



## LSEG's Q3 2024 Trading Update | LSEG | October 24, 2024

Operator:

Good morning and welcome to the Investor and Analyst call for LSEG's third quarter 2024 trading update. At this time, all participants are in listen-only mode. Later we will conduct a question and answer session through the phone lines and instructions will follow at that time. I would like to remind all participants that this call is being recorded. I will now hand over to Peregrine Riviere, Group Head of Investor Relations to open the presentation. Please go ahead.

Peregrine Riviere:

Thank you. Good morning everyone, and welcome to LSEG's third quarter update. I'm here with David and MAP. MAP will make some brief opening remarks on our Q3 performance, and then we'll open up to questions on the conference call line. So let me hand over to him right now.

Michel-Alain Proch:

Thanks Peregrine, and good morning everyone. I'm happy to report that Q3 has continued the trends of H1, with strong organic growth across the Group. Total income grew 9.5% on a constant currency basis. This includes 80 basis points of M&A benefit, mainly from the ICD acquisition within Tradeweb that closed at the start of August. Organic growth was 8.7% and I will actually refer to this metric through the rest of my comments. So growth has accelerated in Q3 from Q2, and H1. The acceleration has come from Post Trade, D&A and our FX and Equities businesses. Tradeweb has sustained its particularly strong trend from H1. Overall, our performance reflects the strengths of our proposition for our customers and continued good execution.

Turning first to Data & Analytics, organic growth was 4.6%. This represents a slight improvement in growth from H1 of 30 basis points, all three business lines accelerated from Q2. Our overall sales and retention performance continued to be solid. Workflows revenue was up 3.2%, with particular strengths in FX, commodities and banking users. We continue to enhance the Workspace platform and have now integrated news from Dow Jones Publications after the partnership we announced in July. We have made further progress on the migration from Eikon and we are on track to sunset Eikon in the first half of next year.

In Data & Feeds growth continue to be strong at 6.1%, driven by solid retention and a good pipeline of innovation. We recently launched one of our leading PRS products, DataScope on Snowflake, making the full streaming dataset available outside North America for the first time and significantly enhancing its flexibility for customers.

And in Analytics we achieved 5.2% growth with initial demand for our analytics API being very encouraging. We have seen adoption from both existing and new customers, with a good mix of uptake from broker dealers, asset managers, hedge funds and regional banks. Our partnership with Microsoft continues to progress in line with the timetable we set out at our CMD last year. We expect Microsoft Meeting Prep, which uses LSEG Workspace data to enter general availability by year-end. Single sign-on and interoperability between Teams and Workspace will also be available by year-end, and Data-as-a-Service entered external pilot in the quarter. Turning now to FTSE Russell, our index and benchmark business. FTSE Russell continued its strong subscription momentum, up 13.1% and consistent with the growth reported in Q2. This reflects ongoing demand for flagship

equity indices and benchmarks. Growth in asset-based revenue slowed, reflecting mix effects and the termination of an ETF contract at the end of H1.

Risk Intelligence continued to grow double digits at 10.4%. World-Check, our leading screening platform remains the main driver. Divisional growth is a little diluted by the Due Diligence business, which continues to face headwinds. Let me turn now to ASV growth, which encompasses all of the subscription business of the three divisions I just covered. ASV growth stood at 6.0% at the end of Q3. This is fully in line with our guidance that we would be around 6% through the balance of 2024. The slight decline from the 6.4% growth reported at the end of June reflects a small incremental impact from Credit Suisse and normal quarter to quarter variation that we've talked about before. And as previously mentioned, we expect to remain at around the 6% level at the end of this year.

Moving on to Capital Markets, growth was 22.4%, with all three business units making a significant contribution to growth in the quarter. Tradeweb's outstanding year continued, driven by strong execution and very good market conditions. We continue to grow market share in US Investment Grade and High Yield to around 18% and 8% respectively. The ICD acquisition closed in early August, giving Tradeweb access to a fourth client channel, Corporate Treasury.

Growth in our Equities business accelerated, up 8.5%, driven mainly by Secondary Markets. We saw higher market activity and drove around two percentage points of share gains year-on-year in September. July saw the launch of the new Main Market ensuring the continued competitiveness of the UK market. FX also had a good quarter, growing 12.8%. With FXall, and Matching, both growing well in a strong market. This reflected good growth in relationship trading and swaps in the dealer-to-client business, stronger volumes in Matching and some price increases in data.

