S&P Global
Market Intelligence

London Stock Exchange Group plc
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FY 2017 Earnings Call Transcripts

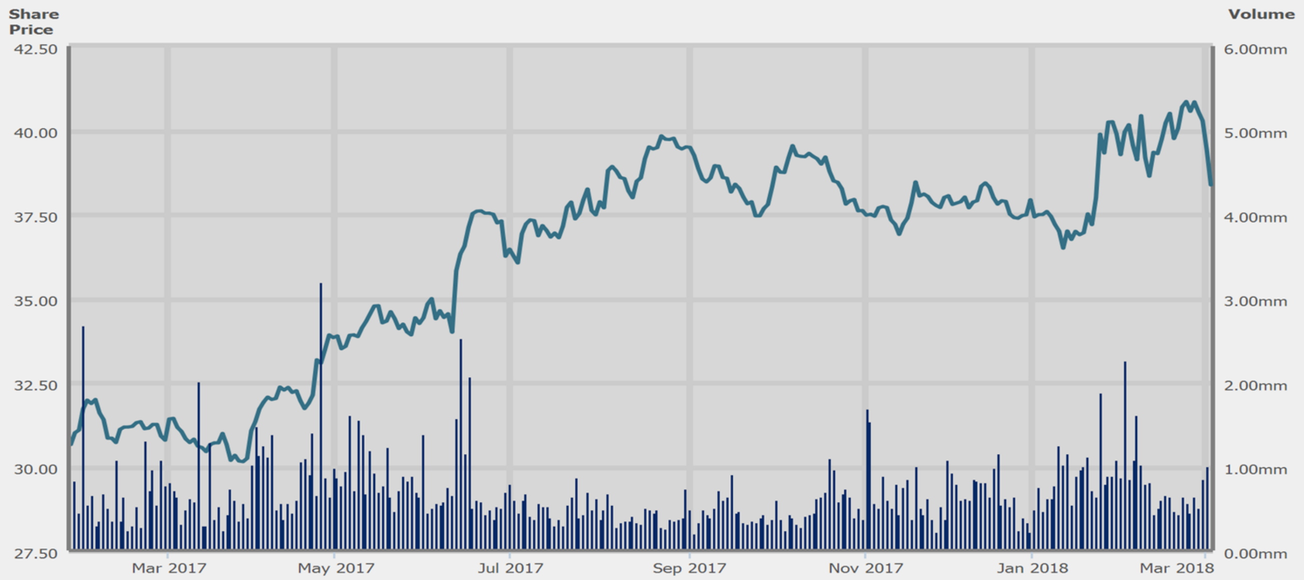
Friday, March 02, 2018 9:00 AM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2017-			-FY 2017-			-FY 2018-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	-	-	-	1.47	1.45	▼(1.36 %)	1.75
Revenue (mm)	457.00	522.90	▲14.42	1873.57	1955.00	▲4.35	2090.45

Currency: GBP
Consensus as of Mar-02-2018 8:48 AM GMT

Stock Price [GBP] vs. Volume [mm] with earnings surprise annotations



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FY 2017	1.47	1.45	▼1 (1.36 %)

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Call Participants

EXECUTIVES

David C. Warren
Group CFO & Executive Director

Paul Froud
Head of Investor Relations

ANALYSTS

Christopher Myles Turner
Joh. Berenberg, Gossler & Co. KG, Research Division

Gurjit Singh Kambo
JP Morgan Chase & Co, Research Division

Johannes Thormann
HSBC, Research Division

Matthew Charles Moon
Keefe, Bruyette, & Woods, Inc., Research Division

Unknown Analyst

Presentation

David C. Warren
Group CFO & Executive Director

Good morning. Thanks to all of you who braved the elements to get here. Okay. Are we adjusted okay? Yes. Good morning. Thanks, again, to all who braved the elements, and to those people on the phone. I welcome you to our presentation of our full year results.

As Paul has just outlined, we delivered another strong performance. We've seen growth across all of our core businesses, all of our core pillars, intellectual property, risk and balance sheet management and capital formation.

