

Markets & Investing

General Atlantic secures \$250m stake in Markit

Deal seen as bet on post-trade services

7.5% holding values company at \$3bn

By Jennifer Hughes, Senior Markets Correspondent

General Atlantic is taking a \$250m stake in Markit in what amounts to a bet by one of the industry's most experienced investors that the best future growth lies in post-trade services and data rather than in exchanges and trading platforms.

The 7.5 per cent stake values Markit at just over \$3bn. GA is best-known for its investments in trading venues such as Nymex, E*Trade, Saxo Bank and Archipelago – now part of NYSE Euronext. It still retains a stake in Bovespa, the Brazilian exchange.

Bill Ford, chief executive of GA, said yesterday that it was the post-trade area that offered the most opportunities.

Regulators and politicians have focused their attention on the vast over-the-counter derivatives markets in the wake of the financial crisis, with the aim of automating trading and establishing clearing systems in a bid to reduce trading risks and



Bill Ford sees post-trade opportunities

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help stabilise the markets in any future crisis.

"We see post-trade as an area for further consolidation and automation and we've spent quite a bit of time trying to identify opportunities," said Mr Ford. He said GA had felt even before the crisis that the low level of automation after trades were done had shown the area was ripe for change.

"We've always tried to identify areas that are ripe for consolidation and innovation. In the last decade we got involved with the exchange space believing there was opportunity both in 'electronification' and

consolidation. Now we think the same is true in the market data and post-trade areas."

Markit has made its name providing credit derivatives pricing data but has been branching out into other areas, and its services now include valuations, economic and reference data, indices and trade processing. Its biggest single division is electronic trade processing – the form of back-office trade management now favoured by regulators over old-style paper-based processes.

"Markit has a lot of growth ahead of it – in terms of both organic

growth and in acquiring other businesses and building an even broader platform," said Mr Ford.

The company reported 2008 revenues of \$348.1m and is believed to have seen that rise more than 25 per cent last year.

Mr Ford has personally overseen many of GA's market-related investments and will also join the Markit board.

"Bill joining the board was an important part of the transaction for us," said Lance Ugglia, chief executive of Markit, who has previously described his ambition for Markit to become the "Google of the credit world". "GA is one of the leading investment firms in financial services and having them as a partner is an affirmation of our business model," he added.

The firm's investment will be used partly to create liquidity in Markit's extensive employee share ownership schemes, and for future investments.

"I think 2010 is a year in which the financial services landscape could change quite dramatically.

"I want to ensure Markit is well-positioned to be a leading participant and a company with vision," said Mr Ugglia.

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