Post Trade had a very strong quarter considering the headwinds faced from the Euronext exit, which step up with the exit of commodities derivatives in July and financial derivatives in September. Total income was up 4.8%. OTC Derivatives was a standout performer, growing 18.4%. This reflects very high volume growth in the swaps market and the power of our business model. Furthermore, in September we supported the launch of FMX with the clearing of SOFR futures in the US market.

Securities & Reporting was down 11.1%, as Euronext exited in full during September. As expected, this also affected the net treasury income line, which was down 5.5%. However, collateral levels began to rise again during the quarter and we maintained a good level of yield on collateral balances. And just a reminder that the Euronext impact will be felt more strongly in Q4 with a continued drag of around 30 million in 2025 weighted to H1.

And finally a word on capital allocation and our balance sheet. We have recently reached agreement with a number of LCH minority shareholders to buy them out. We are purchasing a further 8.3% of LCH Group for a consideration of €433 million, on the same terms as the transaction in Q1 of this year. This will take our ownership to 94.2%. We expect to complete the transaction shortly and it will be obviously slightly accretive to 2025 EPS.

We have also been active in the debt market. In September, we successfully raised about £575 million across two debt instruments, a €600 million bond at 2.75% and a \$100 million private placement at 4%, both with three-year maturities. We will update you on our 2025 capital allocation plans at the full year results next February.

So just to wrap up, it has been a particularly strong quarter, with healthy growth in our subscription business and very strong performance in our high-quality volume-based businesses. We continue to innovate and bring new products to our customers with the first Microsoft partnership applications entering general availability soon, and we will still see significant scope to enhance our services and improve efficiency in the coming years. So now we are happy to take your questions. Peregrine.

Peregrine Riviere:

Thank you, MAP. Operator, please would you open the lines to questions?

Operator:

Thank you. And if you would like to ask a question, please signal by pressing \*1 on your telephone keypad to raise your hand and join the queue. Please ensure your device is unmuted when called upon to ask your question. Again, that is \*1 to ask a question and we will take our first question from the line of Arnaud Giblat from BNP Paribas Exane. Please go ahead.

Arnaud Giblat:

Yeah, good morning. Just if I could start with SwapClear. It looks like the revenues went up broadly in line with volumes there, showing a bit less pricing compression than what we're used to seeing. I know you don't give the full disclosure, but normally there's a bit more pricing elasticity. I'm just wondering if you could unpack that division a bit more for us to understand a bit more the dynamics around volume growth and revenue upside. And the second question I want to ask you-

David Schwimmer:

Sorry, Arnaud, a quick question.

Arnaud Giblat:

Yeah.

David Schwimmer:

We didn't catch the beginning. Was that specifically, did you say on SwapClear or was that something else?

Arnaud Giblat:

Yeah. Yeah. So really strong revenue growth on SwapClear, which is linked to revenues. Historically, we've seen volume upside lead to some revenue upside, but not the beta that we've seen this time around. So it seems as though you're capturing a bit more pricing. I'm just wondering if there's something going on there and if this is sustainable.

My second question is on LCH, really attractive price there. I'm just wondering with 6% minorities left, is there a mechanism or process in place to buy the remaining?

My third question is on Workspace. I mean, I think normally you have pricing discussions in the summer with agreements in place for pricing in 2025. Is there any color you can give us on how those went and what sort of pricing we should be expecting coming through in 2025? Thank you.

David Schwimmer:

Sure. Morning Arnaud. So first on your question around SwapClear and volume growth and the results there, it's really about mix. And when there is shorter dated product with lower risk, we have less revenue on that and longer dated with more risk, we have more revenue on that. So that's really what's driving that. On the 6% or so minority that's left, so the way this has played out, and this is probably the third or fourth buy-in that we have done over the last several years, the way these typically come up is that one of our shareholders that's looking at the capital allocation on their balance sheet asks us if we are interested in buying out their stake. We then survey our broader shareholder group or members to see if others are interested and that's how we get to each of these. And as I said, we've done this now over the years, at least three or four times. So with respect to the 6% minority, we're not pressuring anyone to sell. If someone comes knocking and looking for us to take it off their hands in the future, we are the natural buyer.