The group has continued to successfully execute our strategy to grow and diversify operating in an open access basis in partnership with our customers. The group is truly diversified by business activity, by geography, by currency, providing resiliency across market cycles. And we have continued to invest in new initiatives and have made selective acquisitions that develop our client offering while meeting our strict financial and strategic criteria.

The group is strategically, is operationally and is financially well positioned to capitalize on a range of opportunities ahead and to continue to drive shareholder returns.

We also remain focused on delivering the financial targets we have set for the next 2 years.

If we move now to Slide 13. MiFID II embeds and recognizes open access as a key principle in financial markets, and is one in which we have been operating under for a number of years. We firmly believe that the new rules will introduce greater competition in financial markets, promoting transparency and innovation, while helping to reduce costs and leading to better risk management.

The implementation of MiFID II, which as you all know, took place on the 3rd of January this year, was a key focus for a number of our businesses, technology and support. The transition to the new regulatory regime has in overall terms been very smooth for the group. We are well positioned. And as we stated at our investor update last year, a number of our businesses including, MTS, CurveGlobal, Turquoise, TRADEcho and UnaVista are already beginning to benefit in the new environment.

We also believe that the new best execution rules will allow our various platforms to further benefit with growth across our customer offerings.

LSEG operates in a dynamic global industry and there will continue to be new challenges and opportunities ahead. As detailed on Slide 14, the group remains well positioned regardless of any changes to macro regulatory environments including Brexit.

With more than 4,500 employees located across 18 countries worldwide, we are able to serve our global customer base delivering both innovation and growth. As a systemically important organization, we will continue to ensure the orderly functioning of our markets through our highly regulated businesses, many of which operate with licenses in multiple jurisdictions, including the U.K., the Eurozone, the U.S. and Asia.

There continues to be much debate over the future of euro clearing post Brexit. We firmly believe that enhanced regulatory supervision and regulation on a global scale will far outweigh any short-term political benefits of location-based policies, restricting the clearing of euro-denominated transactions to the Eurozone would fragment global markets, increase risk by weakening the default management process and substantially increase cost for investors.

In relation to interest rate swap clearing, we set out on Slide 15 that in 2017 more than half of all interest rate swaps cleared through SwapClear were denominated in U.S. dollars. 27% of swaps are denominated in euros and of this percentage, euro swaps originating from EU-based entities comprise only 7% of LCH's interest rate swap flows.

We, therefore, continue to advocate on behalf of all of our partners and stakeholders for the minimization of fragmentation of systems and processes, which have been designed to make the markets more efficient, more stable and safe.

As I said, the group is driven by organic and inorganic investments to drive growth and develop our client offering. On Slide 16, we have detailed recent M&A activity in our 2 largest business divisions. We have a successful track record of delivering against the stated cost and revenue synergies as demonstrated here with the acquisition -- Russell acquisition and the majority stake in LCH.

In the bottom right, you'll see that over the course of the year, we have increased our shareholding in LCH, following the sale by certain minority investors. This means that the group currently owns 65.9% of the clearing house. We also completed the acquisition of The Yield Book, which represents an opportunity to significantly enhance FTSE Russell's fixed income capability. And as a result, FTSE Russell is the most diverse of the leading global index companies in product terms and is well positioned to benefit from the strong underlying market trends, including the demand for broader, multi-asset capabilities.

The acquisition also enabled the group to expand its global distribution network and its increased our footprint in the U.S. and in Asia.

I'll talk more to the recent FTSE Russell and LCH initiatives later in the slide deck. But, however, now on Slide 17, we highlighted some of the positive results of our investment in organic growth opportunities.

In Capital Markets for example, shown on the right-hand side of the screen, Turquoise Plato Block Discovery saw a 600% rise in the total value traded over the year. In Post Trade, clearing volumes increased across the board, and RepoClear launched its new sponsored clearing initiative.

Turning to Slide 18. LCH achieved another strong performance with record volumes in 2017, driven by new business as well as additional flow from existing customers. SwapClear remains the leading OTC rates liquidity pool in the world, processing over USD 870 trillion in notional in 2017, driven by significant onboarding of new clients across Europe, across the Americas and Asia Pacific.

