increase is applied at the point of renewal for those contracts. So it's not a January 1 price increase, which you may be familiar with from the LSEG D&A, Data & Analytics division. It's applied as they renew. So that annual price increase accounts for roughly a third of our subscription growth.

The rest of our subscription growth, just to expand on this, so you've got a whole picture, is driven primarily by our gross sales. And this would include new products, new logos, upsell, cross-sell to existing customers. And then it also includes renewals of those contracts that are two or three-year term contracts.

And with those renewals, what we often see is that customers are using our data in different ways, or the business needs are changing and evolving. So the renewal factors in volume, usage changes, and we also look to bring those contracts into line with current commercial policy.

I think the second part was for you, Fiona.

Fiona Bassett *London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell*

Yes, no, and actually it's a great question. So thank you, Chris. I think one of the reasons that I'm so positive on the outlook for FTSE Russell actually is that whilst we're obviously a scaled business with a great footprint around the world, there are many areas which I consider that we're under penetrated in actually. Both from a regional perspective, I'd probably highlight continental EMEA in that regard, or in particular client segments. I think the heritage of FTSE Russell was real strength with the asset owner and asset manager community.

And we see significant opportunity actually with banks and hedge funds and insurance. And also the opportunity to develop new products to the market, and we see scope for that actually across each of the asset classes that I outlined.

So notwithstanding that there are always segments with any business or with any client type that might from time to time have pricing pressures, I think we really see a very strong outlook for growth in terms of the underlying supportive trends for the industry, but also the whitespace that we have ahead of us.

Chris Turner *London Stock Exchange Group PLC - IR*

Great, thank you. We've also had a question from a buy side investor, so I won't mention his name, but he says in your “building for the future” section, you talked about replatforming the business. What is it? What benefits does this bring? And when do you see those benefits over time?

Fiona Bassett *London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell*

Yeah, so another great question. So we're obviously on a journey to make sure that we can continue to stay on the front foot in terms of the evolution in the market perspective. And I think technology is a core component of that.

We have been focused on making sure that that evolves in a way that allows us to accelerate the agility that we have in the market, that allows us to be able to compete in the new and emerging segments, particularly the increased complexity in indices with certain client groups, and to be able to continue to do that in a highly efficient way. So that's kind of the main focus generally.

And obviously, we want that to be something that's tangible for our clients. So in 2024, actually, we've just been out with a free float consultation in the market. So I would say watch that space in terms of an impending press release that you'll see before year-end.

And that is one example of that. And I think you will see more examples. I alluded to a little bit of the work that we've done to make FTSE kind of cloud-ready. And actually, we're on Amazon Marketplace. We are enabling redistribution of data that has been a function of the technology enhancements that we put in place through 2023 and '24. I think there's a number of elements that we're looking in terms of the distribution component and APIs around that.

So I think there are multiple different dimensions of it. And it is part of a kind of real strategic focus on continuing to ensure that we've got the scalability and efficiency and agility in the platform and the go-forward. And I think that'll be very much an ongoing story for FTSE Russell, just given the pace of technology change.

Chris Turner *London Stock Exchange Group PLC - IR*

Yeah, thank you. Shifting gears now, Bruce Hamilton at Morgan Stanley is talking about the mandate loss that we spoke about in Q3. And if I boil his question down to two points, I think Bruce, essentially your question is, why did you lose it? And could it happen again?

Fiona Bassett *London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell*

Yeah, so maybe just to give you a little bit of background to this. So this is in relation to a boutique provider that actually we've been working with for many years, actually, from when they were really, really small. We helped them grow to be quite a little bit bigger. And obviously through time, in that journey also, they develop their own business.

So I think this is a particularly unique circumstance. It certainly isn't a displacement of business to one of our competitors in that regard. And so we don't really feel that that is in any way reflective of the trajectory of the business.

Chris Turner *London Stock Exchange Group PLC - IR*

Thanks. And another one from Russell Quelch at Redburn. On the topic of custom and direct indices or benchmarks, how active are you in the space? How do you see FTSE Russell's competitive position? What are your thoughts on the longer-term growth trajectory there?

Fiona Bassett *London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell*

Yeah, so having come from both the sell side and also asset management, it's really clear for me that the opportunity for custom, and there are multiple different dimensions to that. So I should maybe characterise, obviously, a large part of our business actually in sustainable is generally custom, because that's a reflection of very kind of bespoke solutions for the way in which I look at sustainable.