And then on your last question around the pricing discussions. So I would expect that we see a similar yield in terms of the pricing landing next year. And when I say similar, similar to what we saw

last year, similar to what we saw the year before. Of course, inflation has come down over the past few years, so if we have a similar yield in real terms, that will be a modestly higher price rise for us going into next year.

Arnaud Giblat:

A similar yield, do you mean a similar pricing increase?

David Schwimmer:

Yes.

Arnaud Giblat:

Thank you. That's great. Thanks.

Operator:

Your next question is from the line of Ben Bathurst of RBC. Please go ahead.

Ben Bathurst:

Thanks. I've got three questions, if I may. Starting with a couple on Data & Analytics, I wonder, can you comment on Q3 Workspace net sales relative to Q2? I think at the time you said net sales were the strongest in that quarter for many years. Would you say they were a similar level in Q3 or perhaps, did they increase further?

And then could you update on which markets where you are seeing the Workspace product gain the most traction? Is there a particular user group or geography where the proposition is resonating best currently? And then thirdly, just on market growth. You gave illustrative growth CAGRs for your markets at the CMD in November last year. I just wondered, are you still comfortable with those market growth assumptions out to 2025? Or might you be minded to move those around at all now for the benefit of the extra year's information that you now have? Thank you.

David Schwimmer:

Thanks, Ben. So on the first question on Workspace, another strong performance from Workspace, and I can't really say there's a meaningful difference of Q3 over Q2. I recall the comment you're making about our Q2 results and Q3 has continued that strong performance. So we frankly, haven't tracked if it's the strongest ever, but it continues the strong performance.

The second question, I think MAP mentioned this in his opening remarks, but we have seen in Workspace particular, strength in commodities, FX, and then banking. And we can see the benefits of the different product innovations that we are bringing, whether that is some of the TORA functionality being integrated there, whether that is the inclusion of the Macabacus functionality. This is a product that a lot of the bankers like to use. We've improved some of the FX communication tools.

So we're really seeing the continued improvement in the receptivity to the product. And those three areas, I would say, are the strongest. And maybe I'll turn it over to MAP for your third question.

Michel-Alain Proch:

Yeah, no, just so, Ben, for 2025, we are confident in continued growth for the Group, even with a more normalised contribution from Tradeweb, what is reflected in the consensus today, we are confident in it.

Ben Bathurst:

Thank you.

David Schwimmer:

Thank you, Ben.

Operator:

Your next question is from the line of Hubert Lam, Bank of America. Your line is open.

Hubert Lam:

Hi guys. Good morning. I've got three questions. Firstly, can you talk about the FTSE Russell contract loss? Can you discuss more why it happened and any impact on earnings from this going forward? That's the first question.

Second one is on Workspace. Maybe I missed it, but when should we expect an introduction of Open Directory and Teams in Workspace? Is this by the year-end or is this something that's expected to happen in the first half of next year?

And lastly, just in terms of pricing, I know you're saying that the yields won't change for this year, but when should we expect the uptake in terms of pricing, which would I guess, bridge the gap between where Workspace is today versus some of your other competitors? Should we expect a bigger pricing increase in '25? And maybe it's a bit too early to figure out, to know how much it's going to be, but should we just expect it to be higher than what you expect for '24? Thank you.

David Schwimmer:

Thanks Hubert.

Hubert Lam:

For '26 vs '25.

David Schwimmer:

Yeah, we'll answer each of those and if we haven't quite nailed what you're looking for, let us know. But I think we got it. So on the FTSE Russell contract termination, this was with a specialist provider, so this is not one of our main competitors. A specialist provider that the contract relationship was terminated and the customer has chosen to go direct to the specialist provider. So I wouldn't call it any broader sign of the competitive dynamics in the industry.

In terms of the financial impact, I think it's on an annualised basis, it's probably 15 or so.

Michel-Alain Proch:

Yeah, 15 to 20 million.

David Schwimmer:

And then that's at the top line basis and it's structured as revenue share. So smaller than that, as you work your way down.

Michel-Alain Proch:

Yeah, half of it in EBITDA, yeah.

David Schwimmer:

Yeah. And then maybe on the Workspace question, I'll turn that over to MAP.

