



LSEG-MayStreet: From direct feeds revamp to reg tools, industry sources outline rationale for deal

The acquisition of the 10-year-old vendor will give the exchange group high-quality market data, low-latency direct feeds, and packet-capture capabilities, experts say. By **Max Bowie, Joanna Wright, Wei-Shen Wong and Anthony Malakian**

The London Stock Exchange Group's (LSEG's) acquisition of market data provider MayStreet, announced on May 18, will enable the exchange's Refinitiv data vendor business to update the legacy infrastructure technologies of its Refinitiv direct feeds (previously known as the Reuters Data Feed Direct, or RDFD), and gain access to high-quality market data, packet-capture capabilities, and quant tools that it did not have before, industry insiders say.

Some say the deal is a way for Refinitiv to replace and enrich struggling legacy infrastructure components, while others point to the additional capabilities MayStreet will bring to the group, potentially opening the door to new and under-served markets for the exchange.

"For the LSE, this completes their portfolio of the data and content and markets they're in. They had the consolidated feed, [with the acquisition] they've got real-time, they've got historical, they've got referential. So they have all the data now. And although they had the RDFD, that low-latency capability, they weren't in all the markets," says Steve Roe, CEO of market data consultancy and real-time systems support provider West Highland Support Services.

"You look at MayStreet, and you see they are in more markets, and the technology is superior. MayStreet comes with things like packet-capture (PCAP) ability, so they can do all the capturing and playback and gap-filling of events in that low- and ultra-low latency space that Refinitiv didn't have," Roe adds.

Whatever its motive—to update its infrastructure, bring new capabilities, or snap up a potential competitor—LSEG clearly sees MayStreet as a valuable asset. The exchange is not disclosing terms of the deal, which is expected to close

this quarter. However, estimates of the value are substantial enough to eat up a sizable chunk of the \$200 million that the exchange announced it would invest in Refinitiv, following its acquisition in 2021—most of which would be spent on upgrading the vendor's legacy technology.

Since buying Refinitiv, LSEG has been beset by reports that integrating the vendor's technology was proving more costly than anticipated, although an LSEG spokesperson tells *WatersTechnology* that the Refinitiv integration is on track, citing the company's 2021 annual report, in which LSEG CEO David Schwimmer says the group is "making excellent progress on the integration in order to deliver the strategic and financial benefits of this transaction."

After paying \$27 billion for Refinitiv, another \$200 million—including whatever the MayStreet price tag turns out to be—is a drop in the ocean to achieve those financial benefits. So, what exactly is LSEG getting for its money?

First, it's getting a foot in the door of low-latency market data distribution and feed handlers.

"[MayStreet] significantly enhances our LSEG data solutions business, allowing us to provide our customers with data and technology across the low-latency spectrum all the way through to historical data. We now service from low-latency, intraday, end-of-day, and historical data," says Stuart Brown, group head of enterprise data solutions at LSEG, adding that MayStreet will bolster Refinitiv's direct feeds with true low-latency capabilities, for which it is experiencing global demand.

"Our enterprise data business and the real-time franchise has been around real-time data, consolidated feeds, and the technology to distribute that. That's what

we've been doing for 30, 40 years. We've never really played in the low-latency or ultra-low-latency space. In direct feeds, MayStreet offers much more breadth and depth of direct feeds and technology," Brown says.

Buying MayStreet and its technology is a sound investment in modernizing the Refinitiv direct feeds, market data industry sources say.

These feeds were first launched in 2005 by then-Reuters as the RDFD, later rebadged as the Elektron Direct Feed, and are now known as Refinitiv Real-Time Direct. Over recent years, Refinitiv began licensing MayStreet's Bellport feed handler to support this feed, rather than building handlers in-house.

Brown says LSEG initially investigated building its own feeds or partnering with other vendors, which is how its relationship with MayStreet began. If nothing else, the deal solidifies that relationship and brings it in-house, rather than Refinitiv being dependent on an external third party for any critical technology. But it also accelerates Refinitiv's potential upgrades.

"This can majorly upgrade [Refinitiv's] own internal technology, which is all archaic at this point," says an outside source familiar with the deal. "It's a really good acquisition, to my mind. Instead of Refinitiv having to upgrade their technology over years, they can literally take MayStreet and upgrade in a much shorter period."

Capturing every tick

But it's not just about feed handlers and direct feeds. The source agrees that the acquisition will give Refinitiv access to highly granular, high-quality market data.

