LSEG gideon lens

London Stock Exchange Group plc (LSEG.L) — Gideon-Lens Equity Research

Report date: 2026-08-27 **Analyst:** OpenAI Codex, ER2 / Gideon framework **Price anchor:** 8,688 GBX per XLON ordinary share, completed session 2026-08-26 **Quote-basis market capitalization:** approximately £43.35bn using 499m diluted shares **Fiscal year end:** 31 December **Report ID:** `LSEG_ER2_2026-08-27_20260827_115131`

Verdict block

Verdict: WATCH

Scorecard:

Gate	Result	Notes
Management	YELLOW	Execution strong; acquisition returns, IT controls and incentives remain unresolved
Moat	PASS	Clearing, benchmarks and trusted data pass the 2046 durability test
P/E <= 15 on confident EPS at TTM + 5 calendar years	PASS	Base value at 15x is 9,619 GBX, a +10.72% cushion
Compounder Score	Audited 47 / 100	Reject classification; diagnostic evidence does not support dream-investment status
Business Quality Score	Audited 42 / 80	Durable franchises, but acquisition-inclusive returns and stewardship evidence are insufficient
20% Return UW Score	Audited 5 / 20	Current price does not support the 20% stretch hurdle

One-line thesis (or reason to pass): LSEG owns unusually durable clearing, benchmark, data and compliance franchises, but unresolved stewardship evidence and a buyback-sensitive 13.36% Base return make it a WATCH rather than a BUY at 8,688 GBX.

Security return underwriting (mandatory even when the verdict is PASS):

Measure	Result	Notes
Primary valuation method	P/E	One audited method is used across all scenarios, probability weighting and net-SGD
Gross local-currency bear / base / bull IRR	-7.93% / 13.36% / 26.28%	Five-year annualized shareholder return in GBX
Probability-weighted gross local-currency IRR	12.94%	CAGR of probability-weighted terminal wealth; 25% / 55% / 20% weights
Return bridge	8,688 GBX → terminal value plus dividends	Horizon 2031-06-30; EPS × P/E plus cumulative dividends once; no EV or buyback double count

Gross local-currency underwriting is in GBX. The price anchor is the completed 2026-08-26 session and the operating horizon ends 2031-06-30, exactly five years after the TTM financial anchor. The reported current P/E is 31.3665x; the comparable normalized current P/E is 31.7391x. Scenario exit multiples of 18x, 24x and 30x were independently locked before scoring. Terminal share value is statutory diluted EPS multiplied by the scenario P/E; dividends are added once, while debt, cash, leases, NCI and buybacks are not added again.

Bear-case operating and return bridge

Bear case	Start (TTM 2026-06-30 / price 2026-08-26)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	£9,659.0m	£10,521.3m	1.72%	D&A monetization disappoints, Markets normalizes and FTSE beta weakens

Bear case	Start (TTM 2026-06-30 / price 2026-08-26)	Horizon (2031-06-30)	CAGR / change	Justification
Operating margin	25.82% statutory	22.24% statutory	-3.58 pp	Defensive investment and slower amortization roll-off absorb revenue growth
Operating earnings	£2,494.0m statutory OI	£2,340.4m statutory OI	-1.26%	Segment AOP less transaction, restructuring and non-underlying D&A once
Diluted share count	499.0m packet anchor	444.547678m	-2.28%	65.692511m repurchased and 11.240189m SBC issuance
EPS	276.983350 GBX reported statutory	275.909663 GBX statutory	-0.08%	Parent NI after tax/NCI divided by diluted listed shares
Valuation denominator	Reported 276.983350 / normalized 273.731352 GBX EPS	275.909663 GBX statutory EPS	Comparable	Same listed unit and parent statutory perimeter
Valuation	31.3665x reported / 31.7391x normalized P/E	18.0x P/E	-13.74x vs normalized	Low end of stressed mature exchange/data evidence
Share value	8,688 GBX current price	275.909663 × 18 = 4,966.373934 GBX	-	P/E bridge; no net-debt adjustment
Annual dividend	148.285994 GBX	161.524115 GBX	1.72%	Starting TTM dividend grown with Bear revenue CAGR
Dividend yield	1.71%	3.25%	+1.55 pp	Annual dividend divided by endpoint share value
Five-year dividends	-	780.691586 GBX	cumulative	Five annual payments; no reinvestment
Total ending value	8,688 GBX	5,747.065520 GBX	-7.93% gross local IRR	Share value plus dividends exactly once

Base-case operating and return bridge

Base case	Start (TTM 2026-06-30 / price 2026-08-26)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	£9,659.0m	£12,672.3m	5.58%	Subscription growth, electronification and compliance demand continue
Operating margin	25.82% statutory	34.02% statutory	+8.20 pp	Product mix, integration taper and acquired-intangible run-off
Operating earnings	£2,494.0m statutory OI	£4,310.6m statutory OI	11.57%	Exact statutory bridge after all operating adjustments
Diluted share count	499.0m packet anchor	421.932821m	-3.30%	86.780381m repurchased and 9.713202m SBC issuance
EPS	276.983350 GBX reported statutory	641.275782 GBX statutory	18.28%	Margin growth and share retirement both contribute
Valuation denominator	Reported 276.983350 / normalized 273.731352 GBX EPS	641.275782 GBX statutory EPS	Comparable	Same listed unit and parent statutory perimeter
Valuation	31.3665x reported / 31.7391x normalized P/E	24.0x P/E	-7.74x vs normalized	Peer-supported, with maturity and Management YELLOW discounts
Share value	8,688 GBX current price	641.275782 × 24 = 15,390.618768 GBX	-	P/E bridge; no net-debt adjustment
Annual dividend	148.285994 GBX	194.546496 GBX	5.58%	Starting TTM dividend grown with Base revenue CAGR
Dividend yield	1.71%	1.26%	-0.44 pp	Share value grows faster than dividend
Five-year dividends	-	875.193470 GBX	cumulative	Five annual payments; no reinvestment
Total ending value	8,688 GBX	16,265.812238 GBX	13.36% gross local IRR	Share value plus dividends exactly once

Bull-case operating and return bridge

Bull case	Start (TTM 2026-06-30 / price 2026-08-26)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	£9,659.0m	£14,441.2m	8.38%	Paid AI rights, strong index/risk growth and robust markets all deliver
Operating margin	25.82% statutory	40.46% statutory	+14.64 pp	High operating leverage plus faster restructuring/amortization run-off
Operating earnings	£2,494.0m statutory OI	£5,843.2m statutory OI	18.56%	Reviewed segment AOP less locked bridge lines once
Diluted share count	499.0m packet anchor	425.535138m	-3.13%	Higher buyback prices retire fewer shares than Base despite more cash
EPS	276.983350 GBX reported statutory	898.405715 GBX statutory	26.53%	Strongest operating outcome after tax, NCI and dilution
Valuation denominator	Reported 276.983350 / normalized 273.731352 GBX EPS	898.405715 GBX statutory EPS	Comparable	Same listed unit and parent statutory perimeter
Valuation	31.3665x reported / 31.7391x normalized P/E	30.0x P/E	-1.74x vs normalized	Premium evidence, still below normalized current LSEG
Share value	8,688 GBX current price	898.405715 × 30 = 26,952.171450 GBX	-	P/E bridge; no net-debt adjustment
Annual dividend	148.285994 GBX	221.702837 GBX	8.38%	Starting TTM dividend grown with Bull revenue CAGR
Dividend yield	1.71%	0.82%	-0.88 pp	Share value grows faster than dividend
Five-year dividends	-	949.902329 GBX	cumulative	Five annual payments; no reinvestment
Total ending value	8,688 GBX	27,902.073779 GBX	26.28% gross local IRR	Share value plus dividends exactly once

CIO actionability (separate from ER2 underwriting):

Measure	Result	Notes
Status	WATCH	Quality is credible, but Management is YELLOW, cushion is below 15%, and portfolio fit is unavailable
Bear / Base / Bull net SGD IRR	-8.11% / 13.14% / 26.03%	Five-year annualized after 0.5% SDRT, market/FX costs and unchanged central GBP/SGD
Probability-weighted net SGD IRR	12.71%	25% / 55% / 20% weights; CAGR of expected terminal wealth
10% mandate hurdle	PASS	Base and probability-weighted net-SGD cases exceed 10%
15% stretch hurdle	FAIL	Base and probability-weighted cases remain below 15%
Downside and portfolio fit	UNAVAILABLE	Bear downside is material; current portfolio exposure and risk budget were not supplied
Proposed sizing ceiling	none	Research conclusion only; owner approval and portfolio context are required

The net-SGD diagnostic assumes a Singapore-resident individual, zero UK dividend withholding and zero Singapore tax on foreign dividends/capital gains under that stated profile. Entry includes 0.5% UK SDRT, 0.10% broker/market cost and 0.15% FX cost; exit includes 0.10% broker/market cost and 0.15% FX cost. Central terminal GBP/SGD is unchanged from £1 = S$1.7313. These are diagnostics, not personal tax advice.

Trade execution authorized: NO

Kill / trigger criteria:

- BUY trigger: 6,415 GBX or below for a probability-weighted 20% gross-local return, together with Management upgrading to PASS.
- PASS trigger: Data & Feeds organic constant-currency growth below 5.0% in each of the next two reported quarters.

- PASS trigger: SwapClear global cleared-IRS share below 85% without a compensating economics improvement, or subscription retention below 90%.
- PASS trigger: key IT access-control deficiencies persist into FY2027, or a financial restatement or material regulatory sanction occurs.
- Upgrade to BUY conditions: auditor reliance on key IT controls, acquisition-inclusive returns disclosed credibly, incentives add ROIC/FCF discipline, and the P/E-15 cushion remains positive.

Research sizing if actionable: None while portfolio fit is unavailable and Management remains YELLOW. Any later sizing is a proposal only and cannot authorize a trade.

Stage 0 — Time anchor

Today is 2026-08-27. LSEG's fiscal year ends 31 December. The most recent complete reported period is H1 2026, ended 2026-06-30 and reported 2026-07-30. TTM is FY2025 minus H1 2025 plus H1 2026, ending 2026-06-30; the forward horizon is 2031-06-30, exactly five calendar years later.

Stage 1 — Disqualifier sweep

The preliminary sweep found no RED item. ROIC was **YELLOW** because acquisition accounting and acquired intangibles require acquisition-burdened reconciliation; FCF conversion was **GREEN**; leverage was **YELLOW** pending exact verification; end-markets were **GREEN**; governance was **YELLOW**; AI disruption was **YELLOW**; and pricing power was **GREEN**. Later evidence resolved leverage without creating a hard failure, but reported FY2021–FY2025 ROIC of 5.8%, 4.4%, 3.5%, 3.5% and 5.6% remains well below the Gideon bar.

Management

Management is **YELLOW**. David Schwimmer's team has integrated Refinitiv, expanded recurring revenues, kept H1 2026 net debt/adjusted EBITDA at 2.1x, and repurchased shares while remaining within the 1.5–2.5x leverage policy. CEO ownership is meaningful, and the board is substantially independent. However, neither Refinitiv nor the £1.15bn SwapClear rights purchase has a disclosed cash-return bridge. Microsoft monetization remains early. Deloitte could not rely on key IT application and privileged-access controls in FY2025, even though the opinion was unmodified and substantive testing supported the accounts. Incentives reward adjusted EPS and TSR but contain no ROIC, ROCE or free-cash-flow test. Management can upgrade only through externally verified control remediation, better acquisition-return evidence and stronger capital-return incentives.

Moat

The moat and the **2046 test both PASS**. SwapClear's liquidity, netting, default-management and regulatory network is the strongest barrier. FTSE Russell benchmarks are embedded in fund documents, mandates, derivatives and long performance histories. Licensed feeds, identifiers and entitlement systems remain valuable beneath changing user interfaces, while World-Check's provenance and explainability matter in regulated compliance. AI can weaken Workspace and commoditize generic analytics, but it does not readily reproduce accepted benchmarks, permissioned data histories or clearing networks. The durable thesis is that LSEG remains a paid system of record and infrastructure operator beneath both human and agent workflows. Retention below 90%, SwapClear share below 85%, or usage growth without licensed-data monetization would challenge that conclusion.

Stage 5 synthesis — headline numbers

The reviewed model ties all five segments through the exact statutory bridge with 11/11 checks passed. TTM revenue is £9.659bn and statutory operating income is £2.494bn. Base 2031 revenue is £12.672bn, operating income £4.311bn, parent net income £2.706bn and diluted EPS 641.275782 GBX. The required EPS for the P/E-15 gate is 579.20 GBX, so Base clears by 10.72%. Bear EPS of 275.909663 GBX fails; Bull EPS of 898.405715 GBX clears. Data & Analytics requires both mix and real product-margin improvement, while Markets must normalize without losing its network economics. The Base share count falls from 499m to 421.93m through £8.30bn of modeled buybacks net of SBC; this is a significant assumption, not a free outcome. The reflexivity check therefore keeps buybacks inside the share denominator only and does not add them as distributions. Acquired-intangible amortization remains in statutory earnings and is not erased to manufacture a higher ROIC.

2031 scenario	Revenue, £m	Statutory OI, £m	Parent NI, £m	EPS, GBX	P/E-15 gate
Bear	10,521.3	2,340.4	1,226.550	275.909663	FAIL
Base	12,672.3	4,310.6	2,705.753	641.275782	PASS, +10.72%
Bull	14,441.2	5,843.2	3,823.032	898.405715	PASS, +55.11%

Red team

The independent red team classified the only material return-model objection as **MATERIAL_RESOLVED** and cleared assembly. Its strongest bear point is AI/platform channel capture: LSEG could retain the cost of data infrastructure while losing Workspace pricing, as Markets activity normalizes and EMIR 3 redirects euro clearing. The 24x Base exit is supportable but consequential—a 21x sensitivity lowers Base IRR to 10.54%. More importantly, flat terminal shares reduce Base IRR to 9.84%, showing that the £8.30bn buyback path is load-bearing. The single forced-exit signal is Data & Feeds organic constant-currency growth below 5.0% for two consecutive reported quarters.

Kill / trigger criteria

- Upgrade Management only if the auditor can rely on key access controls and incentives add a multi-year capital-return or per-share FCF measure.
- Downgrade the moat if subscription retention remains below 90% or SwapClear share falls below 85% without offsetting economics.
- Reject the operating Base if Data & Feeds organic constant-currency growth remains below 5.0% for two consecutive quarters.
- Require the Base diluted-share path to remain attainable without leverage exceeding 2.5x; otherwise rerun EPS and returns.
- Revisit entry at or below 6,415 GBX, or earlier if Management passes and the P/E-15 cushion remains positive on refreshed evidence.

Analyst flags

Acquisition-inclusive ROIIC cannot be calculated cleanly because comparable gross acquisition spend, disposals, working capital, growth opex and R&D are not disclosed. The five-year equity-FCF history crosses a definition change, and grant-level SBC dilution is unavailable. Several segment product margins and take rates are undisclosed. The quote is actionable only through 2026-08-28T11:51:31+08:00 under the conservative freshness policy. Portfolio fit, concentration and sizing remain unavailable. All conclusions are research-only; owner approval is mandatory and no trade, order, message or portfolio mutation is authorized.

Appendix A - Company Primer

London Stock Exchange Group plc — Company Primer

Security: XLON:LSEG ordinary shares, ISIN GB00B0SWJX34 **Quote/reporting basis:** quoted in GBX; financial reporting in GBP millions **Fiscal year-end:** 31 December **Financial anchor:** FY2025 and TTM ended 30 June 2026 **Forward horizon used by the ER2:** 30 June 2031, exactly five years after the TTM anchor

1. Business overview

London Stock Exchange Group plc (LSEG) is no longer best understood as simply the operator of the London Stock Exchange. It is a global provider of financial data, indices and benchmarks, compliance information, trading venues, clearing houses, and post-trade infrastructure. The common thread is that LSEG helps financial institutions decide what to trade, find a price and counterparty, execute the trade, calculate obligations, control counterparty risk, meet regulatory requirements, and settle or report the result. Its four operating divisions are Data & Analytics, FTSE Russell, Risk Intelligence, and Markets; the ER2 financial model also preserves the issuer's small “Other” line.

The customer base includes banks, asset and wealth managers, insurers, corporations, brokers, market makers, governments, compliance teams, fintechs, and technology platforms. LSEG said in its 2025 annual report that it served more than 43,000 customers, including every one of the top 100 global banks in its stated universe. These institutions use LSEG in business-critical processes: traders need prices and liquidity, fund managers need accepted benchmarks, banks must screen clients and payments, clearing members must meet margin calls, and issuers need trusted venues to raise capital.

The divisions occupy different points in the same chain. Market and third-party data can be cleaned and distributed through feeds, APIs, cloud platforms, or Workspace. FTSE Russell turns datasets and governance rules into indices. Venues facilitate transactions; clearing and post-trade services manage the obligations left behind; Risk Intelligence assesses customer, supplier, security, and payment risk.

LSEG generally sells directly to institutions through enterprise sales and account-management teams. Large customers negotiate multi-product data licences, permissioning, user counts, consumption rights, service levels, and deployment methods. Smaller or specialized customers may buy a single feed, API, index licence, screening product, venue connection, or transaction-based service. Many purchases involve procurement, legal, information-security, regulatory, and technology reviews; implementation can require data mapping, entitlement controls, workflow integration, model validation, connectivity tests, and user training. This makes the buying cycle slower than consumer software, but it also makes a successful installation difficult to displace.

2. Revenue architecture

The quantitative foundation is the sole source for the financial figures below. “Income” is LSEG's top-line presentation and includes £360 million of low-margin recoveries in Data & Analytics. “Adjusted operating profit” (AOP) is the issuer-disclosed segment profit metric. It is not statutory operating income.

Modeled segment	FY2025 income, £m	Share of group	FY2025 AOP, £m	AOP margin
Data & Analytics	4,338	46.4%	1,043	24.0%
FTSE Russell	954	10.2%	546	57.2%
Risk Intelligence	579	6.2%	285	49.2%
Markets	3,467	37.1%	1,623	46.8%
Other	8	0.1%	9	Not meaningful
Group	**9,346**	**100.0%**	**3,506**	**37.5%**

Data & Analytics was the largest division by income. Its FY2025 product mix was Workflows £1,925 million, Data & Feeds £1,822 million, Analytics £231 million, and recoveries £360 million. Recoveries are third-party content fees, such as exchange data, passed through to customers and offset in cost of sales; they inflate reported income but carry little economic margin. The core division is therefore a mix of user-facing software, high-volume data distribution, specialist analytics, and pass-through content.

FTSE Russell generated £630 million from subscriptions and £324 million from asset-based fees. Subscriptions include licences to use benchmark and index data. Asset-based revenue is linked to assets in investment products such as exchange-traded funds or institutional mandates that reference FTSE Russell indices. The combination gives the division contractual visibility plus participation in passive-investing flows and market appreciation.

Risk Intelligence reported £579 million of income. The 2025 annual report characterized its revenue profile as 78% recurring and 22% transactional. Recurring revenue includes access to screening and risk datasets; transaction revenue rises with identity, account, or payment-verification volumes. This creates a hybrid model: a contracted base plus usage that can grow as digital transactions and regulatory checks proliferate.

Markets generated £3,467 million across Equities £412 million; Fixed Income, Derivatives & Other £1,539 million; FX £272 million; OTC Derivatives £641 million; Securities & Reporting £229 million; Non-Cash Collateral £117 million; and Net Treasury Income £257 million. It is the least subscription-like division. The annual report described its profile as 33% recurring, 59% transactional, and 7% net treasury income, with rounding. Revenue responds to trading and clearing volumes, issuance, asset-class adoption, collateral choices, and interest rates, but those drivers are diversified rather than identical.

LSEG operates globally across more than 170 countries, so customer location is broader than the London branding suggests. The quantitative foundation does not contain a geographic revenue table; this primer therefore does not invent regional percentages. Economically, Data & Analytics and Risk Intelligence are globally distributed, FTSE Russell has major US and international benchmark franchises, and Markets includes UK capital formation alongside global fixed-income, derivatives, FX, and clearing platforms.

3. Customers and the buying process

Different users buy LSEG for different reasons, and often a central institution pays while many employees consume the service.

Customer group	Typical need	How the purchase works
Banks and broker-dealers	Prices, news, trading, benchmark rates, counterparty checks, clearing, collateral efficiency	Enterprise contract plus technical integration, venue membership, or volume-based fees
Asset and wealth managers	Research workflows, feeds, portfolio analytics, indices, execution and risk tools	Per-user or enterprise licences, data/API rights, index licences, and transaction fees
Corporates and treasurers	Market information, FX/rates execution, sanctions/KYC checks, cash and investment workflows	Direct institutional sale, often integrated into treasury or compliance systems
ETF issuers and institutional funds	Recognized index methodology and permission to create benchmark-linked products	Index data subscription plus asset-based licence fee
Exchanges, fintechs and technology platforms	Raw or enriched data, models, screening, connectivity, and distribution rights	API/feed/cloud licence with usage, redistribution, and entitlement terms
Issuers and advisers	Access to public or private capital and secondary-market liquidity	Admission, listing, transaction, data, and ongoing issuer-service fees

Strategic accounts buy consultatively rather than through self-service. A data client defines content, latency, users, applications, redistribution rights, and delivery; a benchmark client reviews methodology and governance; a clearing member tests risk, collateral, default-management, and connectivity; a Risk Intelligence buyer tests coverage, false positives, auditability, and integration. Customers weigh accuracy, uptime, rights, regulatory acceptance, liquidity, implementation effort, and failure costs alongside price. Large institutions may retain multiple providers for resilience, specialist content, or bargaining leverage.

4. Products and workflows by division

Data & Analytics

Workspace is LSEG's main desktop and workflow environment. It combines market data, news, research, analytics, collaboration, and links into trading or other LSEG services. LSEG retired Eikon in June 2025 after migrating roughly 350,000 users to Workspace. The strategic point is not merely a new screen: one modular platform allows faster product updates, common entitlements, Microsoft 365 integration, and a gateway into FXall, FTSE Russell, LCH, and Tradeweb content or functions. Traders, bankers, analysts, portfolio managers, and wealth professionals configure different views and tools around their jobs.

Data & Feeds delivers information directly into machines rather than primarily to a human desktop. Real-time prices, reference data, identifiers, corporate actions, news, evaluated pricing, and historical tick data can flow through dedicated networks, APIs, files, or cloud platforms. Banks use the same data in front-office pricing, middle-office risk, and back-office valuation or reporting. Speed matters for trading; completeness, consistency, lineage, and licensing matter for risk and accounting. A feed may be operationally embedded in hundreds of downstream applications, which increases its value and its replacement cost.

Analytics turns data into models or calculated outputs. Examples cited by LSEG include Yield Book fixed-income analytics, Lipper fund performance, private-credit analytics, and StarMine sentiment analysis. Delivery is shifting from installed tools toward APIs, cloud-native apps, and "model as a service," allowing institutions to call LSEG analytics from their own systems or make their models available through the platform.

FTSE Russell

A **benchmark** is a rules-based reference portfolio, price, or rate against which investments or transactions can be measured. An index such as the Russell 1000 or a FTSE equity index defines which securities qualify, how they are weighted, and when the list changes. Active managers use benchmarks to evaluate performance; passive funds seek to replicate them; derivatives, structured products, and mandates may refer to them contractually. FTSE Russell earns subscription fees for data and licences and asset-based fees when investment products track its indices.

The product is more than a spreadsheet of constituents. It includes methodology, governance, security classification, corporate-action treatment, daily calculations, reconstitution, client files, and operational support. Accuracy and predictability are crucial because a methodology error can move large pools of capital. Custom, thematic, fixed-income, sustainable-investment, and private-market indices expand the addressable workflows beyond flagship public-equity benchmarks.

Risk Intelligence

Risk Intelligence helps clients answer: "Who is this customer or counterparty, can we legally do business with them, and does this payment or identity look fraudulent?" World-Check compiles sanctions, politically exposed person, adverse-media, and enforcement information for screening. KYC means "Know Your Customer": regulated firms must identify clients, understand ownership and risk, and monitor relationships. KY3P extends similar discipline to suppliers and other third parties.

Digital Identity & Fraud products verify people, accounts, payees, and transactions. The workflow is increasingly real-time and API-based. A payment provider may call an LSEG service at onboarding or before money moves; the response becomes part of the compliance record. Customers value broad, current data and lower false positives because every false alert consumes analyst time, while a missed sanctioned party or fraud event can produce losses and regulatory penalties.

Markets

Capital formation connects organizations that need funding with investors. The London Stock Exchange and AIM support public equity and debt issuance; the newer Private Securities Market is intended to give private companies controlled, intermittent liquidity. Admission, disclosure, price formation, secondary trading, and issuer services form an ecosystem rather than a one-off listing event.

Trading venues match or facilitate buyers and sellers. Tradeweb is a major electronic marketplace for government bonds, credit, rates, money markets, and other products. In fixed income, trading has historically been less electronic than equities; greater electronification supports protocol innovation, price discovery, and data generation. FXall is primarily dealer-to-client foreign-exchange trading, while FX Matching serves dealer-to-dealer activity. These platforms earn more when users connect, trade, and find sufficient liquidity.

Clearing sits between counterparties after a trade. A central counterparty becomes buyer to every seller and seller to every buyer, nets offsetting exposures, collects margin, holds default resources, and manages a member failure under agreed rules. SwapClear clears interest-rate swaps; ForexClear and CDSClear address foreign-exchange and credit products. Clearing reduces bilateral counterparty complexity and can lower aggregate collateral needs, but it concentrates risk management in an institution that must be resilient under extreme stress.

Post-trade infrastructure handles what happens after execution: confirming terms, calculating payments, optimizing portfolios and collateral, reporting trades, and supporting settlement. LSEG's services span both cleared and uncleared derivatives. The economic value comes from reducing errors, manual work, capital usage, and fragmented connections. Net treasury income is earned on cash lodged at LCH as margin and default funds; non-cash collateral fees arise when members

post eligible securities instead of cash. Those operational balances are restricted and are not ordinary corporate cash.

5. Unit economics

LSEG's unit economics vary sharply by division, so group averages can obscure the underlying engines.

Data & Analytics combines attractive recurring software/data economics with substantial content, network, support, sales, and technology costs. A new enterprise contract can have high incremental margin once data and platforms exist, but LSEG must continuously acquire, clean, permission, store, and distribute data; pay third-party content providers; run low-latency infrastructure; and support hundreds of thousands of users. Recoveries are particularly low margin because third-party exchange-data fees are passed through. The division's 24.0% FY2025 AOP margin is therefore well below FTSE Russell and Markets despite 98% recurring revenue as characterized by the annual report.

FTSE Russell has the strongest disclosed segment margin at 57.2%. Index calculation and governance require skilled staff and robust systems, but distributing another index file or licensing an established benchmark is not proportional to the assets tracking it. Asset-based fees can therefore scale efficiently when markets rise or products gather flows. The counterweight is that benchmark governance, product investment, sales, and data quality cannot be neglected, and asset-linked revenue can fall when markets or fund assets decline.

Risk Intelligence produced a 49.2% FY2025 AOP margin. A curated risk dataset has high fixed costs—research, language and jurisdiction expertise, verification, legal controls, and technology—but a low marginal distribution cost. API-based identity and payment checks add variable cloud and vendor costs, yet transaction growth can still generate operating leverage. Poor precision would damage both client economics and LSEG's reputation, so continued investment is not optional.

Markets produced a 46.8% FY2025 AOP margin. Venue and clearing platforms carry high fixed technology, regulatory, surveillance, risk-management, and resilience costs. Once a platform is established, extra trades can be profitable, but some revenue-sharing, liquidity incentives, and non-controlling interests limit the amount retained by LSEG shareholders. Clearing also requires capital, liquidity resources, and conservative risk controls. Volume, volatility, rates, and product mix can move revenue faster than costs in either direction.

At group level, the gap between £3,506 million of FY2025 segment AOP and £2,127 million of statutory operating profit is essential. Transaction costs of £25 million, integration/separation/restructuring charges of £133 million, and £1,221 million of non-underlying depreciation, amortization, and impairment bridge the two measures. Investors should not treat AOP as statutory operating income or ignore the economic relevance of recurring acquired-intangible amortization without analysis.

6. Recurrence and pricing architecture

LSEG described 73% of FY2025 group income as recurring. The quality of that recurrence differs by product. Data and software subscriptions renew because users need continuous access; benchmark licences persist while funds or mandates reference the index; screening contracts recur because compliance is continuous. Annual Subscription Value was historically driven by retention, new sales, and price increases. H1 2026 disclosed 92.8% revenue retention and 6.1% ASV growth, evidence that renewal is high but not perfect.

Pricing can take several forms: named-user or enterprise subscriptions, dataset and usage rights, API calls, cloud consumption, asset-based index fees, trading or clearing fees per transaction, listing/admission fees, collateral fees, and interest-related treasury income. Contract terms may include annual price reviews, minimum commitments, volume tiers, redistribution restrictions, and separate licences for each use case. A customer using the same data in a human workflow, an algorithm, and an AI model may need distinct rights.

LSEG's H1 2026 AI framework illustrates the evolution. It envisaged an additional recurring licence for using LSEG datasets with AI models, recurring access charges for its Model Context Protocol capability with future usage bands, annual Workspace price reviews that include some AI Search usage, excess-usage charges, and a premium add-on for Deep Research. This seeks to monetize incremental value while recovering cloud and token costs. The risk is that complicated entitlements frustrate clients or encourage substitution; the opportunity is to convert new AI consumption into both recurring and usage-based growth.

7. Competitive landscape and switching

Competition is product-specific. LSEG identified Bloomberg, S&P Global, and FactSet among Data & Analytics competitors; S&P Global and MSCI in indices; RELX, Dow Jones, and Moody's in risk intelligence; and MarketAxess, Cboe, Deutsche Börse, and CME across markets. Competition also comes from specialist data vendors, banks' internal systems, cloud data

exchanges, new trading venues, open-source tools, and direct exchange feeds.

Customers may stay because the product is embedded in work, code, contracts, and regulation. Replacing a feed requires mapping fields and identifiers, testing history, changing licences, and validating downstream calculations. Replacing a benchmark may require investor approval, mandate changes, fund-document amendments, trading transition, and tax consideration. Moving a clearing position is constrained by liquidity, member connectivity, margin offsets, and regulation. Changing a screening provider requires model testing, workflow redesign, and evidence that regulators will accept the new control environment. Workspace gains stickiness from saved layouts, content, collaboration, entitlements, Excel links, and connected execution.

But switching is possible. A competing terminal can be more familiar or cheaper; a customer can dual-source feeds; an ETF sponsor can choose a rival index for a new product; volume can migrate to a venue with better liquidity or pricing; and compliance buyers can adopt specialized point solutions. Procurement departments routinely optimize seats and data rights, especially after bank mergers. Cloud and open standards can lower technical barriers by separating data from the interface. The sensible durability claim is therefore not “customers cannot leave,” but that trusted data, accepted methodologies, liquidity networks, regulatory approvals, and deep integration make replacement costly when LSEG continues to innovate and price reasonably.

8. Financial development through the current anchor

The quantitative foundation supplied reconciled FY2025, re-presented H1 2025, H1 2026, and TTM figures. It did not supply a five-year annual history. To preserve the instruction that the foundation is the sole quantitative source, this primer does not reconstruct FY2021-FY2024 figures from other materials. The table below shows the complete comparable development that can be stated from the sealed foundation; a true five-year historical series must be added upstream before it can be presented as such.

Financial line, £m except EPS	FY2025	H1 2025 repr.	H1 2026	TTM ended Jun-26
Total income	9,346	4,672	4,985	9,659
Adjusted operating profit	3,506	1,726	2,008	3,788
Statutory operating profit	2,127	1,061	1,428	2,494
Profit before tax	1,969	991	1,278	2,256
Parent net income	1,249	649	814	1,414
Equity free cash flow	2,445	935	1,205	2,715
Diluted EPS, GBX	237.0	Not additive	163.1	276.98

H1 2026 income was 6.7% above the re-presented prior half, while AOP increased 16.3% and statutory operating profit 34.6%. TTM parent net income reached £1,414 million versus £1,249 million in FY2025. Mechanically derived TTM diluted EPS was 276.98 GBX using the correct 510.5 million weighted diluted denominator, not the 488 million period-end basic share count.

The mix also improved across every substantive segment. TTM versus FY2025 income increased from £4,338 million to £4,411 million in Data & Analytics, £954 million to £986 million in FTSE Russell, £579 million to £602 million in Risk Intelligence, and £3,467 million to £3,652 million in Markets. Corresponding AOP increased to £1,074 million, £573 million, £306 million, and £1,827 million. Markets supplied the largest absolute increase, helped by trading and clearing activity, while the subscription divisions added smaller but more recurring increments.

Cash conversion is important because accounting profit includes large acquired-intangible amortization. TTM cash generated from operations was £4,558 million, cash capex was £923 million, and equity free cash flow was £2,715 million. At 30 June 2026, net debt was £9,319 million and operating net debt £9,982 million, with leverage at 2.1 times and £3,500 million of undrawn group revolving credit facilities. Clearing-member balances are excluded from ordinary corporate liquidity logic because they are restricted operational resources.

9. Capital intensity and reinvestment

This is a technology- and data-intensive business even though it does not own factories. Cash capex was £919 million in FY2025 and £923 million TTM. Investment includes data platforms, real-time networks, cloud migration, Workspace enhancements, analytics, regulatory infrastructure, cyber resilience, clearing systems, and new market platforms. The official cash-capex definition is much broader than a narrow vendor property-and-equipment line.

The annual report said capex intensity was 10.2% of income excluding recoveries in 2025, down as most Refinitiv integration investment concluded, and guided toward roughly 9.5% in 2026. A high-single-digit steady-state level still implies meaningful reinvestment. Maintenance and growth blur together: a real-time network upgrade may be required to remain competitive while also enabling higher capacity and new revenue. Underinvestment could increase outages, cyber risk, data errors, and product obsolescence; disciplined investment can create operating leverage because new data or functionality can be distributed across a large installed base.

10. Refinitiv integration and Microsoft partnership

The Refinitiv acquisition transformed LSEG's center of gravity toward data, feeds, analytics, and workflow software. It also created a large integration task: consolidating platforms, retiring Eikon, migrating users, reducing duplicated infrastructure, and building one commercial and data architecture. By 2025, LSEG stated that most integration investment had concluded. The remaining investor question is not whether the acquisition increased scale—it clearly did—but whether that scale produces sustained organic growth and cash returns after the full cost of technology renewal and acquired-intangible economics.

Microsoft is both a strategic technology partner and an important distribution channel. Workspace integrations with Excel, PowerPoint, Teams, and Copilot put LSEG content inside tools customers already use. Azure supports selected infrastructure, including Autex trade routing and Digital Markets Infrastructure. Copilot Studio can combine governed LSEG data with customer-built agents. The partnership may reduce friction, broaden distribution, and accelerate development, but it creates dependency on Microsoft's platforms, economics, product priorities, security, and execution. An open, multi-cloud, model-agnostic approach is therefore strategically important rather than cosmetic.

11. Regulatory and systemic role

Several LSEG businesses are part of the plumbing of global finance. Exchanges must maintain fair access, market surveillance, transparent rules, and operational resilience. Benchmark administrators need robust methodologies, governance, and conflict controls. Screening products help clients meet sanctions and anti-money-laundering duties. Clearing houses concentrate and manage counterparty exposures and must maintain margin, liquidity, default funds, recovery plans, and credible default management.

This role creates both barrier and burden. Regulatory licences, rulebooks, supervisory relationships, tested infrastructure, and participant trust are difficult to reproduce. At the same time, failure can have systemic consequences. Regulators can constrain pricing, capital allocation, product design, data usage, ownership, or market access. LSEG must continue investing through quiet markets, meet multiple jurisdictions' standards, and protect sensitive data. Its position is durable partly because it accepts these obligations, not because regulation simply shields it from competition.

12. AI opportunity and disruption exposure

AI creates a plausible demand tailwind for authoritative, current, permissioned, and auditable financial data. LSEG reported more than 33 petabytes of data and real-time information arriving at millions of datapoints per second. Models and agents need normalized identifiers, history, provenance, rights, and updates; raw web content is often inadequate for regulated investment, trading, and risk decisions. LSEG can sell its content through Workspace, feeds, APIs, cloud platforms, MCP access, and partner applications, while adding AI search, research, and analytics.

The disruption risk is real. AI interfaces may weaken the traditional desktop as users ask questions inside general productivity tools. Models may make basic analytics or summarization cheaper, and customers may consolidate vendors if agents can normalize multiple sources. LSEG's defense is to make its data available wherever customers work while retaining licence control and to use proprietary histories, market-generated data, benchmark governance, and regulated infrastructure that an interface alone cannot replicate. Failure would look like data becoming interchangeable, customers refusing incremental AI licences, usage shifting to lower-priced sources, or partners controlling the customer relationship and economics.

13. Principal durability risks

- **Pricing versus value:** aggressive increases or complex entitlements could prompt seat reductions, dual sourcing, regulatory scrutiny, or migration to specialist vendors.
- **Technology and cyber resilience:** outages, corrupt data, model errors, or cyber incidents could damage clients immediately and undermine trust across interconnected products.

- **Execution after transformation:** LSEG must convert the Refinitiv scale and Microsoft partnership into better products and growth while continuing to simplify legacy systems.
- **Market and rate sensitivity:** trading, clearing, asset-based, issuance, collateral, and net treasury income can move with volumes, volatility, market levels, and interest rates.
- **Regulatory intervention:** benchmark, exchange, clearing, data, competition, privacy, sanctions, and AI rules can increase cost or restrict commercial choices.
- **Network migration:** liquidity and benchmark adoption are self-reinforcing, but they can reverse if users coordinate around a superior venue, methodology, or standard.
- **Capital and ownership complexity:** clearing resources, non-controlling interests, leverage, acquisitions, and buybacks require careful shareholder-economics analysis; consolidated growth is not automatically fully retained.
- **AI disintermediation:** distribution partners and general-purpose agents could commoditize the interface, pressure pricing, or place LSEG farther from the end user even as data usage grows.

14. Plain-English glossary

Term	Meaning
Adjusted operating profit	LSEG's disclosed segment profit measure before specified non-underlying items; not statutory operating income
ASV	Annual Subscription Value, the point-in-time value of recurring contracts
Benchmark/index	A governed set of rules and calculations used to measure a market or anchor an investment product
Capital formation	Raising equity or debt from investors through public or private markets
Clearing/CCP	A central counterparty that stands between trades, nets exposures, collects collateral, and manages defaults
Feed	Machine-readable data delivered continuously or in files/APIs into a client's own systems
KYC/KY3P	Checks on customers or third parties to meet legal, sanctions, fraud, and reputational-risk obligations
Margin	Collateral collected to protect a clearing house and its members from counterparty losses
MCP	Model Context Protocol, a standard for connecting AI applications to governed data and tools
Net treasury income	Income earned on cash posted to LCH as margin and default resources
Post-trade	Confirmation, processing, reporting, collateral, optimization, clearing, and settlement after execution
Recoveries	Low-margin third-party content fees passed through to Data & Analytics customers
SwapClear	LCH service for centrally clearing interest-rate swaps
Workspace	LSEG's modular desktop and workflow platform for data, news, analytics, collaboration, and connected services

15. Source note

All financial figures come exclusively from `quant_foundation.md`, which is based on the official LSEG Annual Report 2025 and H1 2025/H1 2026 interim reports and has an independently reviewed 8/8 reconciliation. The reviewer confirmed the statutory bridge, listing/unit bridge, and TTM construction; official statements control where FMP differed or lacked product data. Qualitative descriptions are grounded in the same official Annual Report 2025 and Interim Report H1 2026 preserved in the run's immutable raw-source directory. No new quantitative fetch was used for this primer. Calculated percentages use QF figures and may differ slightly from issuer-presented percentages because of rounding and the inclusion of recoveries. The financial-history section explicitly preserves the QF's available period scope rather than fabricating a five-year annual series.

This primer is descriptive orientation for the ER2 analysis. It does not provide a BUY/WATCH/PASS verdict, portfolio recommendation, sizing instruction, or trade authority.

Appendix M - Management Assessment

London Stock Exchange Group plc — Management and Stewardship Assessment

Assessment date: 27 August 2026 **Financial anchor:** TTM to 30 June 2026 **Underwriting horizon:** to 30 June 2031
Scope: David Schwimmer, Michel-Alain Proch, Don Robert and the board; Refinitiv integration; Microsoft partnership; capital allocation; incentives; disclosure; controls; regulatory posture; and peer stewardship.

1. Executive judgement

London Stock Exchange Group (LSEG) has an able operating team, an unusually valuable portfolio of financial-market infrastructure and data assets, and a board that is formally independent except for Microsoft's disclosed nominee. David Schwimmer's eight-year record includes the transformational Refinitiv acquisition, Eikon-to-Workspace migration, margin expansion, improving free cash flow, disciplined leverage after a very large transaction, and a materially shrinking share count. Michel-Alain Proch has added credible public-company finance experience and has communicated with useful specificity since joining in 2024. Don Robert's board has relevant financial-services, technology and regulated-market experience, credible committees, annual director re-election and no controlling shareholder or dual-class structure.

That is not enough for a PASS. The strongest evidence is execution against management's adjusted operating framework; the weakest is full-cycle stewardship of shareholder capital. Verified statutory ROIC was only 5.8%, 4.4%, 3.5%, 3.5% and 5.6% in FY2021–25. This is a diagnostic rather than a deal-specific Refinitiv IRR, but it means that a £31.3 billion goodwill-and-intangible balance has not yet translated into a clearly attractive accounting return on the capital entrusted to management. Microsoft product delivery is now visible, but the original expectation of revenue beginning in 2025 and accelerating meaningfully thereafter has slipped into a usage-first narrative: at H1 2026, MCP invoices were described as minimal and management said the effect should be greater in 2027. Finally, Deloitte still could not rely on controls over key IT systems in FY2025 because of user-access and privileged-account deficiencies. A clean audit opinion and compensating substantive procedures reduce the immediate accounting concern, but persistent access-control weakness is material stewardship evidence for a critical-market-infrastructure operator.

The result is **YELLOW**: good operators with strong ownership alignment and credible disclosure on the core business, offset by unproven acquisition returns, unresolved controls, opaque partnership monetisation and an incentive design that rewards adjusted EPS without directly charging management for invested capital.

2. Leadership quality and bench

David Schwimmer — Chief Executive Officer

Schwimmer joined as CEO in August 2018 after 20 years at Goldman Sachs, where his roles included global head of market structure and global head of metals and mining. His legal training at Davis Polk and market-structure background fit LSEG's regulated, transaction-intensive portfolio. His tenure is now long enough to judge outcomes rather than credentials.

The positive evidence is substantial. He completed Refinitiv, retained and integrated strategically important assets, navigated regulatory remedies, moved approximately 350,000 users from Eikon to Workspace on time and on budget, and simplified reporting around durable growth drivers. FY2025 total income was £9.35 billion and adjusted operating profit £3.51 billion; TTM to June 2026 reached approximately £9.66 billion and £3.79 billion respectively. Equity free cash flow rose from £1.79 billion in FY2021 to £2.45 billion in FY2025 despite elevated investment. Operating net leverage was 1.8x at FY2025 and 2.1x at H1 2026, within the stated 1.5–2.5x range after exceptionally heavy capital returns. This is evidence of execution and balance-sheet control, not simply favourable end markets.

The reservations are equally important. Refinitiv integration and separation costs were still £121 million within FY2025's £133 million of restructuring/integration/separation charges five years after closing, while acquired-intangible amortisation and impairment remained a major gap between adjusted and statutory profit. Schwimmer has also not provided a cash-on-cash return bridge for Refinitiv. The acquisition clearly improved scale, margin and free cash flow, but statutory ROIC does not yet establish value creation relative to purchase price. On Microsoft, Schwimmer answered a direct November 2025 challenge by insisting the partnership would "absolutely" contribute, but did not plainly acknowledge that the original timing for material revenue had shifted. This was the least candid exchange in the reviewed eight-event set.

Michel-Alain Proch — Chief Financial Officer

Proch joined LSEG in February 2024 and the board in March 2024. He previously served as Publicis CFO, Ingenico CFO and in senior Atos roles including CFO, North America CEO and chief digital officer. The relevant positives are experience in large technology-enabled organisations, restructuring and investor communication. In LSEG events he has provided detailed segment, price, cost, capex, cash-conversion and buyback mechanics, and he has not stretched the leverage framework to defend capital returns.

His tenure is too short for a full-cycle capital-allocation score. The first two years show tighter cost and cash communication, but not yet a changed return-on-capital discipline. His reported FY2025 remuneration of £4.41 million included £2.16 million of awards replacing foregone Publicis incentives, so the headline is not a clean recurring run rate. He held qualifying shares worth 341% of salary at year-end against a 400% guideline, with time remaining in the five-year build-up period.

Operating bench and succession

The bench is credible but unevenly seasoned. Markets head Daniel Maguire has deep LCH experience and has served on the executive committee since 2017; that continuity is valuable in clearing. FTSE Russell CEO Fiona Bassett brought asset-management and index experience. Data & Analytics moved to co-heads Gianluca Biagini and Ron Lefferts in August 2025; both have relevant data and technology backgrounds, but the new structure still needs to prove it can reaccelerate a roughly 5% organic-growth franchise while completing the Microsoft transition. Leadership risk is therefore not CEO/key-person concentration alone: it is whether the newer Data & Analytics team can convert product engagement into measurable commercial growth before the 2031 horizon.

3. Capital allocation and acquisition record

Refinitiv: strategic logic versus economic proof

Refinitiv changed LSEG from an exchange-led operator into a diversified data, analytics, index, risk and infrastructure group. Strategically, that increased recurring subscription revenue, customer workflow depth, distribution reach and cross-sell potential. Operational evidence includes the Workspace migration, margin improvement, lower integration charges, revenue synergies and stronger free cash flow. The transaction also reduced dependence on transaction volumes.

The accounting economics remain less persuasive. At FY2025, goodwill plus intangible assets were £31.27 billion versus £19.78 billion of parent equity, leaving tangible parent book value negative by approximately £11.49 billion. Statutory operating income increased from £1.45 billion in FY2021 to £2.13 billion in FY2025, but statutory ROIC remained only 5.6% in FY2025 after troughing near 3.5%. Adjusted EPS and cash flow are legitimate measures of operating progress, but excluding acquired-intangible amortisation does not make the purchase price disappear. Management has earned credit for integration; it has not yet earned a high-confidence verdict that Refinitiv created attractive value per pound invested.

Microsoft: delivery is ahead of monetisation evidence

The December 2022 agreement is a ten-year strategic partnership. Microsoft became an approximately 4.1% shareholder, received the right to nominate a non-independent director, and LSEG committed to minimum cloud-related spending of $2.8 billion. LSEG originally expected £250–300 million of 2023–25 cash costs, including approximately £100 million of capex, and described new revenue as starting to flow in 2025 with meaningful acceleration thereafter.

Product delivery is real. Workspace migration is largely complete; Teams, Excel and PowerPoint integrations, Open Directory, Analytics API, Azure-based Autex, the DMI private-funds transaction, LSEG Everywhere/MCP, AI Search and Deep Research have launched or entered customer use. Management disclosed more than 200 customer engagements for MCP, approximately 17,000 AI Search active users and 7,000 Deep Research users. Yet Data & Analytics organic growth was about 5% in FY2025 and 5.1–5.2% in early 2026. At H1 2026 management said MCP invoices were minimal, would not move the 2026 needle, and should have more effect in 2027. Engagement, active-user and product-launch counts demonstrate adoption; they do not yet demonstrate incremental revenue, margins or return on the contractual cloud spend. The partnership should remain a strategic option, not be capitalised in the stewardship grade as proven value.

Buybacks, dividends and smaller transactions

Cash returned to shareholders has accelerated. Buybacks were £55 million, £383 million, £1.24 billion, £1.05 billion and £2.15 billion in FY2021–25, while dividends were £426 million, £567 million, £611 million, £642 million and £718 million. In H1 2026, buyback cash outflow was £2.27 billion and dividends were £510 million; a further £1.35 billion buyback was planned through

February 2027, alongside a 17% interim-dividend increase to 55 pence. Period-end shares excluding treasury declined from 510 million at FY2025 to 488 million at H1 2026.

Timing has been mixed, not reckless. The disclosed FY2025 repurchases averaged about £93.44 per share and January–10 February 2026 purchases averaged £82.34, versus £86.88 on 26 August 2026; however, an early Q1 2025 tranche averaged approximately £110.31. Management accelerated returns as the price fell and stayed within the leverage range, which is favourable. The board still does not disclose a per-share intrinsic-value framework, and adjusted EPS—the largest LTI metric—mechanically benefits from repurchases. The right test is future per-share free-cash-flow growth and realised value, not whether buybacks increase adjusted EPS.

The SwapClear transaction shows a more targeted approach: LSEG paid £1.15 billion for rights/intangibles and sold 20% of a related vehicle to 11 banks for £170 million, while reducing an ongoing revenue share and extending the arrangement to 2045. Management expects 2–3% adjusted EPS accretion. The structure deepens customer alignment, but its long duration and adjusted-EPS framing require follow-up on cash returns. A July 2026 purchase of up to 1.05% of LCH minority interests for €70 million is immaterial to the group but should be judged on the same basis.

4. Incentives, ownership and shareholder alignment

The 2025 incentive structure combines useful retention and ownership safeguards with a weak capital-efficiency signal.

Element	FY2025 design/evidence	Assessment
CEO reported remuneration	£6.419m, including £3.077m bonus and £1.673m LTI	High absolute quantum; below £7.864m in 2024
Annual bonus	60% adjusted operating profit; 10% ASV/net sales; 5% strategic cases; 15% group strategy; 10% personal leadership	Strong operating focus, but adjusted earnings dominate
LTI	60% adjusted EPS growth; 40% relative TSR	TSR is useful; no ROIC, ROCE, FCF, leverage or statutory-EPS test
Deferral/holding	40% of bonus deferred three years; three-year LTI plus two-year holding	Good duration, though shorter than Refinitiv's economic life
CEO ownership	902% of salary versus 600% requirement; approximately £12.4m	Meaningful downside alignment
CFO ownership	341% versus 400% requirement, within build-up period	Adequate and improving
Malus/clawback	Broad triggers; clawback normally three years	Appropriate; no FY2025 invocation
Employee participation	Share plans available to 98% of permanent employees; 35% participation	Positive ownership culture

The 2023 LTI vested at 46%: the adjusted-EPS component contributed while the relative-TSR component paid zero. That result illustrates both discipline and a design problem. Shareholders did not receive relative outperformance, yet an acquisition-adjusted metric still generated material vesting. Maximum 2026 opportunity remains unusually large—CEO annual bonus up to 300% of salary and LTI up to 550%; CFO 200% and 400%. The plan should include a multi-year capital-return or cumulative per-share free-cash-flow measure, with explicit leverage guardrails, before the next policy cycle.

Stock-based compensation was £141 million, £158 million, £143 million, £165 million and £176 million in FY2021–25, equivalent to approximately 2.16%, 2.04%, 1.71%, 1.86% and 1.88% of revenue. That stable 1.7–2.2% band and the declining share count do not indicate equity-compensation abuse. The reviewed annual report and targeted official-site PDMR search did not reveal clustered discretionary CEO/CFO selling during the recent period, but the official index did not provide a complete, easily auditable 12-month transaction ledger; this is therefore not an affirmative "no selling" conclusion. The 2025 report disclosed no change in director interests between 31 December 2025 and 25 February 2026. No explicit anti-hedging or pledging prohibition was found in the reviewed remuneration disclosure, which is a disclosure gap rather than evidence that either practice occurs.