Michel-Alain Proch:

Yeah, thank you. Yeah. So on Workspace, a couple of comments in regards to the Microsoft partnership. So as we told you last earnings call, we are going to introduce Meeting Prep in general availability to the market before Christmas.

The second thing is single sign-on and interoperability between Teams and Workspace. The same thing, same timing. So before the end of this year. And then for your question about Open Directory, Open Directory is a feature on which we are progressing well. And in line with what we told you last time, we are targeting an introduction in the second part of 2025.

David Schwimmer:

And then just your question on pricing, we will see the pricing kick in, typically, that kicks in in Q1. So we inform the customers with notifications, really in Q3. And then those pricing changes start at the beginning of next year. I believe that was your third question, but if there was something else you were asking, Hubert, let us know.

Hubert Lam:

Yeah, yeah. I guess in the beginning of next year, I think you said pricing increases similar to this year, which is I think about 3%, if you can confirm that? I guess when-

David Schwimmer:

Sorry, just a little bit more than that. About three and a half.

Hubert Lam:

3 and half percent? Okay. And I guess we should assume a bigger price increase into the year after as the Microsoft updates come through?

David Schwimmer:

So probably premature to talk about the price increase in the outer years, but we continue to invest in our product. We have a lot of confidence in the receptivity of our customers to that product. So we'll evaluate that as we go forward. And of course, when we're adding incremental value to our product, our customers value that and they also recognise that we need to get an appropriate return on our investment.

Hubert Lam:

Great. Thank you.

David Schwimmer:

Thank you.

Operator:

Your next question is from Russell Quelch at Redburn Atlantic. Your line is open.

Russell Quelch:

Good morning. A couple of questions here. The first topic is around ASV growth, please. So of the 40 basis points sequential fall in ASV growth, how much of that was CS/UBS incremental impact in the quarter? I was wondering if there were any sales made in the quarter where you did, again, some discounting which had a negative impact on growth or not, or if there's any change in the underlying sales environment? And maybe, were there any sales made in this quarter where you've made the

sale but you were unable to install the product, where we've got to wait for that impact to come in ASV growth in future quarters? That's my first question, with three parts to it.

The second question is around Tradeweb, please. So you spoke previously of greater or increased integration with Tradeweb, working together on new product opportunities. Can you maybe provide an update on where you're at with that process? Are there any new products we should be expecting, co-developed products in 2025 and maybe timing of any future rollout? Thanks.

Michel-Alain Proch:

Maybe I take the first question on ASV. So Russell, on ASV, as you remember, we've guided for the ASV growth to be around 6% through the rest of 2024. So our Q3 figure is fully in line with this guidance. As regard to the impact of Credit Suisse, it's about 10 bps. You were asking how much is it between the 6.4 and the 6. In the 4Q, there are 10 bps from Credit Suisse. But again, have in mind that ASV growth is a point-in-time metric, so it can have natural variation from quarter to quarter. And indeed, it depends on the timing of cancellations and installations. But to conclude on this, we remain confident on the circa 6% ASV for the remainder of the year.

David Schwimmer:

And Russell, on your question on Tradeweb and the partnership there, it continues to go well. We continue to have discussions across Tradeweb and the broader LSEG in terms of different areas where we are either actively collaborating today or whether there's opportunity to do more in the future.

MAP mentioned in his remarks earlier, the closing of ICD, which is a really nice add in terms of Corporate Treasury as a customer segment for Tradeweb and one or two areas there that we are looking at relates to giving the Corporate Treasurer customer base there more access to, for example, our Risk Intelligence products or our FX execution products. But there are a number of other areas that we are also talking about as well. It probably doesn't make sense for me to get into anything specifically today, but we are really pleased with how that collaboration is going.

Russell Quelch:

Thanks. And MAP, just to clarify, so there was no incremental impact from additional discounting or no change in the underlying sales environment that impacted-

Michel-Alain Proch:

No, yeah. Sorry, I didn't answer this part of your question. So confirming there is no, none of them.

Russell Quelch:

Okay. Good stuff. Thank you.

Michel-Alain Proch:

All right.

Operator:

Your next question is from the line of Benjamin Goy of Deutsche Bank. Please go ahead.

