A Primer on Market Intelligence Companies

Introduction

Data is now often considered one of the most profitable resources in today's digital economy, with many of the world's biggest companies, including Amazon and Meta, benefitting massively from how they collect, analyse and utilise data. Likewise, financial data vendors have been in existence as long as financial data has been available. This started in the 1870s, where financial data vendors would distribute ticker tape, transmitting stock price information over telegraph lines. Although modern technology has rendered ticker tape obsolete, the concept lives on and is seen on the scrolling electronic tickers seen on brokerage walls and on news and financial television channels. The universe of financial data is hard to specify since there are so many different types of instruments, such as equities, bonds, options, futures and currencies but also hundreds of different markets for investment itself. In the world of financial data services, the types of data offered can vary significantly among vendors. Typically, these datasets encompass a wide range of information related to entities (such as companies) and instruments (including shares and bonds) that companies may issue. It's common for pricing data to be offered separately from other pertinent information, such as corporate actions and events, valuation metrics, fundamental data detailing company performance, and reference data pertaining to the entities and instruments themselves. In addition to market price data, there's a category known as market reference data, which serves to describe securities, commodities, and transactions. For instance, a ticker name is a form of market reference data that provides a unique identifier for a particular security or financial instrument. Intraday Data, often abbreviated as real-time data, is another crucial facet of financial data services. This type of data consists of price information that is updated throughout the trading day and is typically disseminated at regular intervals, often every 15 minutes. While most financial data vendors offer access to data during trading sessions, it's important to note that accessing historical market data is equally significant. Historical data allows for in-depth analysis of past market trends and behaviors, offering a broader perspective on market dynamics. However, this benefit may come at the expense of real-time updates, as historical data is typically updated less frequently, capturing the time intervals between database updates.

In recent years, there has been a notable shift toward the utilization of alternative data by financial professionals, particularly quantitative and fundamental investors. Alternative data, in this context, refers to non-traditional datasets that do not originate from traditional sources like securities exchanges, regulatory disclosures, or economic release indicators. Instead, these datasets encompass diverse information, including consumer transaction data, satellite imagery, vehicle movements, and web-based data, such as social media activity. The adoption of alternative data has become increasingly mainstream, with an estimated three out of four financial institutions establishing dedicated alt-data teams as of 2020. Additionally, 90% of firms have been expanding their use of alternative data to enhance their investment strategies and potentially improve portfolio returns. This trend underscores the growing importance of alternative data in the ever-evolving landscape of financial data services.

The biggest player in the financial data vendors industry is unsurprisingly Bloomberg, with a market share of 33%. Bloomberg's journey began in 1981 when Michael Bloomberg, a former partner at Salomon Brothers, received a $10mn partnership settlement. He used this capital to establish Innovative Market Systems (IMS), leveraging his expertise in designing computerized financial systems for Salomon. Bloomberg's vision led to the creation of a revolutionary computerized system called the Market Master Terminal, later known as the Bloomberg Terminal, which offered real-time market data and financial analytics to Wall Street firms. Merrill Lynch became the first customer, purchasing 20 terminals and a 30% equity stake in the company in 1982. In 1986, the company rebranded itself as Bloomberg L.P. Bloomberg expanded its offerings further by launching Bloomberg Business News (now Bloomberg News) in 1990 and establishing Bloomberg.com in 1993 as a financial portal.

Over the years, Bloomberg bought back Merrill Lynch's stake in the company and maintained its status as a private company. Michael Bloomberg briefly stepped down as CEO in 2001 to run for Mayor of New York, appointing Lex Fenwick as CEO. Leadership changes continued, with Peter Grauer becoming chairman in 2012 and Daniel Doctoroff serving as CEO until 2014. In August 2023, Michael Bloomberg revealed significant leadership changes within the company. Vladimir Kliatchko assumed the role of CEO, while Jean-Paul Zammitt became President. Additionally, Mark Carney took over as the chairman of the board of directors. Throughout its history, Bloomberg has remained at the forefront of providing financial data and analytics, with a strong focus on innovation and expanding its global presence. Today, it continues to play a vital role in the financial industry under the leadership of its dedicated team.

