



LONDON STOCK EXCHANGE (LSE) ACQUIRED REFINITIV

**A US FINANCIAL INFORMATION PROVIDER
WITH \$27 BILLION**

The University of Law, London
Assessment Brief Level 7 M&A - E2V1
Module Leader: Dr. Naagush Appadu
Teaching Team: Dr. Mostafa Hussein
Researcher: Hossein Yazdi

May 2022, Berlin
GISMA Business School Campus

Please note that

The whole number of words being counted by MS Word is 2618 based on the restriction of brief assessment for M&A E2, which does not contain cover pages, content page, summary, reference, citations, text boxes, footnotes, appendices, charts, diagrams, and tables.

CONTENTS:

SUMMARY 1

INTRODUCTION: 2

SECTION 1: LSE'S STRATEGY AND POTENTIAL DISRUPTION TO THE MARKET 3

OFFER TO REFINITIV SHAREHOLDERS. 3

IT-BASED STRATEGY: 3

FINTECHS VIEWPOINT: 4

STRATEGY THROUGH FINANCIAL PLAN 4

FINANCING THE PLAN 4

THE POTENTIAL DISRUPTION TO THE MARKET 4

SECTION 2: RESISTANCE FROM REFINITIV 5

DESIRE FROM THE TARGET 5

CHANGING THE OFFER 5

REFINITIV BOUGHT NEW TECHNOLOGY 5

NEGOTIATION WITH DEUTSCHE BÖRSE 5

REFINITIV SUPERIOR PLATFORMS 5

INDEX LICENSING – VERTICAL CONCERNS 5

THE FIRST HIDDEN OBSTACLE, HUGE DEBT 6

THE SECOND HIDDEN OBSTACLE, LONG CONTRACT 6

SECTION 3: JUSTIFICATION ANALYSIS 7

LSE SIDE OF THE OFFER: 7

FINANCIALLY VIEW OF IMPORTANCE: 7

MARKETING VIEW OF IMPORTANCE: 10

COMPETITIVE ASPECTS OF THE DECISION: 11

EIKON PROBLEM 11

DISPUTE WITH REUTERS 11

REFINITIV SIDE OF THE DEAL: 11

THE CULTURAL ASPECT OF THE COMBINATION: 11

CONCLUSION: 12

BIBLIOGRAPHY 13

APPENDICES 16

APPENDIX I	REFINITIV OWNERS TIMETABLE	16
APPENDIX II	INCREASE IN LSEG'S FEES AND CHARGES	17
APPENDIX III	LSE SHARE PRICE BEFORE AND AFTER	18
APPENDIX IV	FINANCIAL RATIOS	19
APPENDIX V	DATA ANALYSIS FACTORS	22
APPENDIX VI	MAJOR COMPETITIVE RESULTS	22
APPENDIX VII	REVENUE VS OPERATING EXPENSES	23
APPENDIX VIII	THE COMPARISON BETWEEN LSE& FTSE 100 SHARE PRICE	24

TABLE OF CHARTS

CHART 1	LSE'S REVENUE MODEL & CREATION MULTI-ASSET BUSINESS	3
CHART 2	FINANCIAL STRENGTH RATIO, WORKING CAPITAL RATIO	8
CHART 3	FINANCIAL STRENGTH RATIO, CURRENT RATIO	8
CHART 4	WORKING CAPITAL AND CURRENT RATIOS' MODIFICATIONS	8
CHART 5	FINANCIAL STABILITY RATIOS, DEBT& CAPITAL GEARING RATIOS	9
CHART 6	FINANCIAL STABILITY RATIOS, CASH COVERAGE	9
CHART 7	FINANCIAL STABILITY RATIOS, MODIFICATIONS	9
(CHART 8 PROVIDED BY THE AUTHOR)	(LSEG, 2022)	10

SUMMARY

London Stock exchange, a very old and powerful firm in the stock market, to extend its territory in the data processing sector of the financial market decided to offer and finally bought Refinitiv, a giant financial data providing company from the US in 2021.

The offer comprises paying the Refinitiv debts in addition to its net value and issuing the new shares for the prior owners of the target. The target is important for LSE when it comes to developing in the current market that it had been functioning until the time, while it was vital when the competition in the financial data analyzing the market was outstandingly improved. Thereby, the IT system of the acquiree had been a significant objective as well as FinTechs, particularly the Eikon and FXall which is an imperative and central Refinitiv business nature.

While the strategy of development in the financial market is under some accusation from opposite sides such as the possibility of inflation in the fees and charges, it appears that the market did not experience an apparent disturbance from this point after the contract has been signed.

During the years before the deal, Refinitiv reviews and amends its business model to transfer some parts from expensive locations in Europe and America to Asia, with the goal of cost reduction. However, it needs and craves more monetary resources. This policy does not prepare the pattern for LSE to feel like having barriers, even though they are real obstacles, but to feel having a prepared and ready situation.

In the aftermath of the deal, the share price of LSEG has not not improved significantly. But whatever the long-term results could be, it turned the acquirer into the second giant financial data provider globally. The result for the parent company based on the position of the subsidiary is recognized to be fruitful enough too. The CEO of both seller and buyer made the deal smooth to be accomplished.

Finally, while the contract shaped an approximately effective achievement for both companies, it did not demonstrate huge or extraordinary attainment.

INTRODUCTION:

London Stock Exchange starting from 1698, Jonathan's Coffee House, with publishing a list of stocks, commodities, and currencies of gold, silver, and ducats¹, joined with Borsa Italiana in 2007, turned into the London Stock Exchange Group afterward. And then it improved by digitalizing and connecting with Shanghai-listed corporations. (London Stock Exchange, 2022) Currently, LSE has its headquarters in the UK, and operates in 70 overseas countries, with 25 thousand employees. (LSEG, 2022)

On the other side, the acquiree, Refinitiv, an American firm, with \$6.25bn in revenue, more than forty thousand customers, and 400 thousand end-users throughout the world, at the time of the event is one of the biggest financial market infrastructure and data providers globally. The acquisition by LSE wrapped up on 1 February 2021. (Refinitiv, 2021) ([See Appendix I](#))

Before the acquisition, Blackstone with 55% and Thomson Reuters with the remaining were the shareholders of Refinitiv. (Hussain, et al., 2019)

London Stock Exchange (LSE) 2019 initially announced to purchase of Refinitiv, now its subsidiary financial information company, in a \$27bn deal. This changed the British group into a huge firm in the field of data and analytics in the market. (CNBC, 2019)

Following the offer and agreement, the regulatory process had been done in 2020 and 2021. Finally, the deal finished in January 2021, after the approval of outstanding regulations, especially the one that was done by the European Union on January 13, 2021. (Armstrong, et al., 2021)

¹ Ducat: A gold coin used in many European countries in the past.