Benjamin Goy:

Good morning. Two questions from my side, please. The first thing with ASV, essentially unchanged expectation for the final quarter of 2024. Just trying to understand whether you assume a more

pronounced impact of Credit Suisse in the quarter or more spread out over the next three quarters of the remaining impact?

And then on Workspace and the Microsoft cooperation, you can help us to understand single sign-on end of this year and Open Directory from second half to think about revenue growth and the potential it has with MS Teams integration. How do you think the phasing is then following the second half, '25, and how quickly can it go, so do you first expect churn to fall and then net sales to increase? Any thoughts on that would help. Thank you.

David Schwimmer:

MAP will take your question on ASV. I'm happy to talk about the Workspace Microsoft partnership in 2025. So go ahead, MAP.

Michel-Alain Proch:

Yeah, so there is no particular change in the way we're looking at ASV in Q4 2024 as far as Credit Suisse is concerned. Maybe you remember Benjamin that if I go back a bit to give you the full picture, we said that it will have an impact of about 1%, a bit less than 1% of the former D&A scope. So including FTSE and RI. So 1% and this 1% we were halfway through in H1. So say about 50 bps, you have another 10 bps that I was just mentioning to Russell in Q3. And then the remaining will come in Q4 and in 2025. It's hard for us to predict precisely because it's clearly not in our hands, but in the hands of the client. But we know that we still have the remainder of this in the next 12 months.

David Schwimmer:

And then on your question on more detail on the phasing in 2025, we're not in a position to give you specifics on any of that. I think what we've said in the past still applies, which is that you should expect pretty modest incremental revenue in early '25 as these products start rolling out and then that should grow over time. And I think we continue to see good feedback in the pilot programmes. So we are looking forward to getting those out to general availability. MAP mentioned on Open Directory, that's a little bit of a different timeframe. Maybe let me dig in on that just so you understand what we mean by that. Whereas on some of the other products, we can make them available, generally available in a wider release, Open Directory is really in many ways about creating communities. And so if you give Open Directory to one customer and others don't have it, you don't have that kind of network effect. So that will be rolling out more community by community and thus on a slightly different timeframe instead of the sort of year-end general availability. So I hope that helps.

Benjamin Goy:

Fair enough. Thank you.

Operator:

And your next question comes from the line of Julian Dobrovolschi from ABN AMRO, your line is open.

Julian Dobrovolschi:

Hi, good morning, gentlemen. And thanks for taking my questions. I have two, just to start with the first quick one on the Microsoft as well. Before going probably in too much of detail, can you just probably highlight two of the commercial successes you already had on the couple of pilots that you're probably already doing with some of your customers? And then the second one is on the Data-as-a-Service initiative. So this is your initiative to penetrate the unvented Data & Analytics



market. So it seems that you've already made quite some steps into this direction in Q3. So running a bit of a pilot, with the first few customers and potentially we can expect more as of Q4 going forward. Now can you please talk a bit about your opportunity set in Data-as-a-Service broadly and what sort of economics we expect to generate from this initiative in the short term?

David Schwimmer:

Thanks, Julian. So on the pilots, you asked for commercial successes around the pilots. Probably a better way to answer your question is: "what's the feedback that we're getting on the pilots?" These are pilots with existing customers who already use a lot of our products. So we are getting really granular feedback from them on the different products. And just to give you an example or two of what kind of feedback we're talking about here, some of it relates to asking for more data. So for example, in Meeting Prep, the default option gives you seven days of news when you are using the Meeting Prep functionality. And some of the feedback we've gotten, people want to have either a longer timeframe going back to get news into their Meeting Prep memos and then others want to just be able to toggle that time period, whether they want to go shorter or longer.

There's also feedback around customisation. And again, this gives you a real sense of some of the granularity that our customers are giving us, but it also gives you a sense of how deeply embedded we are in their workflows. So for example, some customer feedback was people wanted to be able to toggle between the mean and the median in some of the data. So it's that kind of stuff. Maybe one point I'll say on commercial successes is that while our customers are seeing this and seeing the pilots that we're sharing with them, they're really excited about it. And we have had some, there's one in particular, I'll give you an example, that was going to launch an RFP for a competitive process and then they saw what we were rolling out with our product and they decided not to do the RFP. So really good signs there.

