

Elphinstone Research Group

Equity Research Report
**London Stock Exchange Group
(LSEG.L)**

March 2026

LSEG

Date: 25/2/2026**Ticker:** LSEG.L**Exchange:** London Stock Exchange**Sector:** Financial Services

Current Price: 7,794 GBp

Target Price: 9,300GBp

Recommendation: BUY

Executive Summary

London Stock Exchange Group plc (LSEG) has transformed from a traditional exchange into a diversified financial markets infrastructure and data provider. Today, Data & Analytics (~47% of Group income), FTSE Russell (~11%), and Post Trade (~14%) form the core of its earnings base, reducing reliance on cyclical trading activity. This shift has improved the visibility and durability of revenues through subscription data, index licensing, and clearing relationships embedded in client workflows.

Industry trends support this model. Global exchange revenues reached \$58.9bn in 2024, with growth increasingly driven by data and technology services rather than transaction volumes. Regulatory reform, digitisation, ESG disclosure requirements, and cloud infrastructure upgrades are reinforcing demand for the type of services LSEG provides. The Group's combination of Refinitiv, FTSE Russell, and LCH positions it uniquely among peers such as ICE, Nasdaq, Deutsche Börse, and Euronext.

Financially, LSEG's revenue profile is increasingly recurring, with a blended forecast revenue CAGR of 5.5% in our model. EBITDA growth of 6% reflects operating leverage from data and clearing revenues, while capital expenditure normalises from 10% to 7% of sales over time. Working capital requirements are minimal due to the subscription nature of revenues. Using a WACC of 8.5% and a terminal growth rate of 3%, the DCF yields an enterprise value of £66.2bn and an equity value of £59.5bn, implying a fair value of 11,358p per share (9,198p ex-minorities).

Multiples analysis highlights a valuation inconsistency. LSEG reports the lowest operating margin (17.0%) and net margin (10.7%) in the peer group, yet trades on the highest P/E (47.9x) while its EV/EBITDA (11.2x) remains close to traditional European exchanges. This suggests the market is pricing expected margin improvement but has not fully recognised the earnings quality associated with data, index, and post-trade activities.

Key catalysts include growth in FX clearing at LCH, expansion of Data Access Agreements, pricing normalisation in workflow products, and execution of the Microsoft partnership supporting cloud migration and data integration. Risks include regulatory pressure on clearing, competition in data services, integration execution, and cybersecurity exposure.

Our **target price of 9,300p** is based on a 50/50 blend of our DCF valuation (9,198p) and a peer multiple-based valuation derived by applying a 12.5x EV/EBITDA multiple to 2025E EBITDA, implying moderate multiple normalisation toward global peers. Overall, the valuation, multiples, and business analysis support a Buy recommendation, as the market has yet to fully reflect the earnings durability and margin potential implied by LSEG's evolving business model.

London Stock Exchange Group plc (LSEG) is a British multinational financial markets infrastructure and data company, headquartered in London, England. It provides market data, analytics, indices, risk intelligence, trading venues, and post-trade services to customers in over 170 countries. LSEG’s operations include the London Stock Exchange, its Data & Analytics division (built on the Refinitiv business), and FTSE Russell, making it one of the largest financial information and markets infrastructure firms globally.

Operating Segments

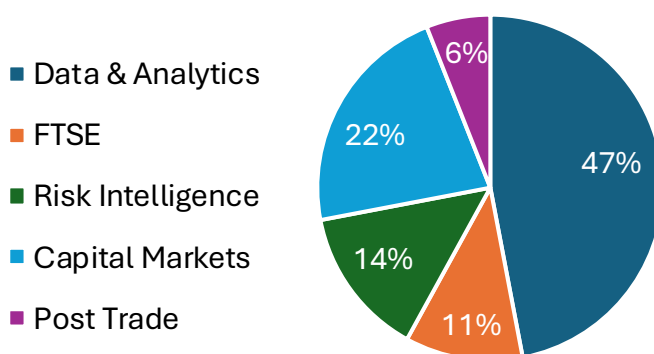
Data & Analytics: This is LSEG’s largest segment, providing financial data, analytics, and workflow tools, and accounting for ~ 47% of Group income. It includes the former Refinitiv business, providing real-time market data feeds and desktop terminals (Workspace) and analytics products (Yield Book).

FTSE Russell: This segment focuses on index provision and benchmark data, including the FTSE 100 and Russell 2000, and accounts for ~11% of Group income. Revenue is recurring, coming from a mix of subscription-based index licence and asset-based (proportional to AUM) fees.

Risk Intelligence: Provides risk, compliance, and financial crime solutions, particularly for banks and regulated institutions. It makes up ~6% of Group income, and key products include World-Check for KYC and AML screening, fraud detection tools, and regulatory risk data.

Capital Markets: Covers LSEG’s trading venues and capital-raising activities in multiple asset classes, making up 22% of Group income. This includes the London Stock Exchange, Turquoise (pan-European equities), FXall (FX trading), and its stake in Tradeweb (fixed income trading platform).