But when I talk about custom in this sense, what I'm really meaning is more engineered product. And there are kind of like two big buckets for this. This first is, you can see it in the evolution of the US ETF market with the rise of defined outcome and structured payoff solutions. I think that's just a reflection of a couple of things. One is the maturity of the market.

I think also the other thing it reflects is the opportunity that ETF managers see actually with the digitisation of wealth and the ability to deliver retirement product to clients who were previously underserved. I referenced earlier the stat around 57% of Americans not having a retirement account, but they all have access to a phone. They can purchase ETFs and index funds that create the kind of similar retirement payoffs through a non-retirement channel.

And I think that's a really interesting angle of growth actually for the ETF industry. And therefore, we're very focused on making sure we can serve it. I think the other component of engineered indices is obviously more around the structured product space, both with the banks, but actually also with the insurance community and particularly in the fixed index annuity space.

I think one of the benefits that we have here is -- frankly, this depends on a couple of different things. One is the strength of the brand name and I would really highlight the strength of Russell actually in that in one of the biggest markets for custom product, which is in the US. And also the UK, obviously the UK structured product market and FTSE 100 being a key focus there.

So I think we have -- we feel we've got the brand name propositions for it and we've been investing to make sure that we can deliver into that space with the appropriate agility and to meet the product needs for clients on that.

So we've already seen very significant growth actually through 2024. I can point to wins that we've got with European banks and US insurers in that regard. We brought in membership, a member of the leadership team who has very specific structuring background and we have invested in that additional headcount. So it's an area that we are bullish on in terms of growth and we're making sure that we're doing everything that we can to capture that.

Chris Turner ***London Stock Exchange Group PLC - IR***

Yeah, thank you. I think this question sits squarely in your wheelhouse now, Bruce, which is EBITDA margins. And a question from a buy side investor is your margins are very high in absolute terms. Is that as good as it gets? Or do you see more potential for margin expansion over time?

Bruce Kenworthy ***London Stock Exchange Group PLC - Chief Financial Officer - FTSE Russell***

Thanks, Chris. Yeah, we absolutely see potential for margin expansion over time. As Fiona's covered, we're investing in the business. We're looking at the agility, speed to market, but also the scalability of our platform. So along with the natural operational leverage from our continued top-line growth, we expect to see this translate into higher margins over time. I think the way to think about that is it's not going to be a step change. Think about it as incremental improvement.

Chris Turner ***London Stock Exchange Group PLC - IR***

Great, thank you, Bruce. Another question from Arnaud Giblat at BNP Paribas. Sustainability revenues, how material are they to FTSE Russell? How fast are they growing? And then more kind of broadly, perhaps this is one for you Fiona, how confident are you in the growth outlook and the general industry trend over the longer term?

Fiona Bassett ***London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell***

Okay, great. So I think the overall target addressable market is growing 8 to 10%. I think within that, there's obviously difference in growth rates reflecting the different dynamics of what's happening with fixed income index adoption. Also what's happening with sustainable, but also the relative base point for those businesses.

So I think on the fixed income side, that's growing in the high teens. Sustainable, even higher again, actually not withstanding the kind of what we consider to be short-term headwinds in that space. We're also seeing high growth rates in our benchmark business on our custom.

So actually, the story, when you really look across asset classes, we're very happy actually with how the businesses are performing and definitely see more runway for growth on that. So overall, very positive on the direction of travel.

Chris Turner ***London Stock Exchange Group PLC - IR***

And then we've had a couple of questions actually on slightly decomposing the growth again. So in terms of -- we spoke about price versus volume at the start of the call. But in terms of that volume element, can you give us a sense of how much of that is existing customers versus new customers and how much is existing products versus new products?

Fiona Bassett ***London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell***

Yeah, Bruce, do you want to take that? Or do you want me to take it?

Bruce Kenworthy ***London Stock Exchange Group PLC - Chief Financial Officer - FTSE Russell***

Yeah, so I mean, I think, we've had some definite successes with things like the TMA on our new products. And so we've got a decent amount of new product coming through. And then we continue to see good cross-sell and upsell into our existing customers as well. Anything you'd want to expand on that, Fiona?

Fiona Bassett ***London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell***

Yeah, I mean, just it goes to the runway that we see in the business, to be honest. And I think, we've got a very big focus actually on new product innovation. I alluded to earlier the statistic, we've launched two and a half times the number of products in '24 as we did in 2022. Candidly, I'd expect that to ramp up against the 2022 baseline again in 2025.