SECTION 1: LSE'S STRATEGY AND POTENTIAL DISRUPTION TO THE MARKET

OFFER TO REFINITIV SHAREHOLDERS

The strategy mainly is to pay enough amount to cover both the debt and the net value of the acquiree, having aimed the shareholders' approval in all considerations except for 5,781,285 shares that would be redeemable after about one month at any time to allow the subsidiary Shareholders to fund certain Transaction-related expenditures. (Condrón, 2019)

In the LSE announcement, in late July 2019, it stated to offer finally 37% stake to Refinitiv shareholders in LSE. However, LSE gave only 29% of the total rights for voting to its new shareholders. (Holloway, et al., 2021) This offer happened while the net value of Refinitiv was \$14.5bn out of \$27bn, as it had about \$12.5bn in debt. (Froud, et al., 2019)

At the end of 2021, based on a report from Reuters, despite a clear rise in costs, caused by IT expenses, inflation, and the pandemic, LSEG would pay a 7% dividend more than a year before, as it had stated. (Ramnarayan, 2021)

IT-BASED STRATEGY

One strategy which is widespread among the M&A deals is to make it easier for customers in the way to have access to more than one part of their needs together simultaneously. (Stafford & Barker, 2021)

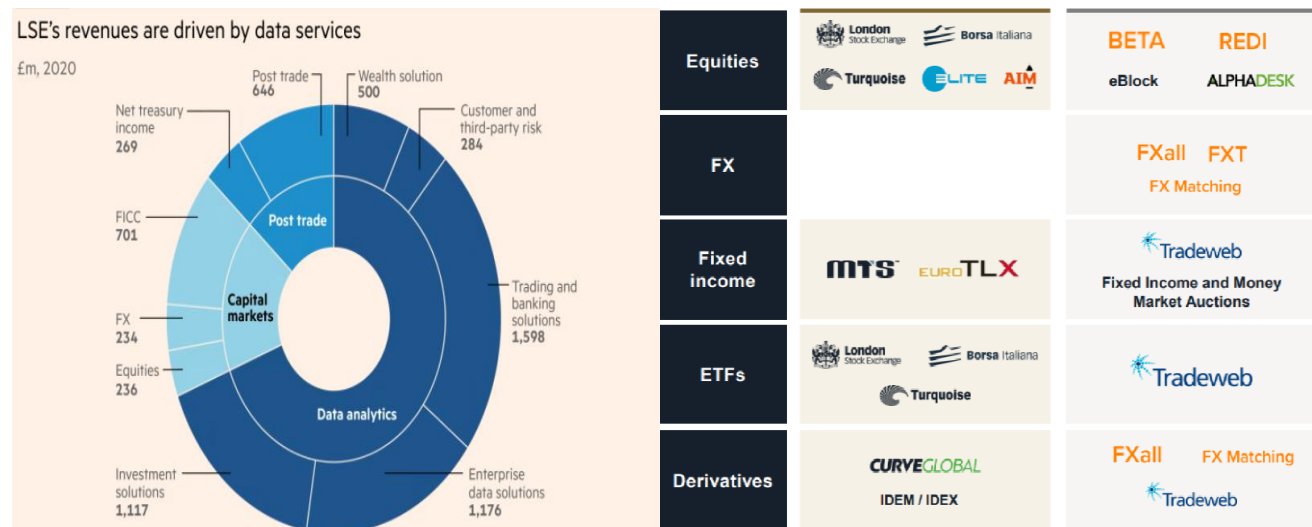


Chart 1 LSE's Revenue Model in 2020, at left (Stafford & Barker, 2021). And Creation of Multi-Asset Business, at right (Froud, et al., 2019).

The financial information explosion in the market of computer-based trading forces many companies to seek and invent a one-stop shop to prepare everything in one system for the consumers. (Armstrong, 2021) In the charts above, the model at the left suggests the urgent need to access the databases for LSE and the right one indicates the only part that LSE did not have any access to had been the Forex market which became available after the deal.

FINTECHS VIEWPOINT:

Access to high-tech is one of the heart strategies (Adetunji, 2020) Thereby, LSE had looked for the target key platforms, such as Eikon, Tradeweb, FXall, and Matching. (Basar, 2019)

The old LSE model of business could not continue to be able to respond to all the needs in the market perpetually, said Rupak Ghose who is a FinTechs and market infrastructure advisor. He believed the combination of two companies was crucial for LSE to stay in the business. (Stafford & Barker, 2021)

STRATEGY THROUGH FINANCIAL PLAN

Revenue growth can happen by other methods inside the business, however, to speed it up a company can use M&A methods. This is indirectly a sign of using synergy through the deal's hidden potential. One of the hidden potentials is to attract more customers and as a result, expand the possibility of income rise. As Schwimmer said before the integration, they had planned to grow the revenue by 4-6 percent every year, which was possible with owning a company like Refinitiv. (Jones, 2021) Apparently, pursuing the financial and revenue synergies had been implemented in the LSE plan.

FINANCING THE PLAN

LSE, by selling Borsa-Italiana, moved a step closer to catching the fund for its \$27 billion purchase of Refinitiv. (Nikolaeva & Armstrong, 2020)

THE POTENTIAL DISRUPTION TO THE MARKET

As investors in 2019 complained about an unfair and unreasonable raise in fees for market data, some groups wrote letters to EU regulators about the possibility of another increase. (Riley, 2019) We can figure out that there was a potential for disruption to the market, damaging the revenue model of customers.

Aftermath, LSEG in its announcement, being issued on 23rd September 2021, stated that some changes to charges would happen from 1st January 2022. (Hoggett, 2021) [\(See Appendix II\)](#)

SECTION 2: RESISTANCE FROM REFINITIV

DESIRE FROM THE TARGET

Paying attention to the history of Refinitiv until 2019, the time of planning about the deal leads us to the point that it had cut \$650 million in cost of operation by eliminating some costly jobs in expensive cities, like London and New York, and then shift them to China and India, mostly to TCS, the Indian company which is an IT service group.

Despite those removals, keeping the Eikon terminal plus its long-term workforce and replacement, made it very desirable for Refinitiv to absorb the external investment. (Stafford & Barker, 2021)

CHANGING THE OFFER

Having assumed from Mark Sweney (Sweney, 2019), LSE firstly had agreed to pay £22bn, but its offer went up to £27bn. The target might have rejected the first price.

REFINITIV BOUGHT NEW TECHNOLOGY

Refinitiv continued its expansion by purchasing OMS trading capabilities from AlphaDesk, following the acquisition of REDI in 2017. (Bertsch, 2019) It could be a signal to LSE as the target was already trying to expand its business, meaning it is more valuable.

NEGOTIATION WITH DEUTSCHE BÖRSE

Deutsche Börse was attempting to reach this target, especially the FXall. (Basar, 2019) Meaning that it was a good reason that LSE raised its offer.

REFINITIV SUPERIOR PLATFORMS

One of the technologies that attracted the LSE is Eikon, a fitful service in Refinitiv, David Craig, the former chief of Refinitiv mentioned. (Stafford & Barker, 2021) This was the flagship of the target which helped it to increase the price substantially.