Post Trade: This segment provides clearing and risk management services, mainly through LCH (a world-leading clearing house), reducing counterparty risk across interest rates, equities, FX. The segment also provides capital optimisation solutions, and accounts for ~14% of Group income.



Revenue Mix Breakdown – LSEG Segments

Business Model

LSEG’s business model is characterised by a high proportion of recurring and contract-based revenues derived from data, index licensing, and clearing relationships.

Regulated market position: As a systemically important and regulated market operator, LSEG benefits from structural protection, regulatory oversight, and high barriers to entry, supporting long-term revenue stability.

Recurring data and index revenues: Following the Refinitiv acquisition, a substantial share of revenues comes from subscription-based data services, analytics, workflow tools, and FTSE Russell index licensing, characterised by contractual relationships and high switching costs.

Earnings visibility through clearing relationships: Long-term clearing arrangements through LCH provide predictable income supported by regulatory requirements and client dependency.

Cross-selling across the ecosystem: The combination of data, index services, and clearing relationships enables deeper client integration and supports cross-selling opportunities.

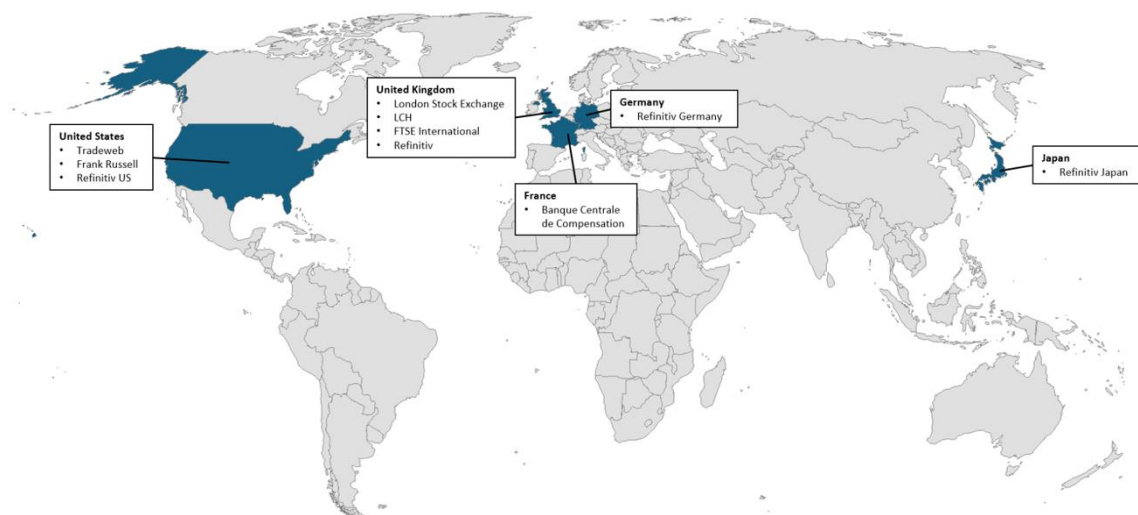
Technology monetisation: LSEG licenses its proprietary technology platforms to other exchanges and financial institutions, extending monetisation beyond its own venues.

Historical Snapshot

LSEG has transformed from the London Stock Exchange established in 1801 into a global financial market operator through strategic mergers, acquisitions, and internal investments. The 2007 merger with Borsa Italiana expanded the Group's European footprint and added clearing functions, while the acquisition of a majority stake in LCH strengthened its position in post-trade risk management. The 2021 purchase of Refinitiv significantly enhanced its market data, analytics, and index capabilities, shifting the revenue mix toward recurring, contract-driven income. In parallel, continued investment in trading and infrastructure technology has resulted in a diversified business spanning trading venues, clearing, data services, and technology solutions across global financial markets.

Geographic Exposure

LSEG is geographically diversified and generates the majority of its revenues outside the UK, reflecting its global client base. The Americas represent the largest share of income, contributing roughly 45% of revenues, driven primarily by Data & Analytics subscriptions and Tradeweb activity in the United States. Europe, the Middle East, and Africa account for around 40%, supported by the UK home market and significant post-trade operations through LCH. Asia Pacific contributes approximately 15% of revenues, with growing data, index licensing, and trading activity in markets such as Japan and China. LSEG operates in more than 60 countries, with major operational and customer support centres located in Bengaluru, Manila, and Colombo, and the US remaining its most important revenue contributor.



Industry Environment and Strategic Positioning

Global exchange operators are currently benefiting from strong macroeconomic and industry trends. The combined revenues of exchanges worldwide reached a record high of \$58.9 billion in 2024, registering growth of 7.5% from the previous year, supported by strong equity and bond market performance. It is important to note that this growth is now being driven by data and technology services rather than trading volumes. The largest exchange operators have spent the last decade reshaping themselves into diversified market infrastructure providers, with a focus on becoming key capital markets technology and data owners, which are now driving their growth. This is evident from the fact that revenue growth is increasingly fueled by information services and market technology segments, which are expanding at a much faster pace than traditional listing or transaction-based revenues.