Bloomberg's biggest competitor in the market is Refinitiv Eikon, with a market share of 19.6%, and competes primarily on cost, whilst still offering a lot of the same financial data. A Bloomberg terminal will set you back $27,660 for a one year license, meanwhile Refinitiv Eikon's platform is $22,000 per year whilst also offering a stripped down version for just £3,600 per year. Refinitiv was founded in 2018 as a subsidiary of Thomson Reuters [NYSE: TRI], before the Blackstone Group [NYSE: BX] bought a 55% stake in the firm. In 2019, the London Stock Exchange Group [LON: LSEG] completed the $27bn buyout of Refinitiv where it is now run as a subsidiary. Capital IQ is the third biggest player, with a market share of 6%, followed by FactSet with a market share of 4.5%. The cost of Capital IQ is not publicly published as the pricing is tier-based and tailored to meet the specific needs of the client. All their product offerings are customised solutions for the customer profile and specific use-cases. Capital IQ is most popular in the investment banking industry, for its renowned fleet of data scrubbers. Investment bankers typically look for "normalised" or "non-GAAP" data such as EBITDA, which can often be tricky to find in company's reports. Capital IQ's fleet of data scrubbers automates this process and even lets you click back to audit the source data. Recent years have seen increased level of competition from these firms as well as from newcomers specialising in niches, such as PitchBook and Mergermarket.

S&P Global: A Leading Player in Market Intelligence

In the ever-evolving landscape of financial information and market intelligence, S&P Global stands as a prominent and trusted name. With a rich history dating back to the late 19th century, S&P Global has continually adapted and expanded its services to meet the evolving needs of the financial industry. Today, the company operates as a global leader in providing essential data, analytics, and insights that empower decision-makers worldwide. One of the distinctive features of S&P Global is its diverse portfolio of business segments, each catering to specific aspects of the financial and information services sector. These segments include ratings, market intelligence and Indices. S&P Global Ratings provides credit ratings to various entities, including governments, corporations, and financial instruments such as bonds and securities. They generate revenue by charging fees to issuers for rating their debt and financial products and these ratings in turn help investors and creditors assess credit risk, make investment decisions, and determine borrowing costs. S&P Global Market Intelligence offers a wide range of financial data, analytics, research, and news to its clients through their platforms Capital IQ and Marketplace, which provides fundamental and alternative datasets. This is complemented by their vast array of data analysis tools such as Kensho NERD which uses artificial intelligence and machine learning to extract financial data from documents. Revenue is primarily generated through subscription fees for access to its data platforms, custom research services, and licensing data to other financial institutions and corporation and enables professionals to make informed decisions by providing insights into market trends, company performance, and industry developments. S&P Global's final core business activity is S&P Dow Jones Indices. Launched as a joint venture between S&P Global and CME in 2012, they produce, maintain, license and market stock market indices as benchmarks and as the basis of an investable product such as an exchange-traded fund. The company's best known indices are the S&P 500 and the Dow Jones Industrial Average (DJIA), which were created in 1957 and 1896 respectively, although the company has over 130,000 indexes and launches an average of one index or index family a week. The firm also does 'specialty'

indexes for specific interests, such as their race-car focused Formula 1 index or the Dow Jones Luxury Index, among others.

Despite their strong market presence in many niches, S&P Global have decided to divest two of their business lines in less than a year. The first divestiture was the $650mn sale of the Leveraged Commentary and Data business in April 2022, to Morningstar, another financial services company that is very influential in the asset management space. This sale was the result of a pledge made by the company to the European Commission as a condition of regulatory approval on its $44bn merger with IHS Market, which was completed in February 2022. The second was KKR's $975mn buyout of Engineering Solutions Business in January 2023 having been put up for sale in November 2022. This business line provides data, insights and the technology to 650,000 users to optimize workflows and enables engineers and architects to access the data needed to deliver new products. Interestingly, the Engineering Solutions Business only became part of S&P Global following the merger with IHS Market. The approximate $750mn after-tax proceeds are expected to be used to fund share repurchases and also allows S&P Global to focus on driving growth in its core business units. The merger with HIS market has ultimately setup S&P Global with a bigger platform with a greater business solutions offering to its clients in an attempt to compete with the likes of Michael Bloomberg's financial data empire.

The Case for Private Equity Funds

Over the past decade, several Private Equity funds have engaged in acquisitions of market intelligence companies.