INDEX LICENSING – VERTICAL CONCERNS

Refinitiv, as one of the largest suppliers, prepared foreign exchange indices besides consolidated real-time data feeds that were expressly substantial inputs for index providers, (Podesta & Tsoni, 2020) as powerful attractive leverage to gain an advantage in the negotiation.

PREDICTION BY BLACKSTONE

Because at the time the sale of acquiree hit a quick rise and it was predicted by Blackstone, the main owner of the Refinitiv, to gain double the initial amount of investment, from this view it was a reasonable contract. (Hussain, et al., 2019)

THE FIRST HIDDEN OBSTACLE, HUGE DEBT

The debt of \$12bn from Refinitiv to the former owner, Thomson Reuters, being reported by CNBC, 2019, is considered an obstacle that caused to increase in the price of the offer.

THE SECOND HIDDEN OBSTACLE, LONG CONTRACT

Refinitiv had signed a contract of 30-year agreement in place for the distribution of the Reuters news and content. (Refinitiv, 2021) In this case, even after finalizing the process, LSEG for the next 29 years will be involved with the main seller, denoting both challenging and valuing the target.

SECTION 3: JUSTIFICATION ANALYSIS

LSE SIDE OF THE OFFER:

FINANCIALLY VIEW OF IMPORTANCE:

LSE had reported in 2019 before the offer that its income for the first half of the year had increased by 8%. (CNBC, 2019) This is a sign from the buyer that it had set a good enough position to make the deal, connoting that the future had been planned beforehand by LSE. (Riley, 2019)

Based on what David Schwimmer, the LSE chief executive, claimed, they refinanced their debt and made clear to their shareholders and the market that this investment is an enlargement in business to drive forward for LSE. (Stafford & Barker, 2021) In this part, there are two points of M&A that is worth being considered; growth strategy as a driver, and the role of leader by David Schwimmer while trying to convince the shareholders by use of financial analysis.

By checking another point of the whole story, it is going to be concluded that the monetary result is highly risky. These points are tensions in need of the initial investment to take control of a subsidiary and cutting the net debt of LSE from more than 3.5 times the adjusted income to less than two times in only two years after the agreement. From the viewpoint of Donald Robertson who is an analyst at Moody's, this integration was a huge risk to the credit of LSE. (Stafford & Barker, 2021)

Also, by looking at the share price we see that before and after the deal the trends are varied from a significantly upward direction to an approximately horizontal one and then fell, showing neither improvement nor even remaining in the same situation as the previous state happened. ([See Appendix III](#))

From the view of financial strength ratios, the enhancements are strong enough to specify an excessive or even great progress but only in current assets compared to current liabilities. Based upon financial stability ratios, it is noticeable that debt ratios and capital gearing became weaker, while the improvement of cash coverage happened with almost the same ratio. The results are obvious in modifications in the next charts. ([See Appendix IV](#))

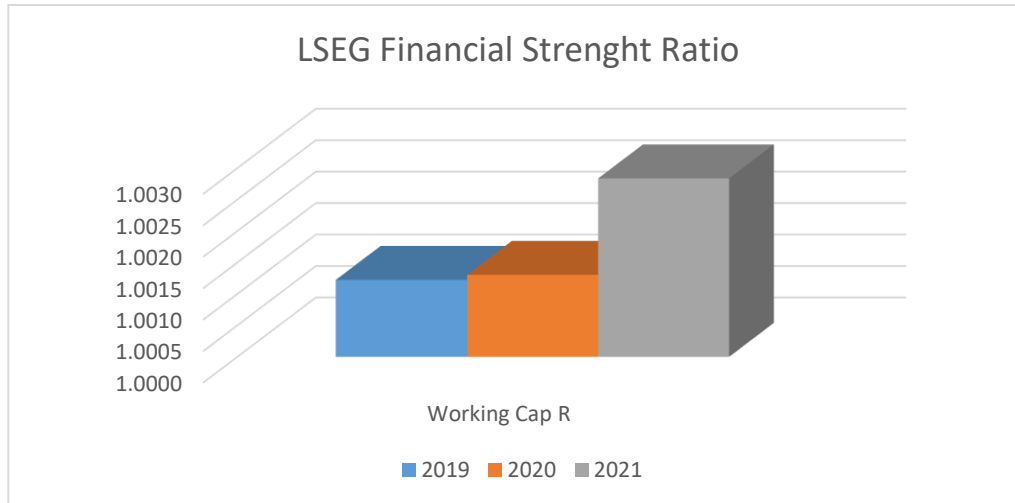


Chart 2 Working Capital Ratio(Calculated and Plotted by the Author) (LSEG, 2022)& (LSEG, 2021)

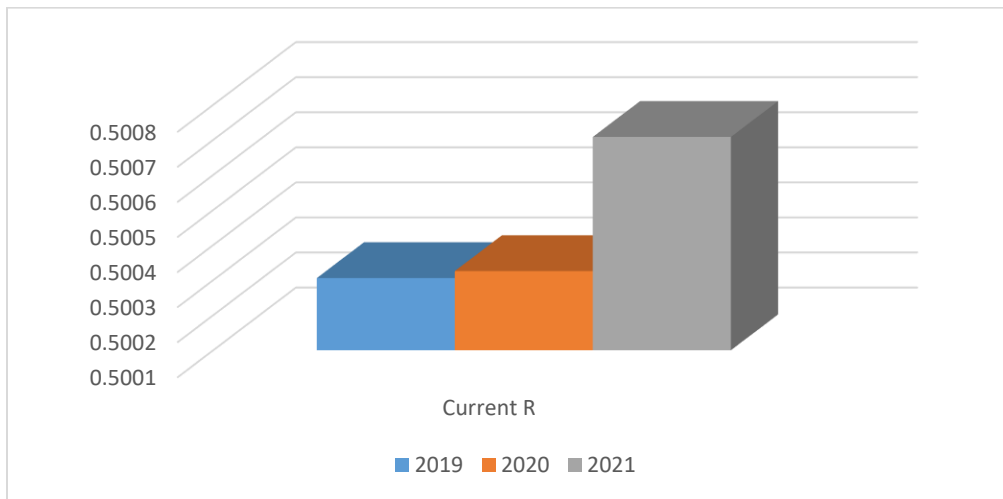


Chart 3 Current Ratio(Calculated and Plotted by the Author) (LSEG, 2022)& (LSEG, 2021)