On your second question about DaaS and the initiative there. Again, just to be clear, early days for us. So we are in the pilot mode right now with one dataset and that's our ESG dataset and we will be rolling out more over time, but again to your question around commercial results from that at this point, too early and we expect to start seeing that in 2025 and beyond. So again, I hope I got to your question, but if there's anything I missed there, let us know.

Julian Dobrovolschi:

No, no that was great. Just maybe a follow-up on the Microsoft stuff. So given the feedback that we've got from the client, I was just wondering, did you already also discuss with them, let's say, the pricing of potential product or you're still more or less in the discovery phase on this end?

David Schwimmer:

So it really depends. And given the broad range of products that we are rolling out and given the really broad range of functionality that we are improving, in some cases it will be included in existing product and we will realise the economics there through the higher price year-over-year. In other areas where we're creating new product, then we will have separate pricing and a separate set of price realisation or product sales on those new areas. So it's going to depend.

Julian Dobrovolschi:

Great, many thanks.

David Schwimmer:

Thank you.

Operator:

Your next question is from the line of Ian White of Autonomous Research. Please go ahead.

Ian White:

Hi there, thanks for taking my questions. Just a couple of follow-ups from me please. Firstly, just on the ETF contract cancellation, I think I'm right that this looks like quite a rare example of a large US product manufacturer opting to switch to a smaller niche index provider and seemingly being content to lose the Russell brand from its products. Now I think historically that's been very unusual for FTSE Russell specifically and the index industry more broadly, the brand power is generally quite strong versus the smaller competitors. So I guess just in that context, why shouldn't we read into this that there might be some weakening of that competitive advantage that FTSE Russell has had? Can you just provide any more detail around the decision that the client has made there that helps us to understand why we should be relatively sanguine about that and viewing it as a one-off? That's question one, please.

And then secondly, just on the Workspace migration, can you just clarify, are you seeing the same appetite to migrate from Eikon to Workspace and indeed the positive feedback that you've noted to us previously across the whole user base? I'm particularly interested, are front office or full service Eikon customers migrating as quickly as the middle and back office users please in terms of how that's progressed so far? Thanks.

David Schwimmer:

Thanks, Ian. So on the ETF termination, this is really, I'll say, a one-off. And we don't view it as any kind of deterioration in the FTSE or Russell brands. If anything, you can see from the very strong subscription revenue growth, these businesses are doing extremely well. So not really, I wouldn't read much more into it than that in terms of a niche provider basically going to a direct relationship with the customer here. On the Workspace migration, it continues to go well. Continues to go very well, very much on track. We've seen a strong positive reception to the new product and we're not seeing any difference in terms of that receptivity in terms of front office or middle or back office. So we look forward to getting through most of the migration by the end of this year. And then as we've said, we look forward to sunsetting in the first half of next year.

Ian White:

Okay, thanks very much.

David Schwimmer:

Thank you.

Operator:

Your next question is from the line of Johannes Thormann of HSBC. Your line is open.

Johannes Thormann:

Good morning, everybody. Some questions from my side as well, please. First of all, on the Post Trade participations, you're moving in different directions for LCH and Euroclear. Could you comment on the strategic rationale for selling the stake in Euroclear, which has been announced or has been in the press? And probably also in this respect, just on participations or major stakes, any plans to increase your stake in Tradeweb? Secondly, on the Workspace migration coming back, can you share how many customers and percentage terms relatively, rough numbers at least, that have been migrated so far? And it seems that the migration is taking a bit longer because earlier you said you will sunset in "early" 2025. Now we talk about H1 and are there some delays? And last but not

least, just on the cost of sales, they reflect the FTSE Russell impact also in another way, is this current level now a good run rate for the next quarters or should we rather look at the previous quarter level? Thank you.

