

BENCHMARKS: Top Global Financial Information Providers, Who, Why & Future Trends

DataCompliance LLC

Global Top Financial Information Providers

The Market Place: Vendor Strategies

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Different Vendors, Different Revenue Models

By Revenue, since 2010 the most successful providers of financial information and market data services are those whose core business services are providing proprietary data, such as Evaluated Pricing, Financial Benchmarks, Indices, Credit Markets and Analytics. This financial information providers group includes ICE Data, IHS Markit, Moody's, MSCI, plus S&P GMI.

During this period these vendors combined revenues grew from **US\$8,798M** to **US\$17,225** in 2017, or **95.79%**.

In contrast, vendors with a product suite built upon an aggregated model such as Bloomberg, Factset, Morningstar, and Thomson Reuters have seen significantly lower revenue growth. In fact TR's revenues declined over the period.

By comparison these vendors combined revenues grew from **US\$21,166M** to **US\$22,866M** in 2017, or **8.03%**.

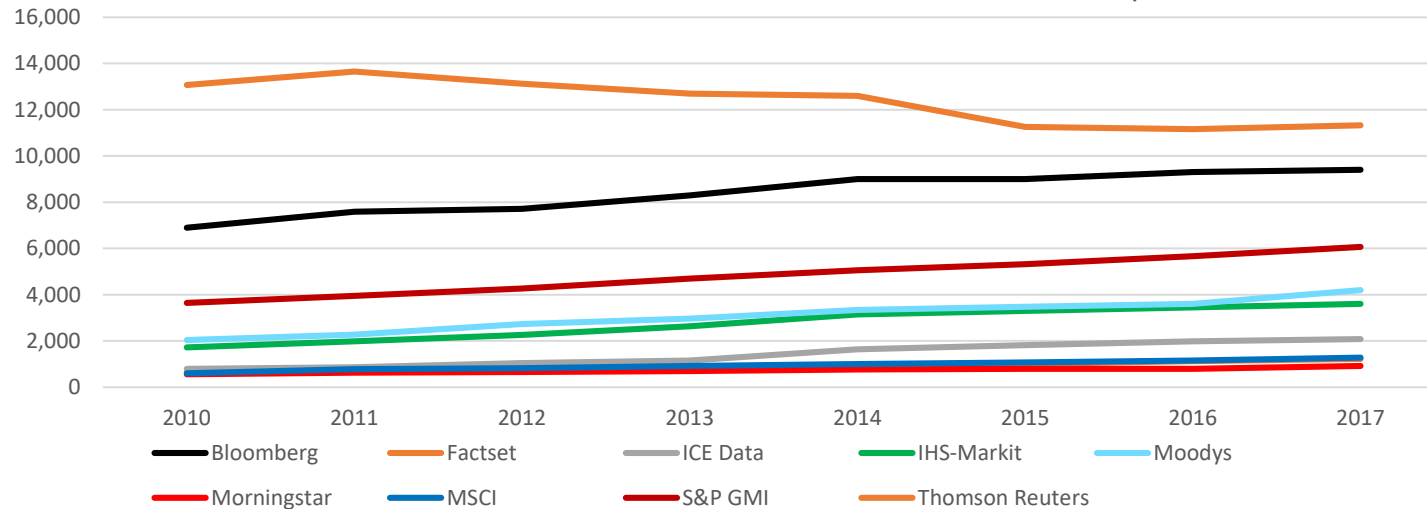
It is no accident that during this period all vendors have invested in developing proprietary services either organically, or through M&A in each of the market segments listed above. ICE Data is the classic example of a financial information provider that is successfully transitioning its strategy from aggregation to proprietary data services. This strategic shift from reliance upon aggregated data services also encompasses, Transaction Services, Risk & Compliance services, and RegTech.

Each vendor is identifying individual market growth niches, but unsurprisingly strategic focus varies amongst the 9 competitors.

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Global Market Data Industry Revenues

TOP 9 MARKET DATA VENDORS REVENUE US\$M



Revenue growth has been driven by proprietary and specialist data providers.

This is a result of market saturation in the supply of pure price data, and increasing demand for value added services, analytics, financial benchmarks and the need to meet regulatory and client reporting.