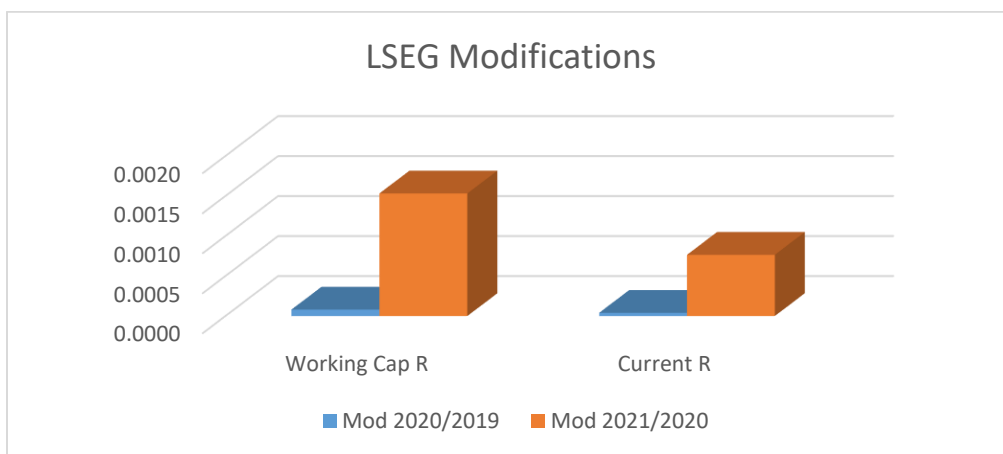


Chart 4 Modifications(Calculated and Plotted by the Author) (LSEG, 2022)& (LSEG, 2021)

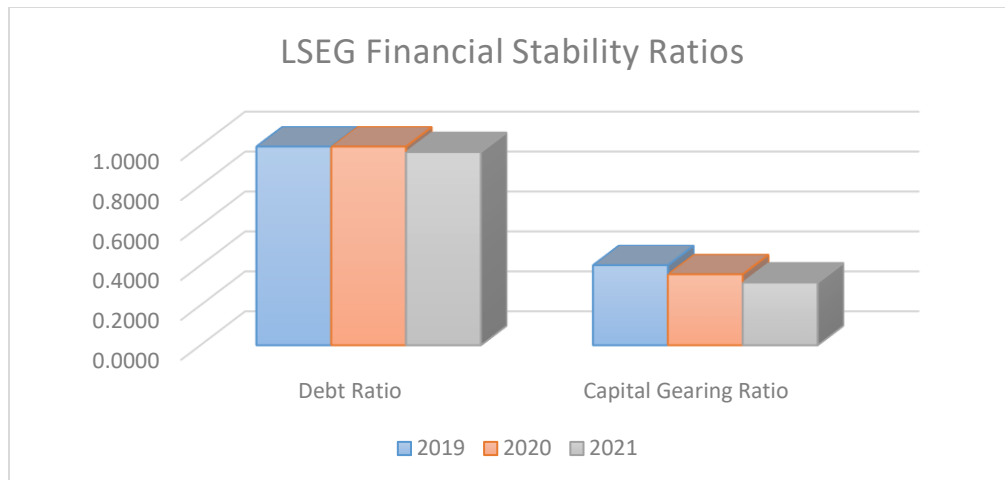


Chart 5 Debt& Capital Gearing Ratios(Calculated and Plotted by the Author) (LSEG, 2022)& (LSEG, 2021)

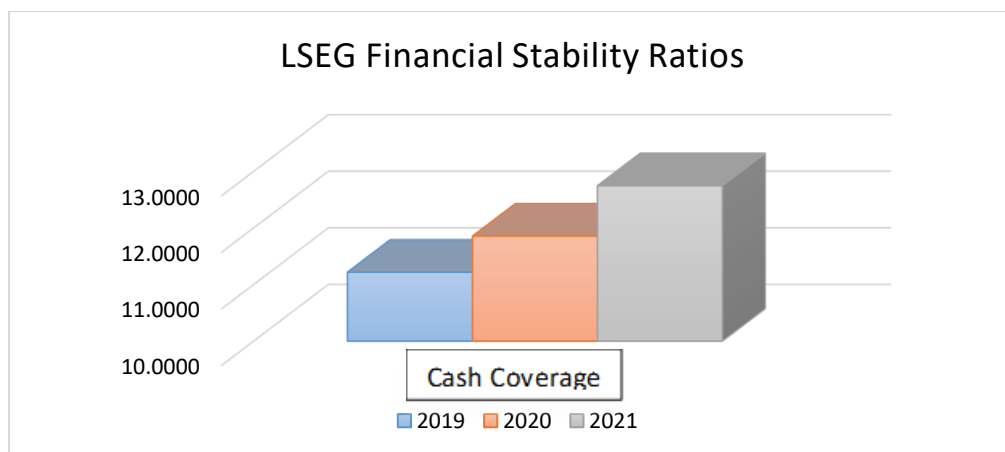


Chart 6 Cash Coverage(Calculated and Plotted by the Author) (LSEG, 2022)& (LSEG, 2021)

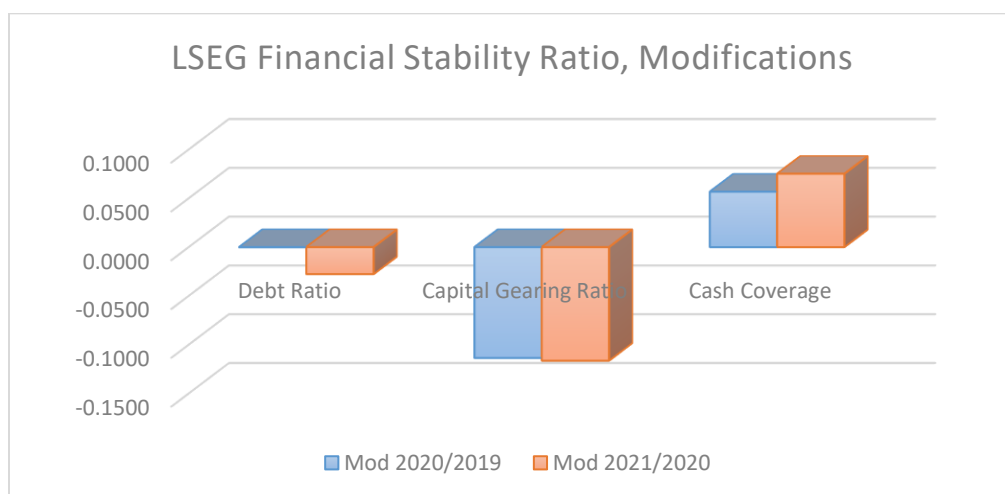


Chart 7 Modifications(Calculated and Plotted by the Author) (LSEG, 2022)& (LSEG, 2021)