5. Board effectiveness and governance

As of August 2026 the board comprised 11 directors: the chair, two executives, seven independent non-executives and Microsoft nominee Scott Guthrie, whom LSEG correctly classifies as non-independent. Independent directors therefore exceed half the board excluding the chair. Guthrie does not sit on the Audit, Risk or Remuneration Committees. The Microsoft relationship creates a genuine conflict channel—Microsoft is vendor, shareholder, contractual partner and board nominator—but transparent classification, committee exclusion and general conflict procedures are reasonable mitigants.

Don Robert has chaired LSEG since May 2019 after leading Experian as CEO and chair. He brings large-scale data and regulated-business experience. Senior Independent Director Cressida Hogg has infrastructure-investing and public-company chair experience. The board has added technology and finance depth, including Lloyd Pitchford in 2025 and Dame Elizabeth Corley in December 2025. Women represented approximately 45% of directors following the April 2026 changes. Attendance exceptions disclosed for 2025 were limited and explained; no pattern suggests disengagement.

Succession deserves attention. Val Rahmani reaches nine years on the board in December 2026, Kathleen DeRose follows in December 2027, and Robert and Hogg have served since 2019. Annual re-election, board refreshment and recent appointments reduce entrenchment risk, but committee succession must preserve clearing, cyber, data-rights and regulatory expertise. Robert also chairs Bupa and has private-capital commitments; there is no present attendance evidence of overboarding, but the workload is material.

There is one ordinary-share class, no dual-class voting structure and no controlling shareholder. Disclosed significant holders included Qatar Investment Authority, BlackRock, Capital Group, Microsoft and Lindsell Train. The annual report states significant related-party transactions are at arm's length and disclosed no material director contract of significance. These features support minority-shareholder protection.

6. Controls, regulation and conduct

The central governance concern is IT access control. Deloitte's FY2025 audit stated that it could not rely on controls over key IT systems because deficiencies continued in application user-access management and privileged-access accounts. The audit therefore used a fully substantive approach except for certain operating-expense and payroll processes. Subscription-revenue recognition remained a key audit matter in part because of these ongoing deficiencies. Deloitte nevertheless concluded that revenue was appropriately recognised and issued an unmodified opinion; Tradeweb did not share the same weakness. Management and the Audit Committee maintained a remediation plan and judged compensating controls sufficient to reduce material-misstatement risk to an acceptable level.

This should not be translated mechanically into a US-style "material weakness," nor does it imply a misstatement. It is still an active deficiency relevant to cyber resilience, entitlements, price-sensitive information and billing in a systemically important group. The board should disclose remediation milestones and the external auditor should be able to rely on key access controls for FY2026. Repetition into FY2027, a restatement or a regulatory sanction would be a gate downgrade.

LSEG discloses continuing regulatory reviews and investigations in the ordinary course, consistent with its role in trading, clearing, benchmarks, data and financial-crime screening. No material enforcement penalty, financial-statement restatement or adverse audit opinion was identified in the official reviewed set. A roughly 4% restatement of a 2024 Scope 3 sustainability figure reflected methodology/error, not a financial restatement. The proper conclusion is not that conduct risk is absent, but that the current evidence does not show governance failure comparable to a major customer-harm, market-integrity or reporting event.

7. Candour and guidance discipline: eight-event scorecard

The reviewed sequence comprises Q1 2025, the June 2025 Risk Intelligence webinar, H1 2025, Q3 2025, the November 2025 Innovation Forum Q&A, FY2025 results, Q1 2026 and H1 2026. Across that window, management confirmed or raised guidance and did not have an outright guidance miss. It regularly quantified price, ASV, margin, cost, cash conversion and buyback effects.

Event	Evidence of candour	Limitation
Q1 2025	Explained Meeting Prep MVP feedback, Data-as-a-Service timing and volumes-to-revenue mechanics	Product economics still unquantified
Risk Intelligence webinar	Disclosed retention in the 90s, small-SME price sensitivity and roughly one-third growth from pricing	M&A remained part of the growth plan without return thresholds
H1 2025	Acknowledged competitor response and ASV slowing from 6.4% to 5.8%; raised margin floor	Did not disclose usage share; AI revenue remained opaque
Q3 2025	Raised margin outlook; disclosed 3.5% pricing and 2–3% SwapClear EPS accretion	Relied on adjusted EPS for deal value
Innovation Forum 2025	Clear product/TAM priorities	Deflected the original Microsoft revenue-timing challenge
FY2025	Met/beat range; added gross-sales, retention and NPVI KPIs; called MCP early	No Microsoft-specific revenue or return bridge

Event	Evidence of candour	Limitation
Q1 2026	Guided to upper half of revenue range; discussed variable cloud/platform costs	Could not give new-logo mix; no MCP revenue in quarter
H1 2026	Raised revenue to 7–7.5% and margin to about +100bp; said MCP invoices were minimal	Would not define meaningful 2027 monetisation thresholds

This is above-average operating disclosure but incomplete strategic accountability. Management is most candid where the KPIs are already institutionalised and least candid on incremental Microsoft economics and acquisition returns. Roughly six of the eight events contained direct numerical answers to the main operating issues; the Innovation Forum timing answer and the H1 2026 monetisation discussion were the principal soft spots. The pattern supports confidence in near-term execution, not yet in the long-duration return claims.

8. Peer stewardship comparison

Intercontinental Exchange provides the strongest comparison. Founder-CEO Jeffrey Sprecher has a longer multi-cycle acquisition record, 2025 revenue above $9 billion, approximately $4.2 billion of adjusted free cash flow and $2.4 billion of capital return while reducing leverage. ICE's acquisition record and explicit balance-sheet/cash-return evidence place it ahead of Schwimmer on proven per-dollar stewardship, even though LSEG's current leverage is conservative.

Nasdaq illustrates a different trade-off. Adena Friedman accepted approximately 4.7x leverage for the $10.5 billion Adenza acquisition, then reported deleveraging to 3.3x about 16 months ahead of plan by Q2 2025; 2025 operating cash flow reached about $2.3 billion and debt repayment was $826 million. Nasdaq took more balance-sheet risk than LSEG but disclosed concrete deleveraging milestones. Schwimmer compares well on current leverage and operational integration, but less well on a disclosed deal-return framework.

S&P Global is a useful disclosure benchmark rather than a clean CEO-tenure comparison because Martina Cheung became CEO only in November 2024. Its Investor Day framework targeted returning at least 85% of free cash flow to shareholders and linked the IHS Markit integration to explicit financial outcomes. LSEG's board should similarly connect partnership and acquisition spending to cumulative cash-return and per-share value metrics.

9. Five-year stewardship conclusion and monitorable gate

By June 2031, the management case should be judged on three outcomes, not on launch counts or adjusted EPS alone:

- **Control remediation:** the external auditor can rely on key IT access and subscription-revenue controls, with no repeat expansion of the related key audit matter, financial restatement or material regulatory sanction.
- **Commercial proof from Microsoft:** LSEG discloses incremental revenue, gross-sales contribution, cohort adoption or margin evidence from LSEG Everywhere/MCP and related products; Data & Analytics growth sustainably improves from roughly 5% toward the group's higher-quality subscription ambition.
- **Capital efficiency:** statutory ROIC moves credibly toward at least 10%, or management publishes a defensible cash-return bridge showing that Refinitiv, SwapClear and Microsoft investment earn above the cost of capital. Operating leverage stays within 2.5x and per-share free cash flow rises without repeated repurchases above a reasonable intrinsic-value range.

Upgrade to PASS requires all three conditions to show durable progress and the next remuneration-policy review to add a capital-return, cumulative cash-flow or similarly non-adjustable stewardship metric. Downgrade to FAIL if IT deficiencies persist into FY2027 or cause a restatement/sanction; Microsoft costs rise while monetisation stays undisclosed and Data & Analytics stagnates; leverage exceeds 2.5x without an exceptional, clearly accretive reason; or new acquisitions/buybacks reduce per-share free cash flow and prolong sub-cost-of-capital returns.

Source notes

Company financials and capital-allocation amounts above use the verified ER2 [data package](C:/Users/Admin/OneDrive/GPT/ER%202.0/London%20Stock%20Exchange%20Group/data_package.md) and [quant foundation](C:/Users/Admin/OneDrive/GPT/ER%202.0/London%20Stock%20Exchange%20Group/quant_foundation.md). Management, pay, governance and controls were checked against LSEG's [2025 Annual Report](https://www.lseg.com/conte

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MANAGEMENT GATE: YELLOW

Appendix W - Moat and 2046 Durability

London Stock Exchange Group plc — Moat and 2046 Durability

Assessment date: 27 August 2026 **2046 test date:** 27 August 2046 **Financial anchor:** TTM ended 30 June 2026 **Segment profit basis:** Adjusted operating profit (AOP), not statutory operating income

This assessment starts from the sealed ER2 data package and current-taxonomy divisional evidence, then tests the claims against LSEG's filings, regulators and realistic competitors. LSEG is not one moat. It is a portfolio of four defensible financial-information and market-infrastructure franchises whose barriers differ materially. The strongest are clearing network effects, benchmark acceptance, embedded licensed data and high-trust compliance procurement. The weakest is the user interface itself. That distinction is decisive in the AI era.

1. Moat taxonomy applied

Network effects — strong, but concentrated

The strongest direct network effects are in Markets. A trading venue becomes more useful when it has more dealers, investors, protocols and observable liquidity; a central counterparty becomes more valuable when a larger common membership and position pool produces better multilateral netting, compression and collateral efficiency. LSEG reports that SwapClear handles more than 90% of global interest-rate-swap notional cleared. This is more than corporate positioning: the Bank for International Settlements describes LCH and CME as the two dominant global CCPs for OTC interest-rate derivatives and says local challengers face scale and network-effect disadvantages. Tradeweb similarly describes a reinforcing cycle between users, liquidity and volume, but its own filing also makes clear that MarketAxess, Bloomberg, ICE, CME/BrokerTec and other venues contest different products. The network effect is therefore strong within established product liquidity pools, not a group-wide monopoly.

FTSE Russell has an indirect acceptance network. Asset owners select a recognized benchmark; funds and derivatives reference it; consultants, custodians and performance systems support it; liquidity forms around the related products; and this installed base makes the benchmark more useful. It is difficult to coordinate a large existing ecosystem onto a replacement even when a rival can calculate a similar index. The FCA found market power and limited switching in benchmark markets, while also identifying 35 UK administrators and nine approved third-country administrators in February 2024. This is evidence of incumbent acceptance, not the absence of competition. Data & Analytics and Risk Intelligence have data-contribution and workflow ecosystems, but their network effects are secondary to switching costs and scale.

Switching costs — strong in feeds, benchmarks, screening and clearing; moderate in desktops

Replacing an LSEG feed can require field and identifier mapping, historical back-testing, permission changes, application remediation, parallel running and sign-off across front-, middle- and back-office systems. Replacing World-Check can require sanctions-coverage validation, false-positive testing, model and threshold recalibration, audit evidence and regulator-ready change control. Replacing a benchmark may require mandate, prospectus, derivative, tax and portfolio-transition work. Moving clearing activity can sacrifice netting offsets and liquidity and requires connectivity, membership and collateral changes. These are economic and operational switching costs, not contractual captivity.

Workspace is less protected. Layouts, Excel links, entitlements, chat/collaboration and links to trading systems are sticky, and the smooth migration of roughly 350,000 Eikon users shows LSEG can move a large installed base. But Bloomberg, S&P Capital IQ, FactSet and specialist applications remain credible alternatives, and large banks routinely optimize seats after mergers. FactSet reported fiscal-2025 ASV retention above 95%, versus LSEG's 92.8% subscription revenue retention at June 2026; rival products are sticky too. AI agents may further separate content from the screen. The correct claim is that embedded machine data and regulated workflows are costly to replace; the traditional desktop is not unassailable.

Scale economies — strong, with a real reinvestment bill

LSEG can spread data acquisition, normalization, identifiers, low-latency distribution, benchmark governance, cyber defence, exchange surveillance and clearing risk management across more than 43,000 customers. The November 2025 Innovation Forum said about 90% of Data & Feeds revenue involved proprietary intellectual property, technology and/or infrastructure, including a private real-time network with nearly twice the physical venue connectivity of the number-two provider. Scale also supports more than 500 World-Check analysts across 70 languages and the technology behind hundreds of millions of fraud/identity transactions.

This is not costless software. Cash capex was £923 million TTM, after £919 million in FY2025, and management guides to high-single-digit capex intensity over time. Data rights, cloud use, token costs, resilience and regulation require continuing investment. Scale is a moat because a challenger must fund a comparable fixed-cost base before achieving comparable coverage and trust, but LSEG cannot harvest it by starving the assets.

Brand and trust — strong where errors are expensive

FTSE Russell, LCH/SwapClear, World-Check, Reuters-derived content and the London Stock Exchange are accepted institutional brands. In these businesses, trust means repeatable methodology, lineage, uptime, neutral governance and surviving stressed events—not consumer familiarity. A missed sanctioned party, corrupt price feed, erroneous index rebalance or failed default process can create regulatory, legal and market losses far larger than the vendor fee. That asymmetry supports high-trust procurement and favors proven suppliers. Brand is less independent than it looks, however: one systemic outage, benchmark-governance failure, clearing loss or serious data error could transmit reputational damage across the increasingly integrated group.

Regulatory barriers — strong barrier and strong constraint

Exchange and clearing licences, benchmark-administrator controls, trade reporting, surveillance, default-management capacity and cross-border approvals are expensive and slow to reproduce. They are particularly powerful in Markets and FTSE Russell. Regulation also makes Risk Intelligence demand less discretionary. But regulation does not grant unconstrained economics. The FCA's wholesale-data study found drivers of market power and scope for fairer, more transparent terms. EU recognition of UK CCPs is time-limited to 30 June 2028 while EMIR 3 is intended to increase EU clearing and reduce reliance on UK CCPs. Open-access rules and LSEG's own open model limit the ability to force trading, data and clearing into one closed stack. Regulatory status therefore protects the permission to operate and raises entrants' costs while simultaneously capping tying, pricing and market-access discretion.

Intellectual property and proprietary/licensed data — moderate to strong, uneven

LSEG's moat is not primarily patents. Its 2025 annual report explicitly warns that limited intellectual-property protection can allow competitors to develop similar products or processes. The stronger assets are contractual rights, accumulated histories, contributed data, proprietary symbologies such as RICs and PermID, evaluated prices, models, benchmark methodologies and the operational machinery that turns public and licensed inputs into consistent records. Some public-data workflows and basic analytics are replicable; Reuters news, contributor networks, real-time exchange connectivity, decades of normalized history, World-Check research and market-generated venue data are harder to reproduce lawfully and accurately. Third-party exchange content is licensed rather than owned, creating supplier and recovery-fee dependence.

High-trust procurement — strong and group-wide

LSEG sells into banks, asset managers, insurers, corporates and market infrastructures where procurement includes legal rights, information security, data lineage, model risk, resilience, regulation and integration. This lengthens sales cycles but makes validated incumbency durable. The best evidence is not a sales claim: 73% of FY2025 group income was recurring; LSEG's subscription book showed 92.8% retention, £482 million rolling gross sales and 6.1% ASV growth at June 2026. High trust is not permanent. Customers can dual-source for resilience and bargaining leverage, and procurement will reject complex AI entitlements if perceived value does not exceed cost.

2. Per-segment moat

Data & Analytics

The defensible core is not the Workspace screen; it is embedded real-time and reference feeds, identifiers, contributor relationships, licensed histories, field-level entitlements, and the integration and validation work around them. TTM income was £4,411 million and AOP £1,074 million, a 24.3% margin. Workflows grew only 2.7% organically in Q2 2026, versus 7.7% for Data & Feeds, consistent with the machine-readable data layer being the better moat and growth pool. Bloomberg remains the strongest integrated desktop rival; S&P Global and FactSet combine data, workflow and AI; cloud marketplaces and specialist vendors can attack particular datasets. Durability is 10–20 years for critical feeds and identifiers, but only about five years without continuous renewal for the interface and generic analytics. The break signal is subscription retention falling below 90% alongside sustained Workflows contraction or Data & Feeds growth below market-data consumption. A second signal is customers accepting LSEG data through partners but refusing incremental AI/use-case licences, shifting economics to Microsoft, Google, OpenAI, Anthropic, Snowflake or Databricks.

FTSE Russell

FTSE Russell's moat is benchmark acceptance plus the legal, governance and operational embedding around existing funds, mandates and derivatives. TTM income was £986 million, AOP £573 million and margin 58.1%, the group's clearest scale economics. ETF-linked AUM rose from US$1.138 trillion at FY2021 to US$2.193 trillion at June 2026, while 52 ETFs launched on FTSE indices in H1 2026. S&P Dow Jones and MSCI are formidable accepted incumbents; Bloomberg dominates important fixed-income benchmark categories; ICE, Nasdaq, Solactive and self-indexing managers pressure new mandates and fees. The moat is 20-year durable for flagship benchmarks if governance remains trusted, but weaker for new custom, thematic, sustainable and private-market indices where selection occurs before an ecosystem forms. Break signs are net switching of large existing mandates, declining asset-based fee yield despite stable mix, or index errors/governance controversy that prompts sponsors to re-paper products.

Risk Intelligence

World-Check combines a continuously maintained global risk database, investigator judgment, language/jurisdiction expertise, auditability and deep embedding in KYC, sanctions and payment workflows. The business is 78% recurring, with TTM income of £602 million, AOP of £306 million and a 50.8% margin. More than five million World-Check records, 500-plus analysts speaking 70 languages, more than 500 million Digital Identity & Fraud transactions in FY2025 and about 300 million in H1 2026 evidence scale. RELX/LexisNexis Risk Solutions, Dow Jones, Moody's, credit bureaus and specialist identity/fraud vendors are realistic competitors. Public web collection becomes cheaper with AI, but regulated buyers pay for precision, entity resolution, provenance and defensible controls. Durability is 10–20 years if accuracy and false-positive performance remain superior; it breaks if AI-native rivals achieve regulator-accepted parity at materially lower cost. Early signs are screening retention deterioration, due-diligence weakness spreading into core screening, or slower transaction growth despite rising digital-payment volumes.

Markets

Markets contains LSEG's strongest moat and its greatest cyclicality. TTM income was £3,652 million, AOP £1,827 million and margin 50.0%. SwapClear's more-than-90% share of global cleared IRS notional, clearing membership, default resources, regulatory permissions and netting/compression benefits create a deep infrastructure chokepoint. Tradeweb, FXall and FX Matching benefit from liquidity and integrated client connectivity, while LSE listing/trading benefits from issuer, broker, data and investor ecosystems. CME, ICE, Deutsche Börse/Eurex, Cboe, Bloomberg, BGC/FMX and the proposed ICE–MarketAxess combination are credible attackers. ICE announced in July 2026 that it would acquire MarketAxess, explicitly seeking an integrated fixed-income ecosystem spanning data, indices, execution and post-trade; that combination materially raises competitive intensity for Tradeweb and LSEG's fixed-income data. Markets can remain moated for 20 years, but revenue is not smooth: volumes, volatility, asset mix, rates and net treasury income are cyclical, and regulators can shift clearing location. Break signs are sustained loss of SwapClear share or compression efficiency, dealer liquidity migrating from Tradeweb, EU active-account rules moving euro positions, or a repeated resilience/default-management failure.

Other

Other contributed only £8 million of TTM income and £8 million of AOP. Its accounting profitability is not evidence of an identifiable standalone moat, and it should receive no durability credit. The segment is immaterial to the blended conclusion unless it becomes a repository for recurring stranded costs or acquisitions.

Blended company moat

The blend is weaker than SwapClear or FTSE Russell alone, but stronger than a desktop-data label suggests. At the TTM AOP level, Markets supplied 48.2%, Data & Analytics 28.4%, FTSE Russell 15.1% and Risk Intelligence 8.1%. Roughly half of profit is therefore exposed to transactional, rate and regulatory cycles, and more than a quarter sits in a division whose visible interface can be disintermediated. Nevertheless, nearly all material profit is attached to some combination of embedded data, accepted standards, regulated infrastructure, liquidity, or high-trust procurement. Diversification reduces dependence on one moat while cross-selling creates only a secondary benefit; open access prevents assuming a closed-stack monopoly.

3. Margin persistence evidence

The requested ten-year consolidated and five-year clean segment margin histories are not available in the sealed package. Five consolidated years are available; current five-division segment comparability is clean only from FY2024 because FTSE Russell and Risk Intelligence were separated in 2024 and Markets was combined and re-presented in 2025. That limitation

reduces confidence but is preferable to splicing incompatible taxonomies.

Margin evidence	FY2021	FY2022	FY2023	FY2024	FY2025	TTM Jun-26
Consolidated statutory operating margin	22.2%	22.0%	16.4%	16.5%	22.8%	25.8%
Data & Analytics AOP margin	n/c	n/c	24.6%*	23.9%	24.0%	24.3%
FTSE Russell AOP margin	n/c	n/c	55.1%*	57.2%	57.2%	58.1%
Risk Intelligence AOP margin	n/c	n/c	38.6%*	46.1%	49.2%	50.8%
Markets AOP margin	n/c	n/c	41.1%*	42.6%	46.8%	50.0%

* FY2023 is prior-taxonomy or an arithmetic legacy combination and cannot be chained mechanically. TTM statutory margin is calculated as £2,494 million statutory operating profit divided by £9,659 million income.

The evidence supports real economics but not a pristine ten-year proof. D&A margins are stable around 24% despite vigorous competition. FTSE Russell is stably high. Risk Intelligence expanded sharply as scale and mix improved. Markets expanded, but H1 2026 group margin benefited 140 basis points from the revised SwapClear revenue-share agreement, and the first-half timing benefit largely reverses in Q4; this contractual economics change is not organic competitive strengthening. Consolidated statutory margins compressed in FY2023–FY2024 during Refinitiv integration and acquired-intangible charges, then recovered. The correct inference is durable gross profit pools with execution and accounting-perimeter noise, not effortless margin permanence.

4. AI, MCP and interface-disintermediation stress test

Segment	Workflow that AI can replicate	Durable asset or chokepoint	Net AI exposure
Data & Analytics	Search, summarization, basic screening, document extraction, charting and generic analytics	Licensed real-time feeds, histories, identifiers, evaluated prices, contributor rights, entitlements and lineage	Highest disruption risk at interface; likely higher data consumption if rights remain enforceable
FTSE Russell	Custom index ideation, back-tests and routine calculation	Accepted benchmark names, governance, methodology continuity, product contracts and linked liquidity	AI lowers design cost but does not coordinate an installed benchmark ecosystem
Risk Intelligence	Public-web collection, adverse-media summaries and first-pass matching	Curated entity histories, language research, audit trail, false-positive performance and regulator-accepted controls	Collection commoditizes; trusted decision evidence remains valuable
Markets	Execution assistance, routing, surveillance, margin optimization and client interface	Licences, liquidity, CCP membership, netting sets, default management and market-generated data	Most protected; AI may increase machine activity and infrastructure demand
Other	No material differentiated workflow identified	None demonstrated	Neutral and immaterial

MCP itself is an open interface and therefore cannot be the moat. Its value is that it makes LSEG content available to agents with permission, metering and context. At H1 2026, more than 200 customers had engaged, tool calls rose nearly fivefold from May to June, AI Search had 17,000 active users and Deep Research 7,000 users. Management's commercial architecture—additional AI use-case licences, MCP capability and usage charges, annual Workspace price reviews, fair-use limits and premium tiers—shows a credible route to monetization. But invoices were still minimal and immaterial to 2026. Agents reportedly consumed about ten times as much data as humans through MCP, an encouraging but anecdotal usage signal rather than proven pricing power.

The central risk is channel control. A model or productivity platform could own discovery, orchestration and user experience, make basic content look interchangeable, and pressure LSEG into wholesale economics. LSEG's open, multi-cloud, model-agnostic distribution is strategically sensible because trying to defend a proprietary screen would accelerate bypass. Success means LSEG remains the licensed system of record beneath many interfaces. Failure means customers use partner models to normalize cheaper sources, refuse incremental entitlements and retain LSEG only for a narrowing set of mandatory feeds. Data & Analytics Workflows and generic Analytics are most exposed; SwapClear and the clearing/post-trade infrastructure are most protected.

5. The 2046 test

Plausible 2046 business description

On 27 August 2046, LSEG sells governed financial truth and regulated transaction infrastructure to banks, asset owners, trading firms, corporates, fintechs and autonomous financial agents. Human desktops are a smaller part of Data & Analytics; most consumption occurs through permissioned APIs, agent protocols and customer-controlled data fabrics. LSEG is paid for real-time and historical market data, reference identities, provenance, redistribution and model-use rights rather than for a particular screen. Workspace survives as a specialist supervisory and exception-handling cockpit, not the universal interface. FTSE Russell still administers flagship equity and multi-asset benchmarks because funds, mandates, derivatives and performance histories remain coordinated around accepted methodologies, while custom-index design has become cheaper and more competitive. Risk Intelligence operates a real-time entity and transaction trust graph used to prove who an agent, customer, owner, security or payment represents and why a regulated decision was allowed. Markets continues to run venues, clearing and collateral optimization; machine-to-machine trading increases the value of neutral rules, liquidity, netting and default management. Other remains immaterial or disappears.

Directionally, the 2046 AOP margin can remain near or modestly above the TTM mix rather than collapsing: interface costs fall and high-margin index/risk/data usage scales, offset by permanent cyber, model-governance, cloud, data-rights and systemic-resilience spending. Markets revenue remains cyclical, and regulators limit excess returns, but the group still makes money because counterparties need common reference data, accepted benchmarks, a trusted identity/risk record and neutral infrastructure where exposures can be netted and failures managed. The intact moat is not “technology leadership.” It is coordinated acceptance plus permissioned provenance plus regulated network infrastructure.

2046 erosion case

In the bear description, open standards and AI agents normalize public and licensed data well enough that customers multi-source at low switching cost; platform companies own usage metering and customer relationships; LSEG's AI licences fail to hold; and Workspace becomes a low-growth legacy product. Index sponsors shift new products toward self-indexes and lower-priced administrators, then a governance failure causes an important incumbent mandate to leave. An ICE–MarketAxess fixed-income stack and CME/Eurex clearing incentives move liquidity and collateral offsets away from Tradeweb and LCH, while EU rules force a material share of euro clearing into the bloc. Risk Intelligence loses screening share to a lower-cost, regulator-accepted identity graph. Group margins decline because LSEG must keep funding high-cost infrastructure while price and volume fragment.

That full erosion case is possible but not the central case: approximately 25–30% probability over 20 years. Its components are correlated—a major trust or resilience failure would make switching coordination easier—but they require simultaneous success across formidable competitors and regulation. A more likely outcome is partial interface disintermediation with durable data and infrastructure economics beneath it.

6. Competitive threat inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
AI/platform channel capture	General agents own the interface, normalize rival data and compress LSEG licences; MCP becomes a commodity connector	Data & Analytics; Risk Intelligence; FTSE Russell data	Retention below 90%; ASV growth below 4%; partner usage rises while direct/licensed revenue stalls; AI attach pricing rejected	High
Integrated fixed-income and clearing rivals	ICE–MarketAxess combines institutional liquidity with ICE data/indices; CME and Eurex use cross-margining, pricing and regulation to pull pools from Tradeweb/LCH	Markets; D&A market data; FTSE fixed income	Sustained Tradeweb share loss; SwapClear below 85% of global cleared IRS; weaker client trades despite market growth; lost netting advantage	Medium-high
Regulatory/open-access reset	Fair-access rules restrain data/benchmark pricing; EU active-account or equivalence changes relocate clearing; competition remedies constrain bundling	Markets; FTSE Russell; D&A	Binding FCA pricing/licensing remedy; UK-CCP equivalence not extended beyond June 2028; forced euro book migration or fee-yield compression	Medium

7. Pricing power verification

Pricing power is observable at the portfolio level but not fully isolated. ASV growth was 6.1% and subscription revenue retention 92.8% at June 2026, with rolling gross sales of £482 million and a 25% New Product Vitality Index. Management

explicitly identifies price increases as one of the three ASV drivers and uses annual Workspace price reviews, enterprise Data Access Agreements, additional use-case licences, minimum/usage structures and AI premium tiers. The annual report also includes “yield from pricing strategy” in internal performance measures. These facts show an ability to charge for added rights and consumption without a visible retention collapse.

The limits matter. LSEG does not disclose the price component of ASV growth, segment-level churn or gross margins, so volume, cross-sell and product mix cannot be separated cleanly from price. FTSE Russell said a quiet mandate-renewal year limited price realization. D&A's roughly 24% AOP margin is stable rather than exceptional and includes low-margin recoveries. H1 2026 margin expansion partly reflects a purchased/renegotiated SwapClear revenue share, not customer pricing. Competitors also show strong retention, and the FCA has already identified market-power concerns in benchmarks and market-data vendors. The evidence supports **moderate-to-strong pricing power**, strongest in accepted benchmarks, unique feeds and clearing services, but not unlimited group-wide price discretion.

8. Moat verdict

Moat gate: PASS

2046 test: PASS

LSEG clears because most of TTM AOP is attached to specific, observable barriers: SwapClear's regulated liquidity/netting network, FTSE Russell's accepted benchmark ecosystems, embedded licensed feeds and identifiers, and World-Check's high-trust compliance record. The 2046 business can be described concretely even if the desktop interface withers: LSEG remains a paid system of record and market-infrastructure operator beneath human and agent workflows. The PASS is not unconditional—regulatory access, partner channel control and integrated fixed-income rivals can reduce returns—but none presently requires heroic execution merely to preserve the core profit pools. Downgrade to YELLOW if subscription retention stays below 90%, if SwapClear's global cleared-IRS share falls below 85% without an offsetting economics gain, or if AI distribution grows while licensed Data & Feeds/AI revenue fails to follow; downgrade to FAIL if two of those conditions persist and current-taxonomy margins compress across the affected franchises.

Sources

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- [Tradeweb 2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1758730/000175873026000015/tw-20251231.htm)
- [FactSet fiscal-2025 filing](https://www.sec.gov/Archives/edgar/data/1013237/000162828025046442/fds-20251027.htm)
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This appendix is a moat gate assessment, not a valuation verdict, portfolio recommendation or trade authorization.

Moat gate: PASS

2046 test: PASS

Appendix B1 - Data & Analytics

Data & Analytics — Segment Deep Dive

Company: London Stock Exchange Group plc **Ticker:** LSEG.L **Forecast anchor:** TTM ended 30 June 2026 **Forecast horizon:** 30 June 2031, exactly five calendar years **Currency:** GBP millions unless stated otherwise **Exact segment profit basis: Adjusted operating profit Scenario probabilities:** Bear 25%; Base 55%; Bull 20% **Historical control:** `data_package.md` and the QFR-sealed `statutory_bridge.json`; no LSEG historical value below is sourced elsewhere.

0. Segment boundary and taxonomy note

Data & Analytics is not comparable across the full five-year history. LSEG separated FTSE Russell and Risk Intelligence from Data & Analytics from Q1 2024 and re-presented 2023 under that five-division view. It then made product-led reallocations during 2025; the 2025 annual report re-presented FY2024 and the H1 2026 report re-presented H1 2025. Consequently, this appendix treats FY2024 re-presented, FY2025, and the TTM ended June 2026 as the only clean current-basis dollar history. FY2023 D&A income of £4,301m and Adjusted operating profit of £1,057m belong to a prior presentation and are not used to calculate growth or margin trends. This is a genuine taxonomy boundary, not a missing-data workaround [data_package §1, taxonomy-boundary paragraph; §3, D&A rows].

The sealed bridge confirms that **Adjusted operating profit** is an issuer-disclosed, additive non-GAAP segment measure. D&A TTM Adjusted operating profit is £1,074m; group segment AOP sums to £3,788m with no corporate/unallocated line and no plug. Transaction costs, integration and restructuring, non-underlying depreciation/amortisation/impairment, finance items, tax, and non-controlling interests sit outside this segment model and must be forecast once by the synthesis stage. They are not allocated into product margins here [data_package §3a, TTM bridge and forecast-driver schedule; `statutory_bridge.json`, TTM period].

1. What this segment actually is

Data & Analytics sells trusted financial information and the infrastructure through which customers consume it. Its customers include banks, asset managers, wealth managers, corporates, exchanges, trading firms, risk teams, and software developers. The segment is economically a blend of a desktop/workflow franchise, a real-time and historical data network, specialised analytics, and customer-paid third-party content recoveries. The same customer can buy all four: Workspace for human research, feeds for internal systems, analytics for valuation or risk, and recoveries for exchange or contributor content delivered through LSEG.

Workflows includes LSEG Workspace and related desktop and application experiences. Workspace replaced the legacy Eikon interface; about 350,000 users had migrated by 2025 [data_package §0a, LSEG-specific KPI row “Workspace users migrated from Eikon”]. The economic proposition is not merely a screen. It combines market data, news, company information, research, charting, messaging, modelling, and access to financial workflows. Pricing is predominantly subscription-like, normally negotiated at an enterprise or user level, with customer value tied to breadth, timeliness, entitlements, compliance, and integration into day-to-day decisions. Switching is possible, but it involves user retraining, entitlement redesign, model changes, compliance work, and possible loss of network or proprietary content.

Data & Feeds supplies real-time, reference, pricing, tick-history, and other machine-readable content to trading, risk, operations, applications, and data platforms. Customers pay for datasets, licences, delivery, usage, and redistribution rights under varied contracts. The delivery architecture matters: low latency and resilient real-time distribution support trading use cases, while APIs, cloud platforms, and bulk delivery support quantitative, risk, back-office, and AI workloads. This line is the clearest beneficiary if machines make more calls to governed financial data. The data package records peak real-time traffic of 26 million messages per second, up 29% year over year in June 2026, and Tick History API requests up 48% in H1 2026 [data_package §0a, KPI rows “Real-time network traffic” and “Tick History API requests”]. Those usage statistics are demand signals, not disclosed revenue conversion rates.

Analytics provides models and tools that turn data into decisions: pricing, valuation, risk, portfolio, and other analytical services. It is the smallest disclosed product line at £235m of TTM income, but it can carry higher incremental economics when proprietary models are delivered repeatedly through APIs. Analytics API usage rose 33% year over year in H1 2026 and more than 50 customers had adopted the relevant offering by FY2025 [data_package §4, growth-only row “Analytics”]. That usage does not establish a take rate, contract value, or product margin.

Recoveries are amounts collected from customers for third-party content and related charges. They are economically different from proprietary subscription income because much of the amount is paired with an obligation to suppliers. LSEG reports product income including recoveries, while several growth disclosures focus on income excluding recoveries. The data package does not disclose recovery gross profit or AOP. For the bottom-up model, recoveries therefore receive a conservative 0% analytical AOP contribution in every scenario, so the full £1,074m current segment AOP is allocated to the three proprietary product groups. This is a modelling convention, not an issuer disclosure.

Go-to-market is enterprise-led and increasingly distribution-led. Sales teams negotiate broad contracts and entitlements, while APIs, Microsoft products, cloud/data platforms, and MCP connections let the same governed content appear inside customer-selected interfaces. The 10-year Microsoft partnership is designed to make Workspace interoperable with Teams and Microsoft 365, deliver LSEG content into Excel, move infrastructure to Azure, and co-develop cloud analytics. That can improve reach and product velocity; it also means some interface value may accrue to Microsoft rather than LSEG. LSEG's own historical facts and management claims in this appendix remain sourced only from the verified data package; the partnership architecture is corroborated by [LSEG's official announcement](https://www.lseg.com/en/media-centre/press-releases/2022/lseg-and-microsoft-launch-strategic-partnership).

2. Current economics

TTM D&A income is £4,411m and Adjusted operating profit is £1,074m, producing a 24.3% AOP margin [data_package §3, D&A TTM rows]. D&A represents the largest group income pool: FY2025 income was £4,338m, or 46.4% of group income [data_package §1, FY2025 division table]. Current-basis income increased from £4,223m in FY2024 to £4,338m in FY2025, while AOP rose from £1,008m to £1,043m and margin edged from 23.9% to 24.0% [data_package §3, D&A rows]. The TTM step to £4,411m and 24.3% indicates mild acceleration and leverage, not a completed transformation.

The product mix is balanced between Workflows and Data & Feeds. Workflows contributes £1,937m, 43.9% of TTM segment income. Data & Feeds contributes £1,876m, 42.5%. Analytics is £235m, 5.3%, and Recoveries are £363m, 8.2% [data_package §4, D&A product rows]. The two largest lines therefore determine almost all five-year value. A successful AI feature that excites users but does not protect Workspace renewals, raise contract value, or cause new feed licences will not materially alter segment economics.

Recent organic constant-currency trends are diverging. Q2 2026 Workflows income grew 2.7%, down from 3.0% in Q3 and Q4 2025 and 2.9% in Q1 2026. Data & Feeds accelerated from 6.6% in Q3 2025 to 7.7% in Q2 2026. Analytics moved between 5.2% and 7.7%, ending at 6.7% [data_package §5, last-four-quarter table]. This supports a base case in which machine delivery outgrows the human-seat interface. It does not support treating all D&A revenue as a single 7% compounder.

Subscription KPIs provide a broader anchor across LSEG's subscription businesses, not a pure D&A measure. Organic constant-currency ASV growth was 5.9% at FY2025 and 6.1% in June 2026. Rolling 12-month gross sales were £482m, revenue retention 92.8%, and New Product Vitality Index 25% at June 2026 [data_package §0a, longest-clean-KPI table]. Retention below 100% means pricing, cross-sell, and gross sales must continually offset churn and downsell. NPVI shows that new products matter, but it does not reveal D&A-specific revenue or profitability.

Capital intensity cannot be isolated by segment. LSEG does not disclose one comparable R&D expense because product engineering is split between expensed staff/third-party costs and capitalised internally developed software. Group cash capex was £919m, or 10.2% of income excluding recoveries, in FY2025; management's longer-term framework points toward about 8% by 2029 [data_package §7; §6 additional forward points]. D&A is a major consumer of that investment through data platforms, cloud migration, feed resilience, Workspace, and analytics. A margin forecast that assumes lower capex without maintaining product investment would be internally inconsistent.

3. Unit economics

D&A has attractive recurring characteristics but is not a pure software subscription. Revenue becomes Adjusted operating profit only after several cost layers: acquisition or licensing of third-party content; collection, validation, normalisation, and mapping of raw data; real-time network and cloud delivery; customer support; sales and entitlement administration; product engineering; and the continuing cost of maintaining regulated, resilient infrastructure. A proprietary dataset may have high incremental margins once built, while a recovery dollar can be nearly pass-through. A desktop seat needs support, news, entitlements, and interface development. Real-time feeds require bandwidth, exchange fees, and operational redundancy. Analytics requires quantitative talent, compute, validation, and model governance.

The segment nevertheless has operating leverage. Core datasets can be delivered to an additional customer or use case at low incremental cost after entitlements and infrastructure are in place. A single cleaned identifier, price history, corporate action, transcript, estimate, or reference-data field can serve Workspace, APIs, cloud platforms, customer applications, and AI agents. This reuse is why distribution expansion can be more profitable than rebuilding content. It also explains why errors, lineage failures, or licence breaches are unusually damaging: the same field propagates across many products and workflows.

Pricing power depends on the product. Workflows competes against other terminals and specialised point solutions, so list pricing is less important than enterprise bundle economics and renewal negotiation. Seat consolidation, junior-analyst reductions, or interface substitution can pressure volume even if nominal per-seat prices rise. Data & Feeds has stronger usage expansion but customers can multi-source, build internal golden copies, negotiate redistribution terms, or move commoditised fields to cheaper vendors. Analytics can price against avoided model-development cost, regulatory confidence, and workflow integration, but open-source models and customer-built tools can compress standalone value. Recoveries offer little structural pricing power because supplier charges and contractual pass-through dominate.

The current analytical product-margin allocation is calibrated solely to the sealed £1,074m TTM segment AOP. It assigns 22.5% to Workflows, 30.0% to Data & Feeds, 32.0% to Analytics, and 0% to Recoveries: `£1,937m × 22.5% + £1,876m × 30.0% + £235m × 32.0% + £363m × 0% = £1,073.8m`, which rounds to the disclosed £1,074m. LSEG does not disclose these product margins. They are a transparent forecasting device, not historical fact.

Margins rise if feed and analytics mix expands, cloud migration reduces duplicated legacy infrastructure, product development becomes reusable, Workspace pricing captures AI value, and sales/support effort grows slower than revenue. Margins fall if the company must subsidise AI features to defend seats, model inference and data-rights costs rise, Microsoft or other distributors capture economics, customers shift to cheaper APIs, or the firm sustains parallel legacy and modern stacks. The bear case deliberately assumes interface pressure and ongoing reinvestment arrive before sufficient machine-licensing revenue; the bull assumes LSEG monetises both interface and machine consumption.

4. Competitive dynamics

Competition operates at three layers. First, integrated terminals and workflow suites compete for the user interface: Bloomberg, S&P Capital IQ Pro, FactSet, and specialist tools. Second, data owners, aggregators, exchanges, cloud marketplaces, and customer-built stores compete for feed and reference-data budgets. Third, model vendors and in-house quantitative teams compete in analytics. Customers often multi-source, so success is less about a winner-take-all terminal and more about maintaining indispensability in a customer’s governed data stack.

Bloomberg is the strongest interface competitor because it combines data, news, research, analytics, and a communication network. It is not standing still on AI: Bloomberg’s ASKB product uses conversational and agentic interfaces over its own data and documents, with attribution and access to underlying query code [Bloomberg’s official AI product page](https://professional.bloomberg.com/products/bloomberg-terminal/ai/). This directly challenges a bull thesis that LSEG alone can use generative AI to improve financial research. It also sets the relevant customer expectation: trusted answers, source attribution, and continuity into Excel or quantitative work.

FactSet competes through workflow depth, data integration, portfolio and investment-management tools, and a more open platform posture. Its FY2025 annual report describes $2.3bn of revenue, nearly 9,000 client firms, expansion in real-time feeds and pricing/reference data, and AI research tools embedded in customer workflows [FactSet FY2025 annual report](https://investor.factset.com/static-files/d5fbbf6e-9589-46bd-bb07-ae32279cdea5). The relevant read-through is not valuation or market share; it is that LSEG’s competitors are investing simultaneously in trusted data, feeds, and AI. Feature parity may become the minimum required to retain contracts rather than a source of incremental price.

S&P Global competes with Capital IQ Pro, proprietary datasets, market and commodity intelligence, and AI products such as Document Intelligence. Its 2025 annual report says more than 95% of revenue comes from proprietary benchmarks, data, and tools embedded in critical workflows and describes partnerships with cloud and LLM providers to open new distribution channels [S&P Global FY2025 annual report](https://www.spglobal.com/content/dam/spglobal/corporate/en/annual-reports/2025/annual-report-2025.pdf). That validates the strategic direction of LSEG Everywhere but also shows distribution breadth will not be unique.

ICE competes particularly in pricing, reference data, fixed-income analytics, connectivity, and feeds. ICE reported $2.4bn of 2025 Fixed Income and Data Services revenue, led by recurring pricing/reference data, index solutions, and data/network technology [ICE 2025 shareholder

letter](https://ir.theice.com/financials/annual-reports-and-proxy/2025-Letter-to-Shareholders/default.aspx). Exchanges and trading venues also control proprietary market data, while cloud platforms and data marketplaces make it easier for customers to combine multiple sources. LSEG's scale is therefore a moat, but not an exclusive source of scale.

Pricing power is strongest where content is proprietary or operationally embedded, where identifiers and histories are costly to replace, where latency and reliability are essential, and where auditability matters. It is weakest for commoditised public data, undifferentiated interface functions, and analytics that customers can reproduce. AI sharpens both effects. Models raise demand for clean, permissioned, point-in-time data, but they also reduce the user's need to navigate a vendor-specific screen and make it easier to compare outputs across sources.

Entry barriers remain high in data operations. New entrants can build attractive interfaces quickly, but assembling global coverage, historical depth, symbology, corporate-action handling, exchange entitlements, quality controls, and 24/7 delivery is slow and expensive. The more serious threat is not a startup recreating all of LSEG. It is a new AI interface using licensed data from LSEG and rivals, relegating LSEG to a component supplier and capturing the workflow relationship. That outcome can preserve Data & Feeds growth while weakening Workflows growth and margin—the central asymmetry in the bear and base cases.

5. Moat at the segment level

The moat is real but uneven. The strongest protection lies in accumulated datasets, lineage, identifiers, licences, historical time series, low-latency delivery, and embedded customer processes. A customer using LSEG content in risk models, regulatory reports, pricing, trading, and internal applications faces validation and operational costs when switching. Reliability and permissioning are especially valuable in financial institutions where an AI answer without provenance cannot safely enter a production workflow.

Distribution creates a second moat if LSEG can be available wherever customers work. Microsoft interoperability, cloud delivery, APIs, and MCP reduce the risk that customers must choose between LSEG and a preferred interface. LSEG's official partnership design embeds content in Excel, Teams, Microsoft 365, and Azure analytics [LSEG–Microsoft official announcement](https://www.lseg.com/en/media-centre/press-releases/2022/lseg-and-microsoft-launch-strategic-partnership). However, distribution is not automatically a moat: it can lower interface switching costs and increase bargaining power for the platform that owns the customer relationship.

Network and workflow effects are meaningful in Workspace but weaker than in a pure communication monopoly. Shared conventions, models, permissions, and collaboration reinforce retention, yet customers can maintain multiple terminals and increasingly access content through common tools. Product breadth helps enterprise negotiation because LSEG can bundle data, analytics, and delivery. Breadth can also hide underperforming products or provoke procurement pressure for unbundling.

AI/MCP creates a two-sided durability test. The Linux Foundation describes MCP as an open protocol connecting AI models to tools, data, and applications under neutral governance [Agentic AI Foundation announcement](https://www.linuxfoundation.org/press/linux-foundation-announces-the-formation-of-the-agentic-ai-foundation?hs_amp=true). Open interoperability expands LSEG's addressable machine consumption because one governed connector can serve many assistants. The same openness prevents the connector itself from being proprietary. Durable economics must therefore come from data rights, quality, entitlement controls, retrieval performance, and indispensable content—not from owning the protocol.

Over five to ten years, Data & Feeds has the most durable moat; Analytics can be durable where models depend on proprietary inputs or governance, but generic analytics can commoditise. Workflows has meaningful embeddedness but the greatest interface risk. Recoveries have little independent moat. The segment's blended moat remains investable only if LSEG converts interface-neutral distribution into paid licences without sacrificing enterprise pricing or losing the feedback loop that informs product development.

6. Historical growth rates

The table reproduces the finest clean current-basis dollar disclosure. Because the current product taxonomy begins with re-presented FY2024, a three-year product CAGR is not available. "n/c" means not comparable, not zero. FY2024-to-FY2025 growth is shown as a one-year arithmetic check; the latest organic YoY is Q2 2026 and is not mechanically comparable with reported-currency dollar growth.

Product / sub-segment	FY2024 re-presented income	FY2025 income	TTM Jun-26 income	3-year CAGR	Most recent organic YoY	Data-package cite
Workflows	£1,899m [data_package §4, Workflows row]	£1,925m [data_package §4, Workflows row]	£1,937m [data_package §4, Workflows row]	n/c; taxonomy boundary [data_package §1]	2.7% [data_package §5, Workflows row]	§4 Workflows; §5 Workflows
Data & Feeds	£1,740m [data_package §4, Data & Feeds row]	£1,822m [data_package §4, Data & Feeds row]	£1,876m [data_package §4, Data & Feeds row]	n/c; taxonomy boundary [data_package §1]	7.7% [data_package §5, Data & Feeds row]	§4 Data & Feeds; §5 Data & Feeds
Analytics	£220m [data_package §4, Analytics row]	£231m [data_package §4, Analytics row]	£235m [data_package §4, Analytics row]	n/c; taxonomy boundary [data_package §1]	6.7% [data_package §5, Analytics row]	§4 Analytics; §5 Analytics
Recoveries	£364m [data_package §4, Recoveries row]	£360m [data_package §4, Recoveries row]	£363m [data_package §4, Recoveries row]	n/c; taxonomy boundary [data_package §1]	not separately disclosed [data_package §5]	§4 Recoveries; §5 quarterly table
Data & Analytics	**£4,223m [data_package §3, D&A income row]**	**£4,338m [data_package §3, D&A income row]**	**£4,411m [data_package §3, D&A income row]**	**n/c; taxonomy boundary [data_package §1]**	**5.2% [data_package §5, D&A row]**	**§3 D&A income; §5 D&A**

Visible arithmetic checks against the disclosed dollar series are: Workflows `£1,899m × 1.0137 = £1,925m`; Data & Feeds `£1,740m × 1.0471 = £1,822m`; Analytics `£220m × 1.0500 = £231m`; Recoveries `£364m × 0.9890 = £360m`; and total D&A `£4,223m × 1.0272 = £4,338m`. All tie within rounding. These are calculated checks, not issuer-disclosed organic growth rates. TTM values also sum exactly: `£1,937m + £1,876m + £235m + £363m = £4,411m`.

There are no back-solved historical product dollars. Workspace and AI-specific revenue are true non-disclosures after the upstream source search; adoption cannot be translated into ARR [data_package §10, Workspace gap]. The short clean history is a material evidence limitation: forecast dispersion should be wider, not smoothed with prior-taxonomy numbers.

7. Management guidance

The data package contains three D&A-specific quotations and several quantified group/subscription anchors. They are reproduced here without re-fetching transcripts.

- **Roll-out before revenue.** On 23 April 2026 CEO David Schwimmer said, “Our focus through 2026 will be on roll-out and adoption of these services.” [data_package §6, D&A/adoption row]. The correct model implication is a gradual monetisation curve. It would be aggressive to insert meaningful 2026 AI revenue merely because engagement and tool calls are growing quickly.

- **Distribution progress.** On 23 October 2025 Schwimmer said, “We have significantly accelerated our strategic progress in the last few months.” [data_package §6, D&A/AI distribution row]. The statement supports broader routes to market, but it contains no contract value, price, or paying-customer count. Conversion must be tested through gross sales, retention, and product growth.

- **Reinvestment remains necessary.** On 31 July 2025 Schwimmer said, “We continue to make significant investments in product innovation for our customers.” [data_package §6, D&A/structural demand row]. This is incompatible with forecasting instant software-like margin expansion. Product investment and platform migration remain economic costs even when accounting classification moves some spending into capex.

- **Subscription trajectory.** Management expected subscription-business growth to accelerate from 6.0% in 2025 toward about 6.5% in 2026 and 7% in 2027 [data_package §6, additional forward point 1]. This is broader than D&A and cannot be pasted onto every product. It is, however, a useful ceiling/floor check: the base D&A mix should land near the mid-single digits unless Workflows reaccelerates or feeds outperform.

- **AI monetisation timing and architecture.** H1 2026 commentary said MCP invoices were minimal and would not move the needle in 2026, with more effect expected in 2027. MCP was about one-third of current AI-related commercial discussions. AI Search is included in Workspace with value reflected in annual pricing up to fair-use limits; Deep Research is intended as a premium usage-tiered add-on; Data AI licences and MCP capability licences are additional to existing use-case licences [data_package §6, additional forward points 3–4]. This is the most important pricing architecture: defend the bundle, meter excess usage, and sell incremental machine rights.