Source: Annual Reports
Revenue for all business activities per company.

Top 9 Revenue US\$M	2010	2017	% Change
Bloomberg	6,900	9,400	36.23%
Factset	641	1,221	90.48%
ICE Data	797	2,084	161.60%
IHS-Markit	1,726	3,600	108.59%
Moody's	2,032	4,204	106.89%
Morningstar	555	912	64.17%
MSCI	604	1,274	110.85%
S&P GMI	3,639	6,063	66.61%
Thomson Reuters	13,070	11,333	-13.29%
TOTALS US\$	29,964	40,091	33.80%

1 Top 9 vendors revenue in 2010 was US\$29,964M in 2017 US\$40,091M
Market Growth Rate was 33.80%
Only Thomson Reuters revenues declined during the period

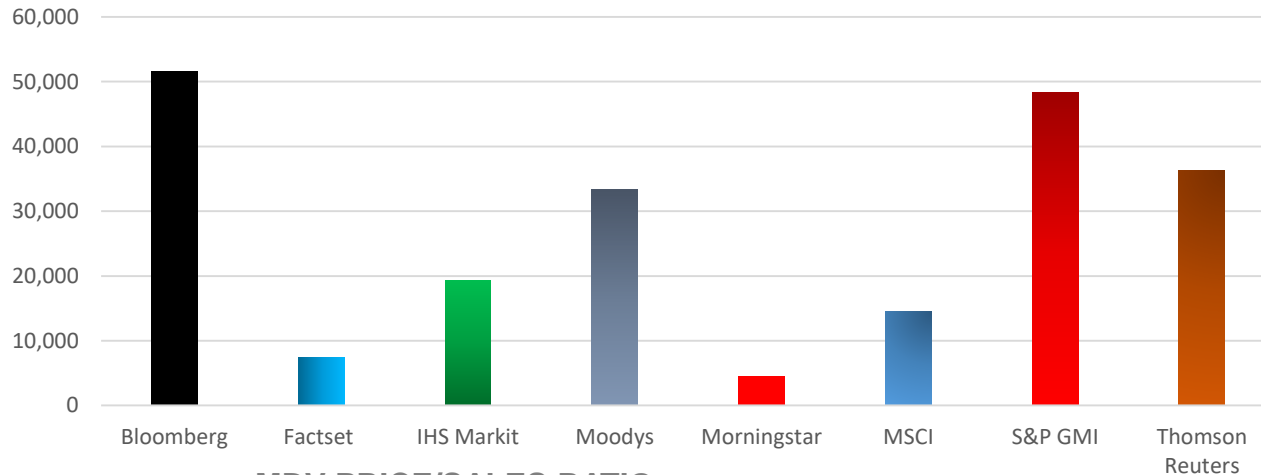
2 Fastest growing vendors services are based on proprietary data
M&A activity has generated the creation of price data micro-monopolies
This creates high margin services which are hard to replicate, or displace

3 Vendors whose main business is data aggregation performed worse
The terminal business faces long term decline as DMA grows
Bloomberg and TR have diversified to different degrees on aggregation

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Unlocked Value

GLOBAL MARKET DATA VENDORS MARKET CAP US\$M

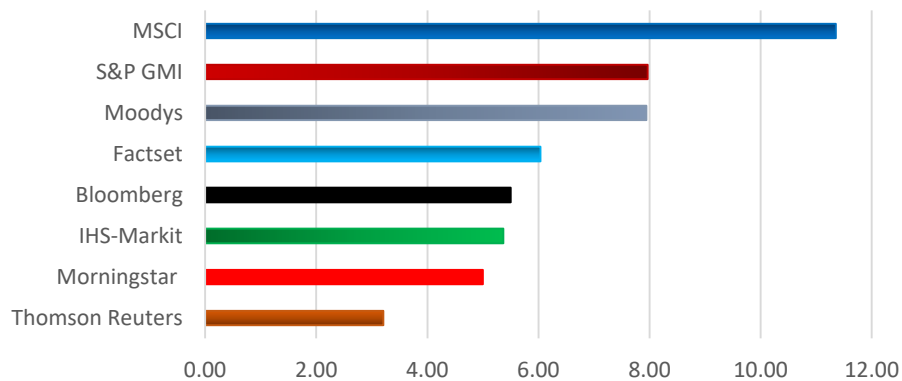


Market Data once ingested into systems which require streaming access becomes remarkably 'sticky' and hard to dislodge.