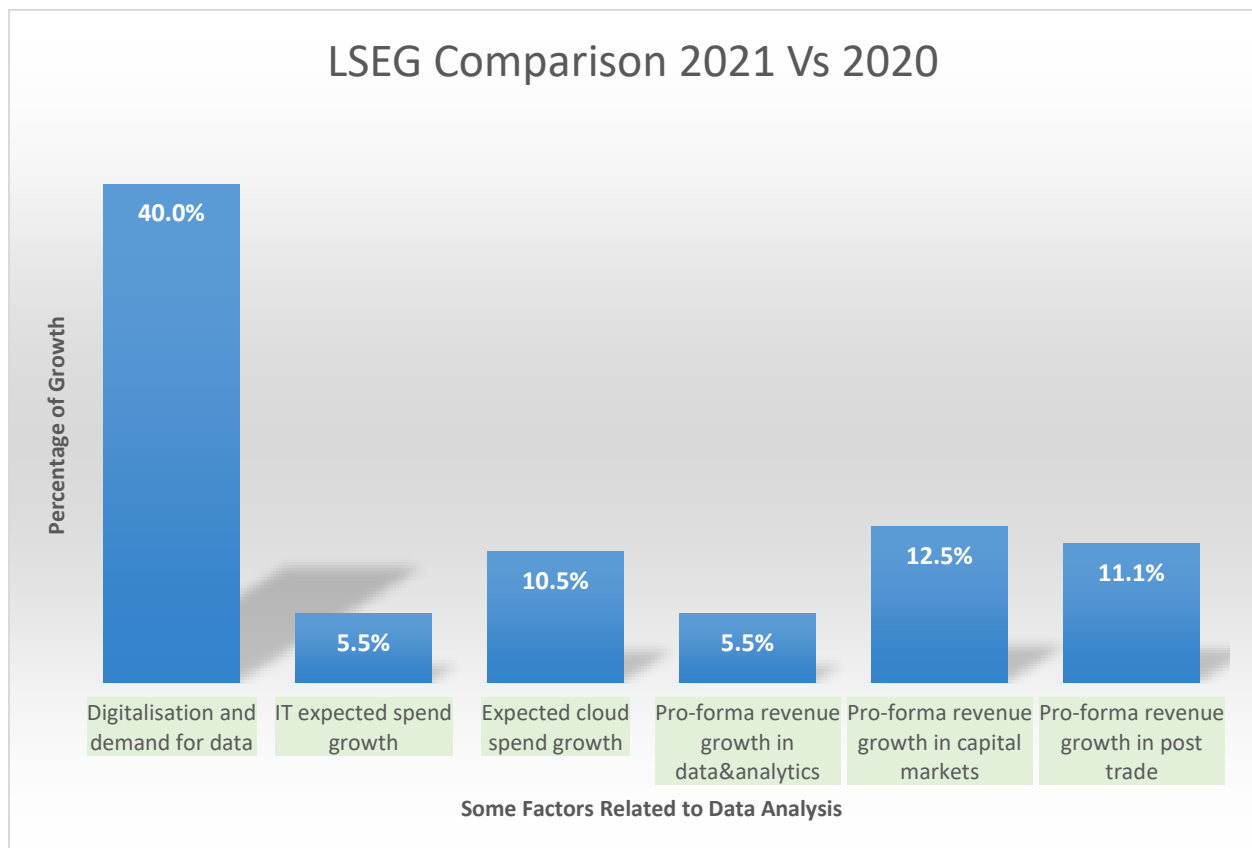
MARKETING VIEW OF IMPORTANCE:

As David Schwimmer, LSE Chief Executive, said in 2019, one of the benefits of the deal was to help their customers to be able to trade over the boundaries around the world, and this demand was growing substantially. (Hussain, et al., 2019)

Furthermore, the platforms held and managed by Refinitiv, Tradeweb, and FXall, would help greatly the LSE processes, specifically in the foreign exchange market, and even could make a fixed income trading possible. (Riley, 2019)

Some months after the agreement, the former executive in Bloomberg, Andrea Remyn Stone who became LSEG's Group Head of Data and Analytics, said that the business in LSEG has momentum. Additionally, LSEG shares traded up around 5% at just below 8,000 pence, as a signal to improve. (Jones, 2021)

Associated with the fact that LSE had looked for a cost synergy strategy through the IT-cost reduction as well as taking control of Refinitiv modern IT platforms and the key market trends between 2020 and 2021, the new owner attained a satisfactory outcome out of the deal so far, predominantly across the 40% of digitalization and demanding data. These trends are shown in the chart below as a comparison between the last two years, precisely before and after the deal, and the demonstration of the approximate completion of an appropriate plan. ([See Appendix V](#))



(Chart 8 Provided by the Author) (LSEG, 2022)

COMPETITIVE ASPECTS OF THE DECISION:

The acquisition, chiefly by employing the flagship of Refinitiv, transformed LSE to LSEG to be the second one in the world, in terms of financial data delivery company, signifying the decision had been made stronger when it comes to the target and objective. [\(See Appendix VI\)](#)

EIKON PROBLEM

As the news, published by financial times, (Stafford & Barker, 2021) that Eikon is down in recent months has become for thousands of traders, investment managers, and analysts an extremely disappointing message, the LSEG has a huge challenge out of the deal aftermath.

DISPUTE WITH REUTERS

Refinitiv engages in the great dispute with Reuters over a three-decade contract, which will cost \$325m a year. (Stafford & Barker, 2021) This is an enormous failure in terms of due diligence from the buyer side which is clear now after the game is over.

REFINITIV SIDE OF THE DEAL:

One of the main shareholders of Refinitiv, Thomson Reuters, would hold 15% of the shares in LSE after the deal, as one part of the agreement from the prospect subsidiary side. (Hussain, et al., 2019)

By looking at some financial facts at the time of the deal, some employees believed that Refinitiv would be the boss of the melding unit. This prediction was made based on the Refinitiv two times in revenue and four times in workforce of the LSE figures. Refinitiv was completely stronger in these aspects of qualities. (Stafford & Barker, 2021)

By the combination of this information, it is concluded that Refinitiv both before and after the deal had been and remained at a stable position, consequently suggesting the successful result from its side.

THE CULTURAL ASPECT OF THE COMBINATION:

According to both sides' executives, they appreciate the result of combining two companies. However, there are some cultural worries because of differences in cultures, representing one reason causing not to be sufficiently victorious.

The acquirer is by far higher in having a regular-based, centralized, critical market infrastructure system of working, while on the other hand, the acquiree is using a dynamic, small team-based, and project-based system, generally working with high technology on data analyzing methods. Moreover, as pointed out above, the number of employees in Refinitiv is dominant compared to the LSE, resulting in a possible being in a stronger position after joining together. (Stafford & Barker, 2021)

By considering the point that executives after the deal have key roles, some new decisions are outstanding to be noticed by the specialists. Craig had planned to speed up the process of decision-making at Refinitiv, following to extend it to the buyer. On the other hand, Schwimmer focused on IT integration. However, the relationship between the executives remained cordial. (Stafford & Barker, 2021)

CONCLUSION:

LSE purchasing Refinitiv is an extraordinarily huge, friendly, cross-border, both vertical (one in the financial section and the other in data analysis) and horizontal (both in data providing section), just a little flourishing, moreover, a synergy, expanding, and new technology-based strategy acquisition venture.

From a supplementary perspective, it was a vertical expansion to take control of one supplier, which was a strategy to grow to respond more effectively to the customers.

Despite the fact that this agreement is a cross-border M&A deal, this point is not utterly critical. This is because both are presenting worldwide and do not depend on the location of the markets directly. So, going through the boundaries had not been the key reason at least for the buyer.