And over USD 11 trillion in notional was cleared through ForexClear in 2017, compared to just USD 3.2 trillion in the previous year. The introduction of new bilateral margin rules has been a catalyst for members to start clearing centrally, and we believe that there will be further opportunities for substantial growth.

These include the launch of FX Options clearing later this year. A number of members have already indicated their support to this service, which equates to roughly 50% of the G10 FX Options market. We also expect to see greater take-up of compression and client models. And following the SwapClear playbook, take up of these services is at an early stage in the FX pace, but we believe they will continue to gain traction.

On Slide 20, we highlight the good progress being made at CurveGlobal, the new interest rate derivatives platform, which has built a firm foundation since its launch. CurveGlobal is providing -- is proving to be a highly efficient differentiator, offering genuine choice and liquidity to the market. As we stated back in June, we expect more banks and market makers to join as the market share grows. The platform has achieved a 300% rise in open interest in the last 12 months and confirmed plans to launch a SONIA futures contract in the second quarter of the year.

In the context of best execution rules under MiFID II, CurveGlobal products continue to be best priced or tied the majority of the time while also offering lower transaction fees, free market data and the ability to trade fractional blocks for increased price granularity.

The expansion of LCH Spider later this year to include all short and long-term euro and sterling contracts, will also maximize the margin offsets available to our customers.

I won't spend much time on Slide 21, but you can see here that FTSE Russell has continued to perform strongly, delivering more than 30% CAGR revenue growth. FTSE Russell has a loyal and high-quality client base, driving recurring revenues and a balance between asset-backed and subscription revenues.

Around 60% of our revenue is subscription-based and we expect to continue to achieve sustainable and attractive margins over the coming periods as we work with our customers to deliver benchmark and analytics solutions.

As you'll see on Slide 22, FTSE Russell has further strengthened its position as the leading global index provider with approximately USD 15 trillion benchmarked to its indexes. It has also increased the value of ETF assets tracking our indices with over $600 billion now benchmarked.

Indexes are firmly embedded across the investment process, and FTSE Russell has the ability to provide customers with a comprehensive product range and a deep data and analytics offering. The combination of client relationships and product capabilities also drives innovation, also in partnership with our customers in areas such as environmental, social and governance and as you know, so-called ESG. For example, the world's largest pension fund, the Government Pension Investment Fund of Japan, will use the new FTSE Blossom Japan Index as a core ESG benchmark.

This highlights a growing trend among asset owners to integrate ESG considerations into their investment strategies. FTSE Russell is also well positioned in emerging markets with a strong track record of developing country-focused benchmarks.

And on Slide 23, we reconfirm our confidence in the financial targets that we set at our Investor Update last June. We've made good progress in 2017, with double-digit growth at FTSE Russell and LCH OTC. And we remain focused on delivering growth in group-adjusted EBITDA operating margin to around 55%, by 2019, while maintaining control of our underlying costs.
And so finally, now turning to Slide 24. In summary, our strategic ambition remains the same, to deliver best-in-class capabilities, and to drive global growth and develop our customer partnership approach. Our highly capable and experienced management team remains focused on the opportunities ahead to deliver the financial targets we've set for ourselves for the next 2 years, while at the same time, continuing to invest and to expand. The group is well positioned for further successful development and growth. And with that, I want to thank you, for being here, for your time today. And Paul, and I, will now be pleased to take any questions you would have.

Question and Answer

Paul Froud
Head of Investor Relations

Right, so Q&A phase. First of all, I should just apologize. I gathered during the course of that presentation and we might have lost the audio line. So we weren't aware of that at that time. I'm hoping that we got people back online now. [Operator Instructions] I'm going to start firstly by taking questions here from the floor, and then we'll change quickly to take the questions between the floor and the audio. You won't need microphones, but if you could, please give your name and your company as you give your questions as well please. So thank you. I think, Philip, you got your hand up there.