This places a premium on incumbency and proprietary data that cannot be replicated, therefore guarantees revenue flow.

Investors, who are also consumers, recognise this and are valuing financial information providers accordingly.

MDV PRICE/SALES RATIO



1 Total Market Capitalisation of top 8 Vendors **US\$215,467 Million**
 Average Market Capitalisation **US\$26,933 Million**
 Average Price/Sales Ratio **6.55**

2 Market Cap of 4 Proprietary Data Vendors **US\$115,482 Million**
 Market Cap of 4 Aggregated Data Vendors **US\$99,985 Million**
 Average difference in Market Cap **US\$3,874 Million**

3 All the financial information providers have valuable data assets
 Consolidation amongst these 8 vendors is unlikely, except Morningstar
 How attractive are these vendors to outside parties wanting content?

Price/Sales Ratio is the Market Cap at close 04/05/2018 divided by 2017 Earnings.
Bloomberg Market Cap is estimated at 5.5X Earnings based on IDC purchase price.
ICE Market Cap is excluded as data is not the main business

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Embracing a Changing World

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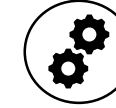
GROWTH OF MICRO-MONOPOLIES

- By stealth vendors are creating micro monopolies, through incremental M&A
- S&P is focused on Indices, Credit Ratings, LEIs and premium level market data sets
- ICE purchased Super Derivatives for analytics and valuations, IDC for evaluations and S&P's fixed income evaluated pricing
- IHS Markit leads the credit space in indices, evaluated prices & analytics
- They have created portfolios of unique data which cannot be replicated exactly
- Once ingested into client systems, or used as benchmarks, they become 'sticky' and difficult to displace



CORPORATE FLEXIBILITY

- The provision of financial information is incredibly disparate, and that is reflected in the product suites and the contents of those suites
- In the financial information industry the lower the level of product and content integration the harder it is for management to generate adequate returns
- New technologies require new strategies, the greater the number of legacy systems the harder future transition will be
- Aggregators face the greater challenge to manage the change required



NEW TECHNOLOGY FOR OLD

- Amongst the main challenges facing all the vendors is how to manage new technology
- Legacy technology is infrastructure heavy and resource inefficient
- Technology change requires substantial investment in time, money, and resources
- There is also no guarantee that any strategy adopted today will be the right one in 5 years given pace of change
- However for all the vendors, new entrants with new cheaper more flexible technologies pose a threat
- Technology offers disintermediation

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The Crown Jewels

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Aggregated Data Services

1. Quality is king but coverage has its own quality, Bloomberg & TR are universal aggregators
2. Financial institutions are saturated, but growth is in mass markets, HNWI & retail
3. The pie is growing, but in new markets clients willingness to pay top dollar drops



Evaluated Pricing

1. An increasingly important data market as OTC markets need to be priced accurately
2. Methodology and quality are core attributes
3. ICE Data, IHS Markit are the segment leaders ahead of Bloomberg and TR



Financial Benchmarks & Original Works

1. IOSCO Principles have driven index providers consolidation
2. Financial Benchmarks and Indices are set for growth as OTC benchmarking expands rapidly
3. The Credit Rating Agencies have a de facto oligopoly



Analytics

1. Emphasis switch from simple access to price data to analytics as decision making tools
2. Access to The Cloud is creating third party facilitators of analytical services to banks
3. Progress in access to unstructured data, and realisation of the promise of 'Big Data'



Risk & Compliance

1. The requirement for risk data is driven by regulatory compliance and client reporting
2. Data for transaction monitoring and surveillance analytics
3. Reporting standards places an emphasis on actual data source, not the distributor



RegTech & Data

1. Driving increased automation of regulatory workflow activities, i.e. MiFID2, FRTB & PSD2
2. Development of compliance, monitoring and reporting tools as revenue generators
3. Provision of database services utilising machine learning to stay current with regulations