From a complementary perspective, a data analyst, Refinitiv- as an applicable match with a financial data use, LSE- completed its new parent to expand for synergy which can be observed on the basis of revenue and expenses. In this case, the calculation suggests a roughly effective outcome. ([See Appendix VII](#))

To judge if it was flourishing, seemingly it was at first very successful, however, based on the price of LSE's share and the performance amongst other members of FTSE 100, it has not generated a high enough outcome, at least in terms of the outside view of shareholders, capital market, and Financial Times view. The share price of LSEG continued its growth substantially compared to FTSE 100 after the first offer and announcement in 2019 until the time of finalizing the agreement on 29 January 2021, and then fell dramatically. ([See Appendix VIII](#))

Being evaluated from annual reports, the trends of some factors ([refer to chart 8](#)), and cash coverage ratio point out that it was to some extent valuable transaction. Conversely, the debt and the capital gearing ratios in addition of the reason of falling down the share price sharply just after the signing the contract specify that it was not great triumph.

Overall, the first plan and due diligence of the whole process were executed sufficiently acceptable, but the result was not suitably victorious as it had been justified by the directors of LSE from the first days of announcement. This group is somehow trying to grow gradually currently, and it is predictable that, by virtue of the existing facts, the LSEG will progress, despite the feeble and fragile upshot so far.

([For more important information in detail, See Appendix IV, and charts 2 to 7](#))

BIBLIOGRAPHY

Adetunji, J., 2020. London Stock Exchange vs EU: Refinitiv battle reveals unease over power of modern stock markets. [Online] Available at: <<https://theconversation.com/london-stock-exchange-vs-eu-refinitiv-battle-reveals-unease-over-power-of-modern-stock-markets-145215>> [Accessed 2 May 2022].

Adler, L., 2018. Factbox: A chronology of Thomson Reuters Corp. [Online] Available at: <<https://www.reuters.com/article/us-thomsonreuters-f-r-blackstone-factbox-idUSKBN1FK085>> [Accessed 7 May 2022].

Armstrong, R., 2021. London Stock Exchange completes Refinitiv deal. [Online] Available at: <<https://www.nasdaq.com/articles/london-stock-exchange-completes-refinitiv-deal-2021-01-29>> [Accessed 13 March 2022].

Armstrong, R., Blair, E. & Heinrich, M., 2021. London Stock Exchange set to close Refinitiv deal on Jan. 29. [Online] Available at: <<https://www.reuters.com/article/uk-refinitiv-m-a-lse-idUSKBN29O29Z>> [Accessed 14 March 2022].

Basar, S., 2019. LSEG's Refinitiv Offer May Flush Out Bidders For Exchange. [Online] Available at: <<https://www.marketsmedia.com/lsegs-refinitiv-offer-may-flush-out-bidders-for-exchange/>> [Accessed 3 May 2022].

Bertsch, B., 2019. Refinitiv expands its buy-side portfolio management and trading capabilities with acquisition of cloud-based AlphaDesk. [Online] Available at: <<https://www.refinitiv.com/en/media-center/press-releases/2019/may/refinitiv-expands-its-buy-side-portfolio-management-and-trading-capabilities-with-acquisition-of-cloud-based-alphadesk>> [Accessed 2 May 2022].

Chatterjee, S., 1986. Types of synergy and economic value: The impact of acquisitions on merging and rival firms. *Strategic Management Journal*, 7(2), pp. 119-139.

CNBC, 2019. London Stock Exchange agrees to buy Refinitiv in \$27 billion deal. [Online] Available at: <<https://www.cnn.com/2019/08/01/london-stock-exchange-agrees-to-buy-refinitiv-in-27-bln-deal.html#:~:text=London%20Stock%20Exchange%20has%20agreed,market%20data%20and%20analytics%20giant.>>> [Accessed 13 March 2022].

Condron, L., 2019. www.lseg.com. [Online] Available at: <<https://www.lseg.com/sites/default/files/content/documents/LSEG%20Proposed%20all%20share%20acquisition%20of%20Refinitiv%20RNS%201Aug2019.pdf>> [Accessed 10 May 2022].

Froud, P., Patel, G., Hughes, I. & Grant, N., 2019. <https://www.lseg.com/>. [Online] Available at: <<https://www.lseg.com/sites/default/files/content/documents/LSEG%20Proposed%20Acquisition%20of%20Refinitiv%20Presentation%20%286%20November%202019%29.pdf>> [Accessed 6 May 2022].

Gaughan, P. A., 2017. *Mergers, Acquisitions, and Corporate Restructurings*. 7th ed. Hoboken, New Jersey: Wiley.

Hoggett, J., 2021. London Stock Exchange announces changes to its Market Data Agreements,. [Online] Available at: <<https://www.lseg.com/sites/default/files/content/documents/LSE%20Real%20Time%20Data%20Client%20Notification%20%2823%20Sept%2021%29.pdf>> [Accessed 2 May 2022].

Holloway, L. et al., 2021. www.lseg.com. [Online] Available at: <<https://www.lseg.com/sites/default/files/content/documents/LSEG%20All%20Share%20Acquisition%20of%20Refinitiv%20%E2%80%93%20Transaction%20Completion%20and%20Admission%20to%20Trading%2029Jan2021.pdf>> [Accessed 17 May 2022].

Hussain, N. Z., Jones, H. & Armstrong, R., 2019. Business News. [Online] Available at: <<https://www.reuters.com/article/us-refinitiv-m-a-lse-idUSKCN1UR3N2>> [Accessed 13 March 2022].

Jones, H., 2021. London Stock Exchange in 'strong financial position', CEO Schwimmer says. [Online] Available at: <<https://financialpost.com/pmn/business-pmn/london-stock-exchange-in-strong-financial-position-ceo-schwimmer-says-3>> [Accessed 13 March 2022].

Li, K., 2021. Reuters postpones website paywall amid Refinitiv dispute. [Online] Available at: <<https://www.reuters.com/business/media-telecom/reuters-postpones-website-paywall-amid-refinitiv-dispute-2021-05-27/>> [Accessed 11 May 2022].

London Stock Exchange, 2022. Our History. [Online] Available at: <<https://www.londonstockexchange.com/discover/lseg/our-history>> [Accessed 13 March 2022].

Loukianova, A., Nikulin, E. & Vedernikov, A., 2017. Valuing synergies in strategic mergers and acquisitions using the real options approach. TOB: Business Perspectives Consulting and Publishing Company LLC, 1(1), pp. 236-247.

LSEG, 2021. London Stock Exchange Group plc | Annual Report 2021, London: London Stock Exchange Group plc .

LSEG, 2022. London Stock Exchange Group. [Online] Available at: <<https://www.londonstockexchange.com/discover/london-stock-exchange-group>> [Accessed 13 March 2022].

LSEG, 2022. London Stock Exchange Group plc | Annual Report 2021 , London: London Stock Exchange Group plc.

LSEG, P. a. M. S., 2022. Prices and Markets, London Stock Exchange Group Plc. [Online] Available at: <<https://www.londonstockexchange.com/stock/LSEG/london-stock-exchange-group-plc/company-page>> [Accessed 2 May 2022].