And so we're being very focused at a strategic perspective at having identified where we see areas of growth and having really clear product roadmaps. And obviously, some of that is leveraging assets that in some way we consider under monetised or under leveraged. But obviously that's also a key part of that is the new product that we bring to market. And I think interestingly, we're seeing that both in the development of new index families, but also in terms of new data packages.

Chris Turner ***London Stock Exchange Group PLC - IR***

Thank you. The next question is quite a specific one about the trends and the competitive dynamics in the European equity index space. The question itself asks about stocks specifically, but I'll broaden it out more generally to Europe. Is there any difference in the trends we see in Europe in the equity index space compared to the US?

Fiona Bassett ***London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell***

That's a great question. So I actually think there's -- so I think many of the headline trends are the same. I think that the European ETF market is at a different stage of the development than the US ETF market. That just actually reflects when ETFs came to the European market. I think there's also very big differences from a distribution perspective and how those markets decompose between institutional and retail and what's happening in kind of wealth.

So I'll give you an example for that. In the US, the market's pretty split actually between retail and institutional. We're seeing the rise of model portfolios actually driving 50% of ETF growth. Model portfolios is yet to be a material topic in a European perspective. You're seeing kind of the digital wealth platforms are kind of actually similar in, I would say in the US and in EMEA, particularly in the context of UK and Germany.

So I think like we see a very significant opportunity for us maybe in Europe, which I think is what your question is getting at. And I think the reason for that obviously is we've been really strong in our home market. We're also strong in pockets of continental EMEA. I'd highlight Italy as one standout. But we're also frankly under penetrated in much of Europe. So we are making investments in that in order to kind of operationalise the opportunity set. And I think we're well positioned for the dynamics, both globally and in the relevant regional markets.

Chris Turner ***London Stock Exchange Group PLC - IR***

Brilliant, thank you. Moving up to, I guess, FTSE in the context of the Group as a whole. Can you talk a little bit about the potential for cross-sell between yourselves and the Data & Analytics business and the long-term potential for greater linkages between those two parts of the business?

Fiona Bassett ***London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell***

Yeah, no, absolutely. And I think, clearly, as I mentioned earlier, I think that clients are looking to go deeper with fewer. I can say this actually having been a client in the way that we looked at our providers and how we interface.

And I think in that regard that LSEG as a whole is positioned really strongly for that. Obviously, we've been making sure from a FTSE Russell perspective that we have a clear strategy of growth for FTSE but also making sure that we're leveraging the relevant linkages of that, and cross-sell is a component of that.

I think though it is only one component. And the reason that I say that is I'm particularly excited about the opportunity to operationalise the broader ecosystem, which is what I talked in the context of Data & Analytics, the thought leadership, the industries themselves, Workspace.

And so I think fixed income is the area I would call out in particular where we're furthest along in that journey for operationalisation. And I think in the context of where we are in the overall journey, we're still early. So I think you'll see a very strong focus on that because when I look at what's the structural competitive advantage for FTSE Russell versus some of its peers, I think it being part of LSEG is a really unique part of the value proposition.

Chris Turner *London Stock Exchange Group PLC - IR*

Great, thank you. We've got just about time for one last question, I think, which is on our multi-asset business. Can you talk a little bit about the size of that number one, number two, the drivers of the growth? And then once again, what's your view on the long-term potential for growth in that part of the business?

Fiona Bassett *London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell*

Yeah, no, absolutely. So it's something that we have started to operationalise. We have seen wins in Europe with one of the leading ETF managers, actually in terms of the delivery of lifecycle products to the market. We've also seen that with one of the leading players in the US in terms of delivering a target date and defined outcome products.

So I think it's definitely an area where we see future growth. I think it's a reflection a little bit of what I talked about, the kind of maturing of the industry and also what's happening in digitisation of wealth and what that means in the context of ETF product development, candidly.

And I think that that is something that we are very focused on. I think the strength and depth we've got across those asset classes is unparalleled relative to our competition in terms of being able to be on the front foot on it. It is relatively early in that overall journey, but definitely something that we think will be a core focus.

Chris Turner *London Stock Exchange Group PLC - IR*

That's excellent. Look, thank you very much. I think all that remains is for me to thank both yourself and Bruce for taking the time to share your insights and also to thank everyone who took the time to dial in and to learn more about our FTSE Russell business, the high-quality growth it's delivering, and what we believe is the long runway for growth ahead of it. And with that, I shall draw things to a close. Goodbye.

Fiona Bassett *London Stock Exchange Group PLC - Chief Executive Officer - FTSE Russell*

Thank you very much.

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