David Schwimmer:

Thanks, Johannes. I'll take your first two and MAP will take the third. So on Post Trade, no comment on any particular speculation about Euroclear, but a very clear distinction I can make is that in Euroclear we have this sub-five percent ownership stake in that business. No kind of control, no strategic position, et cetera. Whereas with LCH, of course, majority owner and running that business and very excited about how LCH continues to perform. Also, nothing to add on Tradeweb. We're very pleased with Tradeweb. We have majority in terms of our equity position, we have a super majority in terms of our voting position. We think the team there is doing a great job. And so no need to change the status quo there with Tradeweb. On your question on Workspace, I don't think we've put any percentages out there throughout this migration and so I'm not going to give you any specific percentages at this point. We have said that we expect to be done with most by the end of this year. There are some customers going into next year and a couple have asked for a little more time, but there's been no change. I think when we said early '25, first half '25, I don't think we're making any magical distinction there. So please don't read too much into that. And the migration continues to go very well. So I'll turn it over to MAP for the third question on FTSE.

Michel-Alain Proch:

Yeah, and I think it was on cost of sales, yeah. So cost of sales, as you may have seen, Johannes, has been relatively stable. When you look at the first two quarters and the three quarters including Q3, it's varied between 280 and 290 million a quarter. I think it's a good proxy for Q4 to tell you the truth. I can't be precise at 1 million, but because it's a mix between, as you know, we have in the cost of sales, the cost of our Thomson Reuters agreement, which is fixed. So that's a fixed amount so we can grow and that remains fixed. At the same time we have the profit share of SwapClear. So it depends the up and down and the volume that we are closing on SwapClear. But all in all, yeah, to answer your question, I think it's a good proxy, 280, 290.

Johannes Thormann:

Okay, thank you.

David Schwimmer:

Thank you.

Operator:

Your next question is from the line of Michael Werner from UBS. Please go ahead.

Michael Werner:

Thanks very much guys. Two questions from me please. First, we've seen really strong revenue growth from the overall Group business this year, and it's been accelerating throughout the quarters, and I think in the first nine months it's around 7.7%.

Previously you have guided to accelerating revenue growth in 2025 versus 2024. So I just want to confirm that that's still the case given the nearly 8% growth that we have seen to date. And then second, maybe just diving a little bit closer into FTSE Russell on the subscription side, again, a very good quarter in terms of growth at 13% on a constant currency basis.

Can you just give us a little bit of colour? What's driving some of that growth? Is it fixed income? Is it certain regions, certain types of customers? Maybe the collaboration with Tradeweb? Any colour there would be really helpful. Thank you.

David Schwimmer:

So thanks Michael. MAP will answer your first question. I'll take the second one.

Michel-Alain Proch:

Yeah. So maybe to give some colour about the trajectory Q3, Q4, 2025. So Q3 has been, as you see, a particularly strong quarter, and given the continued exceptional Tradeweb growth consensus for 2024 organic growth is now just a little above 7% from, if I remember well, 6.5 at the beginning of the year or something like this.

So looking into Q4, obviously we will let Billy and Sara comment next week on their expectations for Tradeweb. And looking at 2025, as I was mentioning, we are confident of continued growth for the Group, even with a more normalised contribution from Tradeweb. And I think it's reflected in the consensus today.

So long and short, what we see even after Tradeweb exceptional growth this year, we expect a similar level of growth for the Group in 2025.

David Schwimmer:

And Michael, on your question on what's driving the strong subscription growth in FTSE, as you mentioned, 13% or so, it's really the increasing usage that we're seeing, the increasing attractiveness of our flagship equity index and benchmark products. So a lot of the brand products there, our global equity index series doing very, very well.

And then we've also seen strong demand for our multi-asset class offering across the board. So I wouldn't pick out one particular product, but it's a bunch of the strong products that we have in our franchise.

Michael Werner:

Thanks for the colour. Appreciate it.

David Schwimmer:

You got it.

Operator:

Your next question is from the line of Bruce Hamilton of Morgan Stanley. Please go ahead.

Bruce Hamilton:

Hi, morning. Thanks for taking my questions. Just digging a bit further on Microsoft. Obviously you've given quite a lot of colour on the sort of rollout in terms of enhancements to Workspace effectively. But taking a step back, when you've looked at the growth path, has Data-as-a-Service always struck you as the bigger incremental revenue opportunity? And is that something in terms of feedback with clients that would be the case? Or is it sort of similar when we compare that to the initial product rollout?

And then linked to that, in terms of the migration of datasets to the cloud, obviously that's started, but what's the timeframe for getting that done?

And then final question, just given the dynamism in product evolution, any emerging use cases that you can mention that you are perhaps excited about but haven't said too much about thus far with Microsoft? Thank you.