The digitisation of capital markets infrastructure remains on track. Major exchanges are actively pursuing next-generation architecture, ranging from cloud migration to advanced analytics, to enhance speed, resilience, and integration with clients. Collaboration with cloud companies has become the norm as exchanges seek to reduce costs and provide scalable solutions. LSEG itself has launched a high-profile initiative with Microsoft to re-platform the data infrastructure of Refinitiv onto the cloud and develop new AI-powered analytics, reflecting the sector's shift towards open, API-friendly platforms. This has led to a new market infrastructure environment where electronic trading, real-time risk management, and data distribution are integrated globally. Crucially, exchanges are also exploring new technologies, such as distributed ledgers for settlement and digital asset trading platforms, to ensure they remain at the forefront of market innovation as capital markets digitisation accelerates.

At the same time, regulatory and geopolitical dynamics are reshaping the landscape for exchange operators. Following the Brexit referendum, the UK and EU are readjusting their capital markets regulations. While the EU has extended temporary equivalence for UK clearing houses until mid-2028 to ensure financial stability, it is also pressing ahead with its reform agenda (EMIR 3) to reduce dependence on UK CCPs by increasing onshore EU clearing capacity. This presents both an opportunity and a challenge for LSEG's clearing business as Europe begins to develop parallel infrastructure. The UK, in turn, is reforming market rules to ensure London's competitiveness, for example by simplifying listing rules and reassessing MiFID II restrictions, while seeking regulatory cooperation with the EU.

Meanwhile, global transparency and ESG requirements are intensifying. The EU and UK are both introducing consolidated tape systems to enhance market transparency, which will standardise the distribution of trade data and could have implications for exchanges' data monetisation strategies. In addition, new sustainability disclosure frameworks, such as the EU's SFDR and taxonomy and the ISSB climate standards, are pressuring issuers and exchanges to improve ESG reporting and data availability. Exchange operators are responding by expanding their ESG data and index services. LSEG, for example, has developed high-quality climate and sustainability data through its FTSE Russell business and is often regarded as a leader in ESG indices and transparency solutions, particularly in the EU's highly regulated market.

In conclusion, macroeconomic trends, technological change, and regulatory developments are propelling exchange operators to become more diversified, technology-driven, and regulatory-compliant, paving the way for the next phase of industry development and competition.

Strategic Positioning

LSEG operates in a highly competitive global exchange landscape alongside major peers including ICE, Nasdaq, Deutsche Börse, Euronext, and HKEX. Each competitor holds strong regional and product-specific positions: ICE in energy derivatives and NYSE listings, Deutsche Börse through Eurex and its European trading infrastructure, Nasdaq in U.S. listings and market technology, Euronext across pan-European equity markets, and HKEX as a gateway to Chinese capital markets.

Competition increasingly extends beyond trading volumes to the breadth of ecosystem integration. The strategic question is not simply scale, but which operator can position itself as the core infrastructure layer for global capital markets. While several U.S. exchanges reported revenue growth of approximately 8–10% in 2024 compared with LSEG's 4.5%, the differentiation lies in structural positioning rather than short-term growth momentum.

LSEG's competitive strength derives from its integrated, end-to-end market ecosystem. Few peers combine primary listings, multi-asset trading, clearing, indices, and global financial data within a single platform. Through the London Stock Exchange markets, LCH clearing, FTSE Russell indices, and the Refinitiv data platform, LSEG operates across the full trading lifecycle. This breadth creates cross-selling opportunities and strengthens client retention as financial institutions consolidate vendor relationships.

LCH represents a particularly defensible franchise. As a dominant global clearing house for interest rate swaps, it benefits from powerful network effects and high switching costs. Its scale and liquidity advantages reinforce LSEG's strategic position in global derivatives markets.

In financial data and indexing, the Refinitiv acquisition and FTSE Russell benchmark franchise embed LSEG deeply within institutional workflows. Flagship indices such as the FTSE 100 and Russell 2000 underpin substantial passive investment flows, generating high-margin recurring revenues. As passive investing expands globally, index leadership represents a durable competitive advantage and supports scalable data monetisation.

LSEG is also positioned strongly within ESG and sustainable finance. Through FTSE Russell and Refinitiv, the Group provides ESG data, ratings, and climate-related analytics aligned with increasing regulatory disclosure requirements, particularly in Europe. This enhances its relevance as sustainability considerations become embedded in capital allocation decisions.

Technological positioning further differentiates the Group. Unlike closed proprietary ecosystems, LSEG is pursuing an open, cloud-forward architecture, highlighted by its partnership with Microsoft to migrate legacy infrastructure and develop AI-enabled analytics. By enabling API-based access and modular integration into client systems, LSEG positions itself as interoperable infrastructure rather than a closed terminal-based platform.

Overall, LSEG's competitive positioning is that of a diversified, multi-asset, data-driven market infrastructure provider. Its strength lies not only in individual business lines but in the integration of trading, clearing, data, and indices into a coherent ecosystem. As capital markets continue to digitise and consolidate, this integrated model provides structural resilience and long-term strategic relevance.