Unknown Analyst

Obviously, I believe your cost guidance, but not all my clients do. So I wonder if you could just talk through what gives you the confidence to reaffirm that and the transparency you have on those targets for 2019?

David C. Warren
Group CFO & Executive Director

Okay. Thank you, Philip. Good morning. I should start by saying that I firmly believe in our cost guidance and as do -- as does the management team. So let's make sure we start there. I think we have always said, and I hope we were clear in kind of describing this and laying it out last June, that it was going to be phased. I mean, we wanted to put the slide up this morning that we show that really did, I think, emphasize and kind of show and give more detail on the types of investments we're making, the amount in the investments we're making and where that money is being spent. It's being spent for growth, it's also being spent to increase the scale of our infrastructure and allow us to transition some of our key operations to lower cost in nearshore and offshore sense. So we're doing a lot of things at the same time, investing for growth and also, I think, investing for the infrastructure that will sustain that growth. So we continue to be in this period of heightened investment. That's why you can see the continuing buildup of depreciation expense, which we've been talking about, but we've continuing to be investing as well. But we also are confident that as we execute on these plans in 2018, we begin then to make the shift and then begin to benefit from the operating expense efficiencies that we're going to realize through the investments we're making. And also a number of the costs that we have had for some of the other regulatory programs, will also tail off and the some of the costs that we have this year, particularly around infrastructure, have been dual running. We're investing in the new infrastructure, at the same time, we're running the core operations. So I think there are a lot of components to this, Philip. But what I do want to make sure that I can make very clear to everyone today is that we are confident in our plans. We know the actions that we need to take 2000 -- in 2018 and in 2019 to deliver on the targets that we've set and reaffirmed today.

Paul Froud
Head of Investor Relations

Do we have a -- I see there.

Unknown Analyst

[indiscernible] Morgan Stanley. Just a few questions for me. Just in terms of [Technical Difficulty] if you could just maybe remind us or kind of give us a recap on how we should think about the impacts of the movements in pound on yours earnings, and to the P&L. Then lastly, just in terms of what is announced to be able to expect with LCH, and so the additional [indiscernible] if you just give us maybe some comment on the financial implications of that and how that will play out?

David C. Warren
Group CFO & Executive Director

Okay. Did we get all those.

Paul Froud
Head of Investor Relations

I think we did. Only 4 questions, right. So first one, I think was on operating expenses for '18.

David C. Warren
Group CFO & Executive Director

So well, we did try, I mean, in Paul's comment, we did try to provide some further information as to how you can think about depreciation expense for 2018. And so I think that's important because the investment is still continuing. We don't actually break out a lot of detail in terms of the variable comp. But it isn't a significant -- it is a significant part of how we compensate employees. A number of our employees -- a number of our key employees that are driving the business performance are compensated on performance-based equity plans. And so obviously, as the -- we've held this, as the valuation of the company increases, there are these automatic increases for that compensation expense. So as we continue to grow, as evaluation continues to grow, those will also continue to grow.

We haven't actually talked about when -- depreciation expense, how it will look in 2018, 2019, how it looks into the future. But I would just say, in just -- in terms of an overall sense of OpEx, depreciation expense will grow as the investments begin to subside, and the number of the initiatives that we're working on now are completed, depreciation expense given the investments we made today will obviously start to even out. At the same time, we will be able to realize, and this is in response to the answer -- this is kind of building on the answer to the question I gave Philip, operating expenses will also will be able to get benefits in the OpEx lines from the core OpEx in terms of IT functionality and core staffing. Because we will have built out a number of our business service centers and be able to shift many of our functions to the lower cost nearshore and offshore locations. So it is all part of a plan that gives us confidence in the 2019 targets. But I think -- and I'll ask Paul to comment more specifically in a moment. But in addition to the guidance -- beyond the guidance that I just gave on depreciation -- that we gave on depreciation this morning, there really isn't any more specific color we would provide other than just a general commitment we have and confidence we have in the target being achieved in 2019.