Nikolaeva, M. & Armstrong, R., 2020. LSE agrees to sell Borsa Italiana to Euronext for €4.3 billion. [Online] Available at: <<https://www.reuters.com/article/uk-lse-borsa-italiana-m-a-idUKKBN26U0H7>> [Accessed 28 April 2022].

Podesta, A. & Tsoni, M., 2020. Mergers: Commission opens in-depth investigation into proposed acquisition of Refinitiv by London Stock Exchange Group. [Online] Available at: <https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1140> [Accessed 23 April 2022].

Powell, E., 2021. London Stock Exchange Group: data deal costs are hard to swallow. [Online] Available at: <<https://www.thetimes.co.uk/article/london-stock-exchange-group-data-deal-costs-are-hard-to-swallow-wz6vl6g22>> [Accessed 27 March 2022].

Ramnarayan, A., 2021. London Stock Exchange sales rise as pushes on with Refinitiv integration. [Online] Available at: <<https://www.reuters.com/business/finance/london-stock-exchange-revenue-up-46-h1-2021-08-06/>> [Accessed 27 March 2022].

Refinitiv, 2021. About us. We are Refinitiv. [Online] Available at: <<https://www.refinitiv.com/en/about-us>> [Accessed 13 March 2022].

Reid, K., 2018. Thomson Reuters Financial & Risk Business Announces New Company Name: Refinitiv. [Online] Available at: <<https://www.thomsonreuters.com/en/press-releases/2018/july/thomson-reuters-financial-and-risk-business-announces-new-company-name-refinitiv.html>> [Accessed 11 May 2022].

Riley, C., 2019. London Stock Exchange buys Bloomberg's biggest rival. [Online] Available at: <<https://edition.cnn.com/2019/08/01/investing/london-stock-exchange-refinitiv/index.html>> [Accessed 13 March 2022].

Stafford, P. & Barker, A., 2021. Refinitiv deal loses some of its lustre for LSE as challenges mount. [Online] Available at: <<https://www.ft.com/content/0c7c6931-9f56-4e43-87cf-91422630a146>> [Accessed 13 March 2022].

Sweney, M., 2019. London Stock Exchange agrees £22bn deal to buy Eikon-owner Refinitiv. [Online] Available at: <<https://www.theguardian.com/business/2019/aug/01/london-stock-exchange-agrees-22bn-deal-to-buy-refinitiv>> [Accessed 13 May 2022].

Appendix I Refinitiv Owners Timetable

Time	Owner	Share of the owner
19 th Century	Paul Julius Reuter, starting his business to provide stock prices and news in London.	100% (Adler, 2018)
1934	Thomson Corporation, being originated by newspaper publisher Roy Thomson in Canada.	100% (Adler, 2018)
2008	Thomson Corp and Reuters Group Plc. merge into Thomson Reuters Corp, providing financial sector.	100% (Adler, 2018)
2018	Blackstone Group Inc. (BX.N)	The majority (Li, 2021)
2018	Thomson Reuters	About 42% Change the name from Financial & Risk business to Refinitiv, after the deal with Black Stone Group. (Reid, 2018)
2021	London Stock Exchange	With 100% Ownership (Refinitiv, 2021)

(Collected by the Author)

Appendix II Increase in LSEG's fees and charges

When we look at the business model of these companies, Bloomberg, Refinitiv, and LSE, we notice that in addition to the exchange process platforms that are provided by LSE to the customers, the other major product is data. Here is some increase in charges and fees which are not so much high to let us conclude disturbance. The disruption is more likely to happen in the future, about 3 years after the deal when LSEG can settle down everything and adapt the subsidiary entirely.

Consequently, it is noticeable from the table below that despite some extra charges which happened about one year after the agreement, the market seems to be normal, suggesting that the LSEG did not disturb the market directly. But perhaps it will occur after full adaption of the acquiree.

In September 2021, LSEG in its announcement, issued some new changes to charges and fees to apply from 1st January 2022;

The escalation were as follows:

-
- An increase in charges by 3% for Other Application Usage, Non-Display Usage, and Redistribution license fees for Professional Users*
 - A rise in charges by 2% for Professional Data Charges*
 - A grow in Charges by 5% for Derived Data licenses*
-

On the other hand, some other incentives were included.

-
- The extension of the Unlimited Private Investor promotion until 31 December 2022.*
 - The extension of APAC retail promotion until 31 December 2023.*
 - Continuing to offer a discount on its Member Firms across Data Charges, such as Non-*
-

On the other hand, as a sign of disruption, Reuters, an important rival, announced, in June 2021, planning to charge on its website, exactly some months after the deal and during its dispute with Refinitiv. (Li, 2021)

Appendix III LSE Share Price Before and after

The remaining question is if the joining was successful, specifically for the parent company. Emma Powell in her article in the times at the end of the deal year, 2021, based on the results of FTSE 100, wrote that the performance of LSEG is one of the worst. (Powell, 2021) The deduction by Emma Powel was made immediately after the contract was utterly signed by two sides, Jan 2021. This idea has been not approved by continuity of moving upward the share price afterward firstly, but after about two months the share price started to drop sharply.



(LSEG, 2022)

Appendix IV Financial Ratios

Financial Ratios are the calculation of ratios of different results from financial statements as the mathematical instruments to check the process of a company. Between them, stability and strength ratios are a group of practical ratios to judge the position of the new melded enterprise after the deal.

Financial Stability Ratios:

In debt ratio and capital gearing ratios with the formulas below, the results are disappointing.

- Debt Ratio: $\text{Debt R} = \text{T Lib} / \text{T Asset}$
- Capital Gearing Ratio: $\text{Long term Debt ratio} = \text{LTL} / (\text{LTL} + \text{SHF})$

The LSEG has not achieved a high development, even in the modification figures. Modification figures are the growth rate in two steps, between 2020 and 2019 and between 2021 and 2020, that in both last ratios are around 0 to minus 11 percent.

With a precise observation of the next tables that are the calculations of the ratios, the figures more clearly indicate the first year as an emblem of failure. About the third stability ratio, even though there is positive growth both in the ratios and in the modifications, the change in growth rates, from 2019 to 2021, which are before and after the contract, the figures do not indicate a great success.

Financial Strength Ratios:

The formula to calculate these types of ratios are as follows:

- Working Cap = Current Asset - Current Lib
- Current Ratio = Current Asset / Current Lib

These assessments specify how much a company can operate with reasonable risk taking relevant to its ability to pay the current liabilities with its current assets, such as cash and cash equivalents. In such a business with only data service products and without having physical materials the cash and cash equivalent package takes a key role to pay the debts. During the first year of melding group, LSEG had a small development in this case, pointing out that even if the deal is satisfactory, it is not for now and it require longer time.