Catalysts

LSEG is increasingly acting as a key enabler of AI in financial markets. The bulk of its revenue comes from high margin, recurring Data and Analytics. It also has proprietary datasets covering markets, pricing, news, and risk. AI adoption is driving demand for trusted, auditable data that can be embedded directly into workflows. This is expected to be a multi-year driver for revenue growth, margin expansion, and valuation re rating, without the need for major new capital. Embedding data into workflows and copilots could increase consumption, support usage based pricing, and generate operating leverage. Overall, earnings visibility could improve and infrastructure like multiples may become more realistic.

AI Driven Revenue Growth

In Q3 2025, LSEG's Data and Analytics segment generated £982 million. That is roughly half of group revenue. Organic growth was 4.9 percent, even with macro headwinds. Data and Feeds rose 6.6 percent, Analytics 7.7 percent. AI ready services are cited as a contributor. The key idea is that AI shifts usage from static terminal subscriptions to automated, continuous queries of pricing, news, and analytics. Even small increases in usage could drive higher ARPU. Enterprise licences for AI powered workflows may also become more valuable. Taken together, this could justify upward revisions to revenue forecasts. This supports long-term revenue growth assumptions.

AI integration is expected to increase consumption of LSEG's proprietary datasets, supporting higher ARPU and strengthening recurring revenue growth in Data & Analytics. This enhances operating leverage and supports sustained EBITDA expansion and long-term cash flow visibility assumed in the DCF valuation.

Expanding TAM with New Segments

LSEG is moving beyond traditional terminal users. Its data is now integrated into Microsoft Copilot, Azure, Databricks, Snowflake, and Rogo. This is interesting because it puts LSEG in front of corporate treasury, compliance, and quantitative research teams. These users often consume data through APIs or AI agents rather than terminals. Adoption is still early. But even modest uptake could produce noticeable revenue. It is hard to predict exact figures, but in our view, this optionality supports mid to high single digit organic growth. The market may reward that with higher valuation multiples.

Integration with AI and cloud platforms expands LSEG's addressable market and supports incremental data monetisation. This strengthens long-term revenue growth and reinforces the EBITDA and valuation assumptions in the DCF model.

Refinitiv Integration and Margin Improvement

LSEG's integration of Refinitiv remains a central growth driver. The acquisition expands LSEG's data services offering, positioning the company to capture a greater share of the rapidly growing data and analytics market. As integration progresses, significant cost synergies are expected, which will support margin improvement and long-term growth.

Refinitiv integration continues to drive cost synergies, operational efficiencies, and improved scalability across LSEG's data platform. This supports gradual EBITDA margin expansion and reinforces the long-term profitability assumptions underpinning the valuation.

Expansion in Post-Trade Services

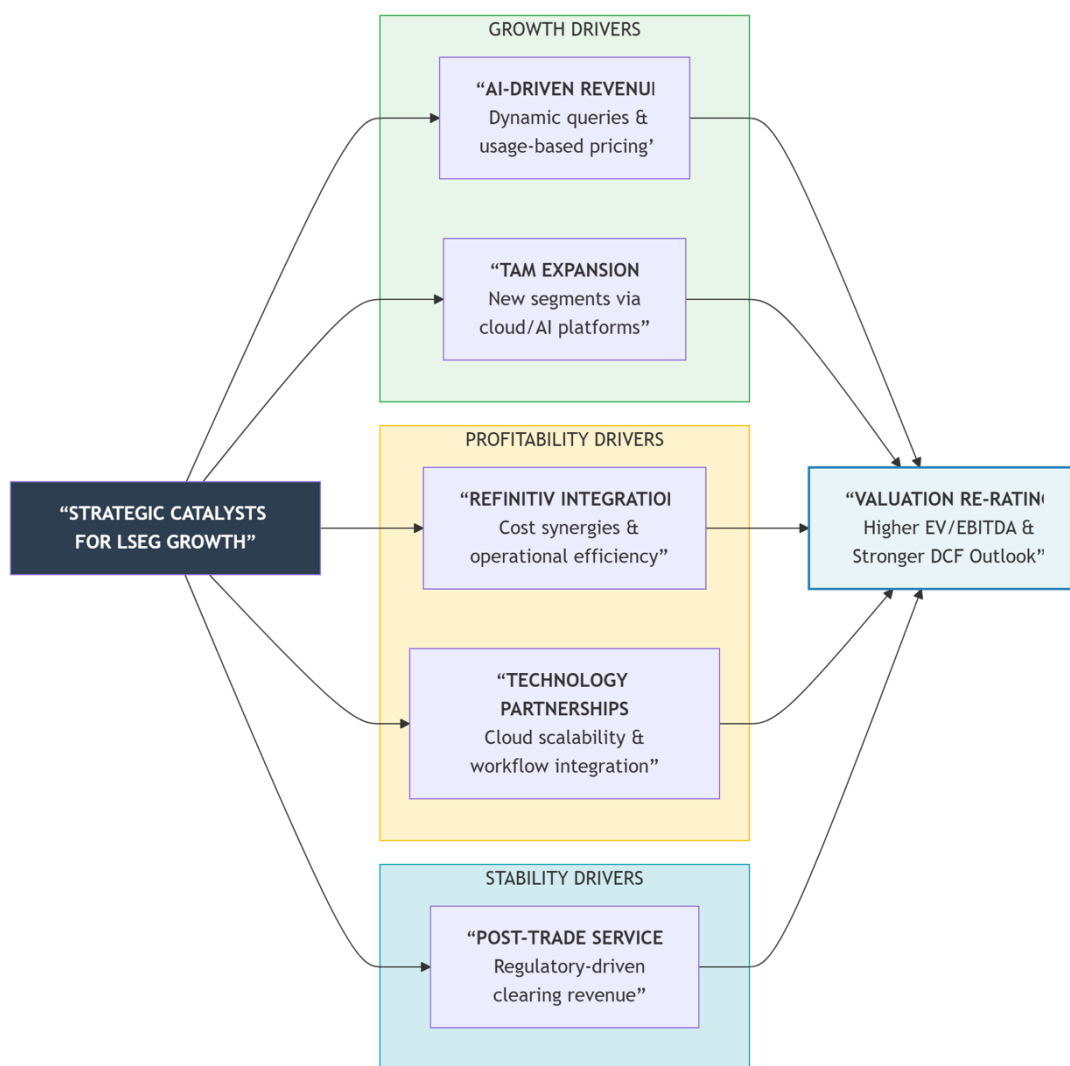
The demand for clearing services remains strong, particularly within the LCH division. LSEG’s ForexClear business, along with its expansion into derivatives clearing, positions the company to benefit from regulatory pressures to clear more derivatives centrally. Given the increasing regulatory requirements for clearing, LSEG’s post-trade services will continue to provide substantial and recurring revenue streams.