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Key Trends

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Expansion in Usage

1. Financial institutions see market data as a cost, and constantly look to reduce it
2. However, what Banks reduce in one area gets offset by an increases elsewhere
3. Vendors need to expand their client footprint, but few have a mass market strategy



Data Assets & IPRs

1. Revenue premiums will gravitate further to proprietary data and higher quality datasets
2. Data Source Owners will become more aggressive in protecting IPRs in a FinTech world
3. Global vendors will enhance and grow their micro-monopolies and create differentiation



Technology

1. Technology is changing data flows from a linear to omni-directional environment
2. Legacy infrastructure is creating cost and technology competitive disadvantages
3. How global vendors invest in new technology will determine future success levels



Disintermediation

1. Technology providing global access creates new channels to market for data sources
2. This reduces entry barriers, creates fragmentation as well as increased consumer choice
3. It reinforces the inherent value of proprietary data



Industry M&A

1. Integrating different market data vendors has always proven problematic
2. Vendors bulking up their product lines through acquisition of competitors' business units
3. Focus now is strategic bolt-ons to existing business rather than wholesale M&A



Third Party M&A

1. Will the Blackstone investment in TR F&R set a new trend or be a once-off?
2. Any purchaser of a major financial information provider will require deep pockets
3. How attractive, if at all, is an information provider to content drivers such as Google?

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Future Challenges



Strategic re-orientation

All of these information providers face new challenges which they are aware need addressing. These include:

- With the notable exception of Bloomberg, which is increasing its focus on terminals, providers want to reduce their reliance upon aggregated data services, while recognising these services will continue to play an important supporting role
- Diversifying vendor strategies towards offering unique proprietary content that is difficult to displace even once the contractual term has concluded, plus value added services (*Though Bloomberg would say this is all in their terminal*)
- Increased cross-pollination between commercial and financial information, witness the IHS and Markit merger
- Increasingly aggressive protection of IPRs through watertight licence agreements, usage policies, and policing
- Abandoning legacy infrastructure in favour of new lightweight technology where traditional interactions no longer apply
- Welcoming new third party data facilitators now providing Banks with services previously undertaken inhouse
- Recognising that future mass growth is going to come from Toyota drivers not Rolls Royce owners
- Most importantly, embracing corporate mindsets which recognise the information world is fluid and dynamic



Aggregated Data
Services



Evaluated Pricing



Financial
Benchmarks



Original Works,
i.e. CRA



Analytics



Risk &
Compliance



RegTech & Data

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Criteria for Inclusion



Why these information providers?

There are many companies which could justifiably be included in this report, especially as the definitions and criteria for inclusion can be as wide or as narrow as the writer's interpretation desires. Equally none of the companies included can be compared on a true like for like basis, there are crucial differences in structure and service offerings. Here is why we included these providers:

- Primary business is the supply of information services and market data covering global financial markets
- This includes aggregated data services and/or value added original works such as financial benchmarks, indices and credit ratings, i.e. Moody's & MSCI
- The provision of analytics and investment decision tools
- Their clients primary businesses are participating in global financial markets, though HNWI and retail are becoming important market segments
- Revenues greater than US\$1,000 Million PA (for all business activities not just market data), or likely to exceed this in the near future, i.e. Morningstar
- Global presence in all major and secondary financial centres with primary services offered including:



Aggregated Data
Services



Evaluated Pricing



Financial
Benchmarks



Original Works,
i.e. CRA



Analytics



Risk &
Compliance



RegTech & Data

'Turning Data Into Dollars'

Our Consulting



DataCompliance LLC's consulting is about maximising the efficient use of data as a valuable strategic resource, not merely another cost, from original creation to usage. We '**Turn Data Into Dollars**'.



We take the global perspective, advising our clients from building successful market data businesses to effectively leveraging market data sourced both externally and internally enabling them to participate profitably in the financial markets.



It is about creating data, accessing data, the regulation of data usage, and most importantly the policing and protection of IPRs and data ownership.



Maximising data utility while minimising risk is key to the cost efficiency dollar equation.



This is not only about sourcing data externally, but maximising the value of in-house and proprietary data.



DataCompliance LLC provides a future view by analysing how market data is being used now, then we look forward to how innovation and change is creating new industry dynamics

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