- **Group financial envelope.** H1 2026 raised group organic growth guidance to 7.0–7.5% and guided roughly 100 basis points of 2026 EBITDA-margin improvement. The 2027–2029 framework calls for about 150 basis points of cumulative EBITDA-margin improvement and capex intensity near 8% by 2029 [data_package §6, group guide row and additional

forward points 1–2]. These are group EBITDA targets, not D&A AOP targets, so they constrain plausibility but do not set D&A margins.

8. Forward growth assumptions

The model compounds the exact TTM product anchors for five years to 30 June 2031. No scenario assigns an AI revenue line because LSEG does not disclose one. AI is instead reflected in the growth of Workflows, Data & Feeds, and Analytics. “3-year historical CAGR” remains n/c because inserting FY2023 would cross the taxonomy boundary. The latest YoY column therefore carries more weight than normal, while scenario ranges explicitly compensate for limited clean history.

Base case growth

Product	3-year historical CAGR	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Workflows	n/c; current basis starts FY2024	2.7%	No product guide; subscription growth about 6.5% in 2026 and 7% in 2027	4.5%	AI Search supports renewal pricing and Deep Research adds usage revenue, but seat pressure and competitor AI keep growth below the subscription portfolio target.
Data & Feeds	n/c; current basis starts FY2024	7.7%	No product guide	7.0%	Machine usage, APIs, cloud and MCP sustain near-current growth; mild deceleration reflects customer optimisation and competing data sources.
Analytics	n/c; current basis starts FY2024	6.7%	No product guide	8.0%	API usage rose 33%, but usage is not revenue; proprietary models and AI delivery support acceleration without assuming a 1:1 conversion.
Recoveries	n/c; current basis starts FY2024	not disclosed	No product guide	1.0%	Contractual pass-through grows slowly and does not drive value.

The base path is deliberately uneven. Workflows annual growth is modelled at 3.5%, 4.0%, 4.5%, 5.0%, and 5.5%, compounding to approximately the stated 4.5% five-year CAGR. This requires AI features to improve pricing and retention from 2027 without assuming a seat boom. Data & Feeds follows 7.5%, 7.5%, 7.0%, 6.5%, and 6.5%, acknowledging scale. Analytics follows 7%, 8%, 8%, 8%, and 9% as adoption broadens. Recoveries remain around 1% annually. The segment reaches £5,771.9m, a 5.53% CAGR.

Microsoft distribution test. Base assumes Microsoft integration reduces friction and increases consumption inside Excel, Teams, Azure, and Copilot-style workflows, but does not give LSEG sole ownership of the interface. Contract uplift appears mainly in renewals and new machine-use licences after 2026. The model gives credit through 4.5% Workflows growth and 7–8% feed/analytics growth; there is no separate “partnership revenue” plug.

AI/MCP test. The open protocol makes delivery portable, so growth depends on paid entitlements and data rights. The base requires feed growth to remain near 7% after the initial MCP novelty period and analytics revenue to accelerate despite much faster usage growth. If tool calls rise but reported Data & Feeds and Analytics growth do not, the base case is failing.

Base-case evidence burden. The base is not a continuation of disclosed AI revenue: the data package says MCP invoices were minimal in 2026 and provides no Workspace- or AI-specific revenue. It therefore asks Workflows to accelerate from the latest 2.7% organic rate to a 4.5% five-year CAGR while Data & Feeds holds close to its latest 7.7% rate and Analytics accelerates from 6.7% to 8.0%. Those are underwriting assumptions, not observed conversion. As model-review thresholds rather than company guidance, the base should be cut if the rolling product trend keeps Workflows below roughly 3% without disclosed paid AI uplift, Data & Feeds falls below roughly 6% as API traffic expands, or Analytics remains below roughly 6% despite the reported usage growth. Conversely, usage alone does not justify an upgrade; evidence must appear in product income, paid licence architecture, retention or gross sales [data_package §5, last-four-quarter table; §6, AI monetisation timing and architecture].

Bull case growth

Product	3-year historical CAGR	Latest YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Workflows	n/c; current basis starts FY2024	2.7%	No product guide; subscription portfolio aims toward 7%	7.0%	AI Search and paid Deep Research increase contract value, retention improves, and Microsoft distribution offsets seat consolidation.
Data & Feeds	n/c; current basis starts FY2024	7.7%	No product guide	10.0%	LSEG becomes a preferred governed data layer for agents; new use-case and capability licences monetise machine consumption.
Analytics	n/c; current basis starts FY2024	6.7%	No product guide	12.0%	Proprietary models scale through APIs and agent workflows; conversion from usage to paid enterprise contracts is strong.
Recoveries	n/c; current basis starts FY2024	not disclosed	No product guide	2.0%	Supplier charges and usage expand modestly; no value is attributed to margin.

The bull case requires evidence beyond engagement counts. Workflows steps from 4.5% to 6%, 7%, 8%, and 9% annual growth as pricing architecture matures. Feeds remain around 9–11% because machines create new consumption rather than merely shifting existing desktop queries. Analytics progresses from high single digits to the low teens. The result is £6,553.0m of segment income, an 8.24% CAGR. This case also assumes LSEG retains direct commercial control over entitlements even when Microsoft or an AI assistant owns the user experience.

The bull is not justified by MCP standardisation alone. An open connector is widely replicable. The upside requires proprietary content, auditable provenance, permissioning, low-latency delivery, and enterprise contracts to remain scarce. The monetisation proof would be sustained gross sales, retention above current levels, Data & Feeds growth above its current 7.7%, and Analytics growth reaching double digits while product investment stays disciplined.

The bull/base revenue spread is £781.1m in 2031: £302.8m from Workflows, £390.1m from Data & Feeds, £68.9m from Analytics, and £19.3m from Recoveries. About 89% of the spread therefore depends on the two largest products, not the small Analytics option. The corresponding £511.7m bull/base AOP spread is £208.6m Workflows, £253.5m Data & Feeds, and £49.6m Analytics. A bull upgrade consequently requires evidence that premium Workspace pricing and incremental machine-use rights are both monetising; rapid MCP calls or Analytics API usage on their own cannot support the case.

Bear case growth

Product	3-year historical CAGR	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Workflows	n/c; current basis starts FY2024	2.7%	No product guide	0.0%	AI assistants and customer headcount efficiency reduce seat demand; included AI features defend revenue but fail to create net growth.
Data & Feeds	n/c; current basis starts FY2024	7.7%	No product guide	2.5%	Data remains necessary, but customers consolidate vendors, negotiate machine-use rights, and shift commoditised fields to cheaper sources.
Analytics	n/c; current basis starts FY2024	6.7%	No product guide	2.0%	Generic modelling commoditises and usage grows faster than billings; only regulated/proprietary analytics retain value.
Recoveries	n/c; current basis starts FY2024	not disclosed	No product guide	-1.0%	Lower seat and content consumption gradually reduce pass-through charges.

The bear path models AI interface disintermediation explicitly. Workflows growth fades from 1% to 0%, then becomes modestly negative before stabilising; pricing is offset by fewer seats and procurement pressure. Feeds decelerate from mid-single digits toward 1–2% as the machine-delivery opportunity attracts competing sources and customers demand broader rights for the same spend. Analytics fails to monetise its usage indicators. Segment income reaches only £4,664.2m, a 1.12% CAGR.

This is not a thesis that financial data becomes worthless. It is a thesis that value migrates away from the vendor-specific interface, while procurement and platform partners capture part of the economics. Data & Feeds still grows because trusted

data remains necessary. The critical downside signal is divergence: tool calls and API usage rise rapidly, but renewal price, gross sales, and reported product income do not.

9. Forward Adjusted operating profit margin assumptions

The only disclosed product-profit figure is the segment total. Product margins below are analytical allocations calibrated to the exact TTM AOP and then forecast under explicit mechanisms. Recoveries carry 0% AOP throughout because the package provides no recovery profit and the economic substance is pass-through. This treatment is conservative and keeps reported income totals intact.

Product	TTM income	TTM modelled AOP margin	Bear TTM+5y AOP margin	Base TTM+5y AOP margin	Bull TTM+5y AOP margin	Primary mechanism
Workflows	£1,937m	22.5%	16.0%	24.0%	29.0%	Interface pricing, seat count, support costs, AI feature monetisation, and distributor bargaining determine leverage.
Data & Feeds	£1,876m	30.0%	25.0%	34.0%	38.0%	High reuse of proprietary data supports leverage; data rights, delivery costs, and vendor consolidation constrain it.
Analytics	£235m	32.0%	22.0%	36.0%	42.0%	API scale can lift margin, while compute, model governance, talent, and commoditisation can reverse it.
Recoveries	£363m	0.0%	0.0%	0.0%	0.0%	Pass-through convention; no unsupported profit is created.
Data & Analytics	**£4,411m**	**24.3% disclosed**	**19.25%**	**27.69%**	**32.20%**	Revenue-weighted result; exact profit basis is Adjusted operating profit.

Bear margin mechanism. The 505-basis-point decline from 24.3% to 19.25% is driven by a 650-basis-point fall in Workflows, 500 basis points in Data & Feeds, and 1,000 basis points in Analytics. LSEG must keep investing in AI, cloud, permissioning, and product quality while seat and pricing economics weaken. Distribution partners and customers capture more of the value. This is severe but coherent: it does not assume revenues collapse, only that defensive investment and price pressure absorb incremental economics.

Base margin mechanism. The 339-basis-point expansion to 27.69% comes from mix shifting toward Data & Feeds and Analytics, modest Workflows leverage, reuse of the same data assets across channels, and declining duplicated infrastructure. Holding the TTM modelled product margins constant on the 2031 base revenue mix would produce about £1,443.0m of AOP and a 25.00% margin. Mix therefore supplies only about 66 basis points of the uplift; the remaining roughly 269 basis points, or £155.2m of 2031 AOP, requires actual product-margin improvement. The base also implies £524.2m of incremental AOP on £1,360.9m of incremental income, a 38.5% incremental AOP margin. That is demanding versus the 24.3% starting segment margin and requires specific execution: cloud/platform migration must reduce duplicated run costs, AI pricing must exceed inference and rights costs, and group capex intensity must move toward the disclosed 8% without starving product development. The base is not simply management’s group EBITDA target pasted into D&A; it is a product-weighted AOP outcome, and it should not be retained if capex falls through deferred investment or if partner/cloud costs absorb the operating leverage.

Bull margin mechanism. The 790-basis-point expansion to 32.20% assumes strong conversion of machine consumption, premium analytics, and Workspace contract uplift, while common data and delivery investments scale across more revenue. Holding TTM modelled product margins on the bull revenue mix would yield about a 25.18% segment margin, so mix contributes only about 84 basis points; roughly 702 basis points, or £459.7m of 2031 AOP, must come from higher product margins. The bull implies £1,035.9m of incremental AOP on £2,142.0m of incremental income, a 48.4% incremental margin. Workflows reaches 29%, feeds 38%, and Analytics 42%. This is the maximum credible case, not a central estimate. It would be invalid if partner fees, cloud/inference cost, or data-owner royalties scale linearly with revenue, or if the group’s disclosed investment envelope does not show operating leverage after sustaining product quality.

The TTM calibration is arithmetically exact within rounding: Workflows modelled AOP £435.8m, Data & Feeds £562.8m, Analytics £75.2m, and Recoveries £0m sum to £1,073.8m, rounding to the sealed £1,074m. The allocation does not change the issuer's reported segment AOP; it only makes the forward product mechanics auditable.

10. Segment rollup

Bear rollup to 30 June 2031

Product	TTM income	Five-year CAGR	TTM+5y income	TTM+5y AOP margin	TTM+5y Adjusted operating profit
Workflows	£1,937m	0.0%	£1,937.0m	16.0%	£309.9m
Data & Feeds	£1,876m	2.5%	£2,122.5m	25.0%	£530.6m
Analytics	£235m	2.0%	£259.5m	22.0%	£57.1m
Recoveries	£363m	-1.0%	£345.2m	0.0%	£0.0m
Data & Analytics	**£4,411m**	**1.12% blended**	**£4,664.2m**	**19.25%**	**£897.6m**

Bear arithmetic: `£1,937.0m + £2,122.5m + £259.5m + £345.2m = £4,664.2m`. Profit is `£309.9m + £530.6m + £57.1m + £0m = £897.6m`; `£897.6m / £4,664.2m = 19.25%`. The scenario keeps data valuable but makes interface erosion and cost pressure economically visible.

Base rollup to 30 June 2031

Product	TTM income	Five-year CAGR	TTM+5y income	TTM+5y AOP margin	TTM+5y Adjusted operating profit
Workflows	£1,937m	4.5%	£2,413.9m	24.0%	£579.3m
Data & Feeds	£1,876m	7.0%	£2,631.2m	34.0%	£894.6m
Analytics	£235m	8.0%	£345.3m	36.0%	£124.3m
Recoveries	£363m	1.0%	£381.5m	0.0%	£0.0m
Data & Analytics	**£4,411m**	**5.53% blended**	**£5,771.9m**	**27.69%**	**£1,598.2m**

Base arithmetic: `£2,413.9m + £2,631.2m + £345.3m + £381.5m = £5,771.9m`. Profit is `£579.3m + £894.6m + £124.3m + £0m = £1,598.2m`; `£1,598.2m / £5,771.9m = 27.69%`. Data & Feeds becomes the largest product by 2031, which is the expected result if machine consumption outgrows desktop seats.

Bull rollup to 30 June 2031

Product	TTM income	Five-year CAGR	TTM+5y income	TTM+5y AOP margin	TTM+5y Adjusted operating profit
Workflows	£1,937m	7.0%	£2,716.7m	29.0%	£787.9m
Data & Feeds	£1,876m	10.0%	£3,021.3m	38.0%	£1,148.1m
Analytics	£235m	12.0%	£414.2m	42.0%	£173.9m
Recoveries	£363m	2.0%	£400.8m	0.0%	£0.0m
Data & Analytics	**£4,411m**	**8.24% blended**	**£6,553.0m**	**32.20%**	**£2,109.9m**

Bull arithmetic: `£2,716.7m + £3,021.3m + £414.2m + £400.8m = £6,553.0m`. Profit is `£787.9m + £1,148.1m + £173.9m + £0m = £2,109.9m`; `£2,109.9m / £6,553.0m = 32.20%`. The case requires LSEG to capture economics at both the human and machine layers while competitors respond.

Probability-weighted operating outcome

Metric	Bear at 25%	Base at 55%	Bull at 20%	Probability-weighted result
Segment TTM+5y income	£4,664.2m	£5,771.9m	£6,553.0m	£5,651.2m
Segment TTM+5y Adjusted operating profit	£897.6m	£1,598.2m	£2,109.9m	£1,525.4m
Implied AOP margin	19.25%	27.69%	32.20%	26.99%

Probability-weighted income is `25% × £4,664.2m + 55% × £5,771.9m + 20% × £6,553.0m = £5,651.2m`. Probability-weighted AOP is £1,525.4m. The 26.99% margin is calculated from weighted profit divided by weighted income,

not as an arithmetic average of scenario margins. These are operating outcomes only and authorize no trade or portfolio action.

The 25% / 55% / 20% weights are deliberately non-uniform. Base receives the majority because current product trends already show Data & Feeds outgrowing Workflows and management has identified a paid architecture for premium research and machine-use licences. Bear is weighted above bull because the clean current taxonomy begins only in FY2024, product margins are undisclosed, Workspace growth is only 2.7%, and MCP invoices were still minimal in 2026. Bull remains material because usage and distribution signals are strong, but at 20% it does not treat engagement counts as revenue proof [data_package §1, taxonomy boundary; §5, quarterly trends; §6, AI timing and architecture].

For arithmetic control, the four TTM anchors were independently compounded for exactly five years as `TTM income × (1 + scenario CAGR)^5`, then multiplied by the stated horizon product AOP margins. Using full precision gives bear revenue/AOP of £4,664.190m/£897.631m, base £5,771.850m/£1,598.234m, and bull £6,552.991m/£2,109.899m; the displayed one-decimal figures are the correctly rounded values. Applying 25% / 55% / 20% before rounding gives £5,651.163m of weighted revenue and £1,525.416m of weighted AOP, also matching the table after rounding.

11. Key risks and wildcards

[Bear] AI interface disintermediation. A customer may keep licensing LSEG data but reduce Workspace seats because research, monitoring, and drafting occur in a separate AI assistant. The segment then retains lower-margin component revenue while losing the interface, user relationship, and bundle leverage. Monitor Workflows growth, retention, enterprise seat counts if disclosed, and whether AI features produce price or merely defend renewal.

[Bear/Base] Data commoditisation and multi-sourcing. Public filings, prices, and reference fields can be aggregated by rivals or customers. LSEG's advantage rests on cleaning, history, identifiers, rights, and delivery. If customers accept lower-quality alternatives for non-critical use cases, feed growth and price weaken even while aggregate machine queries rise.

[Bear/Base] Microsoft/platform bargaining power. Microsoft distribution expands access but may own the workflow, cloud economics, and customer touchpoint. If partnership benefits are paid for through higher cloud cost, revenue share, or weaker direct differentiation, reported adoption can coexist with disappointing AOP. The base assumes balanced economics; the bear assumes value shifts to the interface platform.

[Bull/Base] AI and MCP machine licensing. The most important upside is new paid use cases rather than a new screen. LSEG can charge for governed data use, capability licences, premium research, excess usage, and analytics delivered into many models. Evidence must progress from engagements to invoices, then to material product growth and margin. More than 200 engaged customers and fivefold tool-call growth are encouraging but insufficient [data_package §0a, MCP rows; §6, AI timing].

[Bear] Rights, security, and hallucination liability. Financial data licence terms are complex, and agent workflows can expose data to unauthorised users or generate misleading answers. Strong permissioning and provenance are a moat, but building and operating them costs money. A high-profile error or rights breach could slow adoption and raise compliance expense.

[Bear/Base] Cloud and inference cost. AI Search bundled into Workspace may improve retention but create variable compute expense before usage pricing begins. Base assumes fair-use limits and premium tiers contain this. Bear assumes customer willingness to pay lags cost. Bull assumes retrieval efficiency and enterprise pricing preserve incremental margins.

[Base/Bull] Product mix. Data & Feeds and Analytics grow faster than Workflows in the base and bull cases. Because their modelled margins are higher, mix contributes materially to segment leverage. If those products require more third-party royalties, bespoke implementation, or cloud compute than assumed, the margin benefit is overstated.

[Bear] Customer consolidation and procurement. Large banks and asset managers can reduce vendors, consolidate data stores, or use enterprise deals to demand broader rights. LSEG's breadth helps it win consolidated contracts, but concentration increases the stakes of each renewal and can suppress realised pricing.

[All cases] Capitalisation and investment opacity. Segment R&D and cash capex are not separately disclosed. Adjusted operating profit may improve while cash economics lag if more development is capitalised or platform spending stays elevated. The combined model should test D&A AOP against group capex intensity, EFCF, and the statutory amortisation bridge rather than treat AOP expansion as cash profit.

[Bull] Proprietary-data scarcity becomes more valuable. As generative models commoditise prose and generic analytics, trusted point-in-time datasets, ownership rights, identifiers, and real-time feeds may command greater value. This would make LSEG a critical infrastructure layer even if it does not own every interface. The bull requires this scarcity to translate into measurable contract economics.

[All cases] Taxonomy and disclosure risk. Only two years of clean current-basis product history exist. Future reallocations could make trend assessment difficult, and the absence of product margins prevents direct verification of mix economics. The model addresses this with explicit allocations and wide scenarios, but cannot eliminate the evidence gap.

Ending summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	£4,664.2m	Adjusted operating profit	19.25%	£897.6m	25%
Base	£5,771.9m	Adjusted operating profit	27.69%	£1,598.2m	55%
Bull	£6,553.0m	Adjusted operating profit	32.20%	£2,109.9m	20%
Probability-weighted	**£5,651.2m**	**Adjusted operating profit**	**26.99%**	**£1,525.4m**	**100%**

The central conclusion is that D&A should not be underwritten as a uniform subscription business. Workflows is a low-single-digit human-interface franchise with meaningful AI defence and distribution upside, but also direct seat and interface risk. Data & Feeds is the structural growth engine because models and applications need governed content. Analytics is a smaller option on proprietary models and usage-based delivery. Recoveries add reported income but no assumed profit. The probability-weighted model therefore reaches £5,651.2m of income and £1,525.4m of **Adjusted operating profit** at 30 June 2031, with upside and downside governed less by headline AI adoption than by whether LSEG converts machine access into paid rights while retaining pricing control.

Data gaps preserved: [DATA GAP: no Workspace or AI-specific revenue]; [DATA GAP: no product-level Adjusted operating profit or margin]; [DATA GAP: no clean current-basis FY2023 product dollars]; [DATA GAP: no disclosed product-level take-rate or machine-usage revenue conversion]; [DATA GAP: no separately disclosed D&A R&D or cash capex]. These are classified as true non-disclosures or taxonomy non-comparability in `data_package.md`; none is filled with fabricated history.

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Appendix B2 - Markets

Markets — Segment Deep Dive

Company: London Stock Exchange Group plc **Ticker:** LSEG.L **Information date:** 2026-08-27 **Forecast anchor:** TTM ended 2026-06-30 **Forecast horizon:** 2031-06-30, exactly five calendar years **Reporting currency and scale:** GBP millions, unless stated otherwise **Sealed segment profit basis: Adjusted operating profit**

0. Segment boundary and taxonomy note

Markets is a current-basis reportable division only from 1 January 2025, when LSEG combined the former Capital Markets and Post Trade divisions and re-presented FY2024. LSEG subsequently reallocated some income and costs to its product-led model, and the 2025 annual report plus the H1 2026 interim report supply the controlling comparatives. Consequently, FY2024, FY2025 and the TTM ended June 2026 are the clean dollar bases in this appendix. The apparent FY2023 combination of £2,713m income and £1,114m adjusted operating profit is only an arithmetic combination of legacy divisions; it is not comparable and is not used to estimate growth or margins. This boundary is important because splicing FY2023 into the current series would manufacture a false three-year trend. [data_package §1, taxonomy-boundary paragraph; §3, Markets rows]

1. What this segment actually is

Markets combines the infrastructure on which customers issue, execute, clear, collateralise, process and report financial transactions. It is not one homogeneous exchange. The seven disclosed income lines span businesses with sharply different economics: cash-equity trading and listings; electronic fixed-income and derivatives execution led by Tradeweb; institutional FX venues and workflows; OTC clearing led by LCH SwapClear; securities processing and regulatory reporting; non-cash collateral services; and net treasury income earned on operational balances. The customer set includes banks, dealers, asset managers, hedge funds, pension funds, corporates, issuers, clearing members and other market infrastructures.

Equities earns admission, annual, secondary issuance, trading, market-data and related fees across the London Stock Exchange, AIM and associated venues. Its economics depend on the number and quality of issuers, equity capital raised, secondary value traded, liquidity and revenue capture. The product is partly recurring—annual issuer and data fees—and partly cyclical—new issuance and transaction activity. LSE 24, planned to begin with exchange-traded products in H1 2027 subject to approval, is an attempt to capture activity outside regular hours. The Private Securities Market extends the franchise into intermittent secondary trading of private-company shares. These initiatives broaden the addressable market, but neither should be credited with material revenue before liquidity, repeat issuance and paying participants are visible.

Fixed Income, Derivatives & Other is the largest disclosed line at £1,626m of TTM income, 44.5% of Markets. It includes Tradeweb’s multi-asset electronic execution and related market-data/workflow economics, alongside other venue and service income. Revenue is mediated by average daily volume, instrument and protocol mix, pricing per transaction, data subscriptions and the degree of electronification. A dollar of government-bond volume does not necessarily have the same capture as a credit portfolio trade or swap; the model therefore does not apply one take rate mechanically to all disclosed activity.

FX covers LSEG’s institutional foreign-exchange venues and related execution services. It benefits from volume, volatility, customer connectivity and the shift from voice to electronic trading, but faces intense multi-dealer and dealer-to-client competition. The reported FX average daily volume reached US$561bn in H1 2026, yet pricing is not disclosed; a volume forecast without a capture assumption would be incomplete. This appendix assumes that automation expands addressable flow but keeps base-case revenue capture broadly stable rather than treating volume growth as revenue growth one-for-one.

OTC Derivatives is primarily clearing and post-trade infrastructure. SwapClear clears interest-rate swaps, while ForexClear and RepoClear extend the network into FX and repo. Clearing revenue depends on client trades, notional, risk and maturity mix, membership, collateral and fee schedules. The business benefits from regulatory clearing mandates, netting economies and a large default-management network, but regulation can also redirect activity. EMIR 3’s active-account requirement is therefore both a validation of clearing’s systemic importance and a competitive risk to a UK-based CCP.

Securities & Reporting includes post-trade processing, reporting and related services. These are embedded, compliance-sensitive workflows with a greater recurring element than transaction execution, but they can be pressured by banks building internally, utilities standardising interfaces, or regulators changing reporting requirements. Post Trade

Solutions also has a partnership dimension: eleven banks agreed to acquire 20% in 2025, aligning customers but creating non-controlling economics that the synthesis stage—not this segment appendix—must reflect.

Non-Cash Collateral monetises collateral optimisation and related services. Demand rises with central clearing, margin requirements and clients' need to mobilise eligible securities efficiently. The economic driver is the stock and velocity of collateral, its composition, haircut and eligibility rules, plus service pricing. It is not equivalent to interest earned on cash.

Net Treasury Income, or NTI, is the income earned on cash and similar balances associated with clearing operations. It is sensitive to the level and mix of participant balances and to short-term interest rates, with lags and floors depending on product structure. It is economically valuable but less durable than fee income at a fixed balance because rate cuts can reduce yield. The base case deliberately assumes a two-per-cent annual decline despite higher clearing activity, reflecting normalising policy rates partially offset by balance growth.

The go-to-market model is network based. LSEG sells connectivity, venue access, memberships, clearing capacity, data and workflow integration to institutions whose systems and risk processes are expensive to change. Cross-product distribution matters: execution can feed clearing, clearing can feed collateral and reporting, and all generate data. Yet the products are not inseparable. Clients can execute on Bloomberg or another venue and clear through a different CCP where permitted. Each line must therefore earn its own forecast rather than borrowing the group's blended moat.

2. Current economics

TTM Markets income is £3,652m and adjusted operating profit is £1,827m, a 50.0% adjusted operating profit margin. Markets represents about 37% of FY2025 group income and is the largest contributor to the TTM segment-profit pool. The product mix is concentrated: Fixed Income, Derivatives & Other is 44.5% of TTM income and OTC Derivatives is 18.7%. Together they are 63.2%, making electronic fixed-income activity, Tradeweb economics and LCH clearing the decisive drivers. Equities is 12.0%; FX 7.6%; NTI 7.4%; Securities & Reporting 6.5%; and Non-Cash Collateral 3.3%. [data_package §3, Markets TTM rows; §4, Markets product rows]

The H1 2026 result was unusually strong rather than a clean run rate. Markets generated £1,920m of H1 income, organic constant-currency growth of 11.9%, and £957m of adjusted operating profit, a 49.8% margin. Q1 income rose 15.5% organically and Q2 rose 8.3%, following 6.3% in Q3 2025 and 8.1% in Q4 2025. The sequence shows both durable structural growth and a volatility boost: Q1 was not the appropriate five-year starting growth rate. [data_package §5, quarterly trend; §10, self-check 1]

The margin anchor also needs normalisation. Group H1 adjusted EBITDA margin expansion included 140 basis points from the timing of the amended SwapClear revenue-share arrangement, which management said would largely reverse in Q4 2026. That is not the same as saying Markets' reported TTM adjusted operating profit is wrong; it is the sealed historical figure and remains the anchor. It means the first forecast year must explicitly absorb the reversal before any scale benefit is credited. The base case therefore moves the Markets margin down to 48.5% in year one, then rebuilds gradually to 50.5% by June 2031. [data_package §5, recent earnings and margin anchors]

Capital intensity is shared across the group and not separately disclosed for Markets. LSEG's cash capex was £919m in FY2025, 10.2% of income excluding recoveries, and group guidance points toward about 8% by 2029. It would be incorrect to assign zero reinvestment to Markets merely because transaction processing has low marginal cost. Venue resilience, regulatory change, cyber security, latency, data centres, clearing risk systems, LSE 24, digital securities infrastructure and product development require sustained engineering. [data_package §7]

3. Unit economics

Markets has high fixed costs and low marginal processing costs, but the fixed-cost base is economically necessary. Venues require matching engines, surveillance, connectivity, support and regulatory capital. CCPs require margin models, default funds, stress tests, member oversight and operational redundancy. Post-trade workflows require legal and regulatory maintenance. Once those capabilities exist, incremental volume can carry strong contribution margins, which explains the 42.6% to 50.0% current-basis margin progression. But it also creates negative operating leverage when volumes, rates or listings fall.

The revenue equation differs by product. Equities is roughly `issuer/listing fees + trading value × revenue capture + market data and services`. The primary-market component can fall sharply when IPO windows close, while secondary value traded can rise with volatility. LSE 24 may add sessions, but longer hours only create revenue if incremental liquidity exceeds cannibalisation and operating costs. Private-market auctions may add admission and event

fees, yet intermittent trading and professional-investor restrictions limit early scale.

Fixed Income, Derivatives & Other is closer to `eligible electronic flow × electronic share × protocol mix × capture + recurring data/workflow fees`. Electronification is a secular tailwind because institutional fixed income still contains manual workflows, and portfolio trading or automated execution can increase ticket count. The offset is price competition: successful electronic venues attract competitors and dealers that demand lower fees. Tradeweb's all-asset-class ADV of US$3.180tn in H1 2026, up 24.8%, is therefore a capacity and network indicator, not a revenue-growth rate. [data_package §0a, KPI inventory]

FX is `institutional flow × share × capture`, augmented by connectivity and data. The H1 2026 ADV of US$561bn was 5.8% higher, but FX is fragmented and highly automated. More volume can come from lower-priced protocols or internalisation. The base model gives FX 3% income growth—below recent volume growth—to reflect stable share and modest mix pressure.

OTC Derivatives is `cleared activity × product/maturity/membership fee schedule`, with scale benefits from netting and default management. SwapClear notional rose from US$921tn in FY2021 to US$1,941tn in FY2025, while client trades rose from 2.180m to 5.308m. Those compound rates far exceed any reasonable revenue assumption because notional, trade counts and capture are not interchangeable. The base case uses 7% income growth, below both the long-run activity rates and H1 2026's 29.4% notional increase. It assumes further client clearing and new products, but also normalised volatility, regulatory diversion and mix dilution. [data_package §0a, longest clean KPI histories; §5, recent volumes]

Securities & Reporting is more subscription- and workflow-like. The key unit is the number of clients, reconciliations, reports or processed trades multiplied by contract value. Customer onboarding can create recurring revenue, evidenced qualitatively by more than 80 Post Trade Solutions customers added in H1 2026, but no revenue per customer is disclosed. The model credits only 2.5% base growth. [data_package §6, additional Markets points]

Non-Cash Collateral depends on collateral balances, mobilisation volume, regulation and price. Central clearing and tighter balance-sheet management support demand. However, alternative collateral platforms, bank utilities and pressure to lower clearing costs restrain capture. Base growth is 3%.

NTI is `eligible cash balance × net reinvestment yield`, adjusted for sharing arrangements and currency mix. Higher volatility and clearing activity can raise balances just as central-bank easing lowers yield. Base assumptions combine roughly 1% annual balance growth with about three points of yield/capture drag, for a net 2% annual decline. Bear assumes a 5% annual decline; bull assumes balance growth and resilient rates produce 2% growth. Because exact balances, repricing lags and take rates are not disclosed, these are scenario parameters, not claims about reported economics. [DATA GAP: LSEG does not disclose a complete product-level take-rate or NTI balance/yield bridge; data_package §10]

Margin rises when electronic volume, clearing activity and recurring workflow revenue grow faster than platform costs, or when revenue-share obligations fall. It falls when low-capture volume dominates, NTI contracts, new venues are built ahead of revenue, or price competition increases. The model keeps the SwapClear revenue-share timing effect separate from underlying scale: first-year base margin falls 150 basis points from TTM, then gains 200 basis points over the following four years.

4. Competitive dynamics

Markets competes with integrated exchange groups, asset-specific venues, dealer networks, workflow vendors and customer-owned utilities. The relevant competitive question is not whether LSEG has a famous brand. It is whether each pool of liquidity and clearing network remains deep enough that a participant loses more by leaving than LSEG loses by discounting.

CME Group. CME is the strongest listed-derivatives benchmark competitor, especially in US interest rates and Treasury risk. CME reported record 2025 average daily volume of 28.1m contracts, up 6%, including record interest-rate activity. Its futures and options can substitute for some OTC hedging and its clearing network competes for rate, FX and other derivatives flow. LSEG's defence is SwapClear's installed OTC network, broad currencies and dealer/client workflows; CME's defence is benchmark futures liquidity and capital efficiency. The base case assumes coexistence rather than a winner-take-all shift. ([CME 2025 volume release](https://investor.cmegroup.com/news-releases/news-release-details/cme-group-reports-record-annual-adv-281-million-contracts-2025-6))

Intercontinental Exchange. ICE competes across futures, listings, fixed-income execution, CDS clearing, data and connectivity. ICE's official 2025 results show exchange net revenue of US$5.4bn and a 75% adjusted segment margin, while

fixed-income and data services produced US$2.4bn. ICE Bonds and ICE Clear Credit reported record activity, including more than US$28tn of USD index-CDS notional in 2025. That breadth shows the economic power of vertically linking execution, clearing and data. It also sets a high margin benchmark; LSEG's base margin does not assume it catches ICE because LSEG's Markets mix includes more development-stage and lower-margin workflows. ([ICE 2025 results](https://ir.theice.com/press/news-details/2026/Intercontinental-Exchange-Reports-Strong-Full-Year-2025-Results/default.aspx), [ICE fixed-income milestones](https://ir.theice.com/press/news-details/2026/ICE-Announces-Milestones-Across-its-Data-Business-in-2025-Including-Record-Fixed-Income-Trading-and-Clearing-Volume/default.aspx))

Nasdaq. Nasdaq competes for listings, cash-equity and options liquidity, market technology and private-market workflows. Its 2025 results highlighted US$1.2tn of market value switching to Nasdaq and a plan for 23/5 US trading, which is a direct reminder that extended hours will not be an LSEG-only feature. Nasdaq's fund-secondaries platform also targets the same institutional desire for structured private liquidity. LSE 24 and the Private Securities Market are therefore strategic necessities, not automatic monopolies. ([Nasdaq FY2025 results](https://ir.nasdaq.com/node/109901), [Nasdaq Fund Secondaries](https://www.nasdaq.com/products/fund-secondaries))

Deutsche Börse and Eurex. Deutsche Börse competes in European derivatives, clearing, FX through 360T, securities services through Clearstream and commodities through EEX. Eurex processed about 2.066bn contracts in 2025 despite a 1% decline, preserving major liquidity pools. More importantly, EU policy can push euro-denominated clearing toward authorised EU CCPs. EMIR 3's active-account requirement applies to relevant euro and Polish-zloty interest-rate derivatives and euro short-term-rate derivatives, and ESMA reported that the first reporting cycle covered June 2025 to June 2026. This does not imply an immediate wholesale migration from SwapClear, but it gives Eurex a regulatory wedge. The bear case includes market-share and pricing pressure rather than assuming LCH activity simply compounds at H1 rates. ([Deutsche Börse 2025 annual report](https://www.deutsche-boerse.com/dbg-en/investor-relations/financial-reports/annual-report-2025), [ESMA Article 7a](https://www.esma.europa.eu/publications-and-data/interactive-single-rulebook/emir/article-7a-active-account), [ESMA 2026 reporting update](https://www.esma.europa.eu/press-news/esma-news/esma-releases-reporting-templates-and-instructions-active-account-requirement))

Bloomberg. Bloomberg is a particularly important workflow competitor because it can combine terminal data, messaging, analytics, order management and execution. Bloomberg says its electronic trading network spans more than 9,000 clients, 175 markets and 1,500 dealers; its broader trading page cites more than 3,700 dealers for pre-trade liquidity discovery, while FXGO cites more than 800 liquidity providers. These are vendor claims, not audited market shares, but they demonstrate the distribution challenge for Tradeweb and LSEG FX. Bloomberg can subsidise execution value through the broader terminal relationship, whereas LSEG must prove best execution, liquidity or interoperability. ([Bloomberg Electronic Markets](https://professional.bloomberg.com/products/trading/electronic-markets/), [Bloomberg trading](https://professional.bloomberg.com/products/trading/), [Bloomberg FXGO](https://professional.bloomberg.com/products/trading/electronic-markets/fx-electronic/))

Euronext and other European infrastructures. Euronext competes in European listings, cash equities, fixed income, clearing and securities services. It reported 2025 equity-market revenue growth of 11.7% and FICC-market growth of 16.2%, while expanding clearing and securities services. This is evidence that LSEG's strong H1 was partly an industry activity cycle rather than unique share gain. ([Euronext 2025 annual report](https://www.euronext.com/en/investor-relations/annual-report-2025))

Open access and regulation. UK MiFIR open-access provisions require trading venues and CCPs to evaluate access requests and permit denial only where operational risk and complexity would create undue risk. In principle, open access weakens a closed vertical silo and lets execution and clearing compete separately. In practice, risk approvals, intellectual-property rights, margin offsets, connectivity and the economics of fragmented liquidity limit frictionless portability. This is a moat constraint, not proof that the moat disappears. ([FCA open-access statement](https://www.fca.org.uk/news/statements/open-access-regime-trading-and-clearing-exchange-traded-derivatives))

Competition is therefore strongest at the workflow edges and weakest in established default-management networks. Execution venues can lose share faster than mature CCPs because participants can route electronically with lower switching costs. Conversely, regulators can shift CCP economics abruptly. The model assigns the highest base growth to OTC Derivatives and Fixed Income, Derivatives & Other, but also gives those lines the widest bear/bull spread.

5. Moat at the segment level

The Markets moat has four layers. First is liquidity: participants prefer venues where other participants already trade. Second is clearing netting: a large portfolio at one CCP can reduce margin and operational complexity. Third is regulatory and

operational trust: admission, surveillance, settlement, default management and resilience take years to establish. Fourth is workflow embedding: trade, collateral, reporting and data interfaces sit inside customer systems and governance.

The moat is strongest in SwapClear. A CCP must manage tail risk, maintain member confidence and prove default-management capability. Clearing members also value portfolio offsets and broad product coverage. The five-year threat is not a start-up replicating the code; it is regulation or a well-capitalised rival persuading major dealers that splitting liquidity is worth the duplicated collateral. EMIR 3 makes that threat credible. A durable moat conclusion therefore requires LCH to retain the large majority of economically relevant client activity while absorbing some mandated EU activity elsewhere.

Tradeweb's moat is broad institutional connectivity, dealer participation, protocol breadth, data and high-frequency workflow use. It is meaningful but less absolute than CCP scale because customers multi-home across Tradeweb, Bloomberg and dealer platforms. Network effects coexist with price comparison. The platform can compound if electronification expands faster than fee compression, but a high volume CAGR alone is not proof of pricing power.

The LSE cash-equity moat is weaker. Listings bring issuer relationships, standards, brand and a domestic liquidity pool, but issuers can choose US or European venues and secondary trading fragments. LSE 24 may protect relevance as global markets extend hours. It could also add cost while concentrating real liquidity in the same core session. The project is strategically sensible and financially unproven.

Private Securities Market and digital infrastructure offer option value rather than a current moat. The UK PISCES sandbox permits intermittent trading of existing private-company shares but not primary issuance, limits participants and allows company-specific controls. That structure can deepen issuer relationships and create a path to public markets, yet it constrains initial volume. Nasdaq and specialist secondary platforms already provide technology and buyer networks. The base case assigns only modest support inside Equities and Securities & Reporting; the bull case requires repeat auctions, meaningful issuer adoption and integration with the Digital Securities Depository. ([UK PISCES regulations explanatory memorandum](https://www.legislation.gov.uk/uksi/2025/583/pdfs/uksiem_20250583_en_001.pdf))

FX has a network moat but intense multi-homing. Bloomberg, bank single-dealer platforms and other ECNs compete on liquidity, analytics and workflow. LSEG's differentiation must come from institutional depth, execution quality, data and post-trade links. The base case assumes stable, not expanding, revenue capture.

Securities & Reporting and Non-Cash Collateral benefit from switching costs and regulatory complexity. Their weakness is customer bargaining power: large banks can sponsor utilities, demand interoperability or internalise workflows. Selling 20% of Post Trade Solutions to eleven banks can improve alignment and distribution, but it also shares economics. This appendix forecasts the segment's full reported adjusted operating profit basis; the synthesis must separately model the associated NCI and ownership bridge.

Overall, Markets has a real but uneven moat. It is robust enough to support base-case revenue growth above nominal GDP in the core electronic and clearing lines, but not strong enough to assume H1 2026 growth or margin acceleration persists without interruption. The five-year underwriting test is whether LSEG can convert activity growth into revenue while retaining capture, not whether financial markets keep producing more trades.

6. Historical growth rates

The following history is reproduced solely from the verified data package. FY2024 is the first clean current-taxonomy year; FY2023 is not shown as a comparable product base. The TTM column is a separate period ending June 2026 and is not labelled as FY2026. Every numeric source cell identifies the data-package row; the controlling source IDs for these current-taxonomy dollars are AR25 for FY2024/FY2025 and H126 for the TTM bridge.

Product / sub-segment	FY2024 rev	FY2025 rev	TTM Jun-26 rev	3-yr CAGR	FY2024–FY2025 YoY	Data package cite
Equities	£392m	£412m	£437m	n/c	5.1%	data_package §4, Markets / Equities row
Fixed Income, Derivatives & Other	£1,334m	£1,539m	£1,626m	n/c	15.4%	data_package §4, Markets / Fixed Income, Derivatives & Other row
FX	£260m	£272m	£278m	n/c	4.6%	data_package §4, Markets / FX row
OTC Derivatives	£582m	£641m	£682m	n/c	10.1%	data_package §4, Markets / OTC Derivatives row
Securities & Reporting	£235m	£229m	£238m	n/c	-2.6%	data_package §4, Markets / Securities & Reporting row

Product / sub-segment	FY2024 rev	FY2025 rev	TTM Jun-26 rev	3-yr CAGR	FY2024–FY2025 YoY	Data package cite
Non-Cash Collateral	£111m	£117m	£119m	n/c	5.4%	data_package §4, Markets / Non-Cash Collateral row
Net Treasury Income	£266m	£257m	£272m	n/c	-3.4%	data_package §4, Markets / Net Treasury Income row
Markets total	**£3,180m**	**£3,467m**	**£3,652m**	**n/c**	**9.0%**	data_package §3, Markets income row; §4, all Markets rows

n/c means no valid three-year CAGR exists in the current taxonomy. The one-year growth calculations are simple checks on the supplied FY2024 and FY2025 values. They are not presented as issuer-disclosed organic growth.

Arithmetic tie-outs: FY2024 product income is £392m + £1,334m + £260m + £582m + £235m + £111m + £266m = **£3,180m**, matching Markets. FY2025 is £412m + £1,539m + £272m + £641m + £229m + £117m + £257m = **£3,467m**. TTM is £437m + £1,626m + £278m + £682m + £238m + £119m + £272m = **£3,652m**. All three residuals are zero. No product dollar was back-solved.

The longer activity series provide context without breaching the taxonomy boundary:

Activity driver	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim	Interpretation
UK equities ADV / value, £bn	4.5	4.6	3.7	4.2	4.8	6.671 H1-26	Cyclical rebound; do not annualise H1
FX ADV, US$bn	443	452	442	479	525	561 H1-26	Structural electronic growth with cyclicality
SwapClear IRS notional, US$tn	921	1,091	1,319	1,601	1,941	1,165 H1-26	Strong clearing activity; not a take-rate series
SwapClear client trades, thousands	2,180	2,684	3,172	3,990	5,308	3,283 H1-26	Client clearing deepening; mix matters
Tradeweb all-asset ADV, US$bn	n/d	n/d	n/d	2,245	2,625	3,180 H1-26	Electronification tailwind; short history in package
ForexClear notional, US$bn	n/d	n/d	n/d	36,617	48,113	33,311 H1-26	Rapid growth from a smaller base
RepoClear nominal value, €tn	n/d	n/d	n/d	309.9	334.2	182.8 H1-26	Moderate growth plus H1 activity strength

Sources: [data_package §0a, longest clean KPI histories; §5, recent volume and asset-linked trends]. The mandated arithmetic consistency check is satisfied for every revenue row because the stated FY2024–FY2025 rate recomputes FY2025 within rounding: for example, £1,334m × 1.1537 ≈ £1,539m and £582m × 1.1014 ≈ £641m. The lack of a current-taxonomy FY2023 product table is a true comparability gap, not an invitation to estimate.

7. Management guidance and operating anchors

The directly relevant management statement is: **“Our Markets businesses had an exceptional first half.”** David Schwimmer, CEO, 2026-07-30. [data_package §6, Markets / activity row; H126 results page]. The word “exceptional” is treated as a warning against extrapolation as well as a positive comment on execution.

Additional Markets-specific forward anchors in the data package are:

- LSE 24 is planned for H1 2027, with client testing before launch and regulatory approval still required. It begins with exchange-traded products rather than immediately transforming all cash-equity trading. [data_package §6, additional Markets points]
- Private Securities Market completed early transactions in H1 2026. The evidence establishes launch and customer interest, not a recurring revenue run rate. [data_package §4, capital formation adoption row; §6]
- Six fund providers were onboarded to Digital Markets Infrastructure. The model treats this as product validation, not revenue disclosure. [data_package §6]
- Eleven TradeAgent customers were live and more than 80 Post Trade Solutions customers were added in H1. These support workflow growth but disclose neither revenue per customer nor retention. [data_package §6]

- The amended SwapClear revenue share improves long-term economics, but H1 2026 included a timing benefit that largely reverses in Q4. The terminal margin can benefit from the lower ongoing share; the first forecast year cannot annualise the timing uplift. [data_package §5; §9]
- Group 2026 organic income guidance is 7.0–7.5%, not a five-year Markets guide. The segment model remains bottom-up and reaches only 4.9% base CAGR from the TTM anchor. [data_package §6]

[DATA GAP: No product-level management revenue guide, take-rate guide, clearing-share target, LSE 24 revenue target or Private Securities Market revenue target is disclosed in the verified package.]

8. Forward growth assumptions

Driver decomposition

The product CAGRs below are model outputs from explicit volume, share, pricing and macro assumptions. They do not convert any activity series mechanically into revenue.

Product	Bear driver	Base driver	Bull driver
Equities	Weak issuance and H1 value-traded normalisation; -1% CAGR	Secondary volume +2%, fees/capture +0.5%, new/private venues +1%; 3.5% CAGR	Capital formation recovery, LSE 24 liquidity and repeat private auctions; 6% CAGR
Fixed Income, Derivatives & Other	Volume +4%, capture/mix -1%; 3% CAGR	Electronic flow +5%, workflow/data +1%; 6% CAGR	Electronification +7%, share/protocol mix +2%; 9% CAGR
FX	Volume +2.5%, capture -1%; 1.5% CAGR	Volume +3%, flat capture; 3% CAGR	Volume +5%, mix/capture +0.5%; 5.5% CAGR
OTC Derivatives	Activity +4.5%, EU diversion/capture -1%; 3.5% CAGR	Client clearing +6%, products/pricing +1%; 7% CAGR	Activity/share +8%, products/capture +2%; 10% CAGR
Securities & Reporting	Client growth offset by price and insourcing; 0.5% CAGR	Client/workflow +2.5%; 2.5% CAGR	Adoption +4%, pricing +1%; 5% CAGR
Non-Cash Collateral	Balance +2%, capture -1%; 1% CAGR	Collateral demand +4%, capture -1%; 3% CAGR	Regulation/balance +5%, mix +0.5%; 5.5% CAGR
Net Treasury Income	Lower yields overwhelm balance growth; -5% CAGR	Balance +1%, yield/capture -3%; -2% CAGR	Balances +3%, yield/capture -1%; 2% CAGR

Bear case product forecast

Product	3-yr historical CAGR	Latest historical observation	Mgmt FY+1 guide	Bear CAGR TTM→TTM+5y	TTM+5y income	Justification
Equities	n/c	FY25 +5.1%; H1 ADV unusually high and not annualised	n/d	-1.0%	£415.6m	IPO weakness and volume normalisation outweigh new venues
Fixed Income, Derivatives & Other	n/c	FY25 +15.4%; H1 Tradeweb ADV +24.8%	n/d	3.0%	£1,885.0m	Electronification continues but capture and volatility normalise
FX	n/c	FY25 +4.6%; H1 ADV +5.8%	n/d	1.5%	£299.5m	Fragmentation and automation compress capture
OTC Derivatives	n/c	FY25 +10.1%; H1 notional +29.4%	n/d	3.5%	£810.0m	EMIR 3 diversion and lower volatility slow growth
Securities & Reporting	n/c	FY25 -2.6%	n/d	0.5%	£244.0m	Customer additions mostly offset by insourcing and price
Non-Cash Collateral	n/c	FY25 +5.4%	n/d	1.0%	£125.1m	Collateral demand grows, but competition limits capture
Net Treasury Income	n/c	FY25 -3.4%	n/d	-5.0%	£210.5m	Material rate normalisation overwhelms balances

Base case product forecast

Product	3-yr historical CAGR	Latest historical observation	Mgmt FY+1 guide	Base CAGR TTM→TTM+5y	TTM+5y income	Justification
Equities	n/c	FY25 +5.1%; PSM launched	n/d	3.5%	£519.0m	Normal issuance plus modest LSE 24/private contribution
Fixed Income, Derivatives & Other	n/c	FY25 +15.4%; H1 Tradeweb ADV +24.8%	n/d	6.0%	£2,176.0m	Electronification persists at a much lower rate than H1 activity
FX	n/c	FY25 +4.6%; H1 ADV +5.8%	n/d	3.0%	£322.3m	Modest volume growth and stable revenue capture
OTC Derivatives	n/c	FY25 +10.1%; H1 notional +29.4%	n/d	7.0%	£956.5m	Client clearing and products offset some EU share leakage
Securities & Reporting	n/c	FY25 -2.6%; 80+ customers added H1	n/d	2.5%	£269.3m	Workflow adoption turns recent decline into modest growth
Non-Cash Collateral	n/c	FY25 +5.4%	n/d	3.0%	£138.0m	Margin rules and optimisation raise demand; capture softens
Net Treasury Income	n/c	FY25 -3.4%	n/d	-2.0%	£245.9m	Balance growth partly offsets lower average reinvestment yield

Bull case product forecast

Product	3-yr historical CAGR	Latest historical observation	Mgmt FY+1 guide	Bull CAGR TTM→TTM+5y	TTM+5y income	Justification
Equities	n/c	FY25 +5.1%; PSM launched	n/d	6.0%	£584.8m	Strong issuance, liquid extended hours and repeat private auctions
Fixed Income, Derivatives & Other	n/c	FY25 +15.4%; H1 Tradeweb ADV +24.8%	n/d	9.0%	£2,501.8m	Rapid electronification and favourable higher-value protocol mix
FX	n/c	FY25 +4.6%; H1 ADV +5.8%	n/d	5.5%	£363.3m	Share gains and automation retain capture
OTC Derivatives	n/c	FY25 +10.1%; H1 notional +29.4%	n/d	10.0%	£1,098.4m	New clearing products and client flow outweigh EU diversion
Securities & Reporting	n/c	FY25 -2.6%; 80+ customers added H1	n/d	5.0%	£303.8m	TradeAgent and post-trade adoption create recurring scale
Non-Cash Collateral	n/c	FY25 +5.4%	n/d	5.5%	£155.5m	More cleared products expand collateral optimisation demand
Net Treasury Income	n/c	FY25 -3.4%	n/d	2.0%	£300.3m	Higher balances and slower rate declines preserve economics

The main deceleration test is satisfied. No base CAGR comes close to blindly repeating H1 activity: Tradeweb ADV was up 24.8%, yet its broader product line grows 6%; SwapClear H1 notional was up 29.4%, yet OTC income grows 7%; UK equities average daily value was £6.671bn in H1 2026 versus £4.8bn in FY2025, yet Equities grows 3.5%. These H1 activity observations are not annualised into revenue. The model assumes normalisation is faster than the structural loss of electronification or clearing demand. In the bear case it is compounded by capture compression and regulatory share loss.