Growth in LCH clearing volumes, supported by regulatory clearing requirements and strong network effects, provides stable and recurring revenue streams. This supports consistent EBITDA generation and strengthens the durability of cash flows reflected in the valuation.

Technology Advancements and Partnerships

LSEG’s partnership with Microsoft and investment in technology infrastructure (e.g., cloud migration, AI development) will enable the company to scale more efficiently, integrate better with clients’ needs, and enhance its data and analytics services. This will not only improve margins but also position LSEG at the forefront of digital transformation in financial markets.

Cloud migration and the Microsoft partnership improve scalability, distribution efficiency, and integration of LSEG’s data services into client workflows. This supports margin expansion and strengthens the long-term earnings growth profile assumed in the valuation.



Risks

FX Clearing Growth at LCH (ForexClear)

LCH's ForexClear business continues to exhibit strong growth, supported by rising adoption of central clearing in FX derivatives. JPM highlights that LSEG currently derives approximately £50m of revenue from clearing around 1% of the total FX derivatives market, implying substantial headroom for further penetration. Recent disclosures indicate strong year-on-year growth in cleared volumes and revenues. This trend is structurally supported by regulatory and capital efficiency considerations, suggesting FX clearing could remain a key growth driver. This highlights the ongoing regulatory shift toward central clearing, and the expected expansion in this space, further improving LSEG's growth trajectory.

Post Trade Solutions Strategic Investment by Global Banks

LSEG's announcement that 11 global banks acquired a minority stake in its Post Trade Solutions business provides external validation of the platform's value. The transaction implies a meaningful standalone valuation and reflects strong client alignment. This development may support faster product adoption, deeper client engagement, and improved long-term growth prospects within post-trade services. Such investments signal confidence in LSEG's ongoing post-trade business, emphasizing its value within the broader capital markets infrastructure space.

Expansion of Data Access Agreements (LDAs)

Data Access Agreements are increasingly central to LSEG's Data & Analytics strategy. JPM expects LDAs to represent a materially higher proportion of annual subscription value in the medium term. By reducing friction to data consumption and bundling multiple products under unified agreements, LDAs support higher retention, greater share of wallet, and improved revenue visibility. As data consumption becomes more embedded within client workflows, the integration of LDAs is poised to drive substantial recurring revenue for LSEG, providing greater stability.