Paul Froud
Head of Investor Relations

I think that's right. I think we know where the consensus operating expenses are for 2018 prior to the results coming out today, I think GBP 940 million. I expect with the trend lines we've given you on some of the costs including depreciation we expect that to step up a bit. But also I think we've signaled to you today that the underlying tax rate is lower-than-expected. So probably those things net out when we get to the earnings level, I think that's probably the best help I can give you there. I think our next question was on...

David C. Warren
Group CFO & Executive Director

MiFID II.

Paul Froud
Head of Investor Relations

Yes, and CurveGlobal.

David C. Warren
Group CFO & Executive Director

CurveGlobal, MiFID. Look, we're seeing benefits. I mean, so we've seen a sharp increase in the use of Turquoise Block -- the Turquoise Block trading facility. That's MiFID II compliant. We've seen sharp increases and a 600% rise. We're also seeing increases in other businesses. We're seeing -- I think the pickup we're seeing in CurveGlobal has a lot to do with the fact that we're running an open access model in partnership with our customers. It is helping customers comply with best execution rules. So we are seeing pick up there. We will -- it's still early for MiFID II. But in terms of the range of different business benefits that we projected to get, we are still confident that we will see those. We're starting to see them already as I said in my prepared remarks.

Paul Froud
Head of Investor Relations

There was a question on FX sensitivities, perhaps I can point you in a couple of areas there. I mean, clearly we highlighted going through the slides the impact from FX, right on the cost and on the income line. In the back of your slide deck, so everyone whose has got the slides from this morning, we do give a split out both by income and expenses by currency so to reflect the acquisitions that we've made. That has led to an increase in our U.S. dollar exposure. U.S. dollars make up just over a quarter of our income and about just under 20% of our cost. So we gave you the full split out by currency there. We also gave you some sensitivities in that deck as well just to how to think about the percentage movements in a movement case, sterling and principal currencies, euro and dollar. I think your last question was on the LCH stake.

David C. Warren
Group CFO & Executive Director

So you did notice that we increased our holding -- our economic interest in LCH. There are -- as you know, in terms of -- we own the majority stake in the London Stock Exchange Group, but there are a number of minority shareholders who are importantly also customers and users of the clearing systems. This is a governance model that was absolutely intentional when we made the acquisition of LCH in the first place. And its one -- that is one that we fully believe in, and we know that it is the right model for LCH going forward. It is really a very -- it's just a great example of how we operate in an open access world in partnership with our customers. A number of minority shareholders when they evaluate their investments will make decisions about any number of investments that they have. And during the course of 2017, some of these shareholders -- minority shareholders made a decision that they wanted to sell all or part of their shareholdings in LCH. They still remain customers very much so. It was just really what did they want to do with their economic ownership. So as a majority holder, we are kind of -- we are a natural buyer. And so we were approached as were others as well. I mean, every shareholder -- when a minority investor, any shareholder who wants to sell, all shareholders have right of preemption. So this is available to all shareholders. So we were approached by a motivated willing seller. And we made the analysis and decided on economic terms that it would make sense for us to invest. It does not change in any way our governance rights. The governance framework still remains the same in terms of our position on the board, the position of other minority investors on the boards in various committees. And as I said, at the beginning, we continue to believe that the governance model for LCH is the right model. And the fact that we've increased our economic ownership does not really in any way signal a change in how we believe LCH should be operated.

Paul Froud
Head of Investor Relations

Can I go to the questions on the phone line. I know people have been very patient with the connections today. So can we take the first question on the audio please.

Operator

[Operator Instructions] And our question comes from the line of Gurjit Kambo of JP Morgan.

Gurjit Singh Kambo
JP Morgan Chase & Co, Research Division

An apology, if I'm asking questions because I missed obviously the first part of the presentation. So the first question is just on sort of Russell revenue and cost synergy targets. Clearly you have done better than that and you've come in ahead of time. Do you see any further synergies that could drive that number up from -- given that you've owned it for 2, 3 years? That's the first question.

Paul Froud
Head of Investor Relations

Okay, I'm sorry you missed the first part of the presentation, Gurjit.

Gurjit Singh Kambo
JP Morgan Chase & Co, Research Division

That's all right.