9. Forward Adjusted operating profit margin assumptions

The exact profit metric is **Adjusted operating profit** throughout. The current 50.0% margin is calculated from TTM adjusted operating profit of £1,827m divided by £3,652m income. Product-level adjusted operating profit is not disclosed, so assigning precise product margins would fabricate economics. The defensible method is a bottom-up product-income build combined with an explicit segment-level margin bridge. No corporate, amortisation, finance, tax or NCI item is allocated here; the synthesis stage owns those bridge lines.

Case	TTM margin	Year 1	Year 2	Year 3	Year 4	TTM+5y margin	Specific mechanism
Bear	50.0%	46.0%	44.5%	43.5%	43.0%	42.5%	SwapClear timing reverses; NTI declines; price pressure and duplicative regulation overwhelm scale
Base	50.0%	48.5%	49.0%	49.5%	50.0%	50.5%	Timing reverses first; lower ongoing revenue share and electronic scale rebuild margin gradually
Bull	50.0%	50.0%	51.5%	53.0%	54.0%	55.0%	Strong high-margin clearing/workflow mix, venue adoption and operating leverage

The bear's 750-basis-point decline is intentionally severe. It represents more than a normal rate cycle: lower NTI, Tradeweb/Bloomberg fee pressure, EU clearing diversion, continued LSE 24 and digital investment, and weaker capital formation. The base terminal is only 50 basis points above the reported TTM margin. That is conservative relative to a simple scale story because it first removes the timing benefit and assumes competition absorbs much of the productivity gain. The bull's 500-basis-point expansion requires both volume and capture success; it is not justified by cost cuts alone.

10. Segment rollup and arithmetic tie-out

Bear rollup

Product	TTM income	CAGR	TTM+5y income
Equities	£437m	-1.0%	£415.6m
Fixed Income, Derivatives & Other	£1,626m	3.0%	£1,885.0m
FX	£278m	1.5%	£299.5m
OTC Derivatives	£682m	3.5%	£810.0m
Securities & Reporting	£238m	0.5%	£244.0m
Non-Cash Collateral	£119m	1.0%	£125.1m
Net Treasury Income	£272m	-5.0%	£210.5m
Markets	**£3,652m**	**1.78%**	**£3,989.6m**

At a 42.5% terminal adjusted operating profit margin, bear adjusted operating profit is **£1,695.6m**. Product endpoints sum exactly to the displayed total before rounding; the residual is below 0.1%.

Base rollup

Product	TTM income	CAGR	TTM+5y income
Equities	£437m	3.5%	£519.0m
Fixed Income, Derivatives & Other	£1,626m	6.0%	£2,176.0m
FX	£278m	3.0%	£322.3m
OTC Derivatives	£682m	7.0%	£956.5m
Securities & Reporting	£238m	2.5%	£269.3m
Non-Cash Collateral	£119m	3.0%	£138.0m
Net Treasury Income	£272m	-2.0%	£245.9m
Markets	**£3,652m**	**4.85%**	**£4,626.9m**

At a 50.5% terminal adjusted operating profit margin, base adjusted operating profit is **£2,336.6m**. This is a 5.04% profit CAGR from £1,827m, only modestly above revenue CAGR, because the first-year timing reversal consumes early operating leverage.

Bull rollup

Product	TTM income	CAGR	TTM+5y income
Equities	£437m	6.0%	£584.8m
Fixed Income, Derivatives & Other	£1,626m	9.0%	£2,501.8m
FX	£278m	5.5%	£363.3m
OTC Derivatives	£682m	10.0%	£1,098.4m
Securities & Reporting	£238m	5.0%	£303.8m
Non-Cash Collateral	£119m	5.5%	£155.5m
Net Treasury Income	£272m	2.0%	£300.3m
Markets	**£3,652m**	**7.77%**	**£5,307.9m**

At a 55.0% terminal adjusted operating profit margin, bull adjusted operating profit is **£2,919.3m**. The case requires sustained share, protocol mix and operating leverage; it is not a simple continuation of Q1 2026.

Five-year cadence

Case / £m	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
Bear income	3,652.0	3,713.2	3,777.6	3,845.0	3,915.7	3,989.6
Bear AOP margin	50.0%	46.0%	44.5%	43.5%	43.0%	42.5%
Bear adjusted operating profit	1,827.0	1,708.1	1,681.0	1,672.6	1,683.8	1,695.6
Base income	3,652.0	3,825.0	4,008.4	4,202.7	4,408.6	4,626.9
Base AOP margin	50.0%	48.5%	49.0%	49.5%	50.0%	50.5%
Base adjusted operating profit	1,827.0	1,855.1	1,964.1	2,080.3	2,204.3	2,336.6
Bull income	3,652.0	3,931.9	4,235.3	4,564.3	4,921.0	5,307.9
Bull AOP margin	50.0%	50.0%	51.5%	53.0%	54.0%	55.0%
Bull adjusted operating profit	1,827.0	1,966.0	2,181.2	2,419.1	2,657.3	2,919.3

The cadence makes the timing normalisation visible. Base adjusted operating profit grows only 1.5% in year one despite 4.7% income growth. Bear profit falls in year one and remains below the TTM anchor in 2031. Bull requires sustained growth and mix improvement; the probability is therefore lower than base.

Scenario probabilities are **25% bear, 55% base and 20% bull**, summing to 100%. The base receives the largest weight because electronification, clearing and workflow adoption are supported by multi-year activity evidence, while the TTM anchor already captures an unusually active period. The bull weight is capped at 20% because LSE 24, private markets and digital infrastructure are not yet scaled, and because regulation can redirect clearing. The bear remains 25% because rate normalisation and cyclicality can occur together. Probability-weighted terminal Markets income is **£4,603.8m** and probability-weighted adjusted operating profit is **£2,292.9m**; the implied weighted terminal margin is 49.8%. These weighted figures are expectation diagnostics, not a fourth scenario.

11. Key risks and wildcards

- **[Bear] EMIR 3 clearing fragmentation.** If EU active-account rules cause economically meaningful euro-rate portfolios to migrate to EU CCPs, SwapClear could lose both activity and netting advantages. The relevant signal is LSEG’s share of euro interest-rate clearing and revenue capture, not merely gross notional.
- **[Bear] Rate normalisation hits twice.** Lower rates can reduce NTI while calmer markets reduce trading and clearing activity. The bear case couples those effects rather than assuming one offsets the other.
- **[Bear] Volume without revenue.** Fixed-income, FX and OTC volumes can rise while mix shifts toward lower-priced products or clients negotiate discounts. A two-year divergence between activity growth and product income growth would invalidate the base capture assumption.
- **[Bear] Open access and interoperability.** Greater portability between execution and clearing can weaken vertical economics. If margin offsets become easy to replicate elsewhere, the switching-cost moat narrows.

- **[Bear/Base] LSE 24 cannibalisation.** Extended hours can split liquidity, add resilience and surveillance costs, and move existing trades rather than create new ones. Base assumes only modest incremental Equities income.
- **[Base/Bull] Private Securities Market.** Repeat auctions and issuer conversion could create an issuer funnel and data/workflow revenue. But the PISCES sandbox is secondary-only, intermittent and restricted, limiting early scale.
- **[Base/Bull] Digital securities and settlement.** Digital Markets Infrastructure and a Digital Securities Depository could lower issuance and post-trade friction. The upside requires regulated interoperability and paying volume, not pilots alone.
- **[Bull] Cross-product flywheel.** Tradeweb execution, LCH clearing, collateral optimisation, reporting and data could reinforce each other if customers adopt integrated workflows. The appendix does not assume forced bundling or allocate D&A revenue into Markets.
- **[Bear] Competition from integrated peers.** CME, ICE, Nasdaq, Deutsche Börse, Euronext and Bloomberg can use established liquidity, workflow distribution, data or regulation to pressure capture. Bloomberg is especially potent where execution is bundled with desktop and order-management workflows.
- **[Bear] Operational or cyber event.** An outage, clearing loss or default-management failure would damage trust, invite remediation costs and accelerate regulatory intervention. High margins do not remove the need for redundancy and risk investment.
- **[All cases] Non-controlling interests.** Tradeweb, LCH and the 20% Post Trade Solutions transaction mean segment adjusted operating profit is not identical to parent-attributable earnings. Synthesis must model NCI from the sealed statutory bridge; this appendix does not apply a blanket haircut.

The decisive monitoring set is compact: (1) Markets organic income growth versus Tradeweb, FX and clearing activity; (2) revenue capture by product where management discloses it; (3) SwapClear share of euro and other relevant currencies after active-account implementation; (4) NTI direction relative to cash balances and rates; (5) LSE 24 liquidity and incremental revenue after launch; (6) repeat Private Securities Market auctions and issuer count; (7) Post Trade Solutions customer revenue and retention; and (8) Markets adjusted operating profit margin after the Q4 2026 revenue-share reversal.

Summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	£3,989.6m	Adjusted operating profit	42.5%	£1,695.6m	25%
Base	£4,626.9m	Adjusted operating profit	50.5%	£2,336.6m	55%
Bull	£5,307.9m	Adjusted operating profit	55.0%	£2,919.3m	20%

The base case is deliberately below the recent activity pulse and assumes no product-level take-rate expansion. It gives the highest growth to the two lines with the strongest structural evidence—electronic fixed income and OTC clearing—while recognising that the same lines face the most credible regulatory and competitive challenges. The bear case demonstrates that revenue can still grow modestly while adjusted operating profit declines if rate income, capture and margin unwind together. The bull case requires LSEG to turn new venues, private/digital markets and cross-product workflows into paying, durable liquidity while retaining clearing share. All rollups start at the TTM ended 2026-06-30 and terminate on 2031-06-30, exactly five years later.

Appendix B3 - FTSE Russell

FTSE Russell — Segment Deep Dive

Company: London Stock Exchange Group plc **Ticker:** LSEG.L **Segment:** FTSE Russell **Mode:** Production Mode **Historical anchor:** TTM ended 2026-06-30 **Forecast horizon:** 2031-06-30, exactly five calendar years after the TTM anchor **Reporting currency:** GBP; all revenue and profit figures are £ millions unless stated **Exact segment profit basis: Adjusted operating profit Source controls:** LSEG historical figures and management quotations come only from the QFR-sealed `data_package.md` and `statutory_bridge.json`. Quote packet SHA-256 is `e806bdc0f0cae5853d876ac34203606eed8385d441572688f50da5c092ba5561`; statutory bridge SHA-256 is `196293361a50240380af6da15c5b6552e1e97b7e323dd596d31a7eeeb53d5bd9`.

This appendix underwrites FTSE Russell as a stand-alone economic unit. It is not a valuation of LSEG, a portfolio recommendation, or trade authority. `trade_execution_authorized=false`.

0. Segment boundary and taxonomy note

FTSE Russell became a separately reported division from Q1 2024 when LSEG separated it, along with Risk Intelligence, from Data & Analytics. The 2024 annual report re-presented FY2023 under that first five-division view, but the 2025 annual report subsequently reallocated revenue and costs to the current product-led model and re-presented FY2024; H1 2026 likewise re-presented H1 2025. The clean current taxonomy therefore begins with **FY2024 as re-presented in AR25**. FY2023's £844m income, £465m Adjusted operating profit, and 55.1% margin are preserved as prior-taxonomy context but are not chained into current-basis growth or margin comparisons. All forward modeling starts from TTM 2026-06-30 and compounds exactly five years to 2031-06-30. [AR24 and AR25, as registered in data_package §1; data_package §3, FTSE Russell rows]

1. What this segment actually is

FTSE Russell creates, calculates, governs, publishes, and licenses investment indexes and benchmarks. The customer is typically an asset manager, asset owner, bank, wealth platform, insurer, exchange, or issuer of a financial product. The product can be used in two distinct ways. First, an institution may buy index data or a benchmark license for performance measurement, research, asset allocation, portfolio construction, reporting, or a custom mandate. Second, a product issuer may license an index as the basis for an ETF, mutual fund, derivative, structured product, annuity, or other investable vehicle. The first use is primarily represented in **Subscriptions**; the second is primarily represented in **Asset-based** income.

The distinction is economically important. Subscription income is contractual, recurring, and more closely linked to renewal, pricing, dataset breadth, and the number and sophistication of client use cases. Asset-based income is a royalty stream whose recognized value changes with linked assets, flows, market appreciation or depreciation, product mix, fee schedules, and sometimes trading activity. The sealed package reports TTM subscriptions of £641m and asset-based income of £345m, so approximately 65% of segment income is subscription-like and 35% asset-based. [data_package §4, FTSE Russell product rows]

FTSE Russell's broad-market equity franchises include benchmarks around which investment ecosystems have formed. The value to a client is not simply a list of constituents. It includes a documented methodology, a recognized brand, a governance process, reliable daily calculation, corporate-action handling, reconstitution, historical time series, identifier mapping, redistribution rights, client support, and a network of managers and intermediaries already using the same benchmark language. That package reduces operational and fiduciary friction for a client choosing a benchmark.

The growth frontier is broader than legacy developed-market equity benchmarks. Fixed-income, factor, thematic, sustainability, climate, wealth, direct-indexing, and bespoke/custom indexes expand the number of licensable use cases. Custom indexes can be especially attractive because they encode client-specific exclusions, weights, hedges, tax rules, or outcomes, but they also carry higher implementation, calculation, data-quality, and maintenance complexity. Fixed-income indexing is structurally underpenetrated relative to equity indexing and benefits from the shift toward rules-based bond portfolios and fixed-income ETFs. The package records US$100bn of the US$2.193tn FTSE-linked ETF AUM at June 2026 as fixed-income-linked, evidence that this channel is material but still small relative to the whole. [data_package §6, additional FTSE Russell point]

Go-to-market is partly direct and partly ecosystem-driven. FTSE Russell works with asset managers and issuers to design or select an index; the client then embeds that index into a product, mandate, report, or workflow. Once the product has assets, distribution, a performance record, and derivatives or liquidity around it, both parties have incentives to maintain continuity. New business comes from winning benchmark selections, introducing new index families, expanding an existing client into additional asset classes, and attaching more investable products to an existing methodology. The 52 ETF launches in H1 2026, versus 42 in H1 2025, show a live product-development funnel, but launches are a leading indicator rather than revenue: many products remain small or close, and LSEG does not disclose per-product take rates. [data_package §0a, current KPI inventory; §4, growth-only disclosures]

2. Current economics

The segment is already a high-margin franchise. TTM income was £986m and Adjusted operating profit was £573m, a 58.1% margin. The TTM income mix was £641m subscriptions and £345m asset-based. On the clean fiscal-year comparison, income increased from £911m in FY2024 to £954m in FY2025, while Adjusted operating profit rose from £521m to £546m. The FY2024 and FY2025 margin was 57.2% in both years, followed by 58.1% on the TTM bridge and 58.3% in H1 2026. [AR25 and H126, as registered in data_package §3 and §5]

Current metric	Value	Mix or interpretation	Verified source
TTM income	£986m	100.0%	H126; data_package §3 FTSE Russell income row
Subscriptions	£641m	65.0% of TTM income	AR25/H126; data_package §4 FTSE Russell / Subscriptions row
Asset-based	£345m	35.0% of TTM income	AR25/H126; data_package §4 FTSE Russell / Asset-based row
Adjusted operating profit	£573m	Exact sealed profit basis	H126; data_package §3a TTM bridge
Adjusted operating profit margin	58.1%	£573m divided by £986m	H126; data_package §3 FTSE Russell AOP margin row
ETF-linked AUM at Jun-26	US$2.193tn	Period end; H1 average US$1.997tn	H126; data_package §0a and §5 KPI tables
H1 2026 ETF launches	52	Versus 42 in H1 2025	H126; data_package §0a current KPI inventory
Fixed-income ETF-linked AUM	US$100bn	Part of total FTSE-linked ETF AUM	H126; data_package §6 additional FTSE Russell point

Capital intensity is low at the segment level in the physical sense, but it is not zero. The company does not disclose stand-alone FTSE Russell capex or R&D. The product requires continuous spending on methodology research, data ingestion, reference-data normalization, calculation engines, cloud and cyber resilience, distribution, client service, legal rights, and benchmark governance. Group cash capex was £919m in FY2025, or 10.2% of income excluding recoveries, but allocating that amount mechanically to FTSE Russell would be false precision. [data_package §7, capital allocation history]

The TTM mix limits direct cyclicality: subscriptions are almost two-thirds of revenue. However, asset-based revenue is large enough to matter. A 20% decline in the asset-based line, if not offset by subscriptions or costs, would reduce segment revenue by £69m and, at the current blended margin, reduce profit by roughly £40m before any cost response. Conversely, a bull market plus net inflows can create strong incremental profit because the marginal cost of calculating an index for a larger asset base is small. This operating leverage is one reason the segment can exceed 58% Adjusted operating profit margin, but it also creates a visible market-beta channel.

[DATA GAP: FTSE Russell-specific retention, Annual Subscription Value, gross sales, and New Product Vitality Index are not separately disclosed; only group subscription-business KPIs are available.]

[DATA GAP: LSEG does not disclose product-level take rates or product-level Adjusted operating profit margins for Subscriptions and Asset-based income. Product margins used below are explicitly identified as analytical allocations that reconcile to the sealed segment total.]

[DATA GAP: The last four quarters disclose FTSE Russell total income and organic growth, but not separate quarterly Subscription and Asset-based revenue or margins.]

3. Unit economics

How subscription revenue becomes profit

Subscription economics begin with a contractual license to index data, a benchmark family, a methodology, or associated reference information. The principal revenue drivers are renewal, price, breadth of use, redistribution rights, number of users or applications where relevant, and expansion into new index families. The cost base is dominated by people, data, technology, governance, sales, and support rather than physical goods. Once an index is designed and the calculation platform is running, another licensed user can carry a high incremental margin. Scale therefore matters: the same core data, methodology, research, and platform can support many clients and products.

The reinvestment requirement is real. Clients expect accurate corporate-action processing, transparent methodology changes, rapid index delivery, historical restatements where appropriate, resilient publication, and defensible governance. Custom, thematic, and fixed-income indexes often require more data fields and more complex rules than a plain market-cap equity benchmark. They can raise revenue per client and strengthen workflow embedding, but they also add research, quality assurance, and calculation burden. The base case assumes this reinvestment prevents margins from jumping instantly even as revenue scales.

Retention is not disclosed for FTSE Russell alone. LSEG's subscription-business revenue retention was 92.8% at June 2026 and Annual Subscription Value growth was 6.1%, but those are group subscription metrics spanning more than this segment. They are useful boundary conditions, not segment KPIs. The model therefore does not claim a FTSE Russell-specific retention rate. [data_package §0a, longest clean KPI histories]

How asset-based revenue becomes profit

Asset-based fees are linked to the economic use of an index in an investment product. The exact contract can depend on average or period-end AUM, trading volumes, a fee schedule, minimums, or a combination, but LSEG does not disclose a complete take-rate bridge. It would be invalid to divide £345m by US$2.193tn and call the result a clean fee yield: the numerator and denominator differ in currency, period convention, and product scope, and the numerator may include asset-based arrangements beyond the cited ETF AUM. [data_package §5, commentary below recent volume table; §10, product-level take-rate gap]

Economically, asset-based revenue growth can be decomposed into market appreciation, net flows, new launches or benchmark wins, product mix, and effective fee capture. The model uses that decomposition only as a growth framework, not as a fabricated take rate. A broad equity selloff reduces linked AUM quickly; flows into passive products may cushion the decline; and a shift toward lower-fee products can make revenue grow more slowly than AUM. New fixed-income and custom products can diversify away from pure equity-market beta, but they do not eliminate beta.

Incremental margins are likely high because calculating and governing an existing index does not become proportionately more expensive when linked AUM rises. But costs do increase with more index families, more data vendors, higher governance obligations, more bespoke rules, and higher resilience expectations. The FCA's 2025-26 benchmark-sector review specifically emphasized data supplier oversight, calculation controls, resilience, and governance, evidence that quality infrastructure is a recurring cost and regulatory necessity rather than optional overhead. [FCA benchmark quality-controls review](https://www.fca.org.uk/publications/multi-firm-reviews/quality-controls-benchmarks-sector)

Margin breakpoints

Margins rise when subscription pricing and volume grow faster than research and platform costs; when AUM rises without equivalent cost growth; when products reuse existing data and calculation infrastructure; and when automation lowers the unit cost of index production and quality assurance. Margins fall when market depreciation compresses asset-linked fees; customers negotiate down fees; data-vendor costs increase; the business has to invest heavily in new asset classes; a methodology or calculation error triggers remediation; or regulation requires more controls and documentation.

The segment's 57.2% FY2024/FY2025 margin and 58.1% TTM margin suggest a mature, scaled operating model with incremental leverage, not an early-stage software line with unlimited expansion. The base case allows 305 basis points of improvement to 61.2% over five years. That is meaningful but bounded: growth and automation outweigh wage, data, governance, and product-development costs, while the mix shift toward asset-based revenue adds some leverage. The bull case assumes stronger product reuse and market-linked scale; the bear case assumes price pressure, adverse mix, and cost rigidity.

4. Competitive dynamics

FTSE Russell competes most directly with MSCI, S&P Dow Jones Indices, Nasdaq, Bloomberg, and Solactive. Competition varies by category. In flagship market-cap benchmarks, brand, history, asset pools, and linked product ecosystems dominate. In custom, thematic, climate, factor, direct-indexing, and fixed-income applications, methodology speed, data breadth, technology, service, and price matter more. Asset managers and investment banks can also self-index or commission lower-cost calculation agents.

Peer disclosures demonstrate both the attractive economics and the intensity of the race. S&P Global's Indices division reported $1.850bn of 2025 revenue, 69% operating margin, $1.206bn of asset-linked fees, and $5.480tn of ending ETF AUM. Its 2025 index revenue rose 14%, with asset-linked fees up 15% and subscriptions up 10%. [S&P Global 2025 annual report](https://www.spglobal.com/content/dam/spglobal/corporate/en/annual-reports/2025/annual-report-2025.pdf) MSCI's Index segment reported $1.787bn of 2025 revenue and 76.4% adjusted EBITDA margin; recurring subscription revenue grew 8.6% and asset-based fees 17.2%. MSCI disclosed $2.341tn of ETF AUM linked to its equity indexes at year-end 2025, and explicitly said average basis points declined, a direct warning that AUM growth does not map one-for-one to revenue. [MSCI 2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1408198/000140819826000011/msci-20251231.htm) Nasdaq ended 2025 with $882bn of index-linked ETP AUM, $99bn of net inflows, and 122 new index products, showing that a smaller competitor can still scale through product velocity and technology. [Nasdaq 2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1120193/000162828026007703/ndaq-20251231.htm)

These peer figures are not accounting comparables to LSEG's Adjusted operating profit. They use different perimeter, currency, fee mix, and profit definitions. They are nonetheless relevant to competitive intensity: all three large rivals are investing, launching products, and benefiting from passive flows. FTSE Russell's US$2.193tn ETF-linked AUM is in the same broad scale band as MSCI's disclosed year-end 2025 equity ETF AUM, but below S&P's broader ETF AUM. No clean market-share percentage should be inferred because definitions differ.

Pricing power and commoditisation

Pricing power is strongest where an index is a recognized market standard with a large installed asset base, a deep derivatives or liquidity ecosystem, or entrenched use in investment policy and performance reporting. A manager changing a flagship benchmark may need board approval, prospectus or mandate changes, client communication, portfolio transition, tracking-error management, tax and trading-cost analysis, updated data integrations, and new marketing. Those frictions make incumbent revenue sticky.

Pricing power is weaker for a new thematic index with little linked AUM, a simple rules-based screen that can be replicated, or a bespoke mandate where several providers can meet the specification. MSCI's own 2025 filing lists FTSE Russell, S&P DJI, Nasdaq, Bloomberg, and Solactive as index competitors, and it identifies self-indexing by asset managers and banks as a genuine alternative. It also warns that AI may help clients create in-house custom indexes and allow new entrants to compete with faster time-to-market or lower prices. [MSCI 2025 Form 10-K, competition and AI risks](https://www.sec.gov/Archives/edgar/data/1408198/000140819826000011/msci-20251231.htm)

The sensible conclusion is not that indexes are fully commoditized or fully protected. The market has a barbell. Flagship benchmarks have network effects and high switching friction; the long tail of new rules-based indexes is easier to reproduce and more price competitive. FTSE Russell must use the cash flow and client access from the first category to keep winning in the second.

Benchmark switching

Switching is possible. It is most credible at product launch, at a mandate reset, after a fee dispute, or when an asset manager can replace an index without materially changing the product's economic exposure. It becomes more difficult after an ETF accumulates scale, tax lots, market-maker support, a recognizable ticker, derivatives, and a long performance record. A switch can also create one-off turnover and tracking effects. This friction is economic rather than legal permanence: the contract can still be lost.

The bear case assumes more switching and fee renegotiation in commoditizable categories, lowering subscription growth and creating a two-percentage-point revenue-capture drag versus linked-AUM growth in the first year. The base case assumes flagship retention remains strong while competition trims roughly one point annually from the asset growth that might otherwise translate into revenue. The bull case still imposes a modest capture drag; it does not assume that strong markets grant unconstrained pricing.

Fixed income, thematic, and custom competition

Fixed income is attractive because bond markets are large, fragmented, and increasingly electronic, while fixed-income ETFs and systematic mandates are growing. But fixed-income indexing requires security-level reference data, pricing, curve and classification expertise, liquidity treatment, and frequent issuance/redemption handling. Bloomberg has a strong incumbent position, and MSCI is explicitly expanding fixed-income indexes. FTSE Russell's US$100bn of fixed-income ETF-linked AUM establishes presence but not dominance.

Thematic and custom indexes can grow faster than broad beta because they address new investor preferences and support direct indexing, structured products, active ETFs, and client-specific constraints. MSCI's 2025 filing says custom index run rate was a contributor to 9.4% Index subscription run-rate growth and describes customization across exclusions, hedging, tax, weighting, and active-ETF use cases. That validates demand while also proving competitors are targeting the same pool. [MSCI 2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1408198/000140819826000011/msci-20251231.htm)

5. Moat at the segment level

The segment moat is **strong but tiered**, with the greatest durability in flagship benchmark ecosystems and less protection in the long tail of new custom or thematic calculations.

The first protection is installed use. Benchmarks sit in prospectuses, mandates, performance reports, risk systems, portfolio construction, consultant databases, and data feeds. Removing one requires coordinated changes across legal, investment, operations, technology, trading, and client communications. That creates switching costs even when the underlying concept—such as developed large-cap equities—is replicable.

The second protection is network liquidity. An index becomes more useful when multiple ETFs, futures, options, swaps, structured products, consultants, and asset owners use the same standard. Liquidity and hedging tools attract assets; assets make the benchmark more salient; salience attracts more products. This is a genuine network effect for flagship families, though not for every newly launched index.

The third protection is trust and governance. Index clients outsource a piece of fiduciary and operational infrastructure. They care about transparent methodology, predictable rebalance rules, accurate calculation, robust corporate-action handling, conflict controls, and continuity. IOSCO principles place primary responsibility for integrity, governance, benchmark quality, and accountability on the administrator. That regulatory and reputational burden raises the cost of credible entry even though it does not prevent low-cost competitors from offering simple indexes. [IOSCO Principles for Financial Benchmarks](https://www.iosco.org/library/pubdocs/pdf/ioscopd409.pdf)

The fourth protection is scale in data and research. A provider operating across equity, fixed income, factors, themes, sustainability, and custom mandates can reuse data, calculation infrastructure, client relationships, and distribution. It can also cross-sell to institutions that prefer fewer strategic vendors. Scale does not remove price pressure; it improves the ability to fund quality and product breadth while maintaining margin.

The moat weakens in three places. Methodologies can be imitated without copying protected intellectual property. Large asset managers can self-index, especially where brand is less important than fee reduction. Technology and AI can lower design and calculation costs for custom indexes. Consequently, the five-to-ten-year moat is durable for core Russell and FTSE franchises but only moderate for newer product categories. The base model assumes the aggregate segment retains pricing above inflation and grows mid-to-high single digits; the bear model assumes commoditization reaches enough of the new-business funnel to cut growth without destroying the core installed base.

6. Historical growth rates

Only FY2024 onward is clean under the current taxonomy. FY2023 is shown to make the boundary visible, not to calculate a current-basis three-year CAGR. Product dollars are available only for FY2024, FY2025, and the TTM anchor. No values are back-solved.

Product / sub-segment	FY2023 revenue	FY2024 re-presented revenue	FY2025 revenue	3-year CAGR	Most recent YoY	Data package cite
FTSE Russell total	£844m, prior-taxonomy and n/c [§3 FTSE income row]	£911m [§3 FTSE income row]	£954m [§3 FTSE income row]	n/c; clean FY24-FY25 growth 4.7%	Q2 2026 organic CCY 9.4% [§5 quarterly table]	data_package §1 taxonomy; §3 FTSE Russell income; §5 FTSE Russell quarterly row
Subscriptions	n/d [§4 Subscriptions row]	£603m [§4 Subscriptions row]	£630m [§4 Subscriptions row]	n/d; clean FY24-FY25 growth 4.5%	Product YoY n/d; segment Q2 9.4% [§5]	data_package §4 FTSE Russell / Subscriptions; §5 segment row

Product / sub-segment	FY2023 revenue	FY2024 re-presented revenue	FY2025 revenue	3-year CAGR	Most recent YoY	Data package cite
Asset-based	n/d [§4 Asset-based row]	£308m [§4 Asset-based row]	£324m [§4 Asset-based row]	n/d; clean FY24-FY25 growth 5.2%	Product YoY n/d; segment Q2 9.4% [§5]	data_package §4 FTSE Russell / Asset-based; §5 segment row

Arithmetic checks on the clean rows: £911m × 1.047 = £953.8m, which rounds to FY2025's £954m. £603m × 1.045 = £630.1m, matching the disclosed £630m. £308m × 1.052 = £324.0m, matching the disclosed £324m. Product revenue also ties: £603m + £308m = £911m in FY2024; £630m + £324m = £954m in FY2025; and £641m + £345m = £986m in the TTM period. All differences are zero or rounding-level and within the mandatory 2% tolerance.

Metric	FY2024	FY2025	TTM Jun-26	Historical signal	Data package cite
FTSE Russell income	£911m	£954m	£986m	Q2 organic CCY growth accelerated to 9.4%	data_package §3 and §5
Subscriptions	£603m	£630m	£641m	65.0% of current segment income	data_package §4 FTSE Russell / Subscriptions
Asset-based	£308m	£324m	£345m	35.0% of current segment income	data_package §4 FTSE Russell / Asset-based
Adjusted operating profit	£521m	£546m	£573m	Exact sealed profit basis	data_package §3 and §3a
Adjusted operating profit margin	57.2%	57.2%	58.1%	90bp TTM improvement	data_package §3 FTSE Russell AOP margin
ETF-linked AUM, period end	US$1.433tn	US$1.827tn	US$2.193tn	Market appreciation plus flows; not a revenue take-rate bridge	data_package §0a and §5 FTSE ETF AUM rows

ETF-linked AUM declined from US$1.138tn in FY2021 to US$1.009tn in FY2022 before recovering to US$1.245tn in FY2023, US$1.433tn in FY2024, US$1.827tn in FY2025, and US$2.193tn at June 2026. The path is useful precisely because it shows cyclicality: linked assets can fall even while the long-term passive trend is intact. [data_package §0a, longest clean KPI histories]

7. Management guidance

The package contains one FTSE Russell-specific quoted statement. The official strategy slide dated 2025-11-10 said: **"We have leading positions in large and growing market segments."** [data_package §6, FTSE Russell / positioning row] The statement supports the strategic premise but is not a numerical forecast. The model interprets "large and growing" as compatible with high-single-digit revenue in a normal market, not as proof that linked AUM or margins rise every year.

The package also gives three relevant, source-grounded quantitative anchors without presenting them as FTSE Russell-specific guidance:

- Group organic income growth guidance for 2026 was raised to 7.0-7.5%. FTSE Russell's Q1 and Q2 organic constant-currency growth of 8.8% and 9.4% was above that group range, but the segment has market-sensitive asset-based income and should not simply annualize the strongest quarter. [data_package §5 quarterly table; §6 additional forward points]
- Subscription-business growth was expected to accelerate from 6.0% in 2025 toward about 6.5% in 2026 and 7% in 2027. This applies to LSEG subscription businesses as a group, not specifically to FTSE Russell. It is the nearest management anchor for the segment's £641m subscription line. [data_package §6 additional forward points]
- FTSE Russell surpassed US$2tn of ETF-linked AUM in H1 2026, including US$100bn linked to fixed-income indexes. Revenue remains a mix of subscriptions and asset-based fees, with the latter sensitive to market levels and product flows. [data_package §6 additional FTSE Russell point]

The resulting discipline is to put base subscription growth close to the 6.5-7% near-term group subscription trajectory, then modestly fade it; to model asset-based income with an explicit market/flow/capture bridge; and to require the bull case to earn its upside through sustained flows, successful launches, and mix, not through a one-off extrapolation of H1 2026.

8. Forward growth assumptions

Scenario architecture and probabilities

The scenario probabilities are **Bear 25%, Base 55%, Bull 20%**, summing to 100%. Base receives the highest weight because current growth, launch activity, and the long-term passive trend are positive, while the segment still faces measurable market beta and competition. Bear receives a larger weight than bull because starting ETF-linked AUM follows strong market appreciation and because benchmark price pressure can compound with a drawdown. Bull remains meaningful because fixed income, custom indexes, thematic products, and sustained ETF flows could keep growth above the mature historical baseline.

The product forecasts use the disclosed TTM anchors of £641m subscriptions and £345m asset-based income. “Historical CAGR” in the tables is the only clean current-basis fiscal comparison available, FY2024 to FY2025; calling it a three-year current-taxonomy CAGR would be misleading.

Base case

Product	Clean historical growth	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Subscriptions	4.5% FY24-FY25	Product n/d; segment Q2 9.4%	Group subscriptions about 6.5% in 2026 and 7% in 2027	6.4%	Broad-beta renewals, custom and fixed-income adoption, and pricing lift growth above the one-year clean history; competition and maturity fade growth after 2028.
Asset-based	5.2% FY24-FY25	Product n/d; segment Q2 9.4%	No product guide; US$2.193tn linked ETF AUM at Jun-26	7.2%	Linked AUM grows 8.2% CAGR from markets, flows, and launches, while fee/mix capture trims about one point a year.

The base case assumes FTSE Russell remains a leading provider without taking dramatic share. Subscription growth follows 6.5%, 7.0%, 6.5%, 6.0%, and 6.0%, producing £874m at the horizon. That path recognizes management’s nearer-term subscription framework, the faster H1 segment growth, and custom/fixed-income opportunity, but it does not assume that 9% segment growth persists indefinitely.

Asset-based income grows 8.0%, 8.0%, 7.0%, 7.0%, and 6.0% to £488m. The supporting linked-AUM path grows 9%, 9%, 8%, 8%, and 7%, from US$2.193tn to US$3.252tn. The roughly one-point annual gap is an explicit allowance for basis-point compression and product mix. This treatment is informed by MSCI’s disclosure that 2025 asset-based growth benefited from AUM while average basis points declined; it is not an LSEG take-rate estimate. [MSCI 2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1408198/000140819826000011/msci-20251231.htm)

Bull case

Product	Clean historical growth	Latest YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Subscriptions	4.5% FY24-FY25	Product n/d; segment Q2 9.4%	Group subscriptions about 6.5% in 2026 and 7% in 2027	8.4%	Custom, thematic, fixed-income, wealth, and direct-indexing wins sustain growth above guidance; flagship retention remains strong and launches convert well.
Asset-based	5.2% FY24-FY25	Product n/d; segment Q2 9.4%	No product guide; 52 H1 launches	11.6%	Equity appreciation, strong passive inflows, and successful new-product scaling drive 12.6% AUM CAGR, partly offset by modest capture pressure.

The bull subscription path is 8%, 9%, 9%, 8%, and 8%, ending at £959m. This requires more than ordinary pricing. It requires FTSE Russell to convert launch activity into scaled products, win mandates in fixed income and custom indexing, and use its broad client relationships to expand use cases. The trajectory is aggressive but not detached from peer evidence: MSCI’s 2025 Index subscription revenue grew 8.6% and its recurring subscription run rate grew 9.4%, with custom and market-cap products contributing.

The bull asset-based path is 15%, 13%, 11%, 10%, and 9%, ending at £597m. Linked AUM grows 16%, 14%, 12%, 11%, and 10% to US$3.966tn. Revenue capture remains slightly below the asset path, so the case does not require fee expansion. It does require a favorable five-year market, sustained passive flows, high launch survival, and expansion beyond equity beta.

Bear case

Product	Clean historical growth	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Subscriptions	4.5% FY24-FY25	Product n/d; segment Q2 9.4%	Group subscriptions about 6.5% in 2026 and 7% in 2027	2.8%	Fee pressure, self-indexing, slower custom wins, and benchmark switches reduce net growth; flagship contracts keep revenue positive.
Asset-based	5.2% FY24-FY25	Product n/d; segment Q2 9.4%	No product guide; linked AUM market-sensitive	0.9%	A first-year market shock cuts revenue 8%; flows and recovery restore growth, but capture pressure leaves five-year income nearly flat.

The bear subscription path is 3.5%, 3.0%, 2.5%, 2.5%, and 2.5%, ending at £736m. This does not assume mass cancellation of flagship benchmarks. Instead, it assumes mature pricing, tougher procurement, losses in contestable thematic/custom mandates, and slower expansion. That is a more plausible bear than an abrupt collapse of a deeply embedded benchmark franchise.

The bear asset-based path is -8%, 6%, 3%, 2%, and 2%, ending at £361m. Linked AUM falls 6% in year one and then grows 7%, 4%, 3%, and 3%, reaching US$2.434tn. Revenue underperforms AUM because of fee renegotiation and adverse mix. The first-year drawdown is not extreme relative to the disclosed historical AUM fall from US$1.138tn in FY2021 to US$1.009tn in FY2022; the five-year case assumes subsequent normalization rather than a permanent end to passive investing. [data_package §0a, FTSE-linked ETF AUM series]

Year-by-year product path

Case and product	TTM Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Five-year CAGR
Bear subscriptions	£641m	£663m	£683m	£700m	£718m	£736m	2.8%
Bear asset-based	£345m	£317m	£336m	£347m	£353m	£361m	0.9%
Base subscriptions	£641m	£683m	£731m	£778m	£825m	£874m	6.4%
Base asset-based	£345m	£373m	£402m	£431m	£461m	£488m	7.2%
Bull subscriptions	£641m	£692m	£755m	£823m	£888m	£959m	8.4%
Bull asset-based	£345m	£397m	£448m	£498m	£547m	£597m	11.6%

Market-beta and flow sensitivity

Case	Market and flow logic	Linked ETF AUM growth path	Jun-31 linked ETF AUM	Asset revenue capture adjustment	Asset-based revenue CAGR
Bear	First-year equity drawdown; positive but slower flows; weak launch scaling	-6%, 7%, 4%, 3%, 3%	US$2.434tn	Revenue trails AUM by about 1.2 points CAGR from mix and pricing	0.9%
Base	Mid-single-digit markets plus steady passive flows and product wins	9%, 9%, 8%, 8%, 7%	US$3.252tn	Revenue trails AUM by about 1.0 point CAGR	7.2%
Bull	Strong markets, sustained flows, and high launch conversion	16%, 14%, 12%, 11%, 10%	US$3.966tn	Revenue trails AUM by about 1.0 point CAGR	11.6%

The AUM sensitivity is a scenario driver, not a forecast of reported AUM or an implied take rate. The 1.0–1.2 percentage-point gaps between AUM CAGR and asset-based revenue CAGR are analytical capture haircuts, not disclosed fee compression. LSEG does not provide the contract mix needed to validate them, and the available numerator and denominator differ in currency, time basis, and perimeter. A 10% one-time decline in linked AUM would put about £49m of base-case asset-based revenue at risk only under a mechanical one-for-one elasticity; it is a stress, not a forecast. Minimum fees, trading-linked arrangements, non-ETF licences, currency moves, and product mix could make the realized response smaller or larger. The scenario discipline is therefore limited to keeping asset-based revenue growth below the linked-AUM path in all three cases, without claiming a disclosed take rate.

9. Forward Adjusted operating profit margin assumptions

LSEG discloses one FTSE Russell Adjusted operating profit, not product-level profit. To satisfy the economic model without misrepresenting disclosure, the product margins below are explicitly labeled **analytical allocations**. The TTM allocation of 56.0% subscription margin and 62.0% asset-based margin reconciles to £573m and 58.1% at segment level after rounding. It is not an issuer-reported product margin.

Product	TTM income	TTM analytical margin	Bear Jun-31 margin	Base Jun-31 margin	Bull Jun-31 margin	Mechanism
Subscriptions	£641m	56.0%	52.0%	59.0%	63.0%	Pricing and reuse support leverage; bear absorbs fee pressure and fixed research/governance cost.
Asset-based	£345m	62.0%	58.0%	65.0%	68.0%	AUM scale has high incremental margin; bear market and mix reduce absorption.
FTSE Russell blended	£986m	58.1% disclosed	54.0%	61.2%	64.9%	Revenue-weighted blend on exact Adjusted operating profit basis.

The **bear margin declines 413 basis points** from 58.1% to 54.0%. The mechanism is not a corporate cost allocation. It is a segment-specific combination of weak asset-based revenue, fee concessions, slower subscription expansion, and sticky research, data, governance, and technology cost. Subscription margin falls four points to 52%; asset-based margin falls four points to 58%. Costs cannot be cut proportionately without increasing error and product risk.

The **base margin rises 305 basis points** to 61.2%. Subscription margin expands to 59% as pricing, contract growth, and reusable data/platform infrastructure exceed wage and product-investment growth. Asset-based margin reaches 65% because £143m of additional asset-based income is supported by an established platform, partially offset by more product, data, and oversight cost. The step-up averages roughly 60 basis points per year at segment level, substantial but below the gap to the higher peer adjusted margins.

The **bull margin rises 683 basis points** to 64.9%. Subscription margin reaches 63% and asset-based margin 68%. This requires sustained high growth, strong reuse of existing methodology and infrastructure, automation of production and quality checks, and limited fee erosion. It does not assume peer-level 70%-plus adjusted EBITDA margin because LSEG's Adjusted operating profit basis and segment perimeter are different, and FTSE Russell must continue investing in product breadth and regulation.

The implied cost bridge makes the margin burden explicit. TTM segment costs are £413m, calculated as £986m income less £573m Adjusted operating profit. Bear costs rise to £505m, roughly 4.1% CAGR, while income grows only 2.1%, producing the 54.0% margin. Base costs rise to £529m, roughly 5.1% CAGR versus 6.7% revenue growth; the implied margin on the incremental £376m of revenue is about 69%. Bull costs reach £546m, roughly 5.7% CAGR versus 9.6% revenue growth; the implied incremental margin is about 77%. These are consequences of the scenario endpoints, not issuer guidance or disclosed product margins. The base and especially bull margins therefore fail if data, governance, technology, or custom-index servicing costs track revenue more closely than modeled, even if the revenue forecasts are achieved.

The model does not allocate transaction costs, integration and restructuring, non-underlying depreciation/amortization, finance items, tax, or NCI into FTSE Russell. Those bridge lines sit outside segment Adjusted operating profit and are forecast once by the synthesis stage under the sealed statutory bridge.

10. Segment rollup

Bear case rollup

Product	TTM income	Five-year CAGR	Jun-31 income	Jun-31 Adjusted operating profit margin	Jun-31 Adjusted operating profit
Subscriptions	£641m	2.8%	£736m	52.0%	£383m
Asset-based	£345m	0.9%	£361m	58.0%	£209m
FTSE Russell	**£986m**	**2.1%**	**£1,096m**	**54.0%**	**£592m**

The product sum is £736m + £361m = £1,097m before display rounding; the precise model is £1,096.4m. Profit is £382.7m + £209.1m = £591.8m. The 54.0% blended margin is computed from precise, revenue-weighted product values and reconciles within 0.1%.

Base case rollup

Product	TTM income	Five-year CAGR	Jun-31 income	Jun-31 Adjusted operating profit margin	Jun-31 Adjusted operating profit
Subscriptions	£641m	6.4%	£874m	59.0%	£516m

Product	TTM income	Five-year CAGR	Jun-31 income	Jun-31 Adjusted operating profit margin	Jun-31 Adjusted operating profit
Asset-based	£345m	7.2%	£488m	65.0%	£317m
FTSE Russell	**£986m**	**6.7%**	**£1,362m**	**61.2%**	**£833m**

The precise product total is £874.1m + £488.4m = £1,362.4m. Profit is £515.7m + £317.4m = £833.1m. The blended margin is 61.15%, displayed as 61.2%. The product rollup and segment total reconcile exactly before rounding.

Bull case rollup

Product	TTM income	Five-year CAGR	Jun-31 income	Jun-31 Adjusted operating profit margin	Jun-31 Adjusted operating profit
Subscriptions	£641m	8.4%	£959m	63.0%	£604m
Asset-based	£345m	11.6%	£597m	68.0%	£406m
FTSE Russell	**£986m**	**9.6%**	**£1,556m**	**64.9%**	**£1,010m**

The precise product total is £959.4m + £596.7m = £1,556.0m. Profit is £604.4m + £405.7m = £1,010.1m. The blended margin is 64.92%, displayed as 64.9%. The case assumes strong but declining annual growth rather than a permanent acceleration.

Probability-weighted segment outcome

Outcome	Bear 25%	Base 55%	Bull 20%	Probability-weighted
Jun-31 income	£1,096m	£1,362m	£1,556m	£1,335m
Jun-31 Adjusted operating profit	£592m	£833m	£1,010m	£808m
Implied Adjusted operating profit margin	54.0%	61.2%	64.9%	60.6%

Probability weighting uses exact scenario values: revenue equals 25% × £1,096.4m + 55% × £1,362.4m + 20% × £1,556.0m = £1,334.7m; Adjusted operating profit equals 25% × £591.8m + 55% × £833.1m + 20% × £1,010.1m = £808.2m. The implied 60.6% margin is profit divided by revenue, not an arithmetic average of scenario margins.

11. Key risks and wildcards

[Bear] Index commoditisation and self-indexing. Simple rules-based methodologies can be reproduced, asset managers can build proprietary indexes, and calculation agents can compete on price. AI may reduce the cost of designing and maintaining custom indexes. The risk is greatest in new thematic and custom products, where history and network liquidity are weak. Monitoring should focus on subscription growth versus the group subscription guide, renewal pressure, gross sales, and launch conversion rather than launch count alone.

[Bear] Benchmark switching and procurement concentration. Large customers can use their purchasing power to renegotiate fees or change benchmarks, especially at product launch or mandate reset. A flagship switch may carry operational and marketing friction, but that is not an absolute barrier. MSCI disclosed that BlackRock represented 10.8% of its 2025 revenue, overwhelmingly from index-linked assets, illustrating the customer-concentration economics that can exist in this industry even though FTSE Russell's exact concentration is not disclosed. [MSCI 2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1408198/000140819826000011/msci-20251231.htm)

[Bear] Market beta and flow reversal. At 35% of TTM income, the asset-based line is material. A broad equity drawdown can reduce fee-bearing assets immediately, and passive flows may not fully offset it. The 2021-2022 decline in FTSE-linked ETF AUM demonstrates that the asset base is not monotonic. The scenario model therefore includes a first-year shock and a separate revenue-capture penalty.

[Bear/Base] Fee-yield compression. AUM can shift from higher-fee to lower-fee products even if total linked assets rise. MSCI's 2025 disclosure of declining average basis points despite strong AUM growth is a direct peer warning. The base and bull cases both model revenue growth below linked-AUM growth; failure to maintain that conservatism would overstate economics.

[Bear/Base] Data, methodology, and calculation failure. A benchmark error can create client losses, remediation, litigation, regulatory scrutiny, and reputational damage disproportionate to the direct contract value. Custom indexes raise complexity and manual-control risks. The FCA has increased attention to supplier oversight, data quality, resilience, incident

response, governance, and calculation controls. High margins cannot be harvested by starving these functions.

[Bear/Base] Regulation and cross-border recognition. The UK Benchmarks Regulation governs authorization, registration, recognition, endorsement, enforcement, and supervision. The FCA states that third-country administrators generally need approval by 31 December 2030 absent equivalence, while ESMA became the EU single entry point for third-country benchmark administrators from 1 January 2026. Regulation can raise compliance cost, constrain product changes, and create distribution friction, but it can also raise barriers for less-resourced entrants. [FCA benchmarks overview](https://www.fca.org.uk/markets/benchmarks) [ESMA benchmark administrators](https://www.esma.europa.eu/sv/node/200167)

[Base/Bull] Passive and ETF penetration. Industry ETF assets remain on a strong structural path. The Investment Company Institute reported that US ETF assets increased 36.6% in the twelve months to June 2026. That growth includes market appreciation and should not be extrapolated, but it supports the structural demand backdrop. [ICI June 2026 ETF statistics](https://www.ici.org/research/stats/etf/etfs_06_26)

[Base/Bull] Fixed-income indexing. FTSE Russell has US$100bn of fixed-income ETF-linked AUM, only about 4.6% of the disclosed total. Growing that base can diversify equity beta and increase subscriptions, but competition from Bloomberg, MSCI, S&P, and specialist providers is intense. Success requires data quality, bond-market methodology, pricing inputs, and client distribution rather than simply repackaging equity-index capabilities.

[Bull] Custom, thematic, and direct indexing. Tailored tax, exclusions, risk factors, climate constraints, and active-ETF structures can expand the addressable market and deepen client integration. The wildcard is whether customization creates proprietary recurring value or devolves into low-priced calculation work. Bull economics require reusable components and disciplined pricing; otherwise revenue can grow without margin.

[Bull] Launch conversion. Fifty-two ETF launches in H1 2026 is a healthy funnel. If more of those products reach scale and seed follow-on derivatives or mandates, asset-based growth can exceed the mature segment rate. The failure mode is mistaking launch count for durable AUM: closures and subscale funds would leave limited revenue.

[All cases] Currency translation. LSEG reports in GBP while a large portion of group revenue is denominated in USD and FTSE-linked ETF AUM is reported in USD. The scenario growth rates are economic, not a separate FX forecast. Synthesis should apply consistent group currency assumptions rather than layering a second uncoordinated translation effect into this segment.

Summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	£1,096m	Adjusted operating profit	54.0%	£592m	25%
Base	£1,362m	Adjusted operating profit	61.2%	£833m	55%
Bull	£1,556m	Adjusted operating profit	64.9%	£1,010m	20%

FTSE Russell is a high-quality index franchise with recurring subscription revenue, valuable benchmark ecosystems, and high incremental economics. Its moat is strongest in established flagship families and weaker in contestable custom/thematic work. The underwriting conclusion is a 6.7% base revenue CAGR and 305 basis points of margin expansion, but the model retains a material bear probability because linked-AUM market beta, fee compression, switching, self-indexing, and regulatory-quality costs can interact. The single most important monitoring split is **subscription growth versus asset-based growth**: the former tests franchise retention and product innovation; the latter must be decomposed into markets, flows, launches, and revenue capture before it is treated as durable.

Appendix B4 - Risk Intelligence

Risk Intelligence — Segment Deep Dive

Company: London Stock Exchange Group plc **Ticker:** LSEG.L **TTM anchor:** 30 June 2026 **Forecast horizon:** 30 June 2031, exactly five calendar years **Reporting currency:** GBP millions **Exact segment profit basis: Adjusted operating profit Evidence controls:** quote packet SHA-256 `e806bdc0f0cae5853d876ac34203606eed8385d441572688f50da5c092ba5561`; statutory bridge SHA-256 `196293361a50240380af6da15c5b6552e1e97b7e323dd596d31a7eeeb53d5bd9`

0. Segment boundary and taxonomy note

Risk Intelligence became a separately reported division when LSEG separated it, together with FTSE Russell, from Data & Analytics from Q1 2024 and re-presented FY2023 on that five-division presentation. A second group taxonomy change in 2025 combined Capital Markets and Post Trade into Markets and did not alter the basic Risk Intelligence perimeter, but AR25 re-presented FY2024 and H126 re-presented H1 2025 as LSEG moved to its product-led model. Accordingly, this appendix treats AR25 FY2024, FY2025 and H126 TTM as the clean current-basis financial series. The FY2023 Risk Intelligence line is shown only as a prior-taxonomy reference; it is not silently chained into the forecast calibration. [data_package §1, taxonomy paragraph; §3, Risk Intelligence rows]

1. What this segment actually is

Risk Intelligence sells decision infrastructure for knowing who a customer or counterparty is, whether that party creates financial-crime or reputational risk, and whether a transaction should be accepted, stopped or escalated. The economic product is not merely a list of names. It combines structured risk records, continuously refreshed sanctions and politically exposed person information, adverse-media research, identity and fraud signals, workflow software, and an audit trail that can survive internal and regulatory review.

The segment has three commercial pillars:

- **Screening.** World-Check is the core data and workflow franchise. Customers screen people, entities and transactions against sanctions, watchlists, politically exposed persons and adverse-media risk. The product is used at onboarding and for ongoing monitoring, and its value depends on coverage, entity resolution, historical depth, update speed, explainability and low false-positive burden. Screening represented 78% of Risk Intelligence revenue at the June 2025 webinar. That is a point-in-time business-mix disclosure, not a statutory product-revenue table. [data_package §4, paragraph below product table]
- **Digital Identity & Fraud, or DI&F.** These services verify identities and assess fraud risk during digital interactions and payments. Economics are more usage-sensitive than the screening franchise: a greater number of onboarding checks, payment events and digital-commerce interactions drives transactions, while pricing tiers and enterprise scale can reduce revenue per check. FY2025 transaction volume exceeded 500 million and grew 16.5%; H1 2026 generated about 300 million. [data_package §0a, LSEG-specific KPI inventory; §4, growth-only disclosures]
- **Enhanced Due Diligence, or EDD.** This is deeper research for higher-risk people, entities and situations where automated screening is insufficient. It relies more heavily on analyst judgment and bespoke research. LSEG does not disclose EDD revenue, orders, pricing, profit or growth separately, so it must remain a qualitative driver rather than a fabricated mini-P&L. [data_package §4, Risk Intelligence product row; §10, product-dollar gap]

The go-to-market is enterprise-led. Large financial institutions embed screening and identity checks into onboarding, payments, periodic review and case-management processes. Other regulated businesses and digital platforms use the same capabilities as financial-crime obligations expand beyond banks. Integration can occur through applications, feeds and APIs. Once risk policies, matching thresholds, escalation rules, analyst procedures and audit records are built around a provider, replacing it is operationally demanding. That creates retention and cross-sell potential, though it is not permanent lock-in.

Pricing is disclosed only at a high level. At June 2025, 77% of segment revenue was recurring and 16% usage-based. These are revenue characteristics, not product categories: Screening, DI&F and EDD cannot be allocated mechanically between them. The remaining 7% was not characterized in the supplied package and must not be assigned to implementation, consulting or any other label without evidence. [data_package §4, paragraph below product table] Recurring contracts favor

revenue visibility, while usage pricing makes some revenue responsive to verification and payment activity. Enterprise renewals likely combine data coverage, workflow rights and usage allowances, but contract-specific rate cards and take rates are true non-disclosures.

2. Current economics

Risk Intelligence generated **£602 million of TTM income** and **£306 million of Adjusted operating profit** at 30 June 2026, a **50.8% Adjusted operating profit margin**. The segment accounted for 6.2% of group income in FY2025, when its income was £579 million and Adjusted operating profit was £285 million. [data_package §1, FY2025 division table, Risk Intelligence row; §3, Risk Intelligence income, profit and margin rows; §3a, TTM bridge]

Recent reported growth was strong but not uniformly accelerating. Quarterly organic constant-currency growth was 13.9% in Q3 2025, 8.7% in Q4 2025, 10.5% in Q1 2026 and 9.0% in Q2 2026. Quarterly income rose from £144 million to £157 million across those four reported quarters. The latest two-quarter pace therefore supports a high-single-digit to low-double-digit near-term anchor, but it does not justify extrapolating Q3 2025's 13.9% indefinitely. [data_package §5, last-four-quarters table, Risk Intelligence row]

The economic mix is attractive. At the June 2025 webinar, Screening represented 78% of revenue, recurring revenue 77%, and usage-based revenue 16%. World-Check held more than five million records, supported by over 500 analysts speaking 70 languages, while the segment handled over 200 million payment-fraud verifications annually at that time. The transaction scale subsequently stepped up: DI&F processed more than 500 million transactions in FY2025, up 16.5%, and approximately 300 million in H1 2026. [data_package §4, paragraph below product table] The 300 million half-year observation suggests a higher activity run-rate, but it is not safe to double it mechanically because seasonality, customer mix, minimum commitments and tiered pricing are not disclosed.

Capital intensity is not disclosed for Risk Intelligence. LSEG does not report segment capex or a comparable company-wide R&D expense; product engineering includes both expensed labor and third-party services and capitalized internally developed software. Group cash capex was £919 million in FY2025, or 10.2% of income excluding recoveries, but allocating any portion to Risk Intelligence would be invented. [data_package §7, capital allocation history] Economically, the segment requires sustained spending on data sourcing, multilingual analysts, model governance, identity and fraud data, secure infrastructure, customer integration and regulatory change. A 50.8% Adjusted operating profit margin should not be read as a no-reinvestment software margin.

3. Unit economics

3.1 Screening

Screening begins with a largely fixed-cost intelligence layer: source acquisition, public-record collection, language expertise, researchers, entity resolution, taxonomy, quality control and the historical record. It then adds a workflow and delivery layer: search, monitoring, API calls, matching logic, permissions, audit evidence, alert handling and customer support. Once the data set and platform exist, an incremental customer or screening event can carry a high contribution margin. The commercial value, however, depends on avoiding two expensive failure modes for customers: missing a true sanctioned or high-risk party, and generating so many false positives that human-review cost overwhelms the compliance process.

The revenue model therefore has a favorable fixed-cost character but requires continuous maintenance. New sanctions designations, ownership links, transliterations, aliases and adverse-media events must be incorporated quickly and accurately. Historical records can be valuable because a customer may need to explain what information was known at a past decision date, not only what a database says today. LSEG's June 2025 webinar emphasized World-Check data quality, historical records and workflow embedding; it also acknowledged that AI reduces the barriers to collecting public data. [data_package §6, additional Risk Intelligence point] This distinction is central: collection cost can fall while validated, defensible decisions remain difficult.

3.2 Digital Identity & Fraud

DI&F is more transactional. Revenue should benefit when digital onboarding, online commerce and payment events grow, but transaction growth will not equal revenue growth one-for-one. Enterprise contracts can have volume bands, minimums, committed usage, product bundles and declining unit prices at scale. A shift toward lower-price checks can also dilute revenue per transaction even when fraud-prevention value rises. The supplied data package explicitly classifies product-level take rates and revenue capture as true non-disclosures. [data_package §10, product-level take-rate gap]

Costs include data-provider fees, verification signals, cloud and network processing, fraud-model development, loss-prevention analytics, model monitoring, privacy controls and customer implementation. Scale can lower compute and integration cost per event, but the fraud arms race creates reinvestment. Synthetic identities, deepfakes, account takeovers and faster payments raise the value of detection while also raising the technical bar. The base model therefore assumes transaction growth remains above segment revenue growth, with modest net-yield pressure rather than equal revenue capture.

3.3 Enhanced Due Diligence

EDD is the least scalable pillar because deeper investigations use more analyst time and case-specific judgment. Automation can improve research preparation, translation, entity linkage and report assembly, but final conclusions may need traceability and human review. EDD can deepen a customer relationship and monetize complex cases, yet it is unlikely to earn the same incremental margin as a pure data feed unless automation meaningfully changes delivery. Because LSEG discloses no EDD revenue, order or margin series, the forecast treats EDD as a supporting demand and cost overlay only.

3.4 What moves the segment margin

The Adjusted operating profit margin increased from 38.6% in the FY2023 prior-taxonomy reference to 46.1% in re-presented FY2024, 49.2% in FY2025 and 50.8% on the TTM basis. [data_package §3, Risk Intelligence margin row] The progression is real at the reported total-segment level, but the supplied evidence does not decompose it among mix, pricing, productivity, reallocation or cost actions. It would be an error to assign the full improvement to permanent automation.

Margin expands when recurring Screening revenue grows faster than the researcher and technology cost base, retention improves, DI&F processing scales efficiently, higher-value workflows are bundled, and AI lowers the cost of collection and first-pass case work without reducing price. Margin contracts when customers demand price concessions, usage shifts toward lower-yield checks, false positives create support and remediation work, data licensing or analyst costs rise, privacy rules constrain efficient data reuse, or a data-quality incident forces expensive remediation.

The TTM margin already exceeds 50%, so the burden of proof rises for further expansion. The base case adds only 220 basis points over five years, to 53.0%, and assumes part of gross scale benefit is reinvested. The bull case reaches 55.0%, requiring strong retention, DI&F volume growth, automation savings and benign pricing. The bear case falls to 47.0% as slower growth, price pressure and higher quality-control spending reverse some leverage. None of these segment margins includes transaction costs, restructuring, non-underlying amortisation, finance items, tax or NCI; those remain in the group statutory bridge for the synthesis stage.

4. Competitive dynamics

Risk Intelligence competes in overlapping data, software and decisioning markets rather than one clean category. In Screening, the relevant competitors include Dow Jones Risk & Compliance, LexisNexis Risk Solutions, Moody's KYC/Grid, ComplyAdvantage, specialist sanctions and adverse-media providers, and internal bank data stacks. In transaction screening, LexisNexis markets Firco Continuity as a real-time, auditable platform with false-positive reduction and says it is used by nine of the world's ten largest banks. That is a vendor claim, not independent market-share evidence, but it shows that LSEG faces an incumbent with deep bank integration. [LexisNexis Firco Continuity](https://risk.lexisnexis.com/global/en/products/firco-continuity)

Newer platforms compete on speed, API delivery and automation. ComplyAdvantage markets Mesh as a cloud platform combining proprietary risk intelligence with customer and payment screening, ongoing monitoring and agentic workflows, and claims material reductions in false positives and analyst work. Those performance figures are not independently validated here, but they make the competitive vector clear: customers increasingly buy lower total review cost and faster decisioning, not only more records. [ComplyAdvantage Mesh](https://complyadvantage.com/mesh/) Moody's Grid says it combines sanctions, watchlists, adverse media and politically exposed persons into structured profiles, and discloses more than 30 million risk profiles, over 13,500 adverse-media sources, over 1,900 monitored lists and more than 200 jurisdictions. The measures are not directly comparable with World-Check's more than five million records because definitions differ. [Moody's Grid](https://www.moodys.com/web/en/us/kyc/products/grid.html)

DI&F faces a broader field, including Experian, LexisNexis Risk Solutions, TransUnion, GBG, Entrust and specialized fraud and identity vendors. Capabilities overlap across identity documents, device intelligence, biometrics, behavioral signals, consortium data and payment fraud. Large customers may deliberately use multiple providers to improve coverage and avoid dependence. EDD competes with other information vendors, specialist investigative firms and internal compliance teams

using public databases plus AI-assisted research.

No defensible, like-for-like market-share statistic is available in the supplied evidence. Record counts, monitored sources, bank logos and transaction volumes use incompatible definitions. This appendix therefore does not claim that World-Check has a particular percentage share. The defensible conclusion is narrower: LSEG has enterprise scale and a deeply embedded Screening franchise, while competitors can credibly attack workflow efficiency, false-positive rates and cloud-native implementation.

Pricing power is strongest where the cost of error and switching is high. A global bank is unlikely to replace a core screening system solely for a small licence saving if doing so requires model validation, policy remapping, historical decision migration, regulator explanation and staff retraining. Pricing power is weaker where APIs are modular, data sources are standardized or customers can multi-source signals. DI&F can be price-sensitive because customers compare cost per verification and approval performance. EDD can be competed case by case. The proper base assumption is modest price contribution, not unconstrained inflation-plus pricing.

Regulation expands the addressable need but can also standardize the required inputs. The EU's new AML/CFT framework creates more harmonized, directly applicable rules, extends obligations and establishes AMLA; the European Commission has stated that direct AMLA supervision of selected cross-border entities begins in 2028. This should sustain demand for consistent screening and auditable workflows through the forecast horizon. [European Commission AML package](https://finance.ec.europa.eu/financial-crime/anti-money-laundering-and-countering-financing-terrorism-overview_en) [AMLA timeline](https://finance.ec.europa.eu/document/download/61cf5a0d-0e5d-43e2-876a-8e68e45c7f1f_en?filename=240424-anti-money-laundering-faqs_en_0.pdf) FATF's strengthened beneficial-ownership guidance likewise emphasizes adequate, accurate and up-to-date information, supporting continued data and workflow investment. [FATF beneficial ownership guidance](https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Guidance-Beneficial-Ownership-Transparency-Legal-Arrangements.html)

5. Segment-level moat

Risk Intelligence has a **narrow-to-moderate segment moat**, strongest in enterprise Screening and less proven in DI&F. Five reinforcing assets matter.

First, **curated data depth** matters more than raw web collection. World-Check's more than five million records, over 500 analysts and 70-language coverage represent accumulated classification and quality-control work. [data_package §4, Risk Intelligence mix paragraph] Public sources can be scraped, but turning aliases, transliterations, ownership links, dates, adverse events and sanctions designations into reliable entity profiles is a different task.

Second, **historical records and auditability** create customer value. A regulated institution must often explain why it cleared or escalated a party at a specific time. A model that only produces a present-day answer cannot recreate the evidence set and policy context of an earlier decision. Longitudinal records, versioning and decision trails are harder to reproduce than a current list.

Third, **workflow embedding and switching costs** protect renewals. Screening thresholds, internal policies, case queues, reviewer decisions, false-hit lists and regulatory documentation become connected to the chosen provider. OFAC's guidance illustrates why governance matters: firms using false-hit lists should establish risk-based controls and periodically review those lists. [OFAC false-hit-list guidance](https://ofac.treasury.gov/media/16166/download?inline=) That operational governance makes a provider change a control-program project, not a simple data substitution.

Fourth, **feedback and scale** can improve entity resolution and fraud detection. More screening outcomes and DI&F transactions can expose edge cases and patterns. The benefit is not automatic: privacy constraints, fragmented rights and customer confidentiality can limit cross-customer learning. LSEG does not disclose the amount of proprietary feedback data it can legally reuse, so the network-effect claim should remain qualified.

Fifth, **brand and regulatory acceptance** reduce perceived career risk for compliance buyers. A provider used across global institutions accumulates familiarity among compliance teams, auditors and regulators. This is valuable but fragile. A high-profile false negative, inaccurate profile or slow correction can damage the exact trust on which the franchise depends.

AI attacks the moat at its weakest layer. General models can search public information, translate sources, summarize adverse media and propose entity matches much faster than traditional manual processes. The June 2025 webinar explicitly acknowledged that AI lowers barriers to collecting public data. [data_package §6, additional Risk Intelligence point] If customers can assemble adequate public-data coverage with a cheaper model and open sources, the standalone value of a

record declines.

AI can also reinforce the moat. A trusted provider can apply models to a governed corpus, preserve citations and historical snapshots, use analyst review for difficult cases, and integrate outputs into auditable workflows. The likely competitive frontier is therefore not “human database versus AI,” but “whose governed data-plus-AI system achieves the best detection, false-positive, latency and explainability outcome.” World-Check's installed base is an advantage, not a guarantee.

Privacy is a second constraint on data advantage. The European Data Protection Board says use of personal data in AI models requires case-by-case analysis of anonymity and legitimate interest, including necessity, reasonable expectations, data source and rights-balancing; unlawful training-data processing can affect later model deployment. [EDPB Opinion 28/2024 summary](https://www.edpb.europa.eu/news/edpb-opinion-on-ai-models-gdpr-principles-support-responsible-ai_en) This can raise compliance costs for every provider and favor those with mature governance. It can also restrict collection, retention or model reuse and increase correction obligations. The moat is durable only if LSEG pairs coverage with accuracy, lawful processing, transparent sourcing and rapid redress.

6. Historical growth rates

Risk Intelligence product dollars are a **true non-disclosure**. The segment is modeled financially only at the total level. Screening's 78% mix disclosure is not multiplied by segment revenue because it was disclosed at a different date and was not presented as a statutory product table. DI&F and EDD dollars are likewise not back-solved.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	FY2023-FY2025 CAGR (2 years)	Most recent YoY	Data-package cite
Risk Intelligence total	£492m, prior-taxonomy reference [§3 Risk Intelligence income row]	£531m, re-presented [§3 Risk Intelligence income row]	£579m [§3 Risk Intelligence income row]	8.5% reported-reference CAGR; not used as a clean current-basis chain [§1 taxonomy paragraph; §3 row]	9.0% organic CCY in Q2-26 [§5 last-four-quarters table, Risk Intelligence row]	data_package §1, §3 and §5
Screening	n/d by product [§4 Risk Intelligence product row]	n/d by product [§4 Risk Intelligence product row]	n/d by product [§4 Risk Intelligence product row]	n/a; no dollar series [§10 product-dollar gap]	n/d by product [§4 Risk Intelligence product row]	data_package §4 and §10
Digital Identity & Fraud	n/d by product [§4 Risk Intelligence product row]	n/d by product [§4 Risk Intelligence product row]	n/d by product [§4 Risk Intelligence product row]	n/a; transaction growth is not revenue growth [§4 growth-only table]	16.5% FY25 transaction growth, not revenue growth [§4 mix paragraph]	data_package §4
Enhanced Due Diligence	n/d by product [§4 Risk Intelligence product row]	n/d by product [§4 Risk Intelligence product row]	n/d by product [§4 Risk Intelligence product row]	n/a; no disclosed series [§10 product-dollar gap]	n/d [§4 Risk Intelligence product row]	data_package §4 and §10

The reported-reference arithmetic checks are visible but do not override the taxonomy warning: `£492m × 1.079 = £530.9m`, which rounds to FY2024's £531m; `£531m × 1.090 = £578.8m`, which rounds to FY2025's £579m. The two implied annual rates are approximately 7.9% and 9.0%, and the two-year CAGR is 8.47%, rounded to 8.5%. The first link crosses the re-presentation boundary and is therefore contextual rather than a clean forecast base.

The cleanest recent growth evidence is quarterly segment total income:

Quarter	Segment income	Organic CCY growth	Data-package cite
Q3 2025	£144m	13.9%	data_package §5, last-four-quarters table, Risk Intelligence row
Q4 2025	£148m	8.7%	data_package §5, last-four-quarters table, Risk Intelligence row
Q1 2026	£153m	10.5%	data_package §5, last-four-quarters table, Risk Intelligence row
Q2 2026	£157m	9.0%	data_package §5, last-four-quarters table, Risk Intelligence row

Adjusted operating profit history is also only available at segment level:

Period	Income	Adjusted operating profit	Adjusted operating profit margin	Data-package cite
FY2023, prior-taxonomy reference	£492m	£190m	38.6%	data_package §3, three Risk Intelligence rows
FY2024, re-presented	£531m	£245m	46.1%	data_package §3, three Risk Intelligence rows

Period	Income	Adjusted operating profit	Adjusted operating profit margin	Data-package cite
FY2025	£579m	£285m	49.2%	data_package §3, three Risk Intelligence rows
TTM Jun-26	£602m	£306m	50.8%	data_package §3 and §3a, TTM bridge

The arithmetic ties: `£190m / £492m = 38.6%`, `£245m / £531m = 46.1%`, `£285m / £579m = 49.2%`, and `£306m / £602m = 50.8%`, subject to £1 million source rounding. Product-level margins are not disclosed.

7. Management guidance

The supplied package contains one direct Risk Intelligence ambition quote and two additional operating observations. There is no numeric segment-specific revenue or margin guide.

Topic	Data-package row	Verbatim management statement or source wording	Interpretation
Growth ambition	§6 management table, Risk Intelligence row	“My ambition, the ambition of the team is to accelerate the growth of the business.” — David Wilson, Group Head of Risk Intelligence, 17 Jun 2025	Strategic direction, not quantified guidance. Recent growth supports ambition, but forecast must still allow normalization.
Screening	§6 additional forward points, Risk Intelligence bullet	Risk Intelligence reported improving Screening retention.	Directionally positive for recurring revenue; no retention percentage is disclosed, so it cannot be converted into revenue mechanically.
DI&F	§6 additional forward points, Risk Intelligence bullet	Risk Intelligence reported strong DI&F transaction growth.	Supported by more than 500m FY25 transactions and about 300m in H1-26; revenue capture and yield remain undisclosed.
Competitive framing	§6 additional forward points, Risk Intelligence bullet	The webinar framed World-Check data quality, historical records and workflow embedding as differentiation, while acknowledging AI lowers barriers to collecting public data.	The moat must migrate from collection to governed accuracy, history, workflow and explainability.

The group guide is useful only as a cross-check. H126 raised 2026 organic income growth guidance to 7.0%–7.5%, while subscription-business growth was expected to move from 6.0% in 2025 toward about 6.5% in 2026 and 7% in 2027. [data_package §6, additional source-grounded points] Risk Intelligence's latest quarterly growth is above those group subscription anchors, so a base segment CAGR modestly above 7% is reasonable. It would be wrong to treat the group guide as a promised Risk Intelligence floor.

8. Forward growth assumptions

Disclosure-aware modeling method

No product-level revenue table can be built without fabrication. Therefore, Screening, DI&F and EDD are modeled as **non-dollar operating-driver overlays**, while the financial model forecasts the disclosed Risk Intelligence total directly from the £602 million TTM anchor. The total is fully tied year by year. The overlays discipline the scenario narrative but are not multiplied by an invented product revenue base.

The base segment path is 9.5%, 9.0%, 8.5%, 8.0% and 7.5% annual growth, giving an 8.5% five-year CAGR. This starts near the latest 9.0%–10.5% quarterly range and gradually normalizes as scale increases. The bull path is 12.0%, 11.5%, 11.0%, 10.5% and 10.0%, a five-year CAGR of 11.0%. The bear path falls from 7.0% to 4.0%, a five-year CAGR of 5.0%.

Base-case non-dollar driver overlay

Product / driver	Historical evidence	Latest observation	Base TTM-to-2031 driver assumption	Justification
Screening	78% of segment revenue at Jun-25; product dollars and growth n/d	Improving retention; segment Q2 growth 9.0%	Screening revenue direction: high-single-digit early, easing toward 6%–7%; retention stays improving	Regulation and workflow embedding support renewals, but AI-enabled alternatives limit pricing and collection differentiation.

Product / driver	Historical evidence	Latest observation	Base TTM-to-2031 driver assumption	Justification
DI&F transaction volume	More than 500m FY25 transactions; +16.5%	About 300m in H1-26	12% transaction CAGR from the FY25 floor; net yield declines about 1% annually	Digital activity and fraud intensity sustain double-digit volume; tiering and mix prevent one-for-one revenue capture.
EDD activity	No revenue, order or growth series	n/d	Mid-single-digit case-volume direction; modest positive price/mix	Higher-risk investigations persist, but labor intensity and automation constrain revenue upside.
Recurring mix	77% at Jun-25	No updated percentage	Remains broadly mid-to-high 70s	Screening stability offsets faster usage growth; no precise 2031 mix is claimed.
Segment total	TTM income £602m; Q3-25 to Q2-26 growth 13.9%, 8.7%, 10.5%, 9.0%	£157m Q2-26	8.5% CAGR to £905m	Balances regulation, retention and DI&F scaling against maturation and competition.

The DI&F volume assumption uses “more than 500 million” as a conservative floor, not an exact base. A 12% CAGR would imply more than 881 million annual transactions by FY2030/TTM 2031 from that floor. Because H1 2026 already contributed about 300 million, the endpoint is plausible without requiring sustained 16.5% growth. It is not a revenue forecast: a 1% annual net-yield decline and mix effects absorb part of the transaction growth.

Bull-case non-dollar driver overlay

Product / driver	Historical evidence	Latest observation	Bull TTM-to-2031 driver assumption	What changes versus base
Screening	78% share at Jun-25; large recurring base	Improving retention	Screening revenue direction near 9%–10%; retention and cross-sell strengthen	AMLA implementation, sanctions complexity and better AI-assisted workflow drive wallet share without material data-quality setbacks.
DI&F transaction volume	More than 500m FY25; +16.5%	About 300m H1-26	16% transaction CAGR from the FY25 floor; broadly flat net yield	Identity and fraud attach to more payment and onboarding flows, while differentiated signals prevent price compression.
EDD activity	No disclosed series	n/d	High-single-digit activity; positive price/mix	AI lowers preparation cost while complex investigations and beneficial-ownership work expand.
Recurring mix	77% at Jun-25	No updated percentage	Remains at least mid-70s despite rapid usage growth	Subscription cross-sell preserves visibility while DI&F expands.
Segment total	Latest quarterly organic growth 9.0% after 10.5%	£157m Q2-26	11.0% CAGR to £1,014m	Sustained double-digit growth requires both Screening acceleration and strong DI&F monetization.

The bull case does not simply annualize H1 2026 activity. It requires four observable conditions: Screening retention continues to improve, DI&F transaction growth stays in the mid-teens, net yield does not erode, and AI is monetized through better workflow rather than passed through entirely as lower price. If any two fail, the bull path is not credible.

Bear-case non-dollar driver overlay

Product / driver	Historical evidence	Latest observation	Bear TTM-to-2031 driver assumption	What changes versus base
Screening	78% share at Jun-25 creates concentration	Improving retention, but no percentage	Screening growth falls toward 3%–4%; retention weakens	Cloud-native competitors reduce false positives and win workloads; public-data AI pressures price and differentiation.
DI&F transaction volume	More than 500m FY25; +16.5%	About 300m H1-26	6% transaction CAGR; net yield declines about 3% annually	Volume still grows, but commoditized checks, customer bargaining and lower-value mix sharply reduce revenue capture.

Product / driver	Historical evidence	Latest observation	Bear TTM-to-2031 driver assumption	What changes versus base
EDD activity	No disclosed series	n/d	Flat activity and pricing	Customers automate routine research or bring work in-house; only complex cases remain.
Recurring mix	77% at Jun-25	No updated percentage	Drifts lower as renewals reprice and usage mix rises	Recurring does not mean immune to renewal pressure.
Segment total	TTM £602m	Latest growth 9.0%	5.0% CAGR to £768m	Regulatory demand prevents collapse, but competitive and pricing pressure more than halve current growth.

The bear case is not a recession-only scenario. Financial-crime compliance is mandatory and can remain resilient in weak macro conditions. The real bear mechanism is **economic substitution**: customers keep screening and verification activity but shift spend toward cheaper providers, multi-source data or in-house AI; meanwhile DI&F volume grows faster than revenue because unit price falls.

Year-by-year growth path and thesis consistency

Case	Jun-27 growth	Jun-28 growth	Jun-29 growth	Jun-30 growth	Jun-31 growth	Five-year CAGR
Bear	7.0%	5.5%	4.5%	4.0%	4.0%	5.0%
Base	9.5%	9.0%	8.5%	8.0%	7.5%	8.5%
Bull	12.0%	11.5%	11.0%	10.5%	10.0%	11.0%

The base case does not assume a sharp maturity cliff. It begins close to Q2 2026's 9.0% organic rate and Q1's 10.5%, then decelerates by roughly 50 basis points annually. The bull case is above the latest quarter and therefore needs improving retention plus material DI&F monetization. The bear case declines faster, but not faster than the economics justify: mandated compliance and embedded workflows keep revenue growing even as pricing and share deteriorate.

9. Forward Adjusted operating profit margin assumptions

Product margins are not disclosed, so this appendix does not fabricate Screening, DI&F or EDD margin percentages. The segment margin is modeled directly on the sealed **Adjusted operating profit** basis. Cost-driver overlays explain the path.

Case	TTM Adjusted operating profit margin	Jun-31 margin	Change	Required mechanism
Bear	50.8%	47.0%	(380) bps	Price pressure, lower DI&F yield, elevated quality/privacy spend, duplicated migration costs and weak fixed-cost absorption
Base	50.8%	53.0%	+220 bps	Scale and AI productivity partly reinvested in data quality, fraud signals, model governance and customer integration
Bull	50.8%	55.0%	+420 bps	Strong retention, favorable mix, sustained transaction scale and automation savings without pricing leakage or major remediation

The base improvement exceeds 100 basis points, so its mechanism must be explicit. Screening adds recurring revenue on top of an existing data and workflow platform; DI&F processing cost per transaction declines with scale; automation improves research preparation and entity resolution. Against this, LSEG continues funding analysts, source coverage, security, privacy, model validation and integration. Roughly half of potential gross leverage is assumed to be reinvested, limiting the endpoint to 53.0% rather than extrapolating the historic step-up.

The bull margin requires 11.0% revenue CAGR and successful cost-to-serve improvement. It is not earned merely because revenue is recurring. It assumes no large World-Check remediation, no material privacy restriction that forces expensive redesign, and enough pricing power to retain efficiency gains. The 55.0% ceiling recognizes that EDD and data-quality operations remain human- and governance-intensive.

The bear margin declines despite 5.0% revenue CAGR. This can occur if customers renegotiate subscriptions, DI&F unit yield falls, LSEG runs old and new workflows in parallel during migrations, and quality controls require more analysts and legal review. A 47.0% margin remains healthy because much of Screening revenue is recurring and the core platform is already scaled.

10. Segment rollup

Bear case

Period ending 30 June	Segment revenue	Growth	Adjusted operating profit margin	Adjusted operating profit
TTM 2026	£602.0m	—	50.8%	£306.0m
2027	£644.1m	7.0%	50.0%	£322.1m
2028	£679.6m	5.5%	49.0%	£333.0m
2029	£710.1m	4.5%	48.0%	£340.8m
2030	£738.6m	4.0%	47.5%	£350.8m
2031	£768.1m	4.0%	47.0%	£361.0m

Tie-out: `£602.0m × 1.070 × 1.055 × 1.045 × 1.040 × 1.040 = £768.1m`; `£768.1m × 47.0% = £361.0m`. The product drivers do not sum to pounds because product pounds are not disclosed; the total segment table is the auditable financial projection.

Base case

Period ending 30 June	Segment revenue	Growth	Adjusted operating profit margin	Adjusted operating profit
TTM 2026	£602.0m	—	50.8%	£306.0m
2027	£659.2m	9.5%	51.2%	£337.5m
2028	£718.5m	9.0%	51.7%	£371.5m
2029	£779.6m	8.5%	52.1%	£406.2m
2030	£842.0m	8.0%	52.6%	£442.9m
2031	£905.1m	7.5%	53.0%	£479.7m

Tie-out: `£602.0m × 1.095 × 1.090 × 1.085 × 1.080 × 1.075 = £905.1m`; `£905.1m × 53.0% = £479.7m`. The five-year revenue CAGR is 8.5%; Adjusted operating profit CAGR is about 9.4% from the rounded £306 million anchor.

Bull case

Period ending 30 June	Segment revenue	Growth	Adjusted operating profit margin	Adjusted operating profit
TTM 2026	£602.0m	—	50.8%	£306.0m
2027	£674.2m	12.0%	51.5%	£347.2m
2028	£751.8m	11.5%	52.5%	£394.7m
2029	£834.5m	11.0%	53.5%	£446.5m
2030	£922.1m	10.5%	54.2%	£499.8m
2031	£1,014.3m	10.0%	55.0%	£557.9m

Tie-out: `£602.0m × 1.120 × 1.115 × 1.110 × 1.105 × 1.100 = £1,014.3m`; `£1,014.3m × 55.0% = £557.9m`. The five-year revenue CAGR is 11.0%; Adjusted operating profit CAGR is about 12.8% from the rounded anchor.

Reconciliation and probability frame

All three cases begin with the same sealed £602 million TTM income and £306 million Adjusted operating profit. No corporate cost, transaction cost, restructuring, non-underlying D&A, finance, tax or NCI line has been allocated into Risk Intelligence. Those items are forecast once at group level from data_package §3a. The scenario probabilities are 25% bear, 55% base and 20% bull. Base receives the majority weight because four-quarter organic growth remained 8.7%-13.9% and management

reported improving Screening retention, but bear remains a meaningful 25% because product economics, pricing and false-positive performance are undisclosed and public-data AI can weaken differentiation. Bull receives the lowest weight because management's dated ambition to accelerate growth is unquantified and the case requires four simultaneous operating conditions: stronger Screening retention, mid-teens DI&F transaction growth, stable net yield and successful AI monetization. The weights express underwriting uncertainty, not a portfolio action.

A probability-weighted terminal diagnostic is £892.7 million of segment revenue and £465.7 million of Adjusted operating profit, calculated from the case endpoints rather than from a separate fourth scenario. The implied weighted margin of 52.2% is a diagnostic only because probability-weighting profits and revenue across states does not represent one operating outcome.

11. Key risks and wildcards

11.1 Regulation: demand tailwind and operating burden — base/bull and bear

AML/CFT harmonization, sanctions complexity, beneficial-ownership requirements and direct AMLA supervision support continued spend on screening and auditability. This is the principal structural demand anchor. Regulation is not unconditionally positive: prescriptive standards can commoditize base data, require costly model validation, restrict automation or force customers to reduce data processing. The bull case assumes regulation expands workloads faster than compliance cost; the bear assumes regulation raises both revenue need and LSEG's delivery cost, limiting margins.

11.2 World-Check accuracy, completeness and redress — bear

The core franchise depends on correctly identifying risky parties without wrongly stigmatizing innocent people or companies. Errors can create customer losses, litigation, privacy complaints, remediation expense and reputational harm. More than five million records and 70-language research coverage are assets only if quality controls scale. [data_package §4, Risk Intelligence mix paragraph] A material data-quality incident would weaken renewal leverage and could require costly source and model review. The model's 47.0% bear margin explicitly allows this kind of burden; the bull case assumes none.

11.3 AI and public-data collection — bear or bull

AI lowers the cost of finding, translating and summarizing public information. This can compress the value of raw record collection and enable cloud-native competitors or customers' internal teams. Conversely, LSEG can use AI to improve entity resolution, alert prioritization, EDD preparation and analyst productivity. The value split depends on whether customers pay for governed decisions and audit evidence or view screening data as a commodity. Base assumes both effects: lower production cost, more reinvestment and only modest pricing.

11.4 False positives and explainability — all cases

False positives are not a secondary user-experience issue; they are a direct customer cost. Competitors market alert reduction, traceability and explainable decisions aggressively. A provider that materially lowers false positives without weakening detection can take wallet share even with a smaller raw database. LSEG must demonstrate precision by customer risk policy, language and payment type. Undisclosed false-positive and false-negative rates are a critical evidence gap.

11.5 Privacy and lawful processing — bear/base

World-Check and AI-enhanced screening process sensitive information about people and entities. Legal basis, accuracy, retention, source provenance, reasonable expectations, correction rights, model training and cross-border transfer can all constrain scale. Strong governance can favor established providers, but privacy enforcement can also raise cost and limit the reuse of data or customer feedback. The base case treats privacy spend as recurring reinvestment; the bear includes redesign and slower feature deployment.

11.6 Customer switching, insourcing and multi-sourcing — bear

Workflow embedding creates friction, not impossibility. Large banks can run multiple screening data sets, route verification volumes across vendors or build internal orchestration layers that weaken a single provider's pricing. Vendor consolidation can benefit LSEG if customers prefer an end-to-end stack, but open APIs can separate data, matching, case management and decisioning. The bear case assumes workload share loss and renewal repricing without a collapse in industry activity.

11.7 DI&F transactions versus economic capture — all cases

More than 500 million FY2025 transactions and about 300 million in H1 2026 are impressive activity measures, but unit revenue is undisclosed. Mix may shift toward low-value checks, large customers may earn volume discounts, and minimum commitments can make transaction growth lag or lead reported revenue. The forecast therefore uses transaction volume only as a driver overlay. A credible positive signal would be sustained double-digit transactions alongside stable or accelerating total segment growth; a warning would be strong volume with decelerating revenue.

11.8 Technology, operating and input-cost risk — bear/bull

Deepfakes, synthetic identity and instant payments increase customer need but shorten model lives. The bull assumes LSEG's data feedback keeps pace; the bear assumes specialist vendors innovate faster. More than 500 analysts across 70 languages are both a barrier and an expense, while outages, compromised data or model failures can stop legitimate activity or miss prohibited activity. Automation and resilience spending must therefore offset fraud adaptation, scarce skills and source-cost inflation.

11.9 Measurement opacity — all cases

Risk Intelligence has no disclosed product revenue, product margin, product retention, false-positive rate, pricing, take rate, EDD volume or segment capex. This limits precision and makes total segment outcomes the only auditable financial test. Management's ambition to accelerate growth is encouraging but cannot substitute for evidence. The appropriate response is wider scenario ranges and explicit monitoring, not false precision.

Monitoring conditions through 2031

Indicator	Base-supporting evidence	Bear trigger	Bull confirmation
Segment organic growth	Holds around 8%–10% near term, easing gradually	Below 6% for two consecutive reported quarters without a macro-only explanation	Above 10% with broad product commentary for at least four quarters
Screening retention	Continues to improve	Management reports deterioration, material repricing or workload loss	Quantified improvement plus cross-sell and stable pricing
DI&F activity and capture	Double-digit volume with high-single-digit segment growth	Volume remains strong but segment growth falls sharply, implying yield/mix pressure	Mid-teens volume and accelerating segment growth
Adjusted operating profit margin	Progresses toward 53% with reinvestment	Falls below 49% without a one-time reason	Exceeds 53% while data quality and product investment remain strong
Data quality and privacy	No material remediation; clear governance	Significant legal, regulatory or customer remediation	Governance and explainability win major customers
Competitive position	Stable enterprise renewals	Material bank displacement by a cloud-native rival	Documented consolidation onto LSEG workflows

Data-gap register

- **[DATA GAP: Product dollars]** Screening, DI&F and EDD revenue are not separately disclosed. No product-level pound figures have been estimated, back-solved or manufactured.
- **[DATA GAP: Product profitability]** No product-level Adjusted operating profit or margin is disclosed. Segment margin is forecast only at the total level.
- **[DATA GAP: Screening operating KPIs]** Screening retention is described as improving, but no segment-specific rate, gross sales, alert volume, false-positive rate or false-negative rate is supplied.
- **[DATA GAP: DI&F monetization]** Transaction volume is disclosed, but price, revenue per transaction, mix, minimum commitments and take rate are not.
- **[DATA GAP: EDD operating history]** EDD revenue, order volume, price, delivery time and growth are not disclosed.
- **[DATA GAP: Segment investment]** Risk Intelligence capex, R&D and capitalized software are not separately disclosed.
- **[DATA GAP: Comparable market share]** Available competitor scale claims use incompatible definitions; no defensible like-for-like share is used.

Segment forecast summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	£768.1m	Adjusted operating profit	47.0%	£361.0m	25%
Base	£905.1m	Adjusted operating profit	53.0%	£479.7m	55%
Bull	£1,014.3m	Adjusted operating profit	55.0%	£557.9m	20%

The segment earns a **base-case underwriting view, not a certainty claim**. Regulation, recurring Screening revenue, World-Check's curated history and DI&F transaction scaling support an 8.5% base revenue CAGR. The limiting factors are product disclosure opacity, credible cloud-native competition, public-data AI, false-positive economics, privacy constraints and the lack of evidence that transaction growth converts to revenue at stable yield. The forecast contains no trade recommendation and authorizes no portfolio action or execution.

Appendix B5 - Other

Other — Segment Deep Dive

Company: London Stock Exchange Group plc **Ticker:** LSEG.L **Segment:** Other **Reporting currency and scale:** GBP millions **Forecast anchor:** TTM ended 2026-06-30 **Forecast horizon:** 2031-06-30, exactly five calendar years after the TTM anchor **Sealed segment profit basis: Adjusted operating profit Source boundary:** `data_package.md` and the QFR-sealed `statutory_bridge.json`; no company historical figure, quote, or accounting classification has been re-fetched **Historical citation convention:** AR25 = *London Stock Exchange Group plc Annual Report 2025*; H126 = *London Stock Exchange Group plc Interim Report 2026*; FY25R = LSEG FY2025 preliminary-results materials dated 2026-02-26. Unless another source ID is shown, every historical amount, group comparison, and guidance item in this appendix is reproduced from these named sources through the cited data-package section; exact URLs are in the data-package source register **Statutory bridge SHA-256:** `196293361a50240380af6da15c5b6552e1e97b7e323dd596d31a7eeeb53d5bd9` **Quote packet SHA-256:** `e806bdc0f0cae5853d876ac34203606eed8385d441572688f50da5c092ba5561`

Executive conclusion

Other is a residual reporting line, not a separately described operating franchise. The verified package supplies only two clean current-taxonomy observations: FY2025 income of £8m and **Adjusted operating profit** of £9m, followed by TTM income of £8m and **Adjusted operating profit** of £8m. That creates arithmetical margins of 112.5% and 100.0%, respectively. Those percentages are real outputs of the disclosed values, but they are not an evidential basis for assuming a 100% economic margin can persist or compound. A profit above income in FY2025 is itself a warning that the line can contain small allocation effects, credits, timing items, eliminations, or other residual mechanics. The data package does not identify which mechanism applies. This appendix therefore does not name one. [AR25; H126; data package §§1, 3 and 3a]

The analytical task is consequently different from the work required for Data & Analytics, FTSE Russell, Risk Intelligence, or Markets. There is no product market to size, no disclosed volume-to-price equation to extend, no segment customer base to retain, and no segment-specific management target to underwrite. The appropriate forecast is a bounded residual allowance. The model starts at the sealed TTM values, imposes an explicit annual fade rather than mechanically applying the observed margin, and gives the residual only a small role in group earnings. Bear, base, and bull horizon **Adjusted operating profit** are negative £1m, positive £3m, and positive £6m, respectively. Probabilities are non-uniform at 30%, 60%, and 10%. The probability-weighted horizon contribution is £2.1m, only about 0.06% of the group's sealed TTM reportable-segment AOP of £3,788m. This is intentionally too small to drive the consolidated valuation.

The most important conclusion is epistemic rather than numerical: "Other" should be carried transparently, not optimized. A £1m change in this line is 12.5% of its TTM profit, so percentage changes will look dramatic even when the group effect is negligible. The synthesis should preserve the exact pounds, the exact **Adjusted operating profit** label, and the scenario asymmetry. It should not interpret a large percentage swing as evidence about LSEG's competitive position or long-run compounding ability.

0. Segment boundary and taxonomy note

LSEG's current five-division structure comprises Data & Analytics, FTSE Russell, Risk Intelligence, Markets, and Other. Two material taxonomy boundaries affect the group history. From Q1 2024, LSEG separated FTSE Russell and Risk Intelligence from Data & Analytics and re-presented 2023 under a five-division view. From 1 January 2025, it combined Capital Markets and Post Trade into Markets and re-presented FY2024. During 2025 it also reallocated certain revenue and cost items to reflect its product-led model. The data package therefore treats AR25 and H126 as the controlling sources for current-basis comparisons and states that Other is cleanly disclosed only for FY2025 and the TTM ended 2026-06-30. Earlier values are not silently spliced into the current residual line. [data package §1, taxonomy-boundary paragraph; §3, Other row]

That boundary matters more than the apparent simplicity of this segment suggests. When a residual category is only £8m, reallocating even a few million pounds can transform its reported growth rate and margin. A £2m reclassification would equal 25% of TTM income; a £4m reclassification would equal half. The absence of comparable FY2024 and earlier values is therefore not a cosmetic gap that can be filled by interpolation. It prevents a meaningful historical base rate from being calculated. This appendix uses only the clean FY2025 and TTM observations and labels every unavailable comparison as not comparable, not disclosed, or not meaningful.

1. What this segment actually is

The most precise source-supported description is: **Other is a small residual reportable division outside LSEG's four named operating divisions.** The data package calls it "a small residual." It provides no list of businesses, products, services, customer types, pricing mechanisms, distribution channels, geographic mix, contracts, volumes, or recurring-revenue characteristics assigned to Other. [data package §1, opening paragraph]

That is the complete defensible business description. It would be tempting to infer that Other represents corporate activities, eliminations, legacy assets, incubation projects, treasury functions, property, or central cost recoveries. The sealed bridge does not support those inferences. In fact, the bridge has no corporate or unallocated profit line at all: the five reportable segment AOP figures add directly to consolidated segment AOP, after which separately classified operating adjustments bridge to statutory operating income. [data package §3a, FY2025 and TTM statutory bridges] Calling Other "corporate overhead" would therefore be especially misleading because Other produces positive income and positive AOP while the separately disclosed bridge adjustments sit outside all five segment forecasts.

Nor can Other be treated as a product basket merely because the product table includes a row labeled "Other income." Section 4 identifies no constituent product and states only that the £8m is cleanly dollar-disclosed for FY2025 and TTM. "Other income" is the disclosed line label, not evidence that customers buy a product called Other. [data package §4, Other row] There is no source basis for allocating the £8m across subscription, transaction, asset-based, usage-based, treasury, or recovery revenue. There is likewise no basis for assigning it to the banking, buy-side, wealth, or corporate customer communities disclosed for the group.

For modeling purposes, this means the relevant economic unit is the residual line itself. The model does not project phantom sub-products. It asks only what bounded contribution should be carried forward when a residual line has remained £8m between FY2025 and TTM but has an obviously non-standard profit relationship. That is a control problem rather than a market-share problem.

2. Current economics

The clean FY2025 observation is £8m of income and £9m of **Adjusted operating profit**, producing an arithmetical margin of 112.5%. The clean TTM observation is £8m of income and £8m of **Adjusted operating profit**, producing an arithmetical margin of 100.0%. [AR25; H126; data package §1 division table, §3 Other row and §3a sealed segment-profit bridge; statutory bridge FY2025 and TTM Other entries]

The decline from £9m to £8m AOP is £1m, or 11.1%, while income is unchanged at the rounded £8m level. It would be wrong to interpret this as a normal margin contraction from 112.5% to 100.0%. Both the numerator and denominator are so small that rounding and allocation timing can dominate the percentage. The statutory bridge uses a £1m disclosed rounding unit and a £1m reconciliation tolerance. A one-unit movement is therefore economically tiny for LSEG yet optically enormous for Other.

Relative scale supplies the right perspective. FY2025 Other income was roughly 0.1% of £9,346m group income. TTM Other AOP was £8m out of £3,788m of reportable-segment AOP, or about 0.21%. It was £8m out of £2,494m of statutory operating income after bridge adjustments, or about 0.32%. These ratios are calculated from sealed data-package amounts; they are used to establish materiality, not to claim a direct statutory allocation. The distinction matters because segment AOP and statutory operating income are different measures connected by the separately forecast bridge.

Capital intensity cannot be identified at the Other level. LSEG does not separately disclose one comparable R&D expense, and cash capex is reported for the group. [data package §7] No Other-specific property, software, people, working capital, or acquisition asset schedule appears in the package. Assigning a portion of the group's £919m FY2025 cash capex to Other would fabricate an allocation. The same applies to the group's goodwill, intangibles, leverage, buybacks, dividends, and minority interests. Those are synthesis-level items, not evidence about this residual segment.

The current economic conclusion is therefore narrow. Other contributes positive AOP today, but the evidence does not establish the source, recurrence, capital needs, or durability of that contribution. The 100% TTM margin is an accounting observation, not a unit-economics claim. In the forward model, the burden of proof lies on maintaining profit, not on preserving the margin.

3. Unit economics

Conventional unit-economics analysis starts with a measurable unit: a user, trade, contract, data feed, benchmark-linked asset, verification, clearing member, or workflow seat. The data package identifies no such unit for Other. There is no disclosed volume, price, retention, gross sales, annual subscription value, asset base, average daily volume, or transaction count attached to this segment. The group KPIs catalogued in Sections 0a and 4 belong to named businesses and must not be reassigned to Other.

The model therefore uses a residual-income framework. In that framework, Other income is the top line, and AOP is the exact segment profit measure. The missing intermediate steps are acknowledged rather than synthesized. We do not know whether the observed AOP arises from high-gross-margin revenue, net credits, expense reimbursements, cost reallocations, eliminations, or a mixture. We also do not know whether a cost base is housed elsewhere under LSEG's management reporting. The only safe observation is that reported AOP approximately equals reported income at the TTM anchor.

Several consequences follow.

First, gross margin cannot be estimated. A 100% AOP margin ordinarily implies almost no operating cost, but residual reporting can create the same arithmetic without the same economics. Treating AOP as gross profit would invent a financial-statement layer that LSEG does not disclose.

Second, operating leverage cannot be inferred. If income rose from £8m to £10m, there is no basis for assuming the extra £2m would drop through at 100%. Equally, if income fell, there is no evidence that costs would vary perfectly. The scenario margins must therefore be explicit analyst allowances rather than extrapolations of a demonstrated cost curve.

Third, capital intensity cannot be inferred from the absence of segment capex. Missing allocation is not zero capex. LSEG's group capex supports product engineering and shared infrastructure across the organization. Other may use shared resources even if the residual line reports little direct expense. The model does not credit Other with a capital-light multiple or separate return on capital.

Fourth, the current margin is mean-reversion prone. FY2025 AOP exceeded income by £1m, while TTM AOP equaled income. A line that can report more profit than income should be normalized unless the source explains why that relation is structural. No such explanation exists. The base case fades the margin to 50%, the bull case to 60%, and the bear case to negative 33.3% on a £3m income base. These are not estimates of a hidden operating cost ratio; they are bounded consolidation allowances designed to avoid capitalizing unexplained credits.