Pricing Normalisation in Desktop and Workflow Products

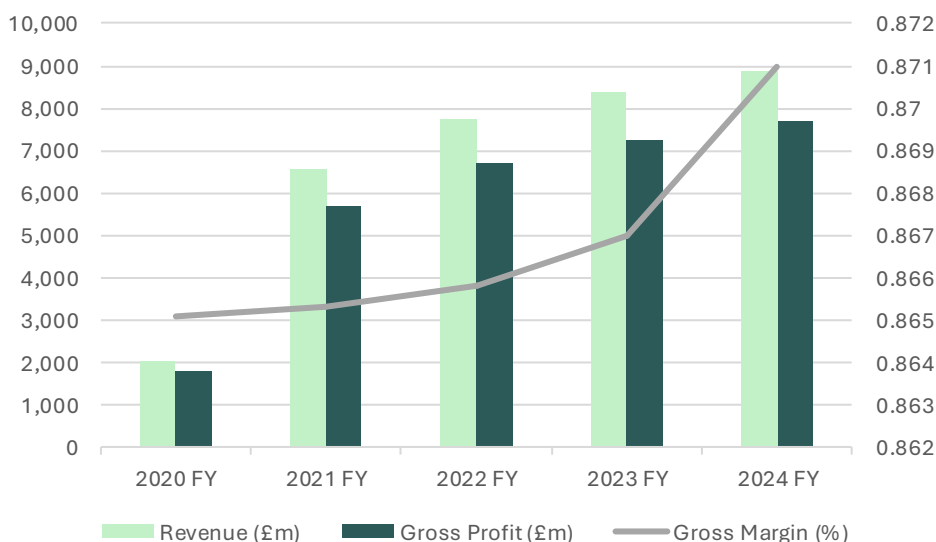
Management has indicated that LSEG's desktop and workflow offerings currently trade at a pricing discount relative to leading competitors. As product functionality improves and integration deepens, there is scope to narrow this gap over time. Even modest pricing improvements could have a positive impact on margins given the fixed-cost nature of the platform. As LSEG continues to innovate and add value to its platforms, there will be further opportunities to enhance profitability through pricing adjustments in a competitive landscape.

Microsoft Partnership Execution (Non-AI Perspective)

Beyond AI-related initiatives, the Microsoft partnership represents a broader platform and distribution catalyst. Cloud migration and workflow integration are expected to enhance scalability and operational efficiency. While benefits may emerge gradually due to enterprise adoption cycles, successful execution could support longer-term growth and margin stability. This strategic alignment with a global technology leader strengthens LSEG's technological infrastructure, reinforcing its position as a future-facing market infrastructure provider.

Financial Overview

The London Stock Exchange Group is central to the UK's financial system because it manages trading platforms, clearing services, and market information. Because it oversees these essential functions, its financial performance is closely tied to shifts in market participation and how much risk investors are willing to take. LSEG has executed a transformative multi-year growth strategy as they further develop into a renowned global financial markets infrastructure and data provider. From 2020 through 2023, LSEG maintained steady organic revenue growth while successfully integrating Refinitiv's operations following its acquisition in 2021. The company demonstrated strong margin expansion through operational efficiencies and scale benefits. 2025 showed continued momentum with revenue reaching £9.24B and adjusted EBITDA of £4.50B, reflecting the maturation of its diversified business model. According to the Q3 2025 trading update, LSEG has launched several innovative products, strengthening its position as a preferred AI infrastructure partner through strategic collaborations with technology leaders such as Microsoft and Databricks. However, it can be said that the company faces the ongoing challenge of managing elevated operating expenses and debt service costs from acquisition financing.



Revenue Trajectory

Pre-Refinitiv (2020): Revenue stood at £2.60B, primarily driven by Capital Markets and Post Trade operations

Post-Acquisition Growth (2021-2023): Following the Refinitiv acquisition, revenue jumped to £6.86B in 2021 and continued expanding to £8.37B by 2023, driven by Data & Analytics segment growth

Maturation Phase (2024-2025): Revenue growth moderated to low single digits in 2024 (£8.85B), with 2025 being at £9.33B, suggesting the business is entering a steady-state growth phase

The revenue mix has fundamentally shifted, with Data & Analytics now representing over 47% of total revenue and providing high-margin recurring income.

Balance Sheet & Cash Flow Metrics

	2020 FY	2021 FY	2022 FY	2023 FY	2024 FY
Balance Sheet (£M)					
Net Debt	372	5,756	5,484	6,201	6,567
Total Debt	2,157	8,421	8,919	9,781	10,042
Total Equity	4,125	25,519	28,151	25,944	25,153
Total Debt/Equity (%)	52.29	33.00	31.68	37.70	39.92
Total Debt / EBITDA (x)	2.36	2.85	2.56	3.36	3.25
Cash Flow (£M)					
Cash from Ops.	972	2,602	2,737	2,942	3,396
Cash from Investing	(193)	3,684	(909)	(1,369)	(1,279)
Cash from Financing	(542)	(5,346)	(1,468)	(1,086)	(2,164)
Net Change in Cash	292	880	544	371	(105)
Capital Expenditure	(19)	(90)	(193)	(122)	(74)
Change in Net Working Capital	(66)	(327)	(310)	377	(69)
Levered Free Cash Flow	665	2,150	2,267	1,652	2,386

Despite total debt rising slightly (£10.0B in 2024 vs £9.8B in 2023), the Total Debt/EBITDA ratio improved from 3.36x to 3.25x, indicating EBITDA growth is outpacing debt accumulation. This demonstrates operational deleveraging rather than aggressive debt paydown. Thus, LSEG's debt position is manageable but elevated. The company has demonstrated discipline in maintaining leverage near 3.25x while generating strong operational cash flow. The management likely prioritises strategic flexibility over rapid debt reduction.