"It's a secret that most people don't know, but when market data vendors give

market data to regular order or execution management systems, most of the time there's a lot of conflation that happens. Market data changes 100 times a second, but that doesn't mean the vendors send you all the 100 changes. No human eye can consume more than that," they say.

But MayStreet has this granular data, the source adds. "Every print with the right timestamp in the right format—MayStreet has that. So, one, it has speedy data; two, it has the best quality data; and three, it has cloud delivery. From Refinitiv's standpoint, it extends what kind of data they can sell to their massive client base, and it allows them to upgrade their own internal infrastructure," they say.

Part of the challenge of upgrading legacy technology, says West Highland's Roe, is that Refinitiv is a data provider and aggregator that requires technology, but is "not really a technology company," adding that continued mergers and acquisitions over the years have diluted the vendor's technology expertise.

"MayStreet has a very good engineering team. The guys they have are very good and are going to add value in this vertical space, as well as the tools they're bringing with them—in particular, Bellport and the packet capture," which support low-latency trading strategies and historical analysis, and would have been especially enticing to LSEG, Roe adds.

Indeed, LSEG's Brown says MayStreet's existing network of more than 300 cross-asset venues will expand LSEG's historical market data product portfolio.

MayStreet's PCAP service provides nanosecond time-stamped data across asset classes. Packet capture is the act of intercepting a data packet within a network so that it can be analyzed. Roe says this is a great capability that Refinitiv is now acquiring for the first time.

"When you stream data in these low-latency platforms, you have to be able to record data at the packet level. You're getting it 'from the wire,' as it's called. And then if there's some disruption and a packet or series of packets is dropped or lost, you have to be able to identify that," Roe says. "The old way of doing that was to connect the two



endpoints of the gap together and draw a straight line. But what can be done now is to take the actual elements that were missing and backfill them so that you don't miss anything for historical purposes."

This is a useful capability for certain types of users, such as quantitative traders, who might want to, for example, analyze multicast quote feeds in Python. MayStreet also has tools within its Analytics Workbench with which users can do so, like preconfigured Jupyter notebooks.

"MayStreet has a lot of software tools for consumers: Jupyter notebooks and toolkits like that—stuff that Refinitiv has not been in the business of providing to the quant community," says the anonymous source.

New tech + old data = new opportunities

MayStreet will now become part of the enterprise data solutions business, which falls under LSEG's data and analytics division, and MayStreet CEO and co-founder Patrick Flannery will report to Brown. As such, not only is MayStreet bringing its own feed handlers and market coverage to the deal; Refinitiv is bringing its existing wealth of non-exchange-traded data assets, which MayStreet's technology can now be applied to.

"We will have access to a tremendous amount of content, especially in Treasury bonds and emerging markets, and we can apply our technology and methodology to new content and new customers," Flannery says.

For example, says Keiren Harris, founder of Hong Kong-based market data strategy consultancy DataCompliance, MayStreet could give LSEG an edge if combined with the group's other electronic markets. As part of the Refinitiv deal, LSEG also now owns a majority stake in fixed-income venue Tradeweb and fixed-income trading platform FXall.

"Let's take the Refinitiv FX business. It's worth about \$200 million. If you compare that to [Deutsche Börse's FX trading platform] 360T or Euronext FX, those are worth about \$50 million and \$20 million, respectively," Harris says. "So they have a much bigger business there. But it's under a lot of pressure and low latency in that market is really important. It's also becoming more important in some of the more liquid fixed-income markets. So adding something like MayStreet could open up a lot of new electronic asset classes in over-the-counter (OTC) markets."

Flannery says the broader datasets that being part of Refinitiv will expose MayStreet to will help to accelerate MayStreet's growth faster than it could have managed on its own. Data has always informed the vendor's technology direction, and MayStreet continues to emphasize the modularity of the components it sells—whether feed handlers, its Analytics Workbench tools, or its data lake—to facilitate on-demand access for customers, Flannery says.

"[Michael Lehr, MayStreet's co-founder and CTO] and I started at our kitchen table, and we were kind of resource-light. We had to generate revenue, so we built

and licensed the components. And the data came about because it made the software better, and the software was better because we had the data. We've thought about the business in terms of collecting data, storing data, indexing and transforming data. So whether we are delivering to the cloud or on-premises, users can almost mix and match: They have a consistent set of tools, regardless of where they consume the data," he says.