Fifth, model precision must stay proportional to evidence. Reporting horizon values to the nearest £1m is already aggressive for this line. The annual schedule uses whole millions and carries exact formula outputs only where useful for CAGR checks. No decimal-place false precision is used for annual residual profit.

The practical unit-economics rule for synthesis is thus: carry a small amount, normalize quickly, and do not attach a segment-specific valuation multiple. The overall company valuation should be derived from the consolidated earnings bridge after all segment AOP lines and bridge adjustments tie. Other's purpose is to make that sum complete, not to supply an independent investment thesis.

4. Competitive dynamics

No direct competitor set can be constructed for Other because its commercial perimeter is not disclosed. It would be unsound to list Bloomberg, S&P Global, MSCI, CME, Intercontinental Exchange, Nasdaq, FactSet, Moody's, Experian, or identity-verification specialists as "Other" competitors. Those companies compete with LSEG's named divisions and products; none is evidenced as competing with this residual line.

The relevant competitive analysis is negative. There is no source-supported evidence of market share, customer switching costs, brand preference, distribution reach, proprietary data, regulated status, scale economies, network effects, or pricing power specific to Other. The absence of such evidence does not prove that the underlying activities have no competitive value. It means this segment appendix cannot attribute that value to the residual line.

This distinction protects the group thesis from double counting. LSEG's competitive advantages in workflows, data, indices, financial-crime screening, trading venues, clearing, and post-trade services should be assessed in the corresponding appendices. Allowing those same advantages to justify a persistent 100% margin in Other would count the group moat twice: once where the economic activity is described and again in an unexplained residue.

The only observable "competitive" risk at this level is classification migration. As LSEG reorganizes around products, amounts may move into or out of Other. That movement can make the residual line appear to grow or shrink without any change in

end-market demand. It is an accounting-perimeter risk rather than a competitive event. An investor should not interpret a future doubling from £8m to £16m as market-share gain without a disclosure explaining what moved, nor a decline to zero as a competitive loss without the same bridge.

Accordingly, the competitive conclusion is **not assessable at the segment level**. This is stronger and more useful than a generic claim that LSEG has strong competition. It tells the synthesis not to use a competition narrative to upgrade or downgrade the residual forecast. The forecast should move only when LSEG discloses a composition bridge, a recurring contract base, or a new reportable activity.

5. Moat at the segment level

No defensible segment-specific moat is demonstrated. The Other line has no disclosed customer workflow, data asset, benchmark franchise, clearing network, regulatory licence, liquidity pool, installed base, retention history, or proprietary product. A residual label is not a moat.

Nor is a 100% reported AOP margin evidence of a moat. Economic moats protect customer relationships and returns through competition; accounting residuals can produce high margins without customer economics. The difference is crucial. If Other's profit consists partly of credits or reallocated expenses, the margin can disappear through an internal reporting change even if LSEG's underlying competitive position is unchanged.

The correct 5–10 year durability judgment is therefore **unproven and immaterial**. "Unproven" means the evidence does not support persistence. "Immaterial" means the group thesis does not need persistence. Even the £6m bull-case horizon AOP would remain tiny relative to LSEG's current reportable-segment profit base. This asymmetric framing avoids two errors: capitalizing unexplained profit as though it were a franchise, and treating the absence of a residual moat as a reason to reject the much larger named businesses.

A future disclosure could improve the assessment. Evidence would include a stable, named activity; a documented customer and pricing model; multiple years of comparable income and AOP; or a clear reconciliation showing recurring versus transitory components. Until then, the prudent moat score for this line is "none evidenced," with no group-level verdict implication beyond forecast conservatism.

6. Historical growth rates — reproduced from the data package

The current-basis record is shorter than the requested three-year minimum because the verified package explicitly limits clean disclosure to FY2025 and TTM. FY2023 and FY2024 are shown as not comparable rather than filled. The TTM overlaps FY2025 and is not a subsequent fiscal year, so the unchanged rounded £8m does not establish a zero-growth annual series.

Product / sub-segment	FY2023 income	FY2024 income	FY2025 income	TTM Jun-26 income	3-yr CAGR	Most recent YoY	Specific source / data-package cite
Other income	n/c	n/c	£8m	£8m	n/m	n/d	AR25; H126; data package §1 division table, §3 Other row and §4 Other row

Arithmetic and provenance check. A three-year CAGR cannot be computed because the FY2023 and FY2024 current-taxonomy bases are not available. A latest YoY rate cannot be computed because TTM June 2026 is constructed as FY2025 less re-presented H1 2025 plus H1 2026, while the package does not provide a separate TTM June 2025 Other value. The £8m FY2025 and £8m TTM amounts tie exactly to the data-package tables and sealed statutory sources, but `£8m × (1 + disclosed YoY)` cannot be tested because no YoY rate is disclosed. This is a classified data limitation, not a failed arithmetic check.

The related profit record is equally short:

Period	Income	Adjusted operating profit	AOP margin	Source
FY2025	£8m	£9m	112.5%	AR25; data package §1 division table, §3 Other row and §3a FY2025 bridge
TTM ended 2026-06-30	£8m	£8m	100.0%	H126; data package §3 Other row and §3a TTM bridge

The profit arithmetic is exact: `£9m / £8m = 112.5%` and `£8m / £8m = 100.0%`. The year-to-TTM AOP movement is `£8m − £9m = −£1m`. These calculations are not a claim about underlying organic performance. The source amounts are rounded

to millions, and the TTM period overlaps FY2025.

The historical lesson is therefore about model restraint. There is no three-year trend to extrapolate, no disclosed organic growth rate to apply, and no evidence that the 100% margin represents an equilibrium. The clean facts are used as the opening balance of the forecast; everything beyond them is scenario analysis.

7. Management guidance

There is no Other-specific management quote or forward guidance in data-package Section 6. The package contains group guidance and commentary for Data & Analytics, FTSE Russell, Risk Intelligence, and Markets, but no statement attributes a growth target, margin target, product launch, customer win, volume, or strategic ambition to Other. [data package §6, commentary table and additional forward points]

[DATA GAP: The verified source package contains no Other-specific management commentary, composition disclosure, FY+1 growth guide, or margin guide.]

The group's 2026 organic income growth guidance of 7.0–7.5% and around 100 basis points of margin improvement should not be applied mechanically to Other. That guidance describes the consolidated business and is supported by named operating drivers in the other divisions. Applying 7.25% compound growth to this residual would create £11.4m of horizon income, while preserving a 100% margin would create the same amount of AOP. The arithmetic would be easy, but the attribution would be unsupported.

Similarly, the group target for cumulative EBITDA-margin improvement from 2027 to 2029 is not an Other AOP-margin target. Adjusted EBITDA and segment AOP are different measures. Group capex and EFCF guidance also cannot establish Other's economics. The forecast tables below therefore show "none disclosed" for the management guide and use independent residual assumptions.

The absence of guidance has a useful interpretation: management does not present Other as a strategic growth engine in the verified package. That does not establish an intention to eliminate it, but it supports a base case in which the line fades rather than compounds with the group. Any future management decision to name and guide an activity currently within Other would be new evidence requiring a forecast reset, not a reason to speculate today.

8. Forward growth assumptions — explicit residual model

Modeling method

Only one line, Other income, is modeled because no sub-products are disclosed. All cases start from £8m at 2026-06-30 and end exactly five years later on 2031-06-30. The horizon CAGRs are calculated as `(horizon income / £8m)^(1/5) − 1`. The annual path is deliberately stepped in whole millions because source precision is £1m and a smooth decimal CAGR would imply knowledge that does not exist.

The cases are not symmetric. Base receives 60% probability because the most defensible expectation is a small residual that remains positive but fades as reporting classifications evolve. Bear receives 30%, reflecting the possibility that income disappears faster and small direct or allocated costs remain. Bull receives only 10%, because stable or growing residual income is possible but there is no composition, guidance, or historical base rate supporting a growth thesis.

Base case growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Other income	n/m	n/d	None disclosed	-5.59%	Fade from £8m to £6m; preserves a small positive residue without applying group guidance or inventing products.

The base case does not read the unchanged rounded £8m FY2025/TTM pair as proof of stability. It assumes £8m in the first forward year, £7m in years two and three, and £6m in years four and five. That slow fade is conservative relative to the group growth profile but less extreme than elimination. It recognizes that residual lines can remain for years because small activities and allocation differences rarely disappear on a precise timetable.

The specific driver is perimeter normalization. As LSEG's product-led reporting matures after the 2024 and 2025 taxonomy changes, activities that become material or strategically defined are more likely to be allocated to named divisions, while

genuinely residual items may expire. This is an analytical hypothesis, not a sourced statement about management's plans. The £6m endpoint is a bounded allowance, not an estimate of any undisclosed product.

Bull case growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Other income	n/m	n/d	None disclosed	4.56%	Rise from £8m to £10m; allows minor recurring activities or new residual credits, but stays below a group-growth extrapolation.

The bull path is £8m, £8m, £9m, £9m, £10m, and £10m from anchor through horizon. The 4.56% CAGR is materially below LSEG's current group organic growth guide, because there is no evidence that Other participates in the named growth engines. The case merely acknowledges that the residual may remain positive and edge upward with the scale of the group.

Even here, growth is not paired with a 100% terminal margin. A favorable classification or recurring contribution could support income without proving costless economics. The bull margin normalizes to 60%, and AOP remains fixed at £6m from the first forward year onward despite income increasing. This deliberately prevents the bull case from converting a tiny residual into a hidden option value.

Bear case growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Other income	n/m	n/d	None disclosed	-17.81%	Fall from £8m to £3m as residual items expire or are reclassified; small costs remain after income fades.

The bear path declines by roughly £1m a year: £8m, £7m, £6m, £5m, £4m, and £3m. This is not a forecast of structural decline in LSEG's named operations. It is a classification and persistence stress. The endpoint remains positive because a residual line can retain incidental income even after most components fade.

The bear case makes the more important profit assumption that income can decline faster than costs or credits. AOP falls from £8m to £5m, £3m, £1m, zero, and negative £1m. This creates a negative 33.3% horizon margin. The loss is intentionally bounded: it tests stranded cost without manufacturing a major corporate expense inside a segment that currently represents only 0.1% of group income.

Thesis-consistency check

No disclosed product YoY rate exists, so there is no high-growth deceleration curve to benchmark against a competitor. The model's deceleration is driven by disclosure quality and residual classification, not by a claim about product maturity. None of the cases compounds the 100% TTM AOP margin. The bull case is the only positive revenue CAGR, and even it reduces terminal margin by 4,000 basis points. The base and bear cases both reduce revenue and profit. This structure is consistent with the appendix thesis: Other completes the group arithmetic but should not drive the earnings narrative.

9. Forward Adjusted operating profit margin assumptions

The exact profit measure is **Adjusted operating profit**. It must not be called statutory operating income, EBITDA, EBITA, contribution profit, or free cash flow. The current TTM margin is 100.0% on £8m of income and £8m of AOP. Separate operating bridge adjustments are forecast once by synthesis and are not allocated to Other.

Base margin path

Line	TTM margin	2027-06	2028-06	2029-06	2030-06	2031-06	Mechanism
Other income / Adjusted operating profit	100.0%	75.0%	71.4%	57.1%	50.0%	50.0%	Normalize unexplained credit/allocation effects while retaining a profitable residual.

The 5,000-basis-point decline is much larger than 100 basis points, so it requires explicit explanation. The mechanism is not a predicted operating deterioration. It is removal of confidence from an anomalous starting relationship. Because FY2025 AOP

exceeded income and TTM AOP equaled income, the current margin likely contains accounting or allocation features that cannot be valued as permanent without disclosure. The base terminal margin of 50% is still high in absolute terms and preserves positive contribution. It is not derived from a peer margin because no comparable segment exists.

Bull margin path

Line	TTM margin	2027-06	2028-06	2029-06	2030-06	2031-06	Mechanism
Other income / Adjusted operating profit	100.0%	75.0%	66.7%	66.7%	60.0%	60.0%	Some residual benefit persists, but costless 100% economics are not capitalized.

The bull case gives the line more durable income but does not allow AOP to rise above £6m. That choice is conservative because the source provides no evidence of scalable unit economics. The terminal 60% margin is not a quality claim; it is a ceiling on the residual allowance. If future disclosures identify a genuine high-margin product, the forecast can be rebuilt around product evidence rather than upgraded through the residual line.

Bear margin path

Line	TTM margin	2027-06	2028-06	2029-06	2030-06	2031-06	Mechanism
Other income / Adjusted operating profit	100.0%	71.4%	50.0%	20.0%	0.0%	-33.3%	Residual income fades before direct or allocated costs fully disappear.

The bear endpoint is negative £1m of AOP on £3m of income. A small negative result is economically plausible for a residual line because stranded expenses or timing mismatches can outlast revenue. It is not evidence that a specific activity loses money. The case stops at negative £1m because a larger loss would be disproportionate to the observed line and would risk importing undisclosed corporate costs that belong elsewhere.

Why the starting margin is not compounded

Three checks reject a permanent 100% assumption. First, there are only two clean observations, one of which exceeds 100%. Second, no product or pricing disclosure explains the relationship. Third, the source rounding unit is material relative to the line. A perpetuity or five-year projection at 100% would turn reporting residue into an asserted economic moat. The normalized paths instead make the residual progressively less influential.

10. Segment rollup — bottom-up arithmetic

Because only one disclosed income line exists, the product rollup and segment total are identical. That is not an invitation to create artificial sub-products. Each AOP value below equals income multiplied by the displayed margin, subject only to whole-million presentation. The model ties exactly at the chosen whole-million values.

Base case rollup

Period end	Other income	Adjusted operating profit margin	Adjusted operating profit	Arithmetic
2026-06-30 TTM anchor	£8m	100.0%	£8m	£8m × 100.0% = £8m
2027-06-30	£8m	75.0%	£6m	£8m × 75.0% = £6m
2028-06-30	£7m	71.4%	£5m	£7m × 71.4% ≈ £5m
2029-06-30	£7m	57.1%	£4m	£7m × 57.1% ≈ £4m
2030-06-30	£6m	50.0%	£3m	£6m × 50.0% = £3m
2031-06-30	£6m	50.0%	£3m	£6m × 50.0% = £3m

The base model produces a five-year income CAGR of -5.59%. Horizon AOP is £3m, a £5m absolute decline from the TTM anchor. The annual steps are intentionally front-loaded in profit because normalization of the unexplained margin should occur before a slow fade in residual income. This avoids granting five years of excess AOP while waiting for the line to decline.

Bull case rollup

Period end	Other income	Adjusted operating profit margin	Adjusted operating profit	Arithmetic
2026-06-30 TTM anchor	£8m	100.0%	£8m	£8m × 100.0% = £8m
2027-06-30	£8m	75.0%	£6m	£8m × 75.0% = £6m
2028-06-30	£9m	66.7%	£6m	£9m × 66.7% ≈ £6m
2029-06-30	£9m	66.7%	£6m	£9m × 66.7% ≈ £6m
2030-06-30	£10m	60.0%	£6m	£10m × 60.0% = £6m
2031-06-30	£10m	60.0%	£6m	£10m × 60.0% = £6m

The bull model produces a five-year income CAGR of 4.56%. Horizon AOP is still £2m below the TTM anchor because the margin normalizes. This outcome is deliberately counterintuitive: income can grow while reported profit falls. That is appropriate when the initial margin is unsupported and the objective is to estimate a durable contribution rather than maximize an upside case.

Bear case rollup

Period end	Other income	Adjusted operating profit margin	Adjusted operating profit	Arithmetic
2026-06-30 TTM anchor	£8m	100.0%	£8m	£8m × 100.0% = £8m
2027-06-30	£7m	71.4%	£5m	£7m × 71.4% ≈ £5m
2028-06-30	£6m	50.0%	£3m	£6m × 50.0% = £3m
2029-06-30	£5m	20.0%	£1m	£5m × 20.0% = £1m
2030-06-30	£4m	0.0%	£0m	£4m × 0.0% = £0m
2031-06-30	£3m	-33.3%	£(1)m	£3m × -33.3% ≈ £(1)m

The bear model produces a five-year income CAGR of -17.81%. Horizon AOP is negative £1m, a £9m decline from the TTM anchor. The case does not assume that group costs suddenly emerge in Other; it permits only a small stranded-cost effect. The negative result is bounded and remains negligible against LSEG's group profit.

Scenario-weighted residual contribution

Metric at 2031-06-30	Bear 30%	Base 60%	Bull 10%	Probability-weighted value
Other income	£3m	£6m	£10m	£5.5m
Adjusted operating profit	£(1)m	£3m	£6m	£2.1m
AOP margin	-33.3%	50.0%	60.0%	38.2% on weighted income

The weighted amounts are calculated as `30% × bear + 60% × base + 10% × bull`. Weighted income is `0.30 × £3m + 0.60 × £6m + 0.10 × £10m = £5.5m`. Weighted AOP is `0.30 × −£1m + 0.60 × £3m + 0.10 × £6m = £2.1m`. The implied 38.2% margin is `£2.1m / £5.5m`; it is a diagnostic ratio of weighted amounts, not an independently forecast scenario.

Materiality and valuation discipline

Probability-weighted horizon AOP of £2.1m equals about 0.06% of the sealed TTM reportable-segment AOP sum of £3,788m. Even the £7m difference between bear and bull horizon AOP is only about 0.18% of that TTM sum. Holding every other assumption constant, this segment cannot reasonably decide whether LSEG passes a five-year valuation hurdle. If the consolidated verdict changes because Other is modeled at negative £1m rather than positive £6m, the overall model is sitting on a margin of error too narrow for the underlying evidence.

The synthesis should include this segment in the arithmetic sum but should not value it separately. No terminal multiple, discount rate, or sum-of-the-parts premium is assigned here. Its AOP feeds the common segment total, after which synthesis applies the QFR-sealed bridge treatment for transaction costs, integration and restructuring, non-underlying depreciation/amortization/impairment, finance items, tax, and NCI. None of those lines is embedded in the margins above.

Tie-out tests

The one-line nature of Other makes the product-to-segment tie mechanically exact. Base horizon income is £6m and the only product line is £6m, a zero residual. Bull horizon income is £10m and the only product line is £10m, a zero residual. Bear horizon income is £3m and the only product line is £3m, also a zero residual. On profit, the displayed whole-million AOP values reconstruct from income and margins within less than £0.01m when the unrounded ratios are used. This is inside the 1% segment rollup threshold except where a near-zero denominator would make percentage language misleading; absolute pounds control.

The horizon probabilities sum to 100%. They are intentionally non-uniform. Base is the modal case because persistence with normalization requires the fewest claims. Bear is more likely than bull because the line lacks product evidence and because its present margin is anomalous. Bull remains possible but receives only 10% because increasing a residual should require affirmative evidence.

11. Key risks and wildcards

11.1 Classification and perimeter risk — primarily bear and base

The largest risk is that the label changes before the economics do. LSEG has already made major presentation changes around 2024 and 2025. A future reallocation could move a few million pounds into a named division or into a separately disclosed bridge line. For Other, that would create a large percentage change. For the group, it might be a zero-sum presentation change. The model must distinguish reclassification from economic gain or loss by checking whether consolidated segment AOP and statutory profit are unchanged.

The base case anticipates gradual shrinkage partly for this reason. The bear case allows faster shrinkage and a small residual loss. Neither case assumes that a decline in Other reveals weakness in customer demand. The monitoring requirement is a source-backed re-presentation table.

11.2 Margin illusion — primarily bear

The 100% TTM margin is the most dangerous input because it looks precise and attractive. Capitalizing it would be a category error. The package gives no explanation of costs or credits, and FY2025 AOP exceeded income. The bear case tests the opposite outcome: income fades while a small cost remains. The base and bull cases also normalize sharply. A future 100%-plus observation would not by itself disprove this conservative treatment; it would need a composition explanation and comparable history.

11.3 Rounding and denominator sensitivity — all cases

At £8m, the disclosed £1m unit represents 12.5% of income. A one-unit revision could move the apparent margin by more than 10 percentage points. This creates false precision in growth and margin analysis. The model uses whole millions, emphasizes absolute pounds, and avoids treating small percentage differences as economic signals.

The rounding issue also affects backtesting. Suppose the underlying unrounded amount changed from £7.5m to £8.4m; both could appear as £8m even though the true growth was 12%. Conversely, £8.4m to £7.5m could appear unchanged while falling 11%. The package does not disclose decimals, so a zero-growth inference from the rounded observations is not available.

11.4 Hidden recurring value — bull wildcard

The conservative model may understate a genuine recurring activity if LSEG later identifies one within Other. Evidence could show stable contracts, high retention, low costs, or a strategically valuable incubation activity. That would justify a higher bull probability or a new named forecast line. The current package supplies none of those facts, so the possibility remains a wildcard rather than embedded upside.

Even if recurring value emerges, it should be moved into a named driver where possible. Leaving a material growth business inside Other would make segment forecasting less transparent. The bull case therefore caps rather than capitalizes the possibility.

11.5 Hidden cost or future clean-up — bear wildcard

Conversely, Other may absorb costs after an activity expires or after allocations change. The bear case’s negative £1m horizon AOP covers a modest version of that risk. A materially larger loss would require fresh disclosure because assigning central expenses to this segment without evidence would conflict with the sealed bridge, which contains no

corporate/unallocated segment line.

The risk is asymmetric at the segment percentage level: a £1m loss looks like a dramatic reversal from £8m profit. At group level it is tiny. This is why the model carries a 30% bear probability yet does not make the residual a group bear thesis.

11.6 Double counting with statutory bridge items — all cases

Transaction costs, integration/separation/restructuring, and non-underlying depreciation/amortization/impairment are separate operating bridge adjustments. Finance income, finance costs, digital-asset gains, tax, and NCI sit farther down the statutory bridge. Moving any of them into Other would double count and break comparability. The appendix forecasts only Other income and Other AOP.

This risk is operationally important for synthesis. Because Other's current margin is unusual, a modeler may be tempted to "explain" it by reallocating a bridge credit or expense. The sealed bridge forbids that move. Any future classification change must come from a new verified statutory bridge, not analyst judgment.

11.7 Applying group guidance to a residual — primarily bull

The group's organic growth and margin guidance is not segment guidance for Other. A bull case that simply applies 7.0–7.5% growth and preserves a 100% margin would produce a superficially clean but unsupported result. The chosen bull income CAGR is only 4.56%, and its margin falls to 60%. This constraint keeps upside proportional to evidence.

The same warning applies to group-level subscription acceleration and EFCF growth. Other is not identified as a subscription business. It cannot inherit subscription retention, gross sales, NPVI, or AI adoption statistics. Those inputs belong to named operations and would be double counted here.

11.8 Spurious diversification value — primarily bull

A collection of unknown items is not automatically diversified. Without composition, correlations cannot be assessed. Other should not receive a conglomerate benefit, diversification premium, or lower discount rate. Its uncertainty is handled through probabilities and bounded pounds, not a valuation adjustment.

11.9 Model instability from small absolute changes — all cases

A £2m revision would move base horizon AOP by 67%, yet remain economically tiny for LSEG. Dashboards and summaries should therefore show absolute pounds and group shares beside segment percentages. Reviewers should focus on whether the consolidated bridge ties, not whether Other's CAGR moves several points after a rounding change.

This also means sensitivities should not be over-engineered. A matrix spanning 10 margin assumptions and 10 growth assumptions would create 100 cells around an immaterial line with almost no source support. The three cases already cover a range from a small loss to a positive high-margin residual.

11.10 Disclosure upgrade trigger — base and bull

The forecast should be revisited if LSEG supplies any of the following: a named composition table; current-basis FY2024 comparatives; a recurring/non-recurring split; direct cost allocation; customer or contract KPIs; or Other-specific guidance. A new disclosure would reduce uncertainty and could move probabilities. Until then, the base remains a fading residual.

11.11 Disclosure downgrade trigger — bear

The bear probability should increase if Other turns negative, if LSEG repeatedly re-presents the line without a clear bridge, if income disappears while costs remain, or if a disclosed adjustment previously outside the segments is moved into Other. The key issue would be forecast perimeter integrity, not competitiveness.

11.12 Group-level irrelevance is itself a control

The strongest safeguard is to ensure this line cannot swing the investment conclusion. A model that assigns large terminal value to £8m of unexplained profit violates proportionality. The scenario range here is wide in segment percentage terms and narrow in group pounds. That is the correct shape of uncertainty for a residual.

The £7m bear-to-bull AOP span is about 7.5 basis points of £9,346m FY2025 group income. Although valuation will use projected consolidated earnings rather than current income, the comparison reinforces the point: precision in Other cannot rescue weak assumptions elsewhere, and pessimism in Other cannot break a robust group case. [AR25; data package §§1 and 2]

11.13 Reporting-frequency risk — all cases

LSEG publishes full earnings half-yearly and revenue-only updates in Q1 and Q3. Segment margins are not disclosed quarterly in those updates. Other may therefore change between full reporting dates without an observable profit bridge. The model should be refreshed only when a full FY or H1 AOP value becomes available, rather than manufacturing quarterly profit from revenue-only releases.

11.14 Probability drift risk — all cases

Probabilities can become stale if the line persists unchanged for several years. Persistence would gradually increase confidence that some income is recurring, but it would still not prove a 100% durable margin. Conversely, repeated reclassifications would increase the bear weight. Probability changes should follow named evidence, not the desire to tune a consolidated valuation result.

Monitoring checklist

The following evidence should be checked at each annual or interim update before rolling the model:

- Does the reporting taxonomy still contain Other as a separate reportable division?
- Has LSEG re-presented the prior period, and does the re-presentation identify which named division exchanged amounts with Other?
- What are Other income and **Adjusted operating profit** in exact £m?
- Does AOP again equal or exceed income, and is the relationship explained?
- Is there now a product, customer, pricing, volume, retention, or contract disclosure?
- Is there Other-specific management guidance?
- Has any separately classified statutory bridge adjustment moved into segment AOP?
- Do the five segment AOP figures still sum exactly to consolidated segment AOP?
- Does the forecast remain immaterial to the group verdict under all cases?
- Has the source precision improved enough to justify more granular modeling?

If answers 1–8 change, rebuild rather than roll the CAGR forward. If only the rounded income or profit changes by £1m, update the arithmetic but resist a narrative overreaction.

Data gaps and uncertainty classification

[DATA GAP: No current-taxonomy Other income or AOP history before FY2025 is cleanly disclosed in the verified package.]

[DATA GAP: No constituent products, services, customers, geographies, pricing model, revenue mix, recurring mix, volumes, retention, or unit-economics KPIs are disclosed for Other.]

[DATA GAP: No Other-specific capex, R&D, headcount, working capital, invested capital, or return metric is disclosed.]

[DATA GAP: No Other-specific management quote, growth guidance, margin guidance, or strategic target is present in data-package Section 6.]

[DATA GAP: The verified package does not explain why FY2025 Other AOP exceeded income or why TTM AOP equaled income.]

These gaps do not block a complete group model because the clean FY2025 and TTM segment values exist and tie to the sealed statutory bridge. They do constrain interpretation. The response is a conservative residual model, not fabricated granularity.

Final segment summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	£3m	Adjusted operating profit	-33.3%	£(1)m	30%

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Base	£6m	Adjusted operating profit	50.0%	£3m	60%
Bull	£10m	Adjusted operating profit	60.0%	£6m	10%

Probability-weighted 2031-06-30 result: £5.5m of income and £2.1m of **Adjusted operating profit**, implying a 38.2% ratio on weighted amounts. The weighted contribution is about 0.06% of current TTM reportable-segment AOP. The residual line is fully carried for reconciliation, sharply normalized for durability, and intentionally prevented from driving valuation.

Synthesis instruction: Use bear/base/bull Other income of £3m/£6m/£10m and bear/base/bull **Adjusted operating profit** of £(1)m/£3m/£6m at 2031-06-30. Preserve 30%/60%/10% probabilities, forecast statutory bridge lines separately, and do not attach an independent valuation multiple to Other.

Trade execution authorized: false.

Appendix S - Synthesis (Combined Earnings Model)

London Stock Exchange Group plc — Synthesis (Combined Earnings Model)

Stage: S — mechanical consolidation only **Mode:** Production Mode **Ticker:** LSEG.L **Reporting currency:** GBP; monetary model tables use £ millions unless stated otherwise **Security:** XLON:LSEG ordinary shares, ISIN GB00B0SWJX34 **Trade execution authorized:** NO

This appendix consolidates the five reviewed segment forecasts into statutory operating income, parent net income and listed-unit EPS. It does not select a primary shareholder-return method, assign exit multiples, score the company, or make a portfolio recommendation. It preserves the issuer-disclosed **Adjusted operating profit** segment basis and projects every verified bridge line separately. No non-underlying item is allocated into a segment and no balancing plug is used.

1. Anchors

- Today: **2026-08-27**.
- Fiscal year end: **31 December**.
- TTM anchor: **2026-06-30**.
- TTM construction: **FY2025 minus H1 2025 plus H1 2026**, equivalently implied H2 2025 plus H1 2026. Both half-year windows cover 1 January through 30 June; there is no overlap.
- Latest completed FY used only for the historical sanity check: **FY2025 ended 2025-12-31**.
- Horizon: **2031-06-30**, exactly 5.0 calendar years after the TTM end.
- Valuation price: **8,688 GBX per XLON ordinary share**, the raw completed-session close for 2026-08-26. This equals £86.88 per ordinary share.
- Raw quote evidence SHA-256: `9a729849bcb4b84e1f77f0681f8ea6aa43d0dd745d8c098f1e64fc831f04008d`.
- QFR-sealed quote-packet SHA-256: `e806bdc0f0cae5853d876ac34203606eed8385d441572688f50da5c092ba5561`.
- Quote actionability expiry: **2026-08-28T11:51:31+08:00** under the conservative 24-hour policy.
- Reporting/quote currency bridge: **100 GBX per GBP**, dated 2026-08-26. The currencies are denominations of sterling, not a market FX conversion.
- Financial statement and quoted share class are the same ordinary shares. Depositary ratio is 1, share-class factor is 1, financial shares per listed unit are 1, and split factor is 1. Therefore `499m financial-basis diluted shares × 1 = 499m quote-basis diluted financial shares`, and `499m ÷ (1 × 1) = 499m listed-unit equivalents` at the anchor.
- QFR-sealed statutory-bridge SHA-256: `196293361a50240380af6da15c5b6552e1e97b7e323dd596d31a7eeeb53d5bd9`.
- At current aware SGT 2026-08-27T13:27:27+08:00, the strict quote validator returned `QUOTE_PACKET_VALID` and the statutory validator returned `STATUTORY_BRIDGE_VALID`; both hashes matched exactly.
- `gate_manifest.json` contains durable DR records for `DATA PACKAGE VERIFIED — CLEARED FOR WAVE 2` and `STATUTORY BRIDGE VERIFIED — CLEARED FOR FORECASTING`. It also contains five passed segment-review records whose post-review hashes match the five appendix files.

The P&C lane is **NOT TRIGGERED — issuer is not a P&C insurer or reinsurer**. LSEG operates market infrastructure, data, indices, risk workflows and trading/clearing venues. No `insurer_return_bridge.json` is created.

2. Segment-level forward assumptions

The table reproduces the reviewed endpoints. The profit metric is issuer-disclosed Adjusted operating profit in every row. Margins equal the displayed AOP divided by segment income; they are not statutory operating margins.

Segment	Exact profit metric	TTM income	Bear 2031 income	Base 2031 income	Bull 2031 income	Bear margin	Base margin	Bull margin	Reviewed source
Data & Analytics	Adjusted operating profit	4,411.0	4,664.2	5,771.9	6,553.0	19.25%	27.69%	32.20%	`appendix_B_data_analytics.md` §§8–10
FTSE Russell	Adjusted operating profit	986.0	1,096.4	1,362.4	1,556.0	53.98%	61.15%	64.92%	`appendix_B_ftse_russell.md` §§8–10
Risk Intelligence	Adjusted operating profit	602.0	768.1	905.1	1,014.3	47.00%	53.00%	55.00%	`appendix_B_risk_intelligence.md` §§8–10
Markets	Adjusted operating profit	3,652.0	3,989.6	4,626.9	5,307.9	42.50%	50.50%	55.00%	`appendix_B_markets.md` §§8–10
Other	Adjusted operating profit	8.0	3.0	6.0	10.0	-33.33%	50.00%	60.00%	`appendix_B_other.md` §§8–10

The corresponding terminal AOP amounts are £897.6m/£1,598.2m/£2,109.9m for Data & Analytics; £591.8m/£833.1m/£1,010.1m for FTSE Russell; £361.0m/£479.7m/£557.9m for Risk Intelligence; £1,695.6m/£2,336.6m/£2,919.3m for Markets; and £(1.0)m/£3.0m/£6.0m for Other. The company-level probabilities are **25% Bear, 55% Base and 20% Bull**. Other's standalone 30%/60%/10% diagnostic weights do not replace the combined weights.

The modal Base case is justified by positive current organic growth, improving group margins and evidence of continuing electronification, passive/index growth and compliance demand. Bear remains 25% because Data & Analytics monetisation is unproven, Markets begins from an exceptional H1, FTSE has market beta, and management's stewardship gate is YELLOW. Bull is only 20% because it requires paid AI rights, successful workflow distribution, strong markets, sustained benchmark flows and further operating leverage. Moat durability passed, supporting a non-trivial Bull probability without neutralizing execution and valuation risk.

3. Combined revenue build

There are no disclosed corporate revenue eliminations in the sealed bridge or data package. Combined terminal revenue therefore equals the sum of the five reviewed segment endpoints.

Line	Bear	Base	Bull
Data & Analytics	4,664.2	5,771.9	6,553.0
FTSE Russell	1,096.4	1,362.4	1,556.0
Risk Intelligence	768.1	905.1	1,014.3
Markets	3,989.6	4,626.9	5,307.9
Other	3.0	6.0	10.0
Sum of segment TTM+5y income	10,521.3	12,672.3	14,441.2
Corporate eliminations	0.0	0.0	0.0
Combined TTM+5y revenue	**10,521.3**	**12,672.3**	**14,441.2**
TTM income anchor	9,659.0	9,659.0	9,659.0
Implied 2026-06-30 to 2031-06-30 CAGR	1.72%	5.58%	8.38%

Bear arithmetic is `4,664.2 + 1,096.4 + 768.1 + 3,989.6 + 3.0 = 10,521.3`; Base is `5,771.9 + 1,362.4 + 905.1 + 4,626.9 + 6.0 = 12,672.3`; Bull is `6,553.0 + 1,556.0 + 1,014.3 + 5,307.9 + 10.0 = 14,441.2`. CAGRs use exactly five years: `(terminal / 9,659)^(1/5) − 1`.

4. Combined operating income build

4.1 Explicit projection of every operating bridge line

The sealed TTM bridge contains three operating adjustments and no corporate/unallocated AOP line. Each remains outside the segments. Negative numbers reduce statutory operating income.

Operating bridge line / £m	TTM	Bear 2027	Bear 2028	Bear 2029	Bear 2030	Bear 2031
Transaction costs	(3)	(15)	(20)	(25)	(25)	(25)
Integration, separation and restructuring	(99)	(105)	(100)	(95)	(90)	(80)
Non-underlying D&A and impairment	(1,192)	(1,190)	(1,180)	(1,160)	(1,130)	(1,100)

Operating bridge line / £m	TTM	Base 2027	Base 2028	Base 2029	Base 2030	Base 2031
Transaction costs	(3)	0	(5)	(5)	(5)	(5)
Integration, separation and restructuring	(99)	(75)	(60)	(50)	(40)	(35)
Non-underlying D&A and impairment	(1,192)	(1,150)	(1,080)	(1,015)	(955)	(900)

Operating bridge line / £m	TTM	Bull 2027	Bull 2028	Bull 2029	Bull 2030	Bull 2031
Transaction costs	(3)	0	0	0	0	0
Integration, separation and restructuring	(99)	(70)	(45)	(25)	(15)	(10)
Non-underlying D&A and impairment	(1,192)	(1,125)	(1,025)	(925)	(825)	(750)

These paths implement the reviewed Section 3a drivers. Bear assumes recurring transaction activity, slower integration taper and slower amortisation roll-off. Base assumes ordinary transaction activity, the disclosed restructuring taper and a gradual source-led run-off of acquired intangibles. Bull assumes no terminal transaction cost, faster integration completion and faster amortisation roll-off. None of the lines is used to force EPS; it is fixed independently, kept visible, and applied once after segment AOP. Impairment is not forecast as a separate plug; it remains within the issuer's exact combined label.

4.2 Terminal statutory operating income

Line	Bear	Base	Bull
Sum of segment TTM+5y Adjusted operating profit	3,545.4	5,250.6	6,603.2
Corporate / unallocated adjustments	0.0	0.0	0.0
Consolidated TTM+5y Adjusted operating profit	3,545.4	5,250.6	6,603.2
Transaction costs	(25.0)	(5.0)	0.0
Integration, separation and restructuring	(80.0)	(35.0)	(10.0)
Non-underlying D&A and impairment	(1,100.0)	(900.0)	(750.0)
Combined statutory TTM+5y operating income	**2,340.4**	**4,310.6**	**5,843.2**
Combined statutory OI margin	22.24%	34.02%	40.46%

Base arithmetic is `5,250.6 − 5 − 35 − 900 = 4,310.6`. The same construction gives £2,340.4m in Bear and £5,843.2m in Bull. The difference between AOP and statutory OI remains visible because acquired-intangible amortisation is material even in 2031.

5. Net income and EPS build

5.1 Explicit financing, other, tax and NCI paths

Every sealed below-line or post-tax item is projected separately. Finance income is driven by cash and rates; finance costs by debt and rates; digital gains are zero absent another sourced event; tax uses the data package's scenario range; and NCI is an absolute subsidiary-economics path rather than a blanket percentage of group income.

Below-line / post-tax item	TTM	Bear 2027	Bear 2028	Bear 2029	Bear 2030	Bear 2031
Finance income, £m	127	115	105	100	95	90
Finance costs, £m	(394)	(425)	(450)	(470)	(480)	(475)
Digital and related asset gains, £m	29	0	0	0	0	0
Tax rate	24.47% actual	25.0%	25.0%	25.0%	25.0%	25.0%
Profit attributable to NCI, £m	(290)	(275)	(260)	(250)	(245)	(240)

Below-line / post-tax item	TTM	Base 2027	Base 2028	Base 2029	Base 2030	Base 2031
Finance income, £m	127	120	115	110	105	100
Finance costs, £m	(394)	(365)	(345)	(340)	(345)	(350)
Digital and related asset gains, £m	29	0	0	0	0	0
Tax rate	24.47% actual	24.5%	24.5%	24.5%	24.5%	24.5%
Profit attributable to NCI, £m	(290)	(300)	(315)	(330)	(345)	(360)

Below-line / post-tax item	TTM	Bull 2027	Bull 2028	Bull 2029	Bull 2030	Bull 2031
Finance income, £m	127	125	125	120	120	120
Finance costs, £m	(394)	(350)	(325)	(300)	(285)	(275)
Digital and related asset gains, £m	29	0	0	0	0	0
Tax rate	24.47% actual	24.0%	24.0%	24.0%	24.0%	24.0%
Profit attributable to NCI, £m	(290)	(320)	(360)	(405)	(450)	(500)

Base terminal net finance expense is £250m, modestly better than management's roughly £300m FY2026 expectation as earnings and cash generation grow. Bear reaches £385m because debt and rates stay higher; Bull falls to £155m through deleveraging. The digital gain is zero because the sealed £29m TTM gain is non-recurring. NCI reflects increasing or decreasing minority-owned subsidiary profit, principally Tradeweb/LCH economics cited upstream; it does not allocate parent corporate expenses, interest or tax to NCI.

5.2 Terminal parent earnings and listed-unit conversion

Line	Bear	Base	Bull
Combined statutory operating income	2,340.400	4,310.600	5,843.200
Finance income	90.000	100.000	120.000
Finance costs	(475.000)	(350.000)	(275.000)
Other income: digital and related gains	0.000	0.000	0.000
Pretax income	**1,955.400**	**4,060.600**	**5,688.200**
Tax rate	25.0%	24.5%	24.0%
Income tax expense	(488.850)	(994.847)	(1,365.168)
Post-tax income before NCI	1,466.550	3,065.753	4,323.032
Profit attributable to NCI	(240.000)	(360.000)	(500.000)
Parent net income	**1,226.550**	**2,705.753**	**3,823.032**
Quote-basis diluted financial shares at horizon, m	444.547678	421.932821	425.535138
EPS, GBP per quote-basis financial share	2.75909663	6.41275782	8.98405715
Financial shares per listed unit	1	1	1
EPS, GBP per listed unit	2.75909663	6.41275782	8.98405715
FX, GBX per GBP	100	100	100
EPS, GBX per listed unit	**275.909663**	**641.275782**	**898.405715**

Base reporting EPS is `£2,705.753m ÷ 421.932821m = £6.41275782 per financial share`. Multiplying by `1 financial share per listed unit × 100 GBX/GBP` gives **641.275782 GBX per listed unit**. Bear and Bull use the same security-unit and currency bridge.

5a. Return-method input bridge for VP and CS

This section supplies earnings/P-E and EV/NOPAT inputs without selecting a method. It does not choose exit multiples or calculate shareholder IRRs.

Return-method input	Current / TTM anchor	Bear 2031	Base 2031	Bull 2031	Treatment
Statutory operating income, £m	2,494.0	2,340.4	4,310.6	5,843.2	Fully reconciled
Normalized cash tax rate	24.47% actual	25.0%	24.5%	24.0%	Scenario schedule
Normalized NOPAT, £m	1,883.6 diagnostic	1,755.3	3,254.503	4,440.832	OI × (1 – tax rate)
Parent net income, £m	1,414.0 TTM	1,226.550	2,705.753	3,823.032	Complete P-E denominator
Cash and equivalents, £m	4,056 at 2026-06-30	Unavailable	Unavailable	Unavailable	No source-bound terminal cash schedule upstream
Gross borrowings including leases, £m	13,511 at 2026-06-30	Unavailable	Unavailable	Unavailable	No residual net-debt plug permitted
Lease liabilities, £m	614 at 2026-06-30	Unavailable	Unavailable	Unavailable	Terminal path absent
Preferred equity, £m	No separate preferred line	Unavailable	Unavailable	Unavailable	Must not be inferred from total equity
Minority interest balance, £m	2,370 NCI at 2026-06-30	Unavailable	Unavailable	Unavailable	Income allocation modeled; terminal balance absent
Other senior claims, £m	Regulatory/operational amounts 1,277	Unavailable	Unavailable	Unavailable	Restricted clearing balances cannot be netted into EV
Separately valued non-operating assets, £m	None source-bound	Unavailable	Unavailable	Unavailable	Digital gain zero; no asset plug
Diluted listed-equivalent shares, m	499.0	444.547678	421.932821	425.535138	Explicit Section 6 path

The earnings/P-E path is complete. EV/NOPAT cannot control unless VP obtains a source-bound terminal capital-structure schedule because terminal cash, debt, leases, minority interest balance and other senior claims cannot be manufactured from the current balance sheet. This `Unavailable` finding is deliberate. Current anchors remain visible for denominator review. A later stage must not convert operating net debt into a terminal EV adjustment without a scenario path or net restricted clearing balances against corporate claims.

6. Share count path

The starting denominator is the sealed packet's 499m quote-basis diluted financial shares, not the 488m period-end basic share count and not the separately reconstructed 510.5m TTM weighted denominator. Buybacks are projected from the £3bn program context and historical capital deployment. SBC issuance uses the permitted approximation `TTM share-based payments of £184m ÷ assumed average share price`; it is reconciled to, but not claimed to equal, actual vesting or dilution. All average prices are GBP per ordinary share.

Case / year	Starting shares, m	Buyback, £bn	Avg price, £	Shares retired, m	SBC issuance, m	Ending shares, m
Bear Jun-27	499.000	1.000	75	13.333	2.453	488.120
Bear Jun-28	488.120	1.000	78	12.821	2.359	477.658
Bear Jun-29	477.658	1.100	82	13.415	2.244	466.488
Bear Jun-30	466.488	1.100	86	12.791	2.140	455.837
Bear Jun-31	455.837	1.200	90	13.333	2.044	444.548
Base Jun-27	499.000	1.350	86	15.698	2.140	485.442
Base Jun-28	485.442	1.500	90	16.667	2.044	470.820
Base Jun-29	470.820	1.650	95	17.368	1.937	455.388
Base Jun-30	455.388	1.800	100	18.000	1.840	439.228
Base Jun-31	439.228	2.000	105	19.048	1.752	421.933
Bull Jun-27	499.000	1.350	100	13.500	1.840	487.340

Case / year	Starting shares, m	Buyback, £bn	Avg price, £	Shares retired, m	SBC issuance, m	Ending shares, m
Bull Jun-28	487.340	1.750	110	15.909	1.673	473.104
Bull Jun-29	473.104	2.000	120	16.667	1.533	457.970
Bull Jun-30	457.970	2.250	130	17.308	1.415	442.078
Bull Jun-31	442.078	2.500	140	17.857	1.314	425.535

The five-year tie is exact before display rounding. Bear retires 65.692511m and issues 11.240189m, so `499 − 65.692511 + 11.240189 = 444.547678m`. Base retires 86.780381m and issues 9.713202m, so ending shares are 421.932821m. Bull retires 81.240593m and issues 7.775731m, so ending shares are 425.535138m. Bull repurchase cash is greater than Base, but higher assumed purchase prices retire fewer shares; stronger earnings therefore do not automatically create the lowest denominator. Buyback cash is an explicit capital-allocation assumption and is not deducted again in the earnings bridge.

7. P/E 15 test

Required terminal EPS is fixed by the sealed quote: `8,688 GBX ÷ 15 = 579.20 GBX per listed unit`.

Case	EPS, GBX per listed unit	EPS × 15, GBX	Packet price, GBX	Cushion	Pass?
Bear	275.909663	4,138.644943	8,688	-52.36%	FAIL
Base	641.275782	9,619.136735	8,688	+10.72%	PASS
Bull	898.405715	13,476.085722	8,688	+55.11%	PASS

Cushion is `(EPS × 15 − 8,688) ÷ 8,688`. The **Base case controls**, not Bull. Therefore the binary P/E 15 gate is **PASS with a +10.72% Base-case cushion**. This is an entry-price gate only. It is not an exit multiple, shareholder-return method, recommendation, or trade authorization.

8. Reflexivity check

The historical segment-income anchor is `4,411 + 986 + 602 + 3,652 + 8 = £9,659m`. Exact TTM consolidated income reconstructed upstream is `£9,346m − £4,672m + £4,985m = £9,659m`; residual is £0m and 0.00%. The latest-FY segment-income check is `4,338 + 954 + 579 + 3,467 + 8 = £9,346m`, also exactly consolidated FY2025 income.

The TTM segment AOP check is `1,074 + 573 + 306 + 1,827 + 8 = £3,788m`. Applying the sealed operating bridge gives `3,788 − 3 − 99 − 1,192 = £2,494m`, exactly statutory TTM operating income. The FY check is `1,043 + 546 + 285 + 1,623 + 9 = £3,506m`; then `3,506 − 25 − 133 − 1,221 = £2,127m`, exactly statutory FY2025 operating income. All residuals are £0m, within the £1m packet tolerance and far inside the ±2% reflexivity limit. No plug, reclassification or scaling adjustment is present.

9. Latest interim bridge reconciliation

The cumulative interim bridge is triggered and reproduced exactly. Both comparison periods are six months ending 30 June.

Line, £m	FY2025	Less H1 2025	Plus H1 2026	TTM Jun-26
Total income	9,346	(4,672)	4,985	9,659
Adjusted operating profit	3,506	(1,726)	2,008	3,788
Statutory operating profit	2,127	(1,061)	1,428	2,494
Pretax income	1,969	(991)	1,278	2,256
Profit for period/year	1,506	(761)	959	1,704
Parent net income	1,249	(649)	814	1,414

For diluted shares, FY2025 weighted shares of 527m and H1 2025 weighted shares of 532m imply H2 2025 shares of `(527 × 2) − 532 = 522m`. The TTM weighted denominator is `(522 + 499) ÷ 2 = 510.5m`. This historical EPS denominator is not substituted for the packet's 499m share-count starting point. No half-year EPS amounts are added, and no Q1/Q3 revenue-only update overlaps the bridge.

10. Sensitivity — variables that matter most

The sensitivity holds all other Base assumptions fixed. D&A growth changes are applied to the £4,411m TTM segment anchor for exactly five years while keeping the Base terminal D&A AOP margin constant. FTSE margin changes hold revenue fixed. Share count and tax tests change only those denominators or rates.

Variable	Down case	Base	Up case	EPS effect versus Base
D&A revenue CAGR	3.53%; EPS 615.24 GBX	5.53%; EPS 641.28 GBX	7.53%; EPS 669.49 GBX	-26.03 / +28.22 GBX
FTSE terminal AOP margin	59.15%; EPS 636.40 GBX	61.15%; EPS 641.28 GBX	63.15%; EPS 646.15 GBX	-4.88 / +4.88 GBX
Terminal diluted shares	-5%; EPS 675.03 GBX	421.933m; EPS 641.28 GBX	+5%; EPS 610.74 GBX	+33.75 / -30.54 GBX
Tax rate	21.5%; EPS 670.15 GBX	24.5%; EPS 641.28 GBX	27.5%; EPS 612.40 GBX	+28.87 / -28.87 GBX

Share-count delivery is the largest single mechanical sensitivity in this set, closely followed by tax and D&A growth. Base EPS is only 62.08 GBX above the 579.20 GBX requirement. A simultaneous adverse combination—5% more shares, 300bp higher tax and slower D&A growth—could reverse the gate even though no single displayed sensitivity does so. FTSE margin is comparatively less decisive because a 200bp movement applies to a smaller revenue base. These sensitivities are not alternate scenarios and do not change the locked company probabilities.

11. Combined earnings summary

Case	Revenue, £bn	Statutory OI, £bn	OI margin	Parent NI, £bn	EPS, GBX per listed unit	Probability	EPS × 15, GBX	Versus 8,688 GBX
Bear	10.5213	2.3404	22.24%	1.226550	275.909663	25%	4,138.644943	-52.36%
Base	12.6723	4.3106	34.02%	2.705753	641.275782	55%	9,619.136735	+10.72%
Bull	14.4412	5.8432	40.46%	3.823032	898.405715	20%	13,476.085722	+55.11%
Probability-weighted	12.4883	4.1246	33.03%	2.559408	601.360239	100%	9,020.403584	+3.83%

Probability-weighted EPS is `25% × 275.909663 + 55% × 641.275782 + 20% × 898.405715 = 601.360239 GBX`. It is an expected-state diagnostic, not a fourth scenario. Probability-weighted revenue, OI and NI are the same line-by-line weighted sums. Different terminal share counts mean probability-weighted EPS is calculated from scenario EPS rather than dividing probability-weighted NI by an invented weighted share denominator.

12. Tie-out checks — 11/11 passed

Check 1 — Reported-financial and statutory-bridge tie-out: PASS

TTM income ties at `4,411 + 986 + 602 + 3,652 + 8 = 9,659`, matching `9,346 − 4,672 + 4,985 = 9,659`. TTM AOP and statutory OI tie at `1,074 + 573 + 306 + 1,827 + 8 = 3,788`; `3,788 − 3 − 99 − 1,192 = 2,494`. FY2025 income ties at `4,338 + 954 + 579 + 3,467 + 8 = 9,346`. FY2025 AOP and OI tie at `1,043 + 546 + 285 + 1,623 + 9 = 3,506`; `3,506 − 25 − 133 − 1,221 = 2,127`. Every residual is £0m, versus £1m allowed.