Paul Froud
Head of Investor Relations

It was excellent by the way.

David C. Warren
Group CFO & Executive Director

Thank you for the question. Look, I know you' know this if you've been following us, but we do have a very good track record in terms of integrating acquisitions. And with FTSE Russell, the acquisitions of Mergent and The Yield Book closed in 2017. So we had a full year on Mergent and probably 3 or 4 months with respect to The Yield Book. So there were certainly some synergies that we were able to take on those acquisitions. But the plan -- the detailed plan that we always do with any acquisition before we sign the papers and close calls for those synergies to be delivered, continuing to be delivered in 2018 and beyond. So the synergies that we announced when we announced that we put out and laid out when we announced the acquisitions, we're still confident in. We always look for opportunities to do better, but I think the important statement for now, early days into the acquisition, the integration is going well. These are 2 different opportunities. Mergent is really a data business that we're integrating. And The Yield Book is a leadership business in fixed income, indices and analytics. So 2 different businesses, but each with very strong characteristics and definitely will help to drive and enhance the product offering and the profitability of FTSE Russell. So integrating well on those. And I would say at this point in time, the synergies that we have announced, we still feel very confident in achieving.

Gurjit Singh Kambo
JP Morgan Chase & Co, Research Division

Okay, great. And then a second question.

Paul Froud
Head of Investor Relations

I'm sorry.

Gurjit Singh Kambo
JP Morgan Chase & Co, Research Division

Can I ask a second question? Just in terms of your EBITDA guidance, 55%. Is that a full year 2019 or exit rate firstly? And then, just following on from that. You give a bit of guidance on the 50% in LCH as a target. What about the other divisions? Any sort of -- how should we think about margins in those divisions?

David C. Warren
Group CFO & Executive Director

Right. Well, we disclose what we do have. We do segments of disclosures in our financial report. So margins can be calculated obviously on that disclosure and that's the extent to, which we disclose them. And when we had the June Investor Day, we only really focused on in terms of announcing a 2019 target, we only focused on -- we focused on the group EBITDA margin and we also focused on LCH. But we did not give any specifics with respect to other business segments.

I think there was a -- and the question was, was this for full year '19.

Paul Froud
Head of Investor Relations

Full year or exit.

David C. Warren
Group CFO & Executive Director

Exit. So exit rate for the EBITDA margins in both cases was I think the question you asked initially.

Paul Froud
Head of Investor Relations

Do we have another question on the phone line?

Operator

Yes sir, our next question comes from the line of Kyle Voigt from KBW.

Matthew Charles Moon
Keefe, Bruyette, & Woods, Inc., Research Division

This is actually Matt Moon on for Kyle. I apologize if I -- this might have been addressed in the first half of the call. But -- you guys noted that the CEO search is progressing. We're just curious as to how the board would view potential strategic M&A during this time of transition or if this is potentially or likely on hold until the CEO search is completed?

David C. Warren
Group CFO & Executive Director

Right. Thank you for the questions. Look, the board, there is a well-defined strategy that we have. We spent a fair amount of time with it in June, as you know, where you can meet the members of the management team. We're committed to delivering on that. And I think the results today speak for themselves. Certainly, part of that is an ongoing effort on the part of the entire management team to evaluate opportunities, to evaluate organic investments, and to evaluate inorganic opportunities. That's always ongoing. So that, I would say, is in no way shutdown, it continues to be part of our strategy. You would not expect us to comment on any specifics. But the business is operating in a fully functional committed way executing on its strategy. And in that sense, all opportunities for growth and shareholder returns are certainly being looked at.

Matthew Charles Moon
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, great. And then, if I could just get one more in there. So it sounds like and it looks like Turquoise's Plato Block Discovery has done well thus far in the year despite the delays in the double volume caps for dark trading. So just wanted to hear your comments, just how does this continuing to progress in 2018? And then, maybe just some comments regarding the pricing of this product? I think, you, in the past have said the updated yield here is about 6x greater than that of the normal LIT book, but just wanted to get your thoughts there?