Balance Sheet Health: Key Metrics

As of Q3 2025 (LTM)	LSEG	Comps
Return on Assets %	0.15	2.32
Return on Capital %	3.26	9.08
Return on Equity %	3.61	16.41

As of Q3 2025 (LTM)	LSEG	Mean Comparable Company
Gross Profit Margin %	86.76	84.84
EBITDA Margin %	33.37	53.94
Net Income Margin %	7.73	34.38

LSEG demonstrates exceptionally strong gross and EBITDA margins, reflecting its asset-light data and analytics business model. However, net margins and returns remain compressed due to elevated debt levels and associated interest costs from acquisition financing. As debt is gradually reduced and interest rates potentially moderate, return metrics should improve toward sector norms.

Investment Thesis

LSEG's valuation reflects a business whose current profitability does not yet align with how the market prices its earnings. The multiples show that LSEG trades on the highest P/E in the peer group despite having the lowest margins, while its EV/EBITDA remains closer to traditional European exchanges rather than global data and market infrastructure providers. This positioning indicates that the market is pricing in future margin improvement but has not fully recognised the quality and durability of the earnings base implied by its data, index, and post-trade businesses.

The DCF valuation supports this view, showing that enterprise value is driven primarily by long-duration cash flows from recurring data revenues and clearing activities, supported by modest growth assumptions and limited reinvestment requirements. The valuation therefore relies not on aggressive forecasts, but on the structural shift in revenue mix and operating leverage within the business. Combined with the multiples analysis, this indicates that LSEG is being valued as a company in transition from a traditional exchange operator to a data-driven financial market infrastructure provider. While the market partially recognises this shift through the earnings multiple, the enterprise multiple does not yet fully reflect it. The investment case therefore rests on the gradual alignment of market valuation with the improving earnings quality implied by LSEG’s evolving business model.

Valuation

We value LSEG using a 10-year discounted cash flow model starting from the 2023 base year, with explicit forecasts to 2028, a mid-period to 2033, and a terminal value thereafter. The forecast incorporates segment-specific growth assumptions, with a blended revenue CAGR of 5.5%. Cash flows from 2026E onwards are discounted at 8.5%, consistent with the transition from accounting earnings to fully cash-generative free cash flow following the Refinitiv integration and margin normalisation.

In this model, EBITDA growth is forecasted to decelerate for mature segments like Capital Markets and Post-Trade, while the Data & Analytics and FTSE Russell segments grow at stronger rates in the near term. Effective tax rate is assumed unchanged since 2025E. Capital expenditure gradually normalises from 10% to 7% of sales, working capital changes are assumed to be negligible given the subscription nature of revenues, and a terminal growth rate of 3% is applied, consistent with a long duration market infrastructure business. The valuation is discounted at a WACC of 8.5%.

	Explicit forecasts					
	2023	2024E	2025E	2026E	2027E	2028E
Data & Analytics	1,617	1,748	1,923	2,077	2,232	2,389
% Growth			10.0%	8.0%	7.5%	7.0%
FTSE Russell	525	591	644	693	741	789
% Growth			9.0%	7.5%	7.0%	6.5%
Risk Intelligence	234	286	306	326	345	366
% Growth			7.0%	6.5%	6.0%	6.0%
Capital Markets	796	942	989	1,029	1,065	1,102
% Growth			5.0%	4.0%	3.5%	3.5%
Post Trade	569	547	583	618	651	687
% Growth			6.5%	6.0%	5.5%	5.5%
Other	36	34	33	32	32	32
% Growth		-5.6%	-2.5%	-2.0%	0.0%	0.0%
Total EBITDA	3,777	4,148	4,478	4,774	5,067	5,366
% Growth		9.8%	8.0%	6.6%	6.2%	5.9%

	Explicit forecasts							Middle period				
	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBITDA	3,777	4,148	4,478	4,774	5,067	5,366	5,661	5,972	6,301	6,647	7,013	7,293
Tax	-876	-996	-1,075	-1,146	-1,216	-1,288	-1,359	-1,433	-1,512	-1,595	-1,683	-1,750
Tax rate	23.2%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
CAPEX	-1,056	-958	-941	-902	-858	-863	-853	-904	-959	-1,016	-1,077	-1,142
% Sales	12.9%	11.3%	10.0%	9.0%	8.0%	7.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
FCF	1,845	2,194	2,462	2,726	2,994	3,215	3,449	3,634	3,829	4,035	4,252	4,401
% Growth	-1%	19%	12%	11%	10%	7%	7%	5%	5%	5%	5%	3%
Cost of Capital				8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Discount Factor				1.00	0.92	0.85	0.78	0.72	0.67	0.61	0.56	0.52
PV				2,726	2,759	2,731	2,700	2,623	2,547	2,474	2,402	2,292

NPV over forecasts period	23,254
TV FCF	4,401
Terminal growth rate	3.0%
Terminal Value	82,422
Discount factor	0.52
PV of Terminal Factor	42,915
Cumulative NPV	66,168
Net Debt Dec 25E	-6,650
Estimated equity value	59,518
Number of shares	524
FV per share (p)	11,358
Minorities	2,160
FV per share ex minorities (p)	9,198
Valuation 2025	9,198

The model generates a PV of explicit free cash flows of £23,254m and a PV of terminal value of £42,915m, implying an enterprise value of £66,168.1m. Net debt at Dec-25E is £6,650m, which reduces equity value mechanically in your sheet, giving an estimated equity value of £59,518m.