Check 2 — NI / shares / listed-unit / FX equals EPS: PASS

Bear: `1,226.550 ÷ 444.547678 × 1 × 100 = 275.909663 GBX`. Base: `2,705.753 ÷ 421.932821 × 1 × 100 = 641.275782 GBX`. Bull: `3,823.032 ÷ 425.535138 × 1 × 100 = 898.405715 GBX`. All calculations use quote-basis financial shares, one financial share per listed unit, and 100 GBX per GBP.

Check 3 — Segment sum at horizon: PASS

Bear, Base and Bull segment sums equal combined revenue exactly: `10,521.3 ÷ 10,521.3 = 100%`, `12,672.3 ÷ 12,672.3 = 100%`, and `14,441.2 ÷ 14,441.2 = 100%`. Corporate eliminations are disclosed as zero, not hidden in a residual.

Check 4 — Product-to-segment rollup: PASS

D&A product sums reproduce £4,664.2m/£5,771.9m/£6,553.0m; FTSE products reproduce £1,096.4m/£1,362.4m/£1,556.0m; Markets products reproduce £3,989.6m/£4,626.9m/£5,307.9m; and Other's single line reproduces £3m/£6m/£10m. Risk Intelligence has a reviewed true non-disclosure of product dollars, so its £768.1m/£905.1m/£1,014.3m total is modeled directly; no invented product split is used. All applicable residuals are below 1%.

Check 5 — Weighted margin: PASS

D&A and FTSE, the segments with reviewed analytical product-margin allocations, reproduce stated segment AOP by revenue weighting within rounding. Base D&A is `£579.3m + £894.6m + £124.3m + £0m = £1,598.2m`, or 27.69% of £5,771.9m. Base FTSE is `£515.7m + £317.4m = £833.1m`, or 61.15% of £1,362.4m. Markets deliberately applies one reviewed 50.5% segment margin after product revenue is summed; applying that common rate across the product sum has the identical weighted result without inventing product-specific economics. Risk Intelligence is modeled only at total level and Other has one product line.

Check 6 — Share count and security-unit path: PASS

At the anchor, `499m financial shares × 1 split factor = 499m quote-basis financial shares`; `499m ÷ (1 depositary ratio × 1 class factor) = 499m listed-unit equivalents`. Over five years, Base gives `499 − 86.780381 retired + 9.713202 SBC = 421.932821m`; Bear and Bull similarly give 444.547678m and 425.535138m. Every annual row reconciles `starting − retired + issuance = ending`, and no ADR-unit path is used.

Check 7 — Growth plausibility: PASS

No Base case blindly annualizes exceptional activity. D&A's 4.5% Workflows, 7.0% Feeds and 8.0% Analytics CAGRs carry explicit monetisation burdens. FTSE's 6.4% subscription and 7.2% asset-based paths are tied to near-term subscription guidance, launches and market/flow capture. Risk Intelligence's 8.5% matches its recent range and is below 1.2 times its 8.5% contextual CAGR. Markets uses only 3.5%/6.0%/3.0%/7.0% on major lines despite much faster H1 activity. Other declines. Every forecast above a short clean historical rate includes a quantified reviewed justification.

Check 8 — Historical arithmetic for every Base forward row: PASS

Forward row	Exact five-year calculation	Reviewed endpoint	Difference
D&A Workflows	`1,937 × 1.045^5 = 2,413.854`	2,413.9	-0.002%
D&A Data & Feeds	`1,876 × 1.07^5 = 2,631.187`	2,631.2	0.000%
D&A Analytics	`235 × 1.08^5 = 345.292`	345.3	-0.002%
D&A Recoveries	`363 × 1.01^5 = 381.517`	381.5	+0.004%
FTSE subscriptions	`641 × 1.064^5 = 874.110`	874.1	+0.001%
FTSE asset-based	`345 × 1.072^5 = 488.420`	488.4	+0.004%
Risk Intelligence total	`602 × 1.085^5 = 905.201`	905.1	+0.011%
Markets Equities	`437 × 1.035^5 = 519.019`	519.0	+0.004%
Markets Fixed Income, Derivatives & Other	`1,626 × 1.06^5 = 2,175.955`	2,176.0	-0.002%
Markets FX	`278 × 1.03^5 = 322.278`	322.3	-0.007%
Markets OTC Derivatives	`682 × 1.07^5 = 956.540`	956.5	+0.004%
Markets Securities & Reporting	`238 × 1.025^5 = 269.275`	269.3	-0.009%
Markets Non-Cash Collateral	`119 × 1.03^5 = 137.954`	138.0	-0.034%
Markets Net Treasury Income	`272 × 0.98^5 = 245.866`	245.9	-0.014%
Other	`8 × 0.9441^5 = 6.000`	6.0	+0.007%

Every difference is below 1%. Reviewed variable annual paths for Risk Intelligence and Other imply the same displayed equivalent five-year CAGR within rounding.

Check 9 — Recency anchor: PASS

The Base first-forward-year revenue is reproduced from reviewed annual paths: D&A £4,639.6m, FTSE £1,055.3m, Risk Intelligence £659.2m, Markets £3,825.0m and Other £8.0m. Total is £10,187.1m. Compared with the £9,659m TTM run rate, growth is `10,187.1 ÷ 9,659 − 1 = 5.47%`, inside the 10% limit. This is below current group organic guidance because the model includes recoveries, NTI and residual lines with slower or negative growth.

Check 10 — Period and horizon integrity: PASS

The cumulative bridge is `FY2025 − H1 2025 + H1 2026`; both half-years cover 1 January–30 June, and no quarter is double-counted. Every forecast begins 2026-06-30 and ends 2031-06-30. Product arithmetic uses five exponents or five explicit annual steps, never six. The latest FY is used only for historical checks, not as the compounding anchor.

Check 11 — Valuation, units, hashes and probability arithmetic: PASS

Exact quote-packet and statutory-bridge byte hashes match the frozen values. Listing is XLON:LSEG ordinary shares, ISIN GB00B0SWJX34; price basis is 8,688 GBX per listed ordinary share; split, depositary and class factors are each 1; FX is 100 GBX per GBP. Probabilities are `25% + 55% + 20% = 100%`. Probability-weighted EPS is `0.25 × 275.909663 + 0.55 × 641.275782 + 0.20 × 898.405715 = 601.360239 GBX`. Each scenario's EPS × 15 and cushion recompute, and Base controls the binary gate.

13. Synthesis conclusion and controls

Base reaches £12.6723bn of income, £4.3106bn of statutory operating income, £2.705753bn of parent net income and 641.275782 GBX of EPS per listed unit at 2031-06-30. Required EPS for a P/E of 15 at the sealed 8,688 GBX quote is 579.20 GBX, leaving a +10.72% cushion. Bear fails and Bull passes. Probability-weighted EPS is 601.360239 GBX, but it does not replace the Base gate.

All 11 mandatory tie-outs pass. The result remains sensitive to capital return, tax and D&A monetisation. The Base cushion is not wide enough to ignore buyback execution, cash deployment or a prolonged gap between AI adoption and paid revenue. Management's YELLOW gate and terminal EV-capital-structure `Unavailable` findings must remain visible to VP. S has not selected P/E as the primary return method; it has established that complete earnings/P-E inputs exist while EV/NOPAT lacks a source-bound terminal enterprise-to-equity bridge.

SYNTHESIS CLEARED — 11/11 TIE-OUTS PASSED P/E 15 gate: PASS — cushion +10.72% P&C insurer lane: NOT TRIGGERED

Appendix CS - Compounder Score

London Stock Exchange Group plc — Compounder Score

Ticker: LSEG.L **Exchange:** XLON **Analysis date:** 2026-08-27 **Price:** 8,688 GBX per listed ordinary share at the completed 2026-08-26 session **TTM anchor:** 2026-06-30 **Exact horizon:** 2031-06-30, exactly 5.0 years **Reporting / quote currency:** GBP / GBX, with 100 GBX per GBP **Primary valuation method: P/E**

1. Executive Verdict

Compounder Score: 51/100. Business Quality Score: 46/80. 20% Return Underwriting/Stretch Score: 5/20. Score-implied classification: Reject. This classification is a diagnostic output of the compounder rubric, not an ER2 verdict, CIO action, sizing recommendation or trade authorization.

The evidence supports a durable and strategically important portfolio. SwapClear's liquidity and netting network, FTSE Russell's accepted benchmark ecosystems, embedded licensed data, and World-Check's regulated trust workflows are real barriers. The moat appendix passes both the current moat gate and the 2046 test. Cash generation is also strong: TTM equity free cash flow was £2,715m against normalized NOPAT of approximately £1,883.6m, while the share count is declining despite stock-based compensation.

The evidence does not support calling LSEG a high-return compounder under this rubric. Reported statutory ROIC was 5.8%, 4.4%, 3.5%, 3.5% and 5.6% in FY2021–FY2025; the five-year median is 4.4%. A normalized TTM acquisition-burdened diagnostic is approximately 6.76%. Goodwill plus intangibles were £31.273bn against £18.701bn of parent equity at June 2026. The economics may be better than these statutory measures imply, but excluding acquired-intangible amortization does not erase the Refinitiv purchase price. A complete acquisition-inclusive ROIIC cannot be calculated because comparable gross acquisition spend, disposals, working capital, growth opex and R&D are not all disclosed. Management's adjusted claims therefore receive no ROIIC uplift.

Management is YELLOW, not PASS. Operating delivery, leverage control and buybacks deserve credit. Against that, Refinitiv and SwapClear lack a disclosed cash-return bridge, Microsoft monetization remains early, Deloitte could not rely on key IT access controls in FY2025, and incentives contain no ROIC, ROCE or free-cash-flow test. These are quality constraints, not allegations of misstatement.

Valuation is the decisive weakness. The VP-locked P/E bridge produces gross local-currency IRRs of **-7.93% Bear, 13.36% Base and 26.28% Bull**. The probability-weighted return is **12.94%**, calculated as the CAGR of probability-weighted terminal wealth, never as an average of scenario IRRs. A 20% return at the current price and locked Base 24x exit P/E requires 864.305445 GBX of terminal EPS after modeled dividends, versus 641.275782 GBX in the reviewed Base model. The probability-weighted 20% max-buy price is 6,415.323538 GBX, 26.16% below 8,688 GBX. The security return remains finite even though portfolio fit and sizing are unavailable.

2. Data Source Map

The return model was not allowed to rediscover valuation inputs. Before any calculation, the SHA-256 of `valuation_preflight.json` was recomputed as `aa5846fcebf96582717b8eac2774cf16eee7af20f5b3de90556b47e5a05131ef`. The mandated validator with evidence-file checking returned `VALUATION_PREFLIGHT_VALID`. The quote and statutory bridge hashes recomputed exactly to `e806bdc0f0cae5853d876ac34203606eed8385d441572688f50da5c092ba5561` and `196293361a50240380af6da15c5b6552e1e97b7e323dd596d31a7eeeb53d5bd9`.

Evidence need	Controlling source	Period / use	Confidence
Price, listing and share-unit bridge	`quote_packet.json`	8,688 GBX; XLON ordinary share; 2026-08-26	High
Historical income and statutory bridge	`quant_foundation.md`; `statutory_bridge.json`	FY2021–FY2025 and TTM 2026-06-30	High
Cash flow, balance sheet, SBC and capital allocation	`quant_foundation.md`; `data_package.md`	FY2021–TTM 2026-06-30	High
Segment history and disclosures	`data_package.md`	Current taxonomy and official KPI inventory	High

Evidence need	Controlling source	Period / use	Confidence
Segment forward economics	Reviewed `appendix_B_data_analytics.md`, `appendix_B_ftse_russell.md`, `appendix_B_risk_intelligence.md`, `appendix_B_markets.md`, `appendix_B_other.md`	Bear/Base/Bull to 2031-06-30	Medium-high
Management and incentives	`appendix_management.md`	Stewardship and control gate	Medium-high
Moat, pricing and 2046 durability	`appendix_moat.md`	Competitive durability	Medium-high
Consolidated earnings and dilution	`appendix_synthesis.md`	11/11 tie-outs; 2031 EPS	High
Normalization, method and exit P/Es	`valuation_preflight.json`	Five foundations locked	High
GBP/SGD diagnostic	Bank of England daily spot-rate page, archived locally	£1 = S$1.7313 on 2026-08-25	Medium-high
UK transaction tax	[GOV.UK SDRT guidance](https://www.gov.uk/tax-buy-shares/buy-shares-electronically)	0.5% electronic-share purchase assumption	High
Singapore personal dividend tax	[IRAS dividend guidance](https://www.iras.gov.sg/taxes/individual-income-tax/basics-of-individual-income-tax/what-is-taxable-what-is-not/dividends)	0% diagnostic for a resident individual outside a partnership	High for stated assumption

The archived Bank of England page is `raw/cs_20260827/boe_daily_spot_rates_2026-08-27.html`, SHA-256 `7b74f3e2192ad15fe8b308fe0fb64bcf106e121657569a5526803ab630e93351`. The Bank notes its rates are indicative rather than official dealing rates, so this observation anchors conversion but does not promise executable FX.

3. Key Financial and Quality Metrics

Metric	Result	Interpretation
FY2021–FY2025 revenue CAGR	9.36%	Strong, but FY2021 is a partial Refinitiv year and not fully like-for-like
FY2021–FY2025 NOPAT CAGR	14.01%	Recovery from an acquisition/integration-heavy base
FY2021–FY2025 equity FCF CAGR	8.15%	Cash definition changes in FY2023 require caution
Reported statutory ROIC, five-year median	4.40%	Acquisition-burdened and below the Gideon bar
Normalized TTM acquisition-burdened ROIC	6.76%	Approximate NOPAT over average FY2025/H1 2026 invested capital
Three-year capex-only ROIIC upper bound	9.63%	Excludes working capital, growth opex and acquisitions; not true ROIIC
FY2021–FY2025 capex-only incremental-return proxy	17.14%	Period is not clean and excludes the Refinitiv purchase price
Acquisition-inclusive ROIIC	Insufficient evidence	No high score permitted
Five-year average cash-capex / NOPAT	75.59%	Narrow reinvestment proxy; true reinvestment can be higher
Five-year average equity FCF / NOPAT	162.22%	Strong cash conversion, subject to changing FCF definitions
TTM equity FCF / normalized NOPAT	144.14%	Strong current cash conversion
FY2021–FY2025 diluted-share CAGR	-0.65%	Net share count contraction
TTM SBC / revenue	1.90%	Real cost, but not abusive versus cash flow
TTM SBC / equity FCF	6.78%	Material and explicitly retained
H1 2026 net debt / adjusted EBITDA	2.1x	Within the stated 1.5–2.5x policy range
Packet-share-basis FCF yield	6.26%	Uses £43.353bn price-times-499m share basis
TTM dividend yield	1.71%	Starting dividend 148.286 GBX per weighted diluted share
Approximate TTM gross buyback yield	9.03%	Unusually high current program; not treated as a cash distribution

Reported and normalized ROIC remain burdened by the capital actually deployed into Refinitiv and acquired intangibles. That is intentional. A goodwill-excluding ROIC would produce an apparently better number but would answer a different question:

how attractive the operating assets look after pretending the acquisition price did not exist. The score is about shareholder capital allocation, so the acquisition-inclusive denominator controls the quality judgment.

The capex-only ROIIC figures are explicitly upper bounds, not awards. For FY2022 to FY2025, NOPAT rose only £280m while FY2023–FY2025 cash capex totaled £2.907bn, or 9.63%. For FY2021 to FY2025, the £664m NOPAT increase divided by FY2022–FY2025 capex is 17.14%, but FY2021 contains only eleven months of Refinitiv and the denominator excludes the acquisition price. A complete acquisition-inclusive ROIIC would be lower if material net acquisitions and growth opex were added. The evidence does not support converting either proxy into a high rubric score.

4. Rubric Scorecard

Category	Score	Maximum	Main reason
1. Incremental returns on capital	8	25	Low reported and normalized acquisition-burdened returns; ROIIC incomplete
2. Reinvestment runway	14	20	Strong structural markets, but returns on incremental capital are not proven
3. Durability of moat	13	15	Clearing, benchmark, data and risk-workflow barriers are specific and observable
4. Accounting and financial quality	7	10	Excellent cash conversion, offset by adjusted/statutory gap and IT controls
5. Capital allocation discipline	4	10	Good leverage and shrinking shares, but acquisition returns and incentives are weak
Business Quality Score	**46**	**80**	**Durable franchises do not yet demonstrate Gideon-grade capital compounding**
6. Price and 20% underwriting	5	20	Base return is 13.36%; Bear loses value; reverse hurdle is not met
Compounder Score	**51**	**100**	**Reject under the diagnostic thresholds**

Incremental returns score 8/25: normalized ROIC earns 1/5; ROIIC earns 0/8 because acquisition-inclusive evidence is missing; trend earns 1/3; unit economics earn 2/3; cash conversion earns 3/3; and accounting-artifact protection earns 1/3. Runway scores 14/20: market opportunity 4/5, scale reinvestment 3/5, organic growth 3/4, repeatable playbook 2/3, favorable market structure 2/2, and growth without ROIC collapse 0/1.

Moat scores 13/15: clear advantage 4/4, pricing power 2/3, competitive evidence 3/3, stickiness 2/2, stress resilience 1/2 and low disruption risk 1/1. Accounting quality scores 7/10: earnings quality 1/2, cash support 2/2, SBC/dilution 2/2, balance sheet 1/2, disclosure 1/1, governance/control 0/1. Capital allocation scores 4/10: reinvestment 1/2, acquisitions 0/2, buybacks 1/2, incentives 0/2, owner mentality 1/1 and past decisions 1/1.

Valuation scores 5/20: Base IRR 2/6, conservative locked exit P/E 2/4, Bear acceptability 0/3, reverse hurdle 0/3, price not already demanding 0/2 and cash returns 1/2. The independently justified 24x Base exit is below the comparable normalized current 31.739x, but that fact does not make 13.36% equal 20%. A lower multiple can be economically sound and still leave the entry price unattractive under this stretch rubric.

5. ROIIC and Reinvestment Analysis

LSEG’s operating progress is real. Statutory operating income rose from £1.454bn in FY2021 to £2.127bn in FY2025, and TTM reached £2.494bn. Equity free cash flow rose from £1.787bn in FY2021 to £2.445bn in FY2025 and £2.715bn TTM. These outcomes support the cash-conversion score. They do not prove that the £31.273bn goodwill-and-intangible investment base earns more than 20% or even more than the cost of capital.

The correct acquisition-inclusive calculation is unavailable. LSEG does not provide a clean comparable series for gross acquisitions, disposed capital, working capital, expensed product investment and capitalized software. The vendor acquisition/disposal cash field is net and can be positive because it includes acquired cash or disposals. FY2025 alone included a £1.15bn SwapClear rights/intangible purchase and a £170m sale of 20% of Post Trade Solutions. Treating the net field as gross reinvestment would fabricate precision.

Cash capex is therefore the narrow auditable proxy. It was £632m, £966m, £1,031m, £957m and £919m in FY2021–FY2025. Management does not separately disclose one comparable annual R&D expense because product engineering appears across expensed labor, third-party services and capitalized software. R&D is not zero. The score does not capitalize an invented R&D series, nor does it assume adjusted AOP is a sufficient substitute for NOPAT.

The business can still become a better compounder. The reviewed Base scenario grows statutory operating income 11.57% annually and reduces diluted shares 3.30% annually. If that outcome appears in statutory NOPAT and per-share cash flow while invested capital remains controlled, normalized ROIC can rise. Until it does, the score treats improving margins as a forecast, not proof of historical incremental returns.

6. Runway Analysis

Runway is broad. Data & Analytics can monetize governed financial data across feeds, APIs, cloud platforms and agent workflows. FTSE Russell benefits from passive investing, fixed-income benchmarks and custom products. Risk Intelligence participates in expanding KYC, sanctions, fraud and identity workloads. Markets benefits from electronification, clearing, collateral optimization and machine-generated activity.

The scenario evidence is properly uneven. D&A's Base requires about £155m of product-margin improvement beyond mix, and Microsoft/MCP invoices were still minimal in H1 2026. FTSE Russell has excellent current economics, but new custom and thematic benchmarks face self-indexing and fee pressure. Risk Intelligence has attractive margins but no product-level revenue, price or false-positive metrics. Markets owns the strongest network economics and the greatest exposure to volume, rates and regulatory relocation.

This score therefore gives substantial runway credit without assuming all growth creates value. The Base revenue CAGR is 5.58%, but Base statutory EPS grows much faster because margins improve and shares fall. That operating leverage is possible; it also concentrates execution risk in D&A monetization, amortization roll-off, tax, financing and buybacks. A runway is valuable only when incremental returns exceed capital cost. The current evidence does not establish that condition acquisition-inclusively.

7. Moat Analysis

The moat is the strongest component of the score. SwapClear's more-than-90% share of global cleared interest-rate-swap notional reflects liquidity, regulatory permissions, netting sets, member connectivity and default-management infrastructure. FTSE Russell's core benchmarks are embedded in fund documents, mandates, derivatives and performance histories. Data & Analytics owns licensed feeds, histories, identifiers, entitlements and lineage that remain valuable even if the human interface changes. World-Check combines curated entity histories, jurisdiction expertise and auditability in high-trust workflows.

The moat is not a closed-stack monopoly. Customers multi-source, regulators constrain pricing and access, and large platforms can own the interface. AI can commoditize search, summary and public-data collection. The durable thesis is that LSEG remains a licensed system of record beneath human and agent workflows, not that Workspace preserves every seat. The 2046 PASS is credible because common reference data, accepted benchmarks and regulated netting infrastructure can outlive current screens.

The monitoring conditions are concrete: subscription retention below 90%; SwapClear share below 85% without compensating economics; licensed AI/data revenue failing to follow partner usage; major benchmark errors; World-Check quality failures; or sustained Tradeweb liquidity loss. These conditions cap the stress-resilience score rather than erase the moat.

8. Accounting and Capital Allocation Analysis

Earnings quality is mixed. TTM adjusted operating profit was £3.788bn, while statutory operating profit was £2.494bn after £3m of transaction costs, £99m of integration/restructuring and £1.192bn of non-underlying D&A/impairment. The VP normalization removes the £29m digital gain and a £69.79m SwapClear timing uplift, but it does not add back acquired-intangible expense to create a high-ROIC fiction. The normalized comparable P/E is 31.739x versus reported 31.367x.

Cash supports the earnings. TTM cash generated from operations was £4.558bn, cash capex £923m and equity free cash flow £2.715bn. SBC was £184m, 1.90% of revenue and 6.78% of equity FCF. Period-end shares excluding treasury fell to 488m from 510m at FY2025. In the return model, buybacks are reflected once through the VP-locked diluted-share path. They are not added again as distributions.

Capital allocation remains the weak point. Refinitiv transformed the business and reduced dependence on volumes, but the accounting return remains low. Buybacks accelerated as the share price fell and leverage stayed within policy, a positive. Yet the program has bought shares at a range including materially above the 8,688 GBX anchor, and adjusted EPS incentives benefit mechanically from repurchases. The 2023 LTI vested partly on adjusted EPS even though relative TSR paid zero. No ROIC, ROCE, statutory-EPS, leverage or FCF test exists. Persistent IT access-control deficiencies further justify Management YELLOW.

9. 20% Return Underwriting

Primary valuation method: P/E. The method, normalization, denominators, dilution and 18x/24x/30x exit multiples are copied from the cleared VP artifact. No terminal cash, debt, leases, NCI balance, restricted clearing assets or other EV adjustment is added after EPS times P/E. Distributions are added exactly once.

Starting annual dividend is calculated as £757m TTM dividends divided by 510.5m weighted diluted shares times 100 = 148.285994 GBX. Because the upstream model does not provide a dividend path, CS applies each frozen scenario revenue CAGR to this dividend for five annual payments. This is conservative relative to terminal EPS growth and consistent with the stated policy that dividends grow broadly with adjusted EPS. No dividend reinvestment is credited.

Scenario	Probability	Terminal EPS, GBX	Exit P/E	Terminal equity value, GBX	Cumulative dividends, GBX	Terminal wealth, GBX	Gross local IRR
Bear	25%	275.909663	18x	4,966.373934	780.691586	5,747.065520	-7.93%
Base	55%	641.275782	24x	15,390.618768	875.193470	16,265.812238	13.36%
Bull	20%	898.405715	30x	26,952.171450	949.902329	27,902.073779	26.28%
Probability-weighted	100%	601.360239 diagnostic	PE method	15,096.868096	866.509771	15,963.377867	12.94%

Probability-weighted IRR is `(15,963.377866673753 / 8,688)^(1/5) - 1 = 12.938235%`. It is not `25% × Bear IRR + 55% × Base IRR + 20% × Bull IRR`.

The operating-and-return tables below show gross local-currency underwriting. Net-SGD adjustments follow separately. Start operating figures are TTM 2026-06-30; the price anchor is 2026-08-26; the horizon is 2031-06-30.

Bear-case operating and return bridge

Bear case	Start (TTM 2026-06-30 / price 2026-08-26)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	£9,659.0m	£10,521.3m	1.72%	D&A monetization disappoints, Markets normalizes and FTSE beta weakens
Operating margin	25.82% statutory	22.24% statutory	-3.58 pp	Defensive investment and slower amortization roll-off absorb revenue growth
Operating earnings	£2,494.0m statutory OI	£2,340.4m statutory OI	-1.26%	Segment AOP less transaction, restructuring and non-underlying D&A once
Diluted share count	499.0m packet anchor	444.547678m	-2.28%	65.692511m repurchased and 11.240189m SBC issuance
EPS	276.983350 GBX reported statutory	275.909663 GBX statutory	-0.08%	Parent NI after tax/NCI divided by diluted listed shares
Valuation denominator	Reported 276.983350 / normalized 273.731352 GBX EPS	275.909663 GBX statutory EPS	Comparable	VP normalization removes event-heavy differences without changing perimeter
Valuation	31.3665x reported / 31.7391x normalized P/E	18.0x P/E	-13.74x vs normalized	Low end of stressed mature exchange/data range
Share value	8,688 GBX current price	275.909663 × 18 = 4,966.373934 GBX	-	PE bridge; no net-debt adjustment
Annual dividend	148.285994 GBX	161.524115 GBX	1.72%	Starting TTM dividend grown with Bear revenue CAGR
Dividend yield	1.71%	3.25%	+1.55 pp	Annual dividend divided by endpoint share value
Five-year dividends	-	780.691586 GBX	cumulative	Five annual payments; no reinvestment

Bear case	Start (TTM 2026-06-30 / price 2026-08-26)	Horizon (2031-06-30)	CAGR / change	Justification
Total ending value	8,688 GBX	5,747.065520 GBX	-7.93% gross local IRR	Share value plus dividends exactly once

Base-case operating and return bridge

Base case	Start (TTM 2026-06-30 / price 2026-08-26)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	£9,659.0m	£12,672.3m	5.58%	Subscription growth, electronification and compliance demand continue
Operating margin	25.82% statutory	34.02% statutory	+8.20 pp	Product mix, integration taper and acquired-intangible run-off
Operating earnings	£2,494.0m statutory OI	£4,310.6m statutory OI	11.57%	Exact statutory bridge after all operating adjustments
Diluted share count	499.0m packet anchor	421.932821m	-3.30%	86.780381m repurchased and 9.713202m SBC issuance
EPS	276.983350 GBX reported statutory	641.275782 GBX statutory	18.28%	Margin growth and share retirement both contribute
Valuation denominator	Reported 276.983350 / normalized 273.731352 GBX EPS	641.275782 GBX statutory EPS	Comparable	Same listed unit and statutory parent perimeter
Valuation	31.3665x reported / 31.7391x normalized P/E	24.0x P/E	-7.74x vs normalized	Near CME/FactSet and below ICE/Nasdaq in VP evidence
Share value	8,688 GBX current price	641.275782 × 24 = 15,390.618768 GBX	-	PE bridge; no net-debt adjustment
Annual dividend	148.285994 GBX	194.546496 GBX	5.58%	Starting TTM dividend grown with Base revenue CAGR
Dividend yield	1.71%	1.26%	-0.44 pp	Share value grows faster than dividend
Five-year dividends	-	875.193470 GBX	cumulative	Five annual payments; no reinvestment
Total ending value	8,688 GBX	16,265.812238 GBX	13.36% gross local IRR	Share value plus dividends exactly once

Bull-case operating and return bridge

Bull case	Start (TTM 2026-06-30 / price 2026-08-26)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	£9,659.0m	£14,441.2m	8.38%	Paid AI rights, strong index/risk growth and robust markets all deliver
Operating margin	25.82% statutory	40.46% statutory	+14.64 pp	High operating leverage plus faster restructuring/amortization run-off
Operating earnings	£2,494.0m statutory OI	£5,843.2m statutory OI	18.56%	Reviewed segment AOP less locked bridge lines once
Diluted share count	499.0m packet anchor	425.535138m	-3.13%	Higher buyback prices retire fewer shares than Base despite more cash
EPS	276.983350 GBX reported statutory	898.405715 GBX statutory	26.53%	Strongest operating outcome after tax, NCI and dilution
Valuation denominator	Reported 276.983350 / normalized 273.731352 GBX EPS	898.405715 GBX statutory EPS	Comparable	Same listed unit and statutory parent perimeter
Valuation	31.3665x reported / 31.7391x normalized P/E	30.0x P/E	-1.74x vs normalized	Below S&P Global/MSCI premium range; no desired-return engineering
Share value	8,688 GBX current price	898.405715 × 30 = 26,952.171450 GBX	-	PE bridge; no net-debt adjustment

Bull case	Start (TTM 2026-06-30 / price 2026-08-26)	Horizon (2031-06-30)	CAGR / change	Justification
Annual dividend	148.285994 GBX	221.702837 GBX	8.38%	Starting TTM dividend grown with Bull revenue CAGR
Dividend yield	1.71%	0.82%	-0.88 pp	Share value grows faster than dividend
Five-year dividends	-	949.902329 GBX	cumulative	Five annual payments; no reinvestment
Total ending value	8,688 GBX	27,902.073779 GBX	26.28% gross local IRR	Share value plus dividends exactly once

Reverse-return and max-buy-price diagnostic

At 20% for five years, current price requires terminal wealth of `8,688 × 1.2^5 = 21,618.524160 GBX`. After Base distributions of 875.193470 GBX, required terminal equity value is 20,743.330690 GBX. At the same locked 24x P/E, required EPS is **864.305445 GBX**, 34.78% above the Base model. No terminal multiple is changed.

State	Terminal wealth, GBX	Max buy price for 20% IRR, GBX	Discount / premium to 8,688
Bear	5,747.065520	2,309.616737	-73.42%
Base	16,265.812238	6,536.865129	-24.76%
Bull	27,902.073779	11,213.217665	+29.07%
Probability-weighted	15,963.377867	6,415.323538	-26.16%

Assumption-bound net-SGD diagnostic

This is not personal tax advice. It assumes a Singapore-resident individual investing personally, not through a partnership and not carrying on a securities-trading business. UK dividend withholding is 0%; Singapore tax on foreign dividends and capital gains is 0% under that diagnostic assumption. Entry includes 0.5% UK SDRT, 0.10% broker/market cost and 0.15% FX conversion cost. Exit includes 0.10% broker/market cost and 0.15% FX conversion cost. Terminal GBP/SGD is unchanged centrally from the archived £1 = S$1.7313 observation.

Scenario	Net entry wealth, SGD/share	Net terminal wealth, SGD/share	Net-SGD IRR
Bear	151.543459	99.263714	-8.11%
Base	151.543459	280.921134	13.14%
Bull	151.543459	481.877377	26.03%
Probability-weighted	151.543459	275.698028	12.71%

For probability-weighted terminal wealth, a 10% weaker GBP against SGD produces a 10.36% net-SGD IRR; unchanged FX produces 12.71%; and a 10% stronger GBP produces 14.88%. The PE method, scenario EPS, exit P/Es and distributions are unchanged in every FX case. Missing portfolio context makes only portfolio fit and sizing unavailable; it does not make these security returns null.

10. Hard Veto Checklist

Veto	Status	Evidence
ROIIC below cost with no path	Watch	Acquisition-inclusive ROIIC unavailable; capex-only three-year upper bound 9.63%
ROIC artificially high	Pass	ROIC is low because goodwill/intangibles remain in capital
Growth requires external financing	Pass	2.1x leverage, strong cash conversion and £3.5bn undrawn RCF
Share count rises without value	Pass	Share count is declining after explicit SBC issuance
Large acquisitions without return disclosure	Watch	Refinitiv and SwapClear lack cash-return bridges
FCF structurally lags earnings	Pass	Equity FCF exceeds NOPAT across the available period
Structural platform/regulatory impairment	Watch	AI channel control, clearing relocation and integrated rivals remain material

Veto	Status	Evidence
20% case needs multiple expansion	Pass	Base exit 24x is below normalized current 31.739x; the case fails on wealth, not expansion
Flawless execution needed at current price	**Fail**	20% needs 864.305445 GBX EPS versus 641.275782 GBX Base
Moat cannot be explained	Pass	Four identifiable barriers support moat and 2046 PASS
Accounting/governance trust impaired	Watch	Persistent IT access-control deficiencies and adjusted-EPS incentives
Balance sheet can wipe out equity	Pass	Leverage is within policy; no current insolvency path in reviewed evidence

The one hard failure is sufficient to prevent “Investable now under this rubric.” Total score 51/100 is also below the 70-point Reject boundary. The 20% case does not require multiple expansion, which is a positive, but that is not enough: the modeled Base terminal wealth remains materially short of the stretch hurdle.

11. Final Decision

Score-implied classification: Reject. This is not a judgment that LSEG is a poor business or that its ER2 P/E-15 entry gate failed; the synthesis reports that gate as PASS with a +10.72% Base cushion. It means this specific 20% compounder rubric does not accept the combination of low acquisition-burdened returns, incomplete ROIIC evidence, Management YELLOW and a 13.36% Base return at 8,688 GBX.

The classification can change without changing the business. The probability-weighted 20% max-buy price is about 6,415 GBX under the locked scenarios and distributions. A durable improvement in statutory ROIC, a complete acquisition-inclusive return bridge, remediated IT controls and compensation tied to capital returns could raise Business Quality. Higher monetized AI/data growth and proven per-share FCF expansion could raise terminal EPS, but those outcomes must enter through a new reviewed synthesis and VP—not through a scorer changing multiples.

Compounder Score note: 51/100; strong moat and cash generation do not offset low acquisition-burdened returns, Management YELLOW and a current price that misses the 20% stretch hurdle.

Business Quality Score note: 46/80; durable infrastructure and data franchises, but five-year median statutory ROIC is 4.4%, acquisition-inclusive ROIIC is not supportable and controls/incentives constrain stewardship confidence.

20% Return UW Score note: 5/20; Base gross local IRR is 13.36%, and the 20% hurdle needs 864.31 GBX terminal EPS at 24x or a materially lower entry price.

Portfolio fit, concentration, factor exposure and sizing are unavailable because no portfolio information was supplied to CS. Trade execution is not authorized. Portfolio mutation is false. No order, message or external action was taken.

12. Machine-Readable JSON

The full-precision structured artifact is `compounder_score.json`. It binds the VP, quote and statutory hashes; preserves all scenario terminal values and distributions; records the probability-weighted terminal-wealth method; includes the reverse-return and net-SGD diagnostics; and sets every trade, order, messaging, owner-action and portfolio-mutation authority flag to false.

Appendix CSA - Scoring Audit

London Stock Exchange Group plc — Scoring Audit

Ticker: LSEG.L **Audit date:** 2026-08-27 **Price anchor:** 8,688 GBX at the completed 2026-08-26 XLON session **TTM / horizon:** 2026-06-30 / 2031-06-30, exactly 5.0 years **Audited primary valuation method:** P/E **Audit status:** CLEARED, with score reduced

This is an independent audit of the diagnostic Compounder Score. It is not a red-team report, ER2 verdict, CIO portfolio action, tax opinion, order instruction or authorization to contact anyone. LSEG is not a property-and-casualty insurer or reinsurer, so the P&C lane is not triggered.

1. Original vs Audited Scores

Item	Original	Audited	Notes
Business Quality Score / 80	46/80	42/80	Four points removed for weak reinvestment proof, cash-series comparability limits, disruption exposure and unsupported owner-mindset credit
Valuation / 20% Return UW Score / 20	5/20	5/20	Return arithmetic and locked valuation inputs clear; the Base case still misses 20%
Total Score / 100	51/100	47/100	Arithmetic total reconciles
Classification	Reject	Reject	Both totals are below the rubric's 70-point Reject boundary

The audited score is **47/100**, comprising **42/80 Business Quality** and **5/20 20% Return Underwriting/Stretch**. The score-implied classification remains **Reject**. That classification is diagnostic only. It does not overwrite the separate ER2 gates and does not authorize a trade or portfolio mutation.

2. Score Reductions and Reasons

Four original points are removed.

First, Category 2B, proven ability to reinvest at scale, falls from 3/5 to 2/5. LSEG has undeniably deployed capital at scale, but deployment is not the same as proven high-return reinvestment. Refinitiv created strategic breadth, subscription exposure and operating leverage, yet five-year median statutory ROIC is only 4.4%, normalized TTM acquisition-burdened ROIC is about 6.76%, and no complete cash-return bridge for Refinitiv or SwapClear is available. Acquisition-inclusive ROIIC is the economically relevant test after a transformative acquisition; it cannot be calculated from the current record. The original scorer properly gave 1B zero and no acquisition-discipline points, but 2B still credited too much proof.

Second, Category 3F, low disruption risk, falls from 1/1 to 0/1. The moat is strong, but the evidence does not support the word "low." AI agents can weaken the desktop interface, distribution partners can capture economics, customers multi-source, and ICE–MarketAxess, CME and Eurex can press fixed-income execution or clearing. LSEG may remain the licensed system of record underneath those interfaces; that supports the moat and the 2046 case, but it is a manageable material risk rather than a low risk.

Third, Category 4B, cash flow supports earnings, falls from 2/2 to 1/2. Current conversion is strong: TTM equity FCF of £2,715m is about 144.14% of normalized NOPAT. At least three years under the current definition are available, so the score is not set to zero. However, the five-year average of 162.22% combines FY2021–FY2022's legacy equity-FCF definition with FY2023–FY2025's current definition; FY2023 itself was re-presented from £1.793bn to £1.608bn. The evidence supports good cash conversion but not a fully comparable five-year maximum score. Category 1E is preserved at 3/3 because the current-definition three-year evidence and TTM result support the narrower statement that conversion is real; the long-period precision receives the deduction in 4B rather than being penalized twice.

Fourth, Category 5E, owner mentality, falls from 1/1 to 0/1. Leverage discipline and a declining share count deserve credit elsewhere. The full owner-mindset point is not supported while Management is YELLOW, acquisition cash returns remain undisclosed, the remuneration framework uses adjusted EPS and relative TSR without ROIC, ROCE, statutory EPS or FCF, and Deloitte could not rely on key IT access controls in FY2025. This is not an allegation of misstatement: the audit opinion

was unmodified and substantive procedures were used. It is a real control and stewardship gap, so maximum subjective owner credit is premature.

3. Unsupported Claims

The acquisition-inclusive ROIIC is unsupported, not merely low. The record lacks a comparable gross acquisition-spend and disposal schedule, a clean working-capital series, separable growth opex and a comparable R&D/product-investment series. Net vendor acquisition/disposal cash flows cannot substitute for gross deployed capital because they may include acquired cash or disposal proceeds. FY2025 also contains the £1.15bn SwapClear rights/intangible purchase and a £170m disposal of 20% of Post Trade Solutions, which makes a net number especially misleading. Category 1B therefore remains 0/8 and acquisition discipline remains 0/2.

The 9.63% three-year and 17.14% FY2021–FY2025 figures are capex-only upper bounds. Neither is true ROIIC. The earlier period is additionally distorted because FY2021 contains only eleven months of Refinitiv. They are useful warnings, not evidence for a high score.

SBC treatment is adequate but not perfect. The source set supplies a five-year SBC series, latest SBC at 1.90% of revenue and 6.78% of equity FCF, a declining historical diluted-share count and explicit scenario issuance. That is sufficient to preserve 4C at 2/2. It does not establish grant-level dilution, vesting, forfeiture or exercise proceeds; confidence is therefore medium, and no extra credit is awarded beyond the rubric maximum.

4. Calculation Errors

No material return calculation error was found. The frozen valuation-preflight file validates with evidence checking and its exact SHA-256 is `aa5846fcebf96582717b8eac2774cf16eee7af20f5b3de90556b47e5a05131ef`. The CS Markdown and JSON hashes match the frozen handoff. CS copied the VP inputs exactly: primary method PE, reported current P/E 31.366506x, normalized current P/E 31.739148x, and Bear/Base/Bull exits of 18x/24x/30x. The current normalized denominator is 273.731352 GBX per share and terminal denominators are statutory diluted parent EPS on the same listed-unit and GBX perimeter. The reported and normalized earnings anchors differ by only about 1.19%, not 20% or more, and the explicit bridge removes the event-heavy SwapClear timing benefit and digital gain. The current-to-terminal denominator comparison is valid.

Under P/E, terminal equity value is terminal EPS times exit P/E. CS does not add net cash, debt, leases, NCI, restricted clearing balances or a separate non-operating asset after that product. Buybacks affect diluted shares once; SBC expense remains in earnings and forecast issuance affects shares once; dividends are added once. The double-count check passes.

Scenario	EPS × exit P/E, GBX	Distributions, GBX	Terminal wealth, GBX	Replayed gross IRR
Bear	4,966.373934	780.691586	5,747.065520	-7.9327296%
Base	15,390.618768	875.193470	16,265.812238	13.3629630%
Bull	26,952.171450	949.902329	27,902.073779	26.2825474%

Probability weights are 25% Bear, 55% Base and 20% Bull. Expected terminal shareholder wealth is `0.25 × 5,747.065520 + 0.55 × 16,265.812238 + 0.20 × 27,902.073779 = 15,963.377867 GBX`. Annualizing that wealth against 8,688 GBX for five years gives **12.9382350%**. CS correctly used this method; the weighted average of scenario IRRs would be only 10.6229567% and would be wrong.

The reverse-return bridge also replays. A 20% five-year return requires 21,618.524160 GBX of terminal wealth. Subtracting Base distributions and dividing by the locked 24x exit P/E requires 864.305445 GBX terminal EPS, 34.78% above the Base model's 641.275782 GBX. Expected wealth divided by `1.2^5` gives the probability-weighted maximum buy price of **6,415.323538 GBX**.

The net-SGD overlay uses the same PE wealth and does not change scenario multiples or capital structure. Under CS's stated additive entry-cost convention, the replayed net-SGD IRRs are Bear **-8.1137210%**, Base **13.1382465%**, Bull **26.0317215%**, and probability-weighted **12.7143712%**. The probability-weighted net return again annualizes expected terminal SGD wealth rather than averaging scenario returns. The tax and residency inputs remain explicitly conditional diagnostic assumptions; this audit neither verifies the user's personal tax status nor introduces a personal tax conclusion.

Exit-multiple economic-coherence audit

The exit multiples clear both directional challenges and are not changed. Bear 18x sits below roughly 20x European exchange anchors, matches only 1.72% revenue growth and a 22.24% terminal statutory margin, and preserves a finite going-concern value. It is adverse without being a disguised insolvency. Base 24x is inside the approximately 20.5x–31.4x exchange/data peer band and near CME/FactSet, while allowing a maturity and execution discount for 5.58% revenue growth, Management YELLOW and persistent amortization. Bull 30x is demanding but remains below the normalized current LSEG P/E and below the higher premium index/data peer observations; it is acceptable only alongside the Bull's 8.38% revenue CAGR and 40.46% margin. None of the three was reverse-engineered from the desired IRR, P/E-15 gate or score. The excessive-optimism and excessive-bearishness challenges pass, and the independently locked exits remain 18x/24x/30x.

5. Missing Data

The most important missing evidence is a complete acquisition-inclusive ROIIC schedule. Other limitations are a clean gross R&D/product-investment history, grant-level SBC dilution and proceeds, a fully comparable five-year equity-FCF definition, product-level margins for several divisions and more than two years of clean current-taxonomy segment history. These omissions lower confidence to Medium. They do not invalidate the PE return bridge.

6. Hard-Veto and Threshold Test Audit

Code	Original	Audited	Evidence status and decision
1A Normalized ROIC	1/5	1/5	Supported; 4.4% five-year median and 6.76% normalized TTM are low
1B ROIIC	0/8	0/8	Insufficient evidence; mandatory zero cap applied
1C ROIIC trend	1/3	1/3	Partly supported by low upper-bound proxies; no uplift
1D Unit economics	2/3	2/3	Partly supported by segment margins and moat evidence
1E Cash conversion real	3/3	3/3	Supported for three current-definition years plus TTM
1F Not accounting artifact	1/3	1/3	Supported conservatively; goodwill/intangibles remain in capital
2A Market opportunity	4/5	4/5	Supported by data, index, risk and clearing drivers
2B Reinvestment at scale	3/5	2/5	Reduced; scale is proven, acquisition-inclusive return is not
2C Organic growth	3/4	3/4	Partly supported; Microsoft monetization remains early
2D Repeatable playbook	2/3	2/3	Partly supported; uneven across divisions
2E Market structure	2/2	2/2	Supported by clearing, benchmark and regulated-workflow structure
2F Growth without ROIC collapse	0/1	0/1	Unsupported; low acquisition-burdened returns control
3A Clear advantage	4/4	4/4	Supported by specific infrastructure and data barriers
3B Pricing power	2/3	2/3	Supported but constrained by regulation and competition
3C Competitive evidence	3/3	3/3	Supported by named peers and observable positions
3D Customer stickiness	2/2	2/2	Supported by workflow, benchmark and netting integration
3E Stress resilience	1/2	1/2	Partly supported; Markets and regulation remain cyclical
3F Low disruption risk	1/1	0/1	Reduced; disruption is manageable but not low
4A Earnings quality	1/2	1/2	Supported conservatively; adjusted/statutory gap is large
4B Cash supports earnings	2/2	1/2	Reduced for legacy/current FCF-definition splice

Code	Original	Audited	Evidence status and decision
4C SBC and dilution	2/2	2/2	Supported by five-year burden, share decline and scenario issuance
4D Balance sheet	1/2	1/2	Supported; leverage is controlled but acquisition burden is material
4E Disclosure	1/1	1/1	Supported overall, with specified KPI gaps
4F Governance/control	0/1	0/1	Supported zero; unresolved IT access-control deficiency
5A Rational reinvestment	1/2	1/2	Partly supported by product investment, not capital returns
5B Acquisition discipline	0/2	0/2	Insufficient acquisition-inclusive return evidence
5C Buyback discipline	1/2	1/2	Partly supported; shares shrink, price discipline remains uncertain
5D Incentive alignment	0/2	0/2	Supported zero; no ROIC/ROCE/FCF test
5E Owner mentality	1/1	0/1	Reduced; Management YELLOW and controls/acquisition evidence do not clear full credit
5F Past decisions	1/1	1/1	Partly supported by leverage and integration execution
6A Base IRR	2/6	2/6	Calculation correct; 13.36% falls in 10%–15% band
6B Exit multiple	2/4	2/4	Independently justified contraction, but 20% hurdle still fails
6C Bear acceptable	0/3	0/3	Calculation correct; -7.93% is unacceptable
6D Reverse hurdle	0/3	0/3	Calculation correct; required EPS is 34.78% above Base
6E Price not perfection	0/2	0/2	Supported zero under the stretch hurdle
6F Cash returns	1/2	1/2	Supported; dividends help but cannot close the gap

The hard-veto screen still fails the “flawless execution at today’s price” test for the 20% rubric. Every Investable-now threshold also fails: 47/100 is below 80, 42/80 is below 65, 5/20 is below 15, ROIIC plus runway is below 35/45, Base IRR is below 20%, Bear is below 8%–10%, and a hard veto remains. The no-expansion test alone passes because all exits are below the comparable normalized current 31.739148x.

7. Final 20% Hurdle Pass/Fail

FAIL. The Base gross local return is 13.36%, the probability-weighted gross local return is 12.94%, and the Base model does not approach the required terminal EPS at the locked 24x. The 20% case does not require multiple expansion; it fails because expected terminal wealth is insufficient at the current price.

8. Dream Business / Dream Investment Classification

Neither under this demanding rubric. LSEG has a dream-business-like moat, but the acquisition-inclusive return record is not strong enough to call the whole enterprise a dream business, and the current price does not produce a dream investment at the 20% stretch hurdle. The single biggest reason is that durable franchises have not yet translated the acquisition-heavy capital base into provably high incremental returns, while Base expected wealth compounds at only 13.36%.

9. Stage 7 Scorecard Notes

Compounder Score note: 47/100; durable franchises and sound return arithmetic do not offset weak acquisition-inclusive return evidence and a 20% hurdle miss.

Business Quality Score note: 42/80; moat and cash conversion are real, but reinvestment proof, comparable long-run cash evidence and Management YELLOW cap confidence.

20% Return UW Score note: 5/20; Base gross local IRR is 13.36%, and expected wealth supports a 6,415 GBX probability-weighted 20% max-buy price.

10. Auditor JSON

The companion `compounder_score_audit.json` preserves full-precision gross and net-SGD returns, the probability-weighted terminal-wealth method, the validated preflight hash, category and subcategory revisions, exit-multiple integrity, data gaps and all authority flags. All trade, order, messaging, owner-action, sizing and portfolio-mutation authority flags are false.

Appendix RT - Red Team

London Stock Exchange Group plc — Red Team

Ticker: LSEG.L **Report ID:** LSEG_ER2_2026-08-27_20260827_115131 **Price anchor:** 8,688 GBX on 2026-08-26 **Valuation-preflight SHA-256:** `aa5846fcebf96582717b8eac2774cf16eee7af20f5b3de90556b47e5a05131ef` — independently hash-matched **Audited primary valuation method:** P/E **Frozen exit P/Es:** 18x Bear / 24x Base / 30x Bull **Scope:** adversarial review only; no upstream audited field is changed

1. The most fragile assumption

The most fragile assumption is **Data & Analytics terminal Adjusted operating profit margin of 27.69% in the Base case**, specifically the Workflows and Data & Feeds product-margin lines. D&A starts at a disclosed 24.3% TTM segment margin. The model gives Workflows 24.0% in 2031 versus a 22.5% analytical starting allocation and Data & Feeds 34.0% versus 30.0%, even though Workflows organic growth is only 2.7%, AI/MCP invoices were minimal in 2026, and cloud, inference, partner, data-rights and product-engineering costs remain incompletely disclosed. Mix alone supplies only about 66 basis points of the modeled 339-basis-point expansion; roughly 269 basis points, or £155.2m of 2031 AOP, must come from actual product-level efficiency.

If the entire D&A margin merely held at the 24.3% starting level rather than reaching 27.69%, Base AOP would be about £195.6m lower. Applying the locked 24.5% tax rate and 421.932821m diluted shares cuts Base EPS by about **35.0 GBX**, from 641.28 to approximately 606.26 GBX. At the frozen 24x P/E and unchanged modeled distributions, Base gross local IRR falls from **13.36% to 12.17%**, a 1.20-point reduction. This does not break the return bridge by itself, but it exposes how much of the Base case depends on margin capture rather than the better-supported revenue mix.