David C. Warren
Group CFO & Executive Director

Let me take the first part of it. Look, it's performing well. Block Discovery was performing well in advance of January 3 of this year. So we're quite pleased with it. Yes, we will get -- as we get further clarity on volume caps that will continue to perform. But we're very confident in that business. We're very confident in the offering. And I think Block Discovery will continue to be a service that investors are going to continue to demand. So we're still very optimistic about it. And we speak with confidence to it going forward.

Paul Froud

Head of Investor Relations

Matt, your question on the yield. You're absolutely right and that's one of the reasons why we highlighted the dark trading. It does have an average yield of about 6x that of a trade on the LIT book, so again seeing the growth in that area in particular is very beneficial for us. I think we got a question from the floor. So Chris, if I could give you the microphone otherwise people won't hear you.

Christopher Myles Turner
Joh. Berenberg, Gossler & Co. KG, Research Division

It's Chris Turner from Berenberg. 3 quick questions, if I may. Firstly, can I just check I've understood the 2 disposals you did of Exactpro and Millennium ESP. Was it they were breakeven? So the disposal of those should boost your EBITDA margins a little bit, just check the logic for that. Secondly, CurveGlobal, I think -- I saw that they had a GBP 20 million round -- funding round, which has raised your ownership from 26% to 43%. Is that right, and if so how will that impact the incentivization that banks have to trade with CurveGlobal if they have less skin in the game? And then finally and bigger picture in the fourth quarter, one of your competitors bought a 10% stake in Euroclear, which is obviously a very important custodian not particularly as far as LCH. What are your thoughts on that sort of change, how you think about that in the platform management space at all.

David C. Warren
Group CFO & Executive Director

Yes. I mean, I'll take the last one first. I never comment on specific strategies or actions of our competitors. But obviously, it is certainly out there. I think the important part is that we still believe that when we look at our Post Trade business globally, broadly, we obviously have leadership position in OTC clearing. Settlements is an area -- that is an area that's rich in terms of its future, in terms of its prospects, there will be continuing demand for good global collateral management from global customers. So in terms of what we're doing about it, again it's broadly in the context of looking at all opportunities out there. So other people are taking different actions. But there are a range of different opportunities that are out there to enhance our existing businesses. And we continue to evaluate and look at all of them as you would expect us to do and as we've always done historically. So I wouldn't make any further comments on that other than the ones that I've just made. What is the first one?

Paul Froud
Head of Investor Relations

First one is on the 2 disposals.

David C. Warren
Group CFO & Executive Director

Yes. You're actually right in terms of analyzing the margin of those. So with the disposal, they would have a positive benefit on margin.

Paul Froud
Head of Investor Relations

And then the other was the funding raising that occurred, and the increase in our stake.

David C. Warren
Group CFO & Executive Director

Yes. So obviously, we got up to 43%. I think importantly that was around where all the existing shareholders supported. We do anticipate that they -- we know that there is increased interest in this platform. And we would anticipate other banks coming in, other people signing up. So I would say where we're right now is not where we would end up being. But certainly, in supporting the platform and it's important that everybody participate in a round. So our long-term intention in terms of ownership, we would never really speculate -- we never give specifics on, but I think as additional investors come in, we could anticipate selling some of that -- some of that ownership down.

Paul Froud
Head of Investor Relations

Yes. Question from Johannes.

Johannes Thormann
HSBC, Research Division

Johannes Thormann, HSBC. 3 questions, if I may. First of all, a follow-up on MiFID II. Your competitors -- or your listed competitors have raised concern about systematic internaliser regime. What's your view on this? How much do you see risk to your cash per trading business from those guys. Secondly, can you share -- I guess, you made this analysis, how much of the increase in FTSE revenues is driven by increase in market cap, driven by net inflows and driven by inorganic measures in this year? And last, but not least here, we all know that politicians don't tend to have rational economic decisions, but regulators are forced to move the Eurozone banks to move their clearing to the Eurozone probably. Could you elaborate on the status of your clearing operations at LCH SA? And there has been a comment from Futures Industry Association doubting the interest rate swap clearing capability of LCH SA, if you could comment on that as well?