Refinitiv, an American-British global provider of financial market data, was funded in 2018 as a subsidiary of Thomson Reuters, who transferred its complete financial and risk product portfolio except its Regulatory Intelligence, Risk Compliance Learning and Data Privacy Advisory Services. The operation was carried out with the intention of selling a majority stake in Refinitiv to the Blackstone Group. The deal, completed on October 1st, 2018, valued the total F&R business at about $20bn, while the private equity fund acquired 55% of the company. Refinitiv runs data for more than 130 fintech companies, as well as analytics, trading, and risk assessment tools. The latter include World-Check, a risk intelligence database for financial crime legislation compliance, which comprises Politically Exposes Persons (PEPs) and high-risk individuals and organizations. Other tools are FXall, a foreign exchange aggregator, Eikon, the execution management system REDI, Quantitative Analytics on the Cloud, AutoAudit, Datastream, and the Elektron Data Plaftorm, which creates over 30k intelligence records every month with internal and third-party sources. Refinitiv also features a database with over 1 million M&A transactions over the last 40 years, with investment banking league tables across equity markets, IPOs, debt, loans, bonds, joint ventures, project finance, municipal bonds, repurchases, and private equity. The data provider operates in 190 countries, with more than 40,000 clients and an annual turnover of $6bn.

In October 2019, Blackstone and Thomson Reuters announced the sale of the company to the London Stock Exchange Group (LSEG), for a total enterprise value of $27bn, but the sale was not completed until LSEG received EU regulatory approval in January 2021.

A few years earlier, in May 2016, General Atlantic announced the acquisition of 52% of Argus Media, which was valued at about £1bn. At the time, around 180 employees of Argus owned shares or options in the company, included chairman Adrian Binks, editor-in-chief Ian Bourne, and Peter Caddy, global head of business development. They, together with several non-executive directors with significant shareholdings, were given the option to sell all their shares alongside the founding Nasmyth family. Argus Media was founded in 1970 by former Treasury official and British Army officer Jan Nasmyth. Originally formatted as a weekly newsletter with coverage of European petroleum product markets, the company has now more than 750 full-time employees, over 160 publications, 21 offices worldwide, and more than 23,000 price assessments. As one of the largest commodity price

reporting agencies globally, it fulfils a crucial role in international commodity supply chains, creating benchmarks such as ASCI sour crude index, now used by Saudi Arabia to price exports to the US.

In 2019, General Atlantic sought to sell its stake in Argus and had started engaging in talks with several pension groups and sovereign wealth funds, leaving the Canada Pension Plan Investment Board as a potential buyer. The deal, which would have valued Argus at around £2bn, never went through for unclear reasons.

The acquisitions of market intelligence companies did not stop with the Covid-19 pandemic. In February 2020, the EQT Mid Market Europe fund announced a significant growth investment in Rimes Technologies with undisclosed terms. Rimes specializes in providing specialized data for financial institutions through several cost-effective Managed Data Services and Regulatory Technology (RegTech) solutions and has gained a reputation for ensuring quality personalized data. It currently serves more than 350 asset managers, owners, servicers, and banks in 45 financial centers, including 60% of global investment managers and 90% of the top asset services in the world. EQT, a Swedish private and growth equity investor, is already known in the data management space for the 2014 acquisition of entity data specialist Bureau van Dijk (BvD), later sold to Moody's Analytics for an enterprise value of $3bn. The reason behind the acquisition of Rimes is the possibility of building new product lines within fast-growing segments, such as sustainability, where the data provider is already significantly placed in the investment management industry.

More recently, Veritas Capital, a New York-based private-equity firm founded in 1992, completed its $3.1bn acquisition of energy consultancy Wood Mackenzie from analytics company Verisk, after the latter grew the company for 8 years, since buying it from Hellman & Friedman in 2015. The deal also includes an additional contingent payment of up to $200m in the future for Verisk. As Veritas primarily invests in technology-enabled products and services and companies that serve government and commercial customers worldwide, the fund believed in bringing deep sector knowledge and operational expertise to Wood Mackenzie.

The rationale behind these acquisitions is consistent with current industry trends: as the markets related to data are predicted to continue their rapid growth in the near future, with Data Analytics predicted to reach $303.4bn by 2030 (CAGR 27.60%) and Big Data predicted to grow at a CAGR of 13.5% until 2030 ($745.15bn market size), private equity funds are seizing opportunities to acquire market data providers. The possibility of accelerated growth is supported by a chance of high returns, such as in the case of Hellman & Friedman, who is said to have sold Wood Mackenzie for a 35% internal rate of return.

Current Activity and Outlook

The potential of market intelligence companies is shown through their recent activity, especially in M&A transactions. In April 2023, Bloomberg acquired Broadways technology, a provider of high-performance financial trading solutions for electronic fixed-income markets, while FactSet acquired idaciti for an undisclosed amount in August 2023. Argus Media has been active in acquisitions as well, buying online trading platform Mercaris and PipeLogix, a lateral and manhole inspection software solutions with GIS integration. The diversification displayed through the different operations the acquired companies are involved in shows an attempt in shaping a future of new verticals and push for rapid growth.