Notes:

- The data extracted from the annual reports of the group business for the year 2020 are brought from the report of the year 2021 and not from 2020, meaning the data from balance sheets and income statements of the group for the year 2020 are not the same. That is because all data in the Balance sheet and the statement of income for 2020 in the new fiscal year of the 2021 report were changed based on the adjustment, being represented in the annual report of 2021 as below.
- Please note that all calculations which are provided in this part have been performed based on the data from LSEG annual reports 2021&2020, and because the group that includes the impact of the Refinitiv operation is the subject of our report, the data are extracted from group sections and not the company section, which is relevant just to LSE separately.
- "The 2020 results have been re-presented to exclude the results of the discontinued operations."
- "An operation is regarded as a discontinued operation if it is held for sale or has already been sold and comprised a major line of business or geographical area of operation. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount of profit or loss after tax from discontinued operations in the income statement. The comparative results are re-presented accordingly to show the continuing operations." Extracted from LSEG Annual Reports 2021& 2022.

LSEG Financial Stability Ratios			
Table 1: The Final Results			
Time	Debt Ratio	Capital Gearing Ratio	Cash Coverage
2019	0.9953	0.4009	11.2178
2020	0.9951	0.3554	11.8553
2021	0.9676	0.3140	12.7465
Mod 2020/2019	-0.0001	-0.1135	0.0568
Mod 2021/2020	-0.0277	-0.1163	0.0752
Table 2: Debt Ratio Calculation			
Debt R	Total Lib	Total Asset	Tlib/Tast
2019	799,850	803,651	0.9953
2020	845,016	849,141	0.9951
2021	761,590	787,109	0.9676
Mod 2020/2019			-0.01%
Mod 2021/2020			-2.77%
Table 3: Capital Gearing Ratio Calculation			
Capital Gearing R	LTL	SHF	LTL/ (LTL+SHF)
2019	2,312	3,455	0.4009
2020	2,046	3,711	0.3554
2021	10,823	23,640	0.3140
Mod 2020/2019			-11.35%
Mod 2021/2020			-11.63%
Table 4: Cash Coverage Calculation			
Cash Coverage	EBITDA	Interest Payment	EBITDA/Int Pay
2019	1,133	101	11.2178
2020	901	76	11.8553
2021	2,766	217	12.7465
Mod 2020/2019			5.68%
Mod 2021/2020			7.52%
Note: LTL is the abbreviation for Long-Term Liabilities. SHF stands for Shareholders' Fund Tlib stands for Total Liability Tast means Total Asset			
Calculated by the Author. Data from (LSEG, 2022)& (LSEG, 2021)			

LSEG Financial Strength Ratios			
Table 1: The Final Results			
Time	Working Cap R	Current R	
2019	1,0012	0,5003	
2020	1,0013	0,5003	
2021	1,0028	0,5007	
Mod 2020/2019	0,0001	0,0000	
Mod 2021/2020	0,0015	0,0008	
Table 2: Working Capital Ratio Calculation			
Time	Current Ast	Current Lib	Cur Ast-Cur Lib
2019	798,514	797,538	1,0012
2020	844,069	842,97	1,0013
2021	752,897	750,767	1,0028
Mod 2020/2019			0,01%
Mod 2021/2020			0,15%
Table 3: Current Ratio Calculation			
Time	Current Ast	Current Lib	Cur Ast/ Cur Lib
2019	798,514	797,538	0,5003
2020	844,069	842,97	0,5003
2021	752,897	750,767	0,5007
Mod 2020/2019			0,00%
Mod 2021/2020			0,08%
Note: Cur means current, Ast means asset, Lib means liability, R means Ratio.			
And Mod is the modification, meaning the change ratio happened between two consecutive years			
Calculated by the Author. Data from (LSEG, 2022)& (LSEG, 2021)			

Appendix V Data Analysis Factors

By looking at the table of data analysis factors, it is perceptible that only “Digitalization and demand for data” with a 40 percent rise can defend the idea of certainly big attainment, while the others are talking about a good enough accomplishment in the first year after the process of acquisition as the first step. However, despite this fact, these figures are acceptable indicators of an at least smooth growth in the financial data market for the new group.

Some Factors Related to Data Analysis	Percentage of growth
Digitalization and demand for data	40.0%
IT expected spending growth	5.5%
Expected cloud spend growth	10.5%
Pro-forma revenue growth in data& analytics	5.5%
Pro-forma revenue growth in capital markets	12.5%
Pro-forma revenue growth in post-trade	11.1%

(Provided by the Author) (LSEG, 2022)

Appendix VI Major Competitive Results

Two major competitive consequences of this purchase for LSE to become LSEG.

The biggest rival after the deal would be Bloomberg, a heavyweight organization in the same industry of data analysis, however, the combination could have made the competition for Bloomberg theoretically difficult. (Riley, 2019)

Also as Financial Times stated, the terminals, the Refinitiv’s flagship product, in the last three decades was struggling with its rival, Bloomberg’s terminals, (Stafford & Barker, 2021) and as Financial Post reported from Schwimmer, LSEG now after the deal is continuing the investment in programs and its terminals in Refinitiv, while they are sure to make a growth in revenue from data analysis of 4 to 6 percent annually. As a result, LSEG is the second one in financial data providing after Bloomberg LP in the world. (Jones, 2021)

The combined revenue of both sides in the year before the announcement of the process, 2018, was \$7.3bn, which together was the largest amount between the firms in the financial market’s infrastructure providing field. (Riley, 2019)

Appendix VII Revenue VS Operating Expenses

From the viewpoint of Patrick Gaughan, there are two main motives for M&A deals; faster growth and synergy. (Gaughan, 2017) Generally, mergers and acquisitions are to create economic values. The initial and intrinsic reasons stem from either the ability to decline costs of the combined company or an ability to raise the profit or both. (Chatterjee, 1986) Therefore, here to have a criterion to verify the result of synergy a table of two ratios is prepared. This is the operational financial type of synergy between three types of it. The three types are operational, financial, and taxation synergies. (Loukianova, et al., 2017)

Derived from the next table, the revenue has escalated more than the operating expenses, but not by far more, explaining the fact that so far, the synergy in this view has not been achieved sufficiently.

Comparison between Revenue & Operating Expenses	Revenue	Operating Expenses
2020	1,760	917
2021	6,502	3,130
Mod 2021/2020	3.6943	3.4133
Note: The operating expenses are before depreciation, amortization, and impairment. (Calculated by the Author). Date from (LSEG, 2022)& (LSEG, 2021)		

Appendix VIII The Comparison between LSE& FTSE 100 share price

The time in the diagram is pointed out as the “Refinitiv deal” is the first try and not the achievement of the deal. In fact, the deal was confirmed on 29 January 2021. Based on the diagram LSE performed very well from the first of 2017 until the last months of 2018, and after a short but quick decrease, from the first of 2019 to the end of the year jumped rapidly to break the line of FTSE 100. This escalation in share price is greater than FTSE 100 after that till now, with a considerable enhancement, nevertheless, it fell dramatically some months after the finalizing of the deal, February 2021.



(Stafford & Barker, 2021)