On this basis, the model implies a fair value per share of 11,358p, and 9,198p after deducting minorities. The valuation suggests that LSEG is underappreciated by the market, particularly in light of its strong data and post-trade business model.

The peer set consists of CME, ICE, Nasdaq, Deutsche Börse, Euronext, Cboe who are major market competitors of LSEG. This multiple analysis includes S&P Global and Moody's as they are the main Data & Analytics providers.

Company	Market Cap (USD bn)	P/E	EV/EBITDA	Operating Margin (%)	Net Margin (%)
London Stock Exchange Group	37.9	47.9	11.2	17.0	10.7
CME Group	98.5	27.9	24.3	64.1	57.5
Intercontinental Exchange	88.1	32.0	17.4	63.6	57.6
Nasdaq	50.1	44.8	19.0	31.9	19.9
Deutsche Börse	46.2	20.6	21.1	40.1	27.6
Euronext	14.8	18.4	9.8	51.6	36.2
Cboe Global Markets	26.4	26.2	17.3	35.6	23.3
S&P Global	149.5	38.8	22.1	44.3	28.1
Moody's	85.6	41.6	25.9	46.9	29.9

LSEG reports an operating margin of 17.0% and a net margin of 10.7%, the lowest in the peer group. In comparison, CME reports 64.1% operating and 57.5% net margin. LSEG's EV/EBITDA of 11.2x is positioned between traditional European exchanges and higher-margin U.S. infrastructure peers, like CME and Nasdaq. Despite this weaker profitability profile, LSEG trades on a P/E of 47.9x, the highest in the group.

While LSEG's multiples reflect the growth potential from data services, they are not fully reflective of the shift towards a data-driven infrastructure business. The mismatch between LSEG's lower operating margins (17%) and its market multiple suggests that LSEG is still valued primarily for its exchange business, not its growing data services and post-trade revenues. The multiples are below those of U.S.-based data-driven peers, indicating the market has not fully priced in the earnings quality shift from traditional exchange activities to data & analytics and post-trade services.

In conclusion, the DCF and multiples analysis indicate that LSEG is priced based on expectations of future earnings improvement, while the enterprise multiple does not yet fully reflect the quality and durability of its data and post-trade driven cash flows. This creates a valuation gap between how LSEG is priced and what its business model implies, forming the core of the investment case.

Final Remarks

LSEG today stands at an inflection point that is not immediately visible from headline profitability metrics but becomes clear when the business model, revenue mix, and long-duration cash flow profile are analysed together. Over the past decade, the Group has transformed from a traditional exchange operator into a diversified financial markets infrastructure and data platform. This transition has materially altered the quality, visibility, and defensibility of its earnings base, yet market valuation still partially reflects its historical identity rather than its current economic reality.

The analysis in this report demonstrates that LSEG's value is increasingly derived from recurring, subscription-based data revenues, index licensing, and structurally embedded clearing relationships. These activities exhibit high switching costs, regulatory support, and network effects that provide durable earnings visibility. The DCF valuation shows that enterprise value is driven predominantly by long-duration free cash flows from these segments rather than by cyclical trading activity. Importantly, this valuation outcome does not rely on aggressive growth assumptions, but on the continuation of modest organic growth and gradual margin normalisation as the Refinitiv integration matures.

The multiples analysis reinforces this perspective. LSEG trades on the highest P/E in the peer group despite having the lowest margins, while its EV/EBITDA remains closer to traditional European exchanges than to U.S. data and market infrastructure providers. This disconnect indicates that the market is pricing in expected margin improvement, but has not yet fully recognised the shift in earnings quality toward data, indices, and post-trade services. The current valuation therefore reflects a business in transition, where market perception is still adjusting to structural changes in the revenue base.

Key catalysts that may narrow this gap include:

- AI-enabled data monetisation and workflow integration
- Continued Refinitiv integration benefits
- Expansion of Data Access Agreements
- Growth in FX clearing at LCH

These developments could enhance margins, strengthen revenue durability, and support gradual re-rating. However, regulatory developments, competitive pressures in data services, and execution risks in technology migration remain relevant downside considerations.

LSEG increasingly functions as a core financial data and infrastructure provider rather than a conventional exchange group. Its integrated ecosystem, global reach, and regulatory positioning create a model characterised by high barriers to entry, earnings visibility, and long-term client dependency. The valuation gap identified is not simply short-term mispricing, but reflects the market's gradual reassessment of the Group's structural transformation.

In sum, current pricing embeds expectations of improvement but not yet the full implications of LSEG's business evolution. As data, index, and post-trade revenues continue to dominate the earnings profile, alignment between market valuation and underlying business quality is likely to develop progressively, forming the central investment rationale of this report.

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Disclosure

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