David Schwimmer:

Thanks Bruce. So on your first question on Data-as-a-Service and the relative opportunity, we haven't broken that down specifically in terms of where we see the most opportunity. I would say if you look at the businesses today, we have a big business in Workflows. We've got a big business in Data & Feeds. And we see significant opportunity as we develop these new products in each of those areas.

We also see really interesting opportunity in the Analytics work stream as well. And Analytics, as you know, is a much smaller part of our Data & Analytics overall business today. But that's another area where we see really interesting opportunity. So I can't give you a breakdown of x percent, y percent, z percent where we expect a lot of the upside. But you will see as we go into '25 and beyond, you'll see how we're driving the incremental growth in each of these areas.

On the migration of the datasets, I believe at our half year results, we put a rough timeline and a rough list of the datasets or a broad high-level list of the datasets that we are continuing to migrate. So no real change in that. And then use cases. Look, we continue to engage with our partners at Microsoft and continue to have lots of interesting ideas and working sessions, no big announcements today, but I would say there is no shortage either of ideas or ambition or opportunity. So maybe I'll leave it at that.

Bruce Hamilton:

Perfect, thank you.

David Schwimmer:

Thank you.

Operator:

And your next question is from the line of Oliver Carruthers from Goldman Sachs. Your line is open.

Oliver Carruthers:

Hi there. Oliver Carruthers from Goldman Sachs. Just one question from me on Meeting Prep. I guess this is just one product or add-on, but it's obviously an interesting and tangible AI use case for financial services, and it seems like the debate on AI has become a little bit more nuanced in the last six months or so. So it would be great, David, to hear your perspective on how your customers are thinking about these kind of AI-enabled cases for their workflows in terms of driving efficiency, particularly as you work through the pilot phases here and near commercialisation with this one product. Thank you.

David Schwimmer:

Thanks, Oliver. So it's a really interesting topic, and one thing, I think I talked about this a little bit at the half year, but one thing that we have seen particularly as we've been going through the piloting phase is that for a number of, in particular, our big bank customers, there is a greater sense of conservatism around the usage of AI. And it has actually been a little bit slower than we had initially planned with those customers in terms of the piloting, because they would go through their internal processes, their various risk committees, new product committees. And you can understand, just to give you an example of some of the concerns that they had, if you are a banker creating a Meeting Prep memo and it's pulling confidential information out of your files, your own proprietary emails,

CRM system or other documents, then I think it's very legitimate for the bank to then have a concern about how controlled is that memo and the confidential information in that memo. Does that banker then distribute that memo around to a working group including people outside the bank, things like that.

And so I think we've seen our customers in that area focused on making sure that they have the right controls in place to manage that kind of risk.

As we've been going through the piloting, we've actually seen, I'll say, sort of more receptivity on an accelerated basis by some different kinds of customers. Some of them are smaller, some of them have different kinds of risk management approach, can be a little bit more nimble in terms of how they think about these things. And we've responded to that in terms of sharing the pilot product with some of those smaller customers.

Maybe the last thing I'll say just relates to the auditability of the data. And so everyone's familiar with the notion of hallucinations etc. The way we are building our product is to enable our customers to effectively double click or click on a footnote to find out where a certain element of information is coming from. So if you have a question about something, if you're worried, is this a hallucination, let me check what the source of that information actually is.

And that is a feature or a functionality that we have, for example, in Meeting Prep where you can click through to see where the actual data is coming from in the memo. So hopefully that gives you a little bit of a sense of how we are navigating that and working with our customers to make sure they, one, they have access to the information they need, and two, they're in a position to manage the risks, the legitimate risks that are associated with AI appropriately.

Oliver Carruthers:

That's very clear. Thanks David. So it sounds like the appetite to collaborate and participate in this is there, but the complexity and delivery is I guess a very important topic as you navigate this, which obviously has kind of barriers to entry implications as well.

David Schwimmer:

Yeah, I think that's exactly right.

Operator:

There are no further questions on the conference line. I'll now hand the presentation back to David Schwimmer, CEO of LSEG for closing remarks.

David Schwimmer:

Well, great. Thank you all for your interest, for your questions, and if anyone has any further follow-ups, please get in touch with Peregrine and the team and we look forward to talking to you again soon.