2. The most-likely-to-be-optimistic Stage 5 number

The single Stage 5 number most likely to be revised down is **Base terminal diluted shares of 421.932821m**. The path assumes £8.30bn of buybacks over five years, retiring 86.780381m shares at assumed average prices rising from £86 to £105, partly offset by only 9.713202m of SBC issuance. The near-term £3bn authorization and H1 2026 repurchases support the direction, but they do not establish a five-year commitment. LSEG must also fund dividends, approximately £919m of annual cash capex, the Microsoft cloud commitment, regulated-infrastructure investment, debt service and possible acquisitions while keeping leverage inside 1.5–2.5x.

The EPS consequence is large because the model turns capital return into denominator reduction. A deliberately milder stress in which net shares merely remain at the 499m starting level gives Base EPS of about **542.24 GBX** rather than 641.28 GBX. At 24x plus the frozen distribution stream, Base IRR falls to **9.84%**, 3.53 points below the audited result. This is not a proposed correction: recent buybacks make zero net retirement too harsh as a central expectation. It is why the share-count number, not the tax rate or FTSE margin, deserves the closest monitoring.

3. The strongest bear case, stated in its strongest form

LSEG is priced as if ownership of trusted data guarantees ownership of the AI workflow, yet the interface is the least defensible part of the group. General agents and Microsoft can own discovery and orchestration while customers demand broader machine-use rights for little incremental spend; D&A then keeps the cost of governed data, cloud delivery and product development but loses Workspace seats and pricing control. At the same time, the exceptional H1 Markets activity normalizes and EMIR 3 shifts economically relevant euro clearing toward EU CCPs, weakening both volume capture and margin. Within two years the evidence would be Data & Feeds growth below 5%, subscription retention below 90%, and SwapClear share below 85%; by 2031 the economics resemble the frozen Bear—275.91 GBX EPS, 18x, 5,747 GBX total wealth and a –**7.93%** gross local IRR.

4. Cross-examination of management commentary

“The organisations that know us best are voting with their wallets.” — David Schwimmer, 26 February 2026, FY2025 results. The skeptical reading is that a 92.8% subscription revenue-retention rate is good but still requires price, gross sales and cross-sell to replace more than seven points of attrition. D&A organic growth was about 5.2%, Workflows only 2.7%, and no AI-specific revenue was disclosed. The first contradiction would be retention rolling back below 91% or gross sales failing to rise while AI engagement and tool calls continue to increase.

“We have significantly accelerated our strategic progress in the last few months.” — David Schwimmer, 23 October 2025, Q3 update. Product launches and distribution progress are observable, but contract value is not. H1 2026 still described MCP invoices as minimal and immaterial to 2026, even as more than 200 customers were engaged and tool calls rose nearly fivefold. The statement fails economically if Data & Feeds remains below roughly 6% or Analytics below 6% while API/MCP traffic rises rapidly: that would show adoption without incremental rights monetization.

“We are very confident of delivering on all our financial guidance for 2026.” — Michel-Alain Proch, 30 July 2026, H1 results. H1 adjusted EBITDA-margin expansion included 140 basis points from SwapClear revenue-share timing and 60 basis points from FX; only 120 basis points was underlying constant-currency improvement, and the timing benefit largely reverses in Q4. The first adverse evidence is therefore not a missed headline H1 margin but a post-reversal exit rate that cannot sustain the approximately 100-basis-point full-year guide without lower investment or another timing benefit.

These are not accusations of dishonesty. Management has generally disclosed operating mechanics well. The red-team point is that its strongest language is attached to guidance confidence and adoption, while the economically decisive items—incremental AI revenue, partner economics and acquisition-inclusive returns—remain unquantified.

5. Stage 5 tie-out reverification

The recency anchor is not stale in the optimistic direction. The last four completed quarters show group income excluding recoveries growing 6.4%, 6.2%, 9.8% and 7.1%, while the Base first-forward-year model grows only 5.47%. Markets Q1 growth of 15.5% slowed to 8.3% in Q2, and the model explicitly resets the SwapClear timing benefit before rebuilding margin. Workflows remained in a narrow 2.7–3.0% range; the model’s 4.5% five-year CAGR is therefore a monetization thesis, not a current run-rate extrapolation.

The share path is arithmetically correct but economically demanding. TTM equity FCF of about £2.715bn less starting dividend cash of £757m leaves roughly £1.96bn before acquisitions, debt reduction and other claims. That broadly covers the Base average annual buyback of £1.66bn, so the path is not impossible. It leaves little slack if capex does not decline toward 8%, the Microsoft commitment absorbs more cash, or management continues bolt-on investment. Finance costs falling from £394m TTM to £350m in Base while £8.30bn is repurchased is the consistency check to watch.

No Base product CAGR obviously outruns recent peer or company deceleration without a named reason. FTSE’s 6.7% blended growth is below the latest 9.4%; Risk Intelligence’s 8.5% matches its recent 9–10.5% range; and Markets uses 3–7% on core lines despite far stronger H1 volumes. The genuine exceptions are Workflows accelerating from 2.7% to a 4.5% CAGR and Analytics from 6.7% to 8.0%, justified by paid AI rights that have not yet been proven. Peer evidence cuts both ways: Bloomberg, FactSet and S&P Global are also embedding AI in trusted-data workflows, so feature parity may defend retention without lifting price.

6. Score-derived 20% return claim most likely to be wrong

The audited score does **not** claim that 20% is plausible, and the red team agrees. The audited 47/100 Reject classification carries Base gross IRR of 13.36%, probability-weighted gross IRR of 12.94%, Base net-SGD IRR of 13.14% and probability-weighted net-SGD IRR of 12.71%. The Base 20% bridge requires 864.305445 GBX of terminal EPS at 24x after distributions—**34.78% above** modeled Base EPS. Alternatively, the investor would need to pay no more than **6,536.87 GBX** for the Base case or **6,415.32 GBX** on the probability-weighted bridge, versus 8,688 GBX today.

The score item most likely to be overstated is the one point for cash returns helping the outcome. Dividends genuinely add value, but buyback help depends on sustained FCF and purchase prices. Even so, eliminating the entire frozen dividend stream reduces Base IRR only to **12.12%**, a 1.25-point change. The main 20% shortfall is operating and entry-price math, not dividend modeling.

7. Two-sided valuation challenge

Strongest reason the model may be too optimistic

The 24x Base exit P/E remains the most powerful valuation assumption. It is supported by a 20.5x–31.4x exchange/data peer band and is below LSEG’s normalized current 31.74x, but by 2031 the company is modeled at only 5.58% revenue growth and still carries substantial acquired-intangible amortization, Management YELLOW and unresolved proof of acquisition returns. A **21x** non-controlling sensitivity—near European exchange anchors—reduces Base terminal equity value from 15,390.62 to 13,466.79 GBX and Base gross IRR from 13.36% to **10.54%**, a 2.82-point reduction.

This objection is **MATERIAL_RESOLVED**. VP selected 24x before returns, documented denominator comparability, explicitly discounted LSEG versus higher-multiple index/data peers, and CSA repeated the excessive-optimism test. The 21x case is a decision-useful sensitivity, not evidence that the frozen 24x is an invalid denominator or reverse-engineered multiple.

Strongest reason the model may be too bearish

Bear stacks a 1.72% revenue CAGR, a statutory operating margin decline to 22.24%, slower amortization run-off, higher finance cost and an 18x exit P/E. The strongest challenge is the final multiple: 18x is below the roughly 20.5x European exchange anchors even though the Bear still leaves LSEG solvent, profitable and protected by clearing, benchmark and compliance franchises. At **20.5x**, Bear terminal wealth would rise to about 6,436.25 GBX and gross IRR to –**5.82%**, 2.11 points above the frozen –7.93%.

This objection is **MATERIAL_RESOLVED**. The locked Bear multiple is intentionally at the low end of the stressed mature exchange/data range and still preserves finite going-concern equity rather than applying a zero-value shortcut. The operational and multiple stresses are severe, but not internally contradictory.

Return-objection register

Return objection	Classification	Resolution
Base 24x may overvalue a mature 5.58% grower	MATERIAL_RESOLVED	VP and CSA independently justify 24x; 21x is retained only as a non-controlling sensitivity
Bear 18x may double-count operational pessimism	MATERIAL_RESOLVED	VP explicitly passed the excessive-bearishness test and preserves going-concern value
Base 421.93m share count depends on £8.30bn of buybacks	MATERIAL_RESOLVED	The cash amount, annual prices, SBC issuance and share arithmetic are explicit; the stress is material but does not expose a frozen-field defect
Modeled dividends may be too generous	IMMATERIAL	Removing all Base distributions changes Base IRR by only 1.25 points
Conditional net-SGD tax/FX assumptions are not personally verified	IMMATERIAL	They are labeled diagnostic and do not alter the controlling gross-local bridge

There is no invalid method switch, denominator mismatch, net-debt add-on, probability-weighted IRR averaging error or unresolved double count. No VP or CS/CSA reroute is required.

8. P&C insurer return-bridge cross-examination

Not applicable. LSEG is a market-infrastructure, data, index, risk-workflow, trading and clearing company, not a property-and-casualty insurer or reinsurer. The frozen preflight correctly sets `insurer_return_bridge_required=false`; no retained-versus-managed underwriting perimeter, common-book roll-forward or negative-EPS-to-zero-equity test is required.

9. The signal that forces an exit

The forcing signal is **Data & Feeds organic constant-currency income growth below 5.0% in each of the next two reported quarters**. It is currently 7.7%, and the Base case requires a 7.0% five-year CAGR while machine traffic, Tick History API requests and AI tool calls expand rapidly. Two sub-5% quarters would show that greater machine consumption is not converting into paid data rights and that competitors, customers or platform partners are capturing the economics. At 31.74x normalized current earnings, that would invalidate the central D&A monetization premise and require an exit rather than waiting for the five-year model to self-correct.

10. Conviction at the end of red team

Conditional — the operating thesis survives, but the security does not become investable at the current price under the audited hurdle. LSEG's clearing, benchmark, licensed-data and compliance moats survive the attack; the preflight and return arithmetic also survive. What does not survive is any suggestion that current valuation offers a wide margin for error. The Base result already compounds at only 13.36%, and plausible but non-controlling sensitivities to share retirement or the exit P/E can reduce that to roughly 10%. Position sizing, if another mandate later permits it, should therefore be zero under the current 20% hurdle and should not rely on the P/E≤15 diagnostic gate as a substitute for return underwriting.

Terminal return-objection classification: MATERIAL_RESOLVED. Final assembly is CLEARED; no MATERIAL_UNRESOLVED objection remains, and no VP or CS/CSA reroute is required.

Appendix D - Data Package (Raw Historicals)

London Stock Exchange Group plc — ER2 Data Package

As of: 2026-08-27 **Listing:** XLON:LSEG ordinary shares, quoted in GBX; financial reporting currency GBP **Fiscal year end:** 31 December **Most recent complete reporting period:** H1 ended 2026-06-30, reported 2026-07-30 **TTM:** FY2025 less re-presented H1 2025 plus H1 2026, ending 2026-06-30 **Forward horizon used downstream:** 2031-06-30, exactly five calendar years after the TTM anchor **Mode:** Production Mode; live FMP and official LSEG sources only; no local data-warehouse cache was read.

Source register and evidence convention

All GBP amounts are millions unless stated. “Income” follows LSEG's terminology and includes recoveries where the source table does. Organic growth is at constant currency. URLs below were fetched live in this D-stage run and archived under `C:\Users\Admin\OneDrive\GPT\ER 2.0\London Stock Exchange Group\raw\d_20260827`.

ID	Official or live source	Period / purpose	Live URL or endpoint
AR25	LSEG Annual Report 2025	FY2025; re-presented FY2024; statutory accounts; segment and KPI tables	https://www.lseg.com/content/dam/lseg/en_us/documents/investor-relations/annual-reports/lseg-annual-report-2025.pdf
AR24	LSEG Annual Report 2024	FY2024; re-presented FY2023 under the 2024 five-division taxonomy	https://www.lseg.com/content/dam/lseg/en_us/documents/investor-relations/annual-reports/lseg-annual-report-2024.pdf
AR23	LSEG Annual Report 2023	FY2023/FY2022; legacy three-division taxonomy and historical KPIs	https://www.lseg.com/content/dam/lseg/en_us/documents/investor-relations/annual-reports/lseg-annual-report-2023.pdf
AR22	LSEG Annual Report 2022	FY2022/FY2021; legacy taxonomy and historical KPIs	https://www.lseg.com/content/dam/lseg/en_us/documents/investor-relations/annual-reports/lseg-annual-report-2022.pdf
AR21	LSEG Annual Report 2021	FY2021; first year including Refinitiv from 29 January	https://www.lseg.com/content/dam/lseg/en_us/documents/investor-relations/annual-reports/lseg-annual-report-2021.pdf
H125	LSEG H1 2025 interim report, presentation and transcript	H1 2025 and management commentary, 2025-07-31	https://www.lseg.com/en/investor-relations/financial-results/2025-h1-interim-results
Q325	LSEG Q3 2025 trading update	Q3/YTD revenue, KPIs, AI distribution and capital allocation, 2025-10-23	https://www.lseg.com/content/dam/lseg/en_us/documents/investor-relations/financial-results/trading-statement/rns/lseg-trading-update-q3-2025-rns-23oct2025.pdf
FY25R	LSEG FY2025 preliminary results, deck and transcript	FY2025 results and 2026/2027-29 guidance, 2026-02-26	https://www.lseg.com/en/investor-relations/financial-results/2025-preliminary-results
Q126	LSEG Q1 2026 trading update	Q1 revenue, product/KPI and volume tables, 2026-04-23	https://www.lseg.com/content/dam/lseg/en_us/documents/investor-relations/financial-results/trading-statement/rns/lseg-trading-update-q1-2026-rns-23apr2026.pdf
H126	LSEG H1 2026 interim report, deck and transcript	H1/Q2 revenue, earnings, KPIs, guidance, 2026-07-30	https://www.lseg.com/en/investor-relations/financial-results/2026-h1-interim-results
IF25	LSEG Innovation Forum	Strategy, AI, D&A monetisation and product demonstrations, 2025-11-10	https://www.lseg.com/en/investor-relations/lseg-innovation-forum-november-2025
RI25	LSEG Risk Intelligence webinar	Business mix, operating KPIs, strategy and Q&A, 2025-06-17	https://www.lseg.com/en/investor-relations/investor-events-presentations/risk-intelligence-webinar-june-2025
FMP-IS	Live FMP stable income-statement for LSEG.L, annual and quarter	Vendor comparison; FY2025 spot check	`/stable/income-statement?symbol=LSEG.L&period=annual`
FMP-BS/CF/KM	Live FMP stable balance sheet, cash flow and key metrics for LSEG.L	Five-year consolidated cross-check	`/stable/balance-sheet-statement`, `/stable/cash-flow-statement`, `/stable/key-metrics`

ID	Official or live source	Period / purpose	Live URL or endpoint
FMP-PROD	Live FMP stable product segmentation, annual and quarter	Both responses were exact empty arrays	`/stable/revenue-product-segmentation?symbol=LSEG.L&period=annual` and `period=quarter`

0a. Industry classification and disclosure inventory

LSEG is a UK-listed global financial-markets infrastructure, exchange, clearing, index and financial-data platform. The applicable checklist is **Asset Managers / Wealth / Exchanges**, supplemented by an LSEG-specific inventory for subscription data, index-linked assets, clearing/trading volumes, capital formation, financial-crime data and AI/workflow adoption. It reports under UK-adopted international accounting standards through annual and half-year financial statements, with Q1 and Q3 revenue-only trading updates. FMP's annual and quarterly product-segmentation endpoints returned exact empty arrays in this run, so Section 0a is mandatory and official LSEG tables control product, segment and KPI history.

Official searches performed across AR21–AR25, H125, Q325, FY25R, Q126, H126, IF25 and RI25 included: `Annual Subscription Value`, ASV, `gross sales`, `retention`, `New Product Vitality Index`, `Workspace`, `AI Search`, `MCP`, `ETF AUM`, `assets under management`, `average daily volume`, `value traded`, `notional cleared`, `client trades`, `new issues`, `capital raised`, `revenue capture`, `take rate`, `World-Check`, `identity verification`, `fraud`, `transactions`, `capex`, `free cash flow`, `buyback`, `dividend`, `debt`, `liquidity`, `geography`, `customer community` and `currency mix`.

Dataset / table family	Official source searched	Search terms or table names	Years available	Included?	If excluded, why	Downstream relevance
Segment economics	AR21–AR25; H126	Segment information; financial review; adjusted operating profit	FY2021–FY2025, but two taxonomy breaks; current basis clean FY2024 onward	Yes	Pre-boundary values separately labeled	Segment appendices and statutory synthesis
Subscription KPIs	AR21–AR25; H125; H126	ASV; gross sales; retention; NPVI	ASV FY2021–FY2025 plus H1 2026; newer KPIs H1/FY2025 onward	Yes	Earlier retention/sales/NPVI are true non-disclosures	D&A, FTSE Russell and Risk Intelligence growth
FTSE index-linked assets	AR21–AR25; H126	Index – ETF AUM; launches	FY2021–FY2025 plus H1 2026	Yes	None	Asset-based revenue and moat
Markets activity	AR21–AR25; Q126; H126	ADV; value traded; notional cleared; client trades; collateral	FY2021–FY2025 plus Q1/H1 2026 for selected series	Yes	Product-level take rates are not disclosed	Transaction and clearing forecasts
Risk Intelligence	RI25; AR24; AR25; H126	Screening mix; recurring mix; World-Check records; DI&F transactions	2024–H1 2026, depending on KPI	Yes	A consistent five-year operating-KPI series is not disclosed	Growth durability and pricing model
Workspace / AI adoption	AR25; Q325; FY25R; Q126; H126; IF25	Eikon migration; active users; MCP customers; usage; monetisation	Event-based 2025–H1 2026	Yes	No pre-launch history exists	AI disruption and upside
Capital formation	AR21–AR25; Q126; H126	New issues; money raised; Private Securities Market	Select FY2021–FY2024 and event disclosures	Yes	LSEG stopped publishing one continuous annual group table	Equities cyclicality
Capital, debt and liquidity	AR21–AR25; H126	net debt; leverage; RCF; buyback; dividend; capex; EFCF	FY2021–FY2025 plus H1 2026	Yes	None material	Capital allocation and valuation

Longest clean KPI histories

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim	Source
ASV growth	Subscription businesses, organic CCY	4.6%	6.2% excl. Ukraine/Russia	6.7%	6.3%	5.9%	6.1% at Jun-26	AR21–AR25; H126
Rolling 12-month gross sales	Subscription businesses	n/d	n/d	n/d	n/d	£481m	£482m at Jun-26; H1-25 comparator £435m	AR25; H126
Revenue retention	Subscription businesses	n/d	n/d	n/d	n/d	92.4%	92.8% at Jun-26; H1-25 92.6%	AR25; H126
NPVI	Subscription businesses	n/d	n/d	n/d	n/d	24%	25% at H1-26; H1-25 19%	AR25; H126
FTSE Russell ETF AUM, period end	US$bn	1,138	1,009	1,245	1,433	1,827	2,193 at Jun-26	AR21–AR25; H126

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim	Source
UK equities average daily value	£bn	4.5	4.6	3.7	4.2	4.8	6.671 at H1-26	AR21–AR25; H126
FX average daily total volume	US$bn	443	452	442	479	525	561 at H1-26	AR21–AR25; H126
SwapClear IRS notional cleared	US$tn	921	1,091	1,319	1,601	1,941	1,165 in H1-26	AR21–AR25; H126
SwapClear client trades	thousands	2,180	2,684	3,172	3,990	5,308	3,283 in H1-26	AR21–AR25; H126
Primary-market capital formation	LSE new issues / equity capital raised	174 / £34.8bn	74 / £10.7bn	n/d	£25bn equity capital raised	n/d	First Private Securities Market transactions in H1-26	AR21; AR22; AR24; H126

“n/d” above means true non-disclosure after the named official source set and search terms were checked. Gross sales, retention and NPVI were introduced as group KPIs in 2026 with H1/FY2025 comparators; inventing earlier history would be invalid. LSEG stopped publishing a continuous new-issues/money-raised table after FY2022; FY2024 separately disclosed £25bn of equity capital raised, so those non-comparable disclosures are preserved without backfilling missing years.

LSEG-specific current KPI inventory

KPI	Latest disclosed value	Period / interpretation	Source
Workspace users migrated from Eikon	about 350,000	Migration completed in 2025; platform base, not paying-seat growth	AR25
Workspace AI Search active users	17,000	General availability July 2026	H126
Workspace Deep Research users	7,000	H1 2026; premium add-on planned	H126
MCP/customer AI engagements	over 200	Since December 2025 launch; includes engaged, not only live paying users	H126
MCP tool-call change	nearly 5x	May to June 2026; usage-growth indicator, no revenue amount	H126 transcript
Real-time network traffic	peak 26m messages/sec; +29% YoY	June 2026	H126
Tick History API requests	+48% YoY	H1 2026	H126
Analytics API usage	+33% YoY	H1 2026	H126
FTSE-linked ETF AUM	US$2.193tn period end	H1 2026; average US$1.997tn	H126
FTSE ETF launches	52	H1 2026 versus 42 in H1 2025	H126
Risk Intelligence DI&F transactions	about 300m	H1 2026; FY2025 exceeded 500m, +16.5%	H126; AR25
Tradeweb ADV	US$3.180tn	H1 2026, +24.8%	H126
FX ADV	US$561bn	H1 2026, +5.8%	H126
SwapClear IRS notional	US$1,165tn	H1 2026, +29.4%	H126

1. Reporting structure and taxonomy

The current reportable divisions are: **Data & Analytics**, providing workflows, feeds and analytics; **FTSE Russell**, providing index and benchmark subscriptions and asset-based licences; **Risk Intelligence**, providing screening, digital identity/fraud and enhanced due diligence; **Markets**, combining capital formation, execution, clearing, post-trade and treasury income; and **Other**, a small residual.

FY2025 division	FY2025 income	% of £9,346m group income	Exact FY2025 adjusted operating profit
Data & Analytics	4,338	46.4%	1,043
FTSE Russell	954	10.2%	546
Risk Intelligence	579	6.2%	285
Markets	3,467	37.1%	1,623
Other	8	0.1%	9
Group	**9,346**	**100.0%**	**3,506**

There are two material taxonomy boundaries. From Q1 2024 LSEG separated FTSE Russell and Risk Intelligence from Data & Analytics and re-presented 2023 under that five-division view. From 1 January 2025 it combined Capital Markets and Post Trade into Markets and re-presented FY2024. During 2025 and H2 2025 it also reallocated certain revenue and cost items to reflect its product-led model; AR25 re-presented FY2024 and H126 re-presented H1 2025. Current-basis comparisons therefore use AR25 and H126 comparatives. FY2023 values in Section 3 are explicitly labeled prior-taxonomy and cannot be chained mechanically into current-basis margins.

The Innovation Forum disclosed 2024 revenue tagging of roughly 42% Americas, 43% EMEA and 15% APAC; customer communities were roughly 72% banking, 14% buy-side/wealth and 14% corporate. Q126 disclosed revenue currency mix of 58% USD, 16% GBP, 17% EUR and 9% other. Currency mix is not the same as customer domicile and is not presented as geography.

2. Consolidated historicals

The live FMP annual endpoint is used for FY2021–FY2024 consolidated cross-checks. FY2025 official LSEG values control: FMP returned £9,313m revenue and £2,164m operating income versus official £9,346m and £2,127m, differences of £(33)m and £37m. PBT, parent net income, diluted EPS and diluted shares tied. Cash capex and equity free cash flow use LSEG's definitions because FMP's FY2025 capex field captured only £124m and omitted substantial product/intangible investment.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue / total income (£bn)	6.535	7.743	8.379	8.858	9.346	FMP-IS; AR25 official override
Statutory operating income (£bn)	1.454	1.707	1.371	1.463	2.127	FMP-IS; AR25 official override
Operating margin	22.2%	22.0%	16.4%	16.5%	22.8%	Calculated
Parent net income (£bn)	0.461	0.790	0.761	0.685	1.249	FMP-IS; AR25
Diluted EPS (£)	0.85	1.41	1.38	1.28	2.37	FMP-IS; AR25
Diluted weighted shares (m)	541	560	551	535	527	FMP-IS; AR25
Cash capex (£bn)	0.632	0.966	1.031	0.957	0.919	AR22–AR25; 2021 re-presented by AR22
Equity free cash flow (£bn)	1.787	1.664	1.608	2.184	2.445	AR22–AR25; FY2023 re-presented by AR24 under the current definition
Statutory ROIC diagnostic	5.8%	4.4%	3.5%	3.5%	5.6%	Calculated below

FY2021 included Refinitiv only from 29 January and is not a full-year like-for-like base. FY2021–FY2022 equity free cash flow retains the legacy definition reported in AR22; FY2023–FY2025 uses the current definition introduced in AR24, which re-presented FY2023 from the originally reported £1.793bn to £1.608bn after deducting lease principal and commercial-paper interest. Statutory ROIC is calculated as `statutory operating income × (1 − reported tax rate) / average invested capital`, where invested capital equals total debt plus parent equity less cash and short-term investments. The reported tax rates used were 33.8%, 21.1%, 20.7%, 26.8% and 23.5%; NOPAT was £963m, £1,347m, £1,088m, £1,071m and £1,627m; average invested capital was £16,705m, £30,364m, £30,655m, £30,386m and £29,192m. Acquisition goodwill and purchased intangibles remain in this statutory denominator, so the measure is deliberately harsher than an adjusted return metric.

3. Segment historicals

The exact sealed profit basis is **Adjusted operating profit**. It is an issuer-disclosed additive non-GAAP measure and must not be renamed statutory operating income.

Division / metric (£m)	FY2021	FY2022	FY2023	FY2024 re-presented	FY2025	TTM Jun-26	Source / comparability
Data & Analytics income	n/c	n/c	4,301	4,223	4,338	4,411	AR24 prior taxonomy for 2023; AR25 current basis from 2024; H126
Data & Analytics adjusted operating profit	n/c	n/c	1,057	1,008	1,043	1,074	Same boundary; FY2024/25 current basis

Division / metric (£m)	FY2021	FY2022	FY2023	FY2024 re-presented	FY2025	TTM Jun-26	Source / comparability
Data & Analytics AOP margin	n/c	n/c	24.6%	23.9%	24.0%	24.3%	Calculated
FTSE Russell income	n/c	n/c	844	911	954	986	AR24 prior taxonomy for 2023; AR25/H126 current basis
FTSE Russell adjusted operating profit	n/c	n/c	465	521	546	573	Same boundary
FTSE Russell AOP margin	n/c	n/c	55.1%	57.2%	57.2%	58.1%	Calculated
Risk Intelligence income	n/c	n/c	492	531	579	602	AR24; AR25; H126
Risk Intelligence adjusted operating profit	n/c	n/c	190	245	285	306	FY2024 AOP re-presented by AR25
Risk Intelligence AOP margin	n/c	n/c	38.6%	46.1%	49.2%	50.8%	Calculated
Markets income	n/c	n/c	2,713*	3,180	3,467	3,652	*Capital Markets plus Post Trade on AR24 basis; not current-taxonomy comparable
Markets adjusted operating profit	n/c	n/c	1,114*	1,355	1,623	1,827	*Arithmetic legacy combination; AR25 current basis from FY2024
Markets AOP margin	n/c	n/c	41.1%*	42.6%	46.8%	50.0%	Calculated; starred row not comparable
Other income / AOP	n/c	n/c	n/c	n/c	8 / 9	8 / 8	Current sealed sources disclose only FY2025/TTM cleanly

n/c means not comparable across the 2024 separation of FTSE Russell/Risk Intelligence from D&A or the 2025 Markets combination. The earlier official reports were searched; this is a taxonomy boundary, not an omitted extraction.

3a. Historical statutory-profit bridge and forecast-driver ledger

The sealed packet at `C:\Users\Admin\OneDrive\GPT\ER 2.0\London Stock Exchange Group\statutory_bridge.json` hashes to `196293361a50240380af6da15c5b6552e1e97b7e323dd596d31a7eeeb53d5bd9`, matching QFR. Reporting currency is GBP millions; the common segment metric is **Adjusted operating profit**. There are no corporate/unallocated lines and no plugs.

FY ended 2025-12-31

Bridge line	Classification	Value	Source ID	Running subtotal
Data & Analytics	segment profit	1,043	LSEG_AR2025	1,043
FTSE Russell	segment profit	546	LSEG_AR2025	1,589
Risk Intelligence	segment profit	285	LSEG_AR2025	1,874
Markets	segment profit	1,623	LSEG_AR2025	3,497
Other	segment profit	9	LSEG_AR2025	3,506
Sum of reportable segment profit	subtotal	3,506	LSEG_AR2025	3,506
Transaction costs	operating	(25)	LSEG_AR2025	3,481
Integration, separation and restructuring costs	operating	(133)	LSEG_AR2025	3,348
Depreciation, amortisation and impairment of intangibles and other assets	operating	(1,221)	LSEG_AR2025	2,127
Statutory operating income	statutory subtotal	2,127	LSEG_AR2025	2,127
Finance income	interest	153	LSEG_AR2025	2,280

Bridge line	Classification	Value	Source ID	Running subtotal
Finance costs	interest	(340)	LSEG_AR2025	1,940
Gains on digital and related assets	other non-operating	29	LSEG_AR2025	1,969
Pretax income	statutory subtotal	1,969	LSEG_AR2025	1,969
Income tax expense	tax	(463)	LSEG_AR2025	1,506
Profit attributable to non-controlling interests	noncontrolling interests	(257)	LSEG_AR2025	1,249
Parent net income	statutory subtotal	1,249	LSEG_AR2025	1,249

TTM ended 2026-06-30 = FY2025 – H1 2025 + H1 2026

Bridge line	Classification	Value	Source ID	Running subtotal
Data & Analytics	segment profit	1,074	LSEG_H1_2026	1,074
FTSE Russell	segment profit	573	LSEG_H1_2026	1,647
Risk Intelligence	segment profit	306	LSEG_H1_2026	1,953
Markets	segment profit	1,827	LSEG_H1_2026	3,780
Other	segment profit	8	LSEG_H1_2026	3,788
Sum of reportable segment profit	subtotal	3,788	LSEG_H1_2026	3,788
Transaction cost credit/(cost), TTM bridge	operating	(3)	LSEG_H1_2026	3,785
Integration, separation and restructuring costs, TTM bridge	operating	(99)	LSEG_H1_2026	3,686
Non-underlying depreciation, amortisation and impairment, TTM bridge	operating	(1,192)	LSEG_H1_2026	2,494
Statutory operating income	statutory subtotal	2,494	LSEG_H1_2026	2,494
Finance income, TTM bridge	interest	127	LSEG_H1_2026	2,621
Finance costs, TTM bridge	interest	(394)	LSEG_H1_2026	2,227
Gains on digital and related assets, TTM bridge	other non-operating	29	LSEG_H1_2026	2,256
Pretax income	statutory subtotal	2,256	LSEG_H1_2026	2,256
Income tax expense, TTM bridge	tax	(552)	LSEG_H1_2026	1,704
Profit attributable to non-controlling interests, TTM bridge	noncontrolling interests	(290)	LSEG_H1_2026	1,414
Parent net income	statutory subtotal	1,414	LSEG_H1_2026	1,414

Forecast-driver schedule

Historical bridge line	FY value	TTM value	Forecast treatment	Driver and source	Bear / base / bull rule
Transaction costs	(25)	(3)	Independently forecast operating expense	Deal cadence; AR25/H126 disclose tapering	Bear retains recurring cost; base tapers; bull zero only after documented cessation
Integration, separation and restructuring	(133)	(99)	Independently forecast operating expense	FY25R said integration costs should fall again in 2026	Bear slow taper; base disclosed taper; bull faster taper, never an unexplained plug
Non-underlying D&A and impairment	(1,221)	(1,192)	Intangible amortisation schedule	Purchased Refinitiv and SwapClear intangibles; AR25/H126	Bear slower roll-off; base source-led amortisation; bull faster roll-off only when asset lives support it
Finance income	153	127	Cash/rate schedule	Cash balances and market rates	Scenario cash and short-rate assumptions
Finance costs	(340)	(394)	Debt/rate schedule	H126 expects about £300m net finance expense for FY2026; debt maturities matter	Bear higher debt/rates; base disclosed range; bull deleveraging

Historical bridge line	FY value	TTM value	Forecast treatment	Driver and source	Bear / base / bull rule
Digital and related asset gains	29	29	Zero unless separately supported	Non-recurring Canton Coin and similar gains	Zero in all operating forecasts absent a new sourced event
Income tax expense	(463)	(552)	Tax-rate schedule	H126 guidance 24–25% underlying effective rate	25% / 24.5% / 24%, with statutory adjustments separately identified
Profit attributable to NCI	(257)	(290)	Ownership/profit schedule	Primarily Tradeweb and LCH minority economics; no blanket percentage	Scenario-specific subsidiary profit and ownership; reflect completed minority purchases

STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING

4. Product and sub-segment historicals

The table below is the finest clean dollar disclosure in the current taxonomy. FY2024 values are the re-presented comparatives in AR25, not the superseded AR24 presentation. TTM equals FY2025 less re-presented H1 2025 plus H1 2026. No product dollars have been back-solved.

Segment	Product / service income (£m)	FY2024 re-presented	FY2025	TTM Jun-26	Dollar disclosure?	Source
Data & Analytics	Workflows	1,899	1,925	1,937	Yes	AR25; H126
Data & Analytics	Data & Feeds	1,740	1,822	1,876	Yes	AR25; H126
Data & Analytics	Analytics	220	231	235	Yes	AR25; H126
Data & Analytics	Recoveries	364	360	363	Yes	AR25; H126
FTSE Russell	Subscriptions	603	630	641	Yes	AR25; H126
FTSE Russell	Asset-based	308	324	345	Yes	AR25; H126
Risk Intelligence	Screening / DI&F / EDD	n/d by product	n/d by product	n/d by product	No; total segment revenue only	AR25; H126; RI25
Markets	Equities	392	412	437	Yes	AR25; H126
Markets	Fixed Income, Derivatives & Other	1,334	1,539	1,626	Yes	AR25; H126
Markets	FX	260	272	278	Yes	AR25; H126
Markets	OTC Derivatives	582	641	682	Yes	AR25; H126
Markets	Securities & Reporting	235	229	238	Yes	AR25; H126
Markets	Non-Cash Collateral	111	117	119	Yes	AR25; H126
Markets	Net Treasury Income	266	257	272	Yes	AR25; H126
Other	Other income	n/c	8	8	Yes for FY2025/TTM	AR25; H126

Risk Intelligence's June 2025 webinar disclosed business mix rather than product dollars: Screening represented 78% of revenue, recurring revenue 77%, and usage-based revenue 16%. It also disclosed over five million World-Check records, more than 500 analysts speaking 70 languages, and over 200 million payment-fraud verifications annually at that time. AR25 subsequently reported more than 500 million Digital Identity & Fraud transactions in FY2025, up 16.5%, and H126 reported approximately 300 million in H1 2026. Applying the percentages to segment revenue to manufacture product dollars would be inappropriate because the measures have different dates and the mix was not restated as a statutory revenue table.

Growth-only and adoption disclosures

Segment / product	Disclosure method	Latest observations	Source
Workspace	Adoption and usage, not separate revenue	350,000 users migrated; AI Search 17,000 active; Deep Research 7,000	AR25; H126
Data & Feeds	Usage growth, not separate usage revenue	Network traffic +29% YoY; Tick History API requests +48%	H126
Analytics	Usage/adoption	API usage +33% YoY in H1 2026; more than 50 customers had adopted by FY2025	H126; FY25R
LSEG Everywhere / MCP	Customer engagement	Over 200 customers engaged; tool calls nearly 5x May-to-June 2026	H126 transcript

Segment / product	Disclosure method	Latest observations	Source
FTSE Russell	Product launch activity	44 equity ETF launches in FY2025; 52 total ETF launches in H1 2026	AR25; H126
Risk Intelligence	Transaction activity	DI&F transactions over 500m in FY2025 and about 300m in H1 2026	AR25; H126
Capital formation	Event activity	Private Securities Market completed first transaction in Q1 2026; first transactions plural by H1	Q126; H126

5. Most recent quarterly trend

LSEG's FY ends 31 December. The most recent complete period at the information cutoff is H1 2026, covering 1 January–30 June 2026 and reported on 2026-07-30 through H126. LSEG provides full earnings half-yearly and revenue-only Q1/Q3 updates; it does not publish statutory quarterly operating profit or segment margins for Q1 and Q3.

Last four completed quarters, product income and organic constant-currency growth

Product / segment	Q3 2025 £m / YoY	Q4 2025 £m / YoY	Q1 2026 £m / YoY	Q2 2026 £m / YoY	Source
Workflows	476 / 3.0%	481 / 3.0%	491 / 2.9%	489 / 2.7%	Q325; Q126; H126
Data & Feeds	449 / 6.6%	466 / 6.7%	475 / 7.3%	486 / 7.7%	Q325; Q126; H126
Analytics	57 / 7.7%	58 / 6.4%	59 / 5.2%	61 / 6.7%	Q325; Q126; H126
Data & Analytics	982 / 4.9%	1,005 / 4.9%	1,025 / 5.1%	1,036 / 5.2%	Q325; Q126; H126
FTSE Russell	241 / 9.3%	241 / 4.7%	248 / 8.8%	256 / 9.4%	Q325; Q126; H126
Risk Intelligence	144 / 13.9%	148 / 8.7%	153 / 10.5%	157 / 9.0%	Q325; Q126; H126
Markets	850 / 6.3%	882 / 8.1%	987 / 15.5%	933 / 8.3%	Q325; Q126; H126
Group income excl. recoveries	2,219 / 6.4%	2,278 / 6.2%	2,415 / 9.8%	2,384 / 7.1%	Q325; Q126; H126

Recent earnings and segment-margin anchors

Period	Group income incl. recoveries	Adjusted operating profit	Adjusted EBITDA margin	Equity free cash flow	Source
FY2025	£9,346m	£3,506m	50.3%	£2,445m	AR25 / FY25R
H1 2025 re-presented	£4,672m	£1,726m	49.5%	£935m	H126
H1 2026	£4,985m	£2,008m	52.7%	£1,205m	H126

H1 2026 AOP margins on total income were 26.2% for D&A, 58.3% for FTSE Russell, 52.9% for Risk Intelligence and 49.8% for Markets. Group EBITDA margin expansion of 320 basis points included 60 basis points of favorable FX and 140 basis points from the SwapClear revenue-share change; underlying constant-currency expansion was 120 basis points. The SwapClear timing benefit will largely reverse in Q4 2026, so extrapolating the first-half margin step-up would be a modeling error.

Recent volume and asset-linked trends

KPI	FY2024	FY2025	Q1 2026	H1 2026	Source
FTSE ETF AUM, period end (US$bn)	1,433	1,827	1,871	2,193	AR25; Q126; H126
UK equities average daily value (£bn)	4.2	4.8	6.8	6.671	AR25; Q126; H126
Tradeweb ADV, all asset classes (US$bn)	2,245	2,625	3,348	3,180	AR25; Q126; H126
FX ADV (US$bn)	479	525	564	561	AR25; Q126; H126
SwapClear IRS notional cleared (US$tn)	1,601	1,941	649	1,165	AR25; Q126; H126
ForexClear notional (US$bn)	36,617	48,113	16,387	33,311	AR25; Q126; H126
RepoClear nominal value (€tn)	309.9	334.2	90.1	182.8	AR25; Q126; H126

These are activity or asset-base measures, not direct revenue forecasts. Tradeweb mix and pricing, FTSE licence terms, FX pricing, clearing fee schedules, collateral mix and interest rates all mediate revenue capture. LSEG does not publish a complete take-rate bridge.

6. Management commentary on forward growth

The official presentation transcripts were checked for call date and speaker identity. H125 is dated 2025-07-31, FY25R 2026-02-26 and H126 2026-07-30. Q1 and Q3 are revenue-only updates rather than full earnings calls. The short quotations below are verbatim; the interpretation is analytical and not quoted.

Segment / topic	Date and speaker	Verbatim official excerpt	Modeling interpretation	Source
Group / AI value	2026-02-26, David Schwimmer, CEO	“The organisations that know us best are voting with their wallets.”	Enterprise renewals support data durability, but contract value is not immediate annual revenue.	FY25R transcript
Group / 2026 guide	2026-07-30, Michel-Alain Proch, CFO	“We are very confident of delivering on all our financial guidance for 2026.”	Use 7.0–7.5% organic growth, around 100bp margin improvement, 9.5% capex intensity and at least £2.7bn EFCF as the current guide.	H126 transcript
D&A / adoption	2026-04-23, David Schwimmer, CEO	“Our focus through 2026 will be on roll-out and adoption of these services.”	AI monetisation should ramp rather than appear as a one-quarter step change.	Q126
D&A / AI distribution	2025-10-23, David Schwimmer, CEO	“We have significantly accelerated our strategic progress in the last few months.”	Distribution partnerships and MCP widen routes to market; monitor conversion to gross sales and retention.	Q325
D&A / structural demand	2025-07-31, David Schwimmer, CEO	“We continue to make significant investments in product innovation for our customers.”	Product investment remains necessary; do not assume capex cuts are cost-free.	H125 results page
FTSE Russell / positioning	2025-11-10, official strategy slide	“We have leading positions in large and growing market segments.”	Index-linked AUM and new asset-class launches support a high-single-digit growth case, but market levels remain cyclical.	IF25 group strategy deck
Risk Intelligence / ambition	2025-06-17, David Wilson, Group Head of Risk Intelligence	“My ambition, the ambition of the team is to accelerate the growth of the business.”	The claim is supported by double-digit recent growth; underwriting still needs retention and transaction evidence.	RI25 event transcript
Markets / activity	2026-07-30, David Schwimmer, CEO	“Our Markets businesses had an exceptional first half.”	H1 volumes were unusually strong; base forecasts should normalise rather than annualise Q1 volatility.	H126 results page

Additional source-grounded forward points:

- FY25R set 2026 organic income growth at 6.5–7.5%, then H126 raised it to 7.0–7.5%. Subscription-business growth was expected to accelerate from 6.0% in 2025 toward about 6.5% in 2026 and 7% in 2027.
- FY25R guided cumulative EBITDA-margin improvement of about 150 basis points for 2027–2029, capex intensity declining toward about 8% by 2029, and double-digit EFCF-per-share CAGR. H126 retained the long-term framework while raising the 2026 margin guide to around 100 basis points.
- H126 stated that MCP monetisation was already producing minimal invoices but would not move the needle in 2026; management expected more effect in 2027. MCP represented roughly one-third of current AI-related commercial discussions, so AI distribution is broader than MCP alone.
- H126 described AI Search as included in Workspace with value reflected in annual pricing up to fair-use limits, above which usage charges apply; Deep Research is intended as a premium usage-tiered add-on. Data AI licences and MCP capability licences are additional to existing use-case licences.
- FTSE Russell surpassed US$2tn of ETF-linked AUM in H1 2026, with US$100bn linked to fixed-income indices. Revenue remains a mix of subscription and asset-based fees, and the latter is sensitive to markets and product flows.

- Risk Intelligence reported improving Screening retention and strong DI&F transaction growth. The June 2025 webinar framed World-Check data quality, historical records and workflow embedding as differentiation, while acknowledging AI lowers barriers to collecting public data.
- Markets H126 disclosed LSE 24 planned for H1 2027, early Private Securities Market transactions, six fund providers onboarded to Digital Markets Infrastructure, 11 TradeAgent customers live and more than 80 Post Trade Solutions customers added in H1.

7. Capital allocation history

LSEG does not separately disclose one comparable annual R&D expense; product engineering is split between expensed labor/third-party services and capitalized internally developed software. Marking R&D as zero would be false. Cash capex is the relevant disclosed investment measure.

Year	Cash capex (£bn)	Capex / income excl. recoveries	R&D	Buybacks (£bn)	LSEG dividends (£bn)	Net acquisition/disposal cash field (£bn)	Source
FY2021	0.632	n/c	True non-disclosure	0.055	0.426	+4.191	AR22; live FMP-CF
FY2022	0.966	about 13.0%	True non-disclosure	0.383	0.567	+0.288	AR22; live FMP-CF
FY2023	1.031	12.9%	True non-disclosure	1.235	0.611	(0.523)	AR23; live FMP-CF
FY2024	0.957	11.3%	True non-disclosure	1.052	0.642	(0.658)	AR24; live FMP-CF
FY2025	0.919	10.2%	True non-disclosure	2.152	0.718	+0.011	AR25; live FMP-CF

Positive acquisition/disposal entries are net cash inflows in the vendor field and are not gross acquisition spend; FY2021 is distorted by the Refinitiv completion and acquired cash. For FY2025, the economically important official capital actions were a £1.15bn SwapClear intangible/right purchase, a £170m sale of 20% of Post Trade Solutions to 11 banks, continued bolt-on activity, and £2.1bn of buybacks. H126 reported £2.267bn buyback cash outflow in H1 2026, a further £1.35bn planned by February 2027, £510m of dividend cash paid, and a 17% increase in the interim dividend to 55p.

Capital policy targets operating net debt to adjusted EBITDA of 1.5–2.5x, with business-as-usual leverage around the middle. Dividends are intended to grow broadly with adjusted EPS. These are policy constraints, not trade authorization.

8. Balance sheet snapshot

Item at FY2025	£bn	Source / treatment
Cash and equivalents	3.949	AR25 / sealed QF
Short-term investments	0.009	Live FMP-BS cross-check
Gross borrowings including leases	11.718	AR25 / sealed QF
Net debt	7.598	LSEG definition; includes derivative and regulatory adjustments
Operating net debt	8.175	LSEG leverage numerator
Net debt / adjusted EBITDA	1.8x	AR25
Undrawn group revolving credit facility	3.000	AR25
Lease liabilities	0.627	AR25
Goodwill plus intangibles	31.273	Live FMP-BS, consistent with acquisition-heavy balance sheet
Parent equity	19.779	AR25 / sealed QF
NCI	2.389	AR25 / sealed QF
Indicative tangible parent book value	(11.494)	Parent equity less group goodwill/intangibles; denominator caveat applies

At 2026-06-30, cash was £4.056bn, gross borrowings including leases £13.511bn, net debt £9.319bn, operating net debt £9.982bn, leverage 2.1x and the undrawn RCF £3.5bn. Clearing-member assets and liabilities are restricted operational balances and must not be netted into corporate cash or debt. Parent equity was £18.701bn and NCI £2.370bn. Period-end shares excluding treasury were 488m versus H1 diluted weighted shares of 499m.

9. Recent corporate actions

- **2025-10-23:** Eleven banks agreed to acquire 20% of Post Trade Solutions for £170m, implying £850m equity value. LSEG simultaneously amended and extended the SwapClear revenue-share arrangement to 2045 for £1.15bn, reducing the founding-member share to 15% for 2025 and 10% from 2026. Source: Q325.
- **2025-11-10:** LSEG held an Innovation Forum covering group strategy, engineering transformation, AI, D&A monetisation and product demonstrations. It explicitly stated that no new material financial disclosure or guidance was provided. Source: IF25.
- **2025-12 to H1 2026:** LSEG Everywhere launched MCP distribution, expanding from more than 60 onboarded customers at FY25R to over 150 connected/onboarding in Q126 and over 200 engaged by H126. These populations are not directly comparable paying-customer counts. Sources: FY25R, Q126, H126.
- **2026-02-26:** LSEG announced a £3bn buyback over 12 months, 2026 guidance and refreshed 2027–2029 targets. Source: FY25R.
- **2026-04-23:** Q126 reported £1.1bn of buybacks completed in Q1, first Private Securities Market transaction, TradeAgent launch and planned DiSH launch. Source: Q126.
- **2026-07:** LSEG agreed to buy up to 1.05% of LCH Group from minority holders for €70m, which would take ownership above 95%, subject to completion. Source: H126.
- **2026-07-30:** H126 raised revenue and margin guidance, reported £2.1bn of H1 buybacks and announced a further £1.35bn planned through February 2027. Source: H126.
- **Management:** David Schwimmer remained CEO and Michel-Alain Proch CFO through the cutoff. No CEO/CFO transition was identified in the official source set.

10. Open data gaps and classification

Gap	Classification	Sources and terms checked	Consequence
Current five-segment FY2021–FY2023 comparable history	True non-comparability at taxonomy boundary	AR21–AR25; `segment information`, `re-presented`, `reallocation`	Use current-basis FY2024 onward; never splice old margins silently
Product dollars within Risk Intelligence	True non-disclosure	AR24, AR25, H126, RI25; `Screening`, `Digital Identity`, `EDD`, `revenue`	Use total segment dollars plus disclosed mix/volume KPIs
Historical gross sales, retention and NPVI before provided comparators	True non-disclosure	AR21–AR25, H125/H126; exact KPI names	Series begins with H1/FY2025 comparators
Workspace revenue and AI-specific revenue	True non-disclosure	AR25, FY25R, Q126, H126, IF25; `Workspace`, `AI`, `MCP`, `monetisation`	Use adoption and pricing architecture; do not invent ARR
Product-level take rates / revenue capture	True non-disclosure	AR21–AR25, Q126, H126; `take rate`, `yield`, `fee`, `revenue capture`	Volumes and AUM cannot be translated mechanically into revenue
Consistent five-year capital-formation table	True non-disclosure after format change	AR21–AR25; `new issues`, `money raised`, `capital raised`	Treat Equities capital-formation evidence as selected periods/events
Separately expensed R&D	True non-disclosure	AR21–AR25; `research and development`, `product development`, `capitalised software`	Use cash capex and operating-cost disclosures; R&D is not zero
Segment quarterly operating margin	True non-disclosure	Q325 and Q126 revenue-only updates; H126	Use FY/H1 profit margins only

No material official table found in this run remains **Not fetched / omitted**. No estimated or back-solved product-revenue figures are included. The statutory bridge has no gap: every segment AOP line, operating adjustment, below-line item, tax and NCI item is preserved with zero residual within the £1m tolerance.

Three live self-checks

- **Largest segment recent growth:** H126 was live-fetched and contains Markets organic constant-currency growth of **11.9%** for H1 2026, with £1,920m total income and £957m AOP.

- **Management quote/date:** the official H1 2026 analyst transcript was live-fetched from LSEG; it is dated **2026-07-30** and identifies David Schwimmer and Michel-Alain Proch. The quote used above about confidence in 2026 guidance appears in that transcript.
- **FY2025 revenue:** the live FMP annual income endpoint returned **£9,313m**. Official AR25 returned **£9,346m**, a £33m or 0.35% difference; official LSEG controls under the foreign-issuer override and the difference is explicitly retained.

Closing data-package controls

- Exact listing: XLON:LSEG ordinary shares, GBX; reporting currency GBP.
- QFR-sealed quote-packet SHA-256: `e806bdc0f0cae5853d876ac34203606eed8385d441572688f50da5c092ba5561`.
- QFR-sealed statutory-bridge SHA-256: `196293361a50240380af6da15c5b6552e1e97b7e323dd596d31a7eeeb53d5bd9`.
- TTM segment AOP: Data & Analytics £1,074m; FTSE Russell £573m; Risk Intelligence £306m; Markets £1,827m; Other £8m; sum £3,788m.
- Trade execution authorized: false. No order, portfolio action or outbound message is authorized by this package.