Paul Froud
Head of Investor Relations

Yes, okay. So we'll take those in order.

David C. Warren
Group CFO & Executive Director

Look I think -- I think you have to move to specific ones. We have not really seen an impact on systematic internalisers to date. They'll be given some specifics on that?

Paul Froud
Head of Investor Relations

We'll put out our normal trading statistics on the databases. I think you can see that the share on the LIT trading is holding up, in both Italy, and also in London. The growth that we're seeing in Turquoise is on the block side. So I know there was a concern entering the year, on the introduction with MiFID II. So far that doesn't look that was having any impact on us. Second question I think was about the growth of FTSE Russell, how much was from the inflows? How much is from the inorganic?

David C. Warren
Group CFO & Executive Director

Yes. We just don't break it out that way. I think there is a mix of what's going on with that business all the time in terms of investments, in terms of pricing changes. I think we run that business holistically with strong customer relationships. I think the important thing for FTSE Russell is that it continues to deliver double-digit growth and that's very much our prediction going forward, and we reconfirmed and reaffirmed our confidence in that generic.

Johannes Thormann
HSBC, Research Division

If market cap levels would fall like 10% a year, you would still believe in double-digit volume growth -- revenue growth?

David C. Warren
Group CFO & Executive Director

I think -- obviously that's not happened yet, we do sensitivities. We would clearly watch it as -- if that's where we thought it was going. I think the other important part about the FTSE Russell business is the way we make money. It is a mix of volume-based pricing as well as subscription pricing. It's more on the data subscription side than it is on the license side. And we're constantly developing and innovating and selling, making new data sales every year. That's a business that's had some strong growth. And that's a business that as you know, is quite sticky because you know this data once you have it, it's hard to move with that -- it's hard to keep going without it. So that will always be a focus. And I think it is really the mix of those revenues. And I think also on the fact that on the ETS side -- so its FTSE revenues in context of all group revenues, it's the structure of those revenues in terms of being 60% subscription and 40% volume-based. And then, also I think if you then kind of keep going into that, if you look at the ETS themselves that's about 20%. So I think it's important to have all of this in context. And I think we have always felt that that's one of the strengths of the businesses, is the diversity of actually how we interact with our customers and how we sell our products.

Paul Froud
Head of Investor Relations

Third question was about the potential for still regulatory changes in terms of whether euro clearing takes place.

David C. Warren
Group CFO & Executive Director

Look, it's an ongoing discussion. You follow it, the landscape is evolving, the discussion changes every day. I think the important thing for us is that we're engaged with all stakeholders, politicians, regulators, our customers. We're not in a position to predict outcomes at this time. I think we're really about being prepared to react in whichever way it goes, at the same time our position hasn't changed. We continue to believe that and support enhanced regulation and global supervision, we continue to believe that transition rules are important to this. And we continue to support programs, policies that do not fragment markets. That's the general statement.

With respect to your specific comment on LCH SA. Again, a general -- my general answer is, LCH SA obviously is performing well. It clears a number of OTC products. You can think about LCH -- if you think about LCH SA in the context of the entire company, it is the fact that we have -- we operate businesses that have licenses and we operate of size and scale globally. So we have operations in a number of jurisdictions, including in the Eurozone. So if you want to talk about Brexit more broadly we're maintaining strong global positioning and we will be positioned to react in whichever way we need to react, but I think at this point in time, we're just involved in the debate and in the discussion as it moves forward.

Paul Froud
Head of Investor Relations

Any more questions from the floor before I go back to the phone lines again? No. Okay. So any more questions on the audio line before we conclude?

Operator

There are no further questions from the telephone. Please continue.

Paul Froud
Head of Investor Relations

Okay. Right. Well, I think we're going to draw it to a close in that case. Thank you, again, for everyone for turning up, and thank you on the phone lines for bearing with us.

David C. Warren
Group CFO & Executive Director

Thank you.

Paul Froud
Head of Investor Relations

We're around for the rest of the day, if you need to talk. Thank you.

Operator
This does conclude our conference for today. Thank you all for participating. You may all disconnect.