In terms of delivering via the cloud—one of the key technology capabilities highlighted earlier by the source familiar with the deal—Flannery says most of MayStreet's targeted customer base is still in its early days of migration, and that the cloud represents a big opportunity for the future.

"That dovetails with the idea of on-demand access, where the cloud supports consumption models that are totally different from on-premises models," Flannery says. "For example, as we move all our data to the cloud, customers can access a single repository of that in Amazon, which is something we're going to be rolling out with the LSEG. These dynamics allow us to offer firms the ability to pull the relevant portions of the data they need out of this large repository."

To Refinitiv and beyond!

LSEG can also leverage MayStreet's technology beyond existing data assets, and can potentially apply it to new areas.

For example, Brown says LSEG intends to grow MayStreet globally. "We have our own direct feeds that MayStreet has helped us build. But we see the opportunity to use our global network of sales teams and account managers and customers to take MayStreet global, particularly in Europe, the Middle East, and Africa," Brown says.

Brown particularly sees opportunities in Asia, he adds. "I spent 14 years in Asia running businesses for Refinitiv. And there's always been a huge demand in that region for low-latency data. We are now in a position through this acquisition to meet the demand for that speed and quality," Brown says.

Indeed, following the announcement, Refinitiv's head of Asia enterprise data solution sales, Chris Young, said in a

post on LinkedIn that with MayStreet, LSEG can now offer low-latency feeds across 200-plus venues "in single-digit microseconds," and is now "building out a dedicated team in Asia focused on the direct feeds business."

Another possible area of expansion is the potential to offer regulatory solutions to Refinitiv's clients among regulators and central banks around the world.

“Whether we are delivering to the cloud or on-premises, users can almost mix and match: They have a consistent set of tools, regardless of where they consume the data.”
Patrick Flannery, MayStreet

Since 2019, MayStreet has operated the US Securities and Exchange Commission's (SEC's) Market Information Data Analytics System (Midas), the US regulator's system for monitoring capital markets. As part of that process, MayStreet acquired part of the previous Midas administrator, Thesys Technologies. LSEG's Brown says this relationship with the SEC was another attraction for the exchange because of the potential for expansion.

"Clearly, the SEC values the Midas solution," Brown says. "We see this as an opportunity to engage other regulators around the world for that type of solution, given the fact that we have a global footprint, and relationships with regulators and central banks around the world."

For better or worse

Most observers agree the deal is a good one for Refinitiv. For example, it presents upsell opportunities to the combined vendors at firms on the buy side and sell side where Refinitiv's infrastructure is tightly integrated into their businesses.

"If a client is taking in their data on one side, Refinitiv can offer different types of contract structures to bring in their low-latency capabilities with these enhanced analytic tools," Roe says. "And it may be appetizing to a client if they have a good relationship with Refinitiv or a good experience with them."

However, he questions whether the deal benefits the industry as a whole, or whether it simply contributes to greater consolidation and contraction among vendors and greater centralization of pricing power among the largest providers.

Certainly, M&A activity among data vendors has whittled down what was once a crowded space, as smaller firms have realized they can better fend off rivals and take on bigger competitors by joining forces. This year and 2021 saw a number of deals in this space. Data and execution technology provider Vela and low-latency solutions provider Exegy merged; infrastructure and managed services provider Options Technology bought enterprise data platform provider Activ Financial; and data and analytics provider Pico bought Redline Trading Solutions.

Flannery and Lehr founded MayStreet in 2012. In 2020, the vendor closed a \$21 million Series A financing round led by Credit Suisse Asset Management's Next Investors, a private equity firm that invests in businesses that interact with the financial services industry. MayStreet said at the time that the investment would be used to accelerate the company's growth through the full globalization of its platform.

From that point, a deal was in the cards as Next looked for ways to capitalize on its investment, observers say. "They received that funding from Credit Suisse Next—they were meant to be acquired," says Vinod Jain, a strategic advisor in the capital markets team at research firm Aite-Novarica.

The source close to the deal declined to say what MayStreet cost LSEG, but says that at the time of the Series A funding the vendor was valued at \$76 million, and had been experiencing "phenomenal" revenue growth of between 50% and 60% year on year. That, together with an excellent engineering team and tech assets, led to a sale price of multiple times revenue, the source says. "Vela, Activ, Redline—they were sold at two, three, or four times revenue. ... This deal is multiple times that," they say, adding that "Credit Suisse is walking away as a very happy investor." **wt**