



# dbAccess Berlin Conference

Theodor Weimer, CEO

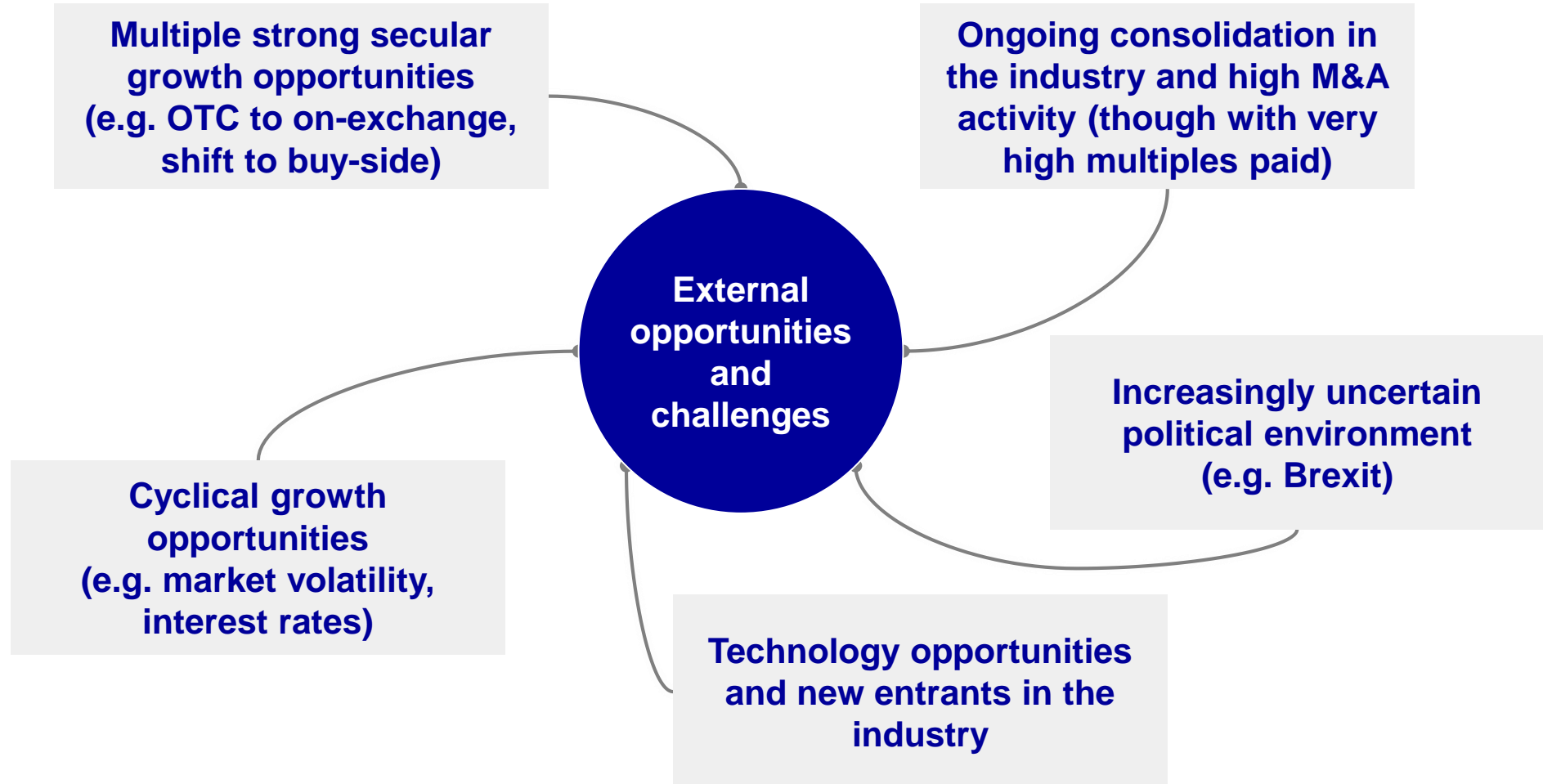
Berlin, 7 June 2018




# Deutsche Börse equity story

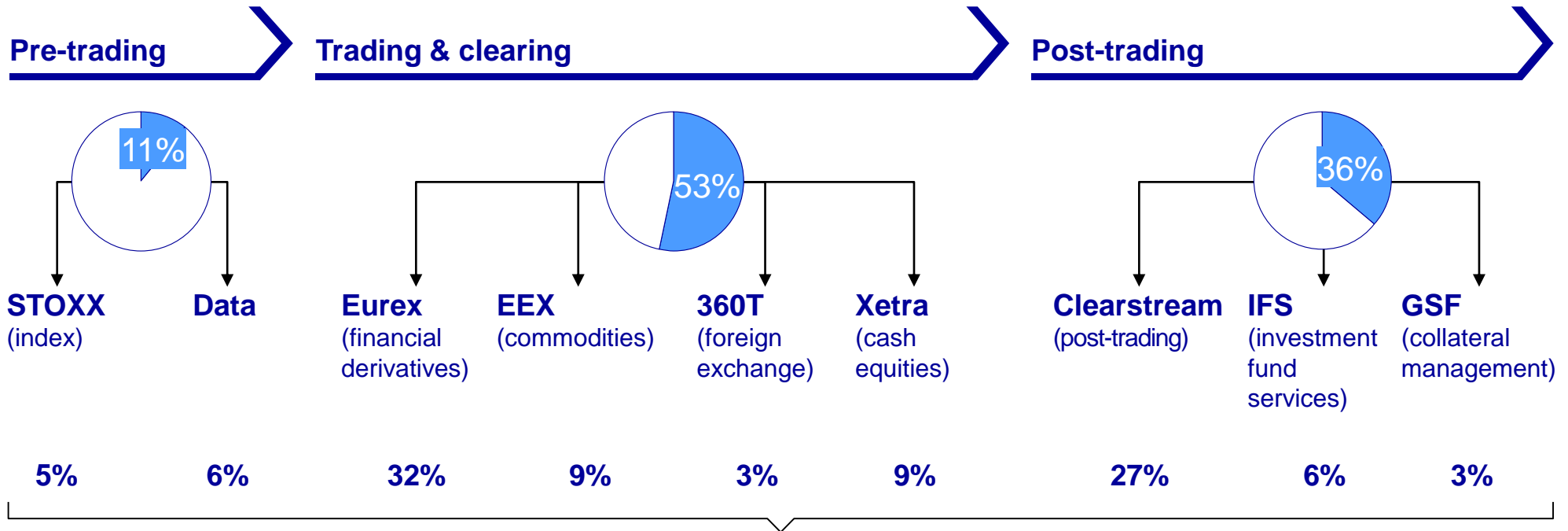
- **Leading European** capital markets **infrastructure provider** with **global growth ambitions**
- **Nine business segments** that cover the **full capital markets value chain** including:
  - Eurex, the largest European derivatives exchange
  - Clearstream, a leading post-trading services provider
  - Promising new businesses: EEX (commodities), 360T (foreign exchange) , and IFS (investment fund services)
- Deutsche Börse follows a **three pillar growth strategy**:
  - Systematically **execute** secular and cyclical **growth opportunities**, capitalizing on **key industry trends, political developments**, and **new client needs**
  - Pursue a **programmatic M&A** agenda in **five growth areas with a focused and disciplined approach**
  - Invest in **four key technologies to tap into new revenue opportunities and further increase the operating efficiency**
- The company will **efficiently manage operating cost to ensure scalability of the business** model and will reduce its **structural** cost base to **reinvest** into **growth** and **technology**
- **To ensure a successful execution**, Deutsche Börse will streamline the organisation and strengthen the consequence management
- **Dividend policy confirmed** with payout between 40 to 60 per cent of net profit

## Deutsche Börse operates in an environment with high dynamics, but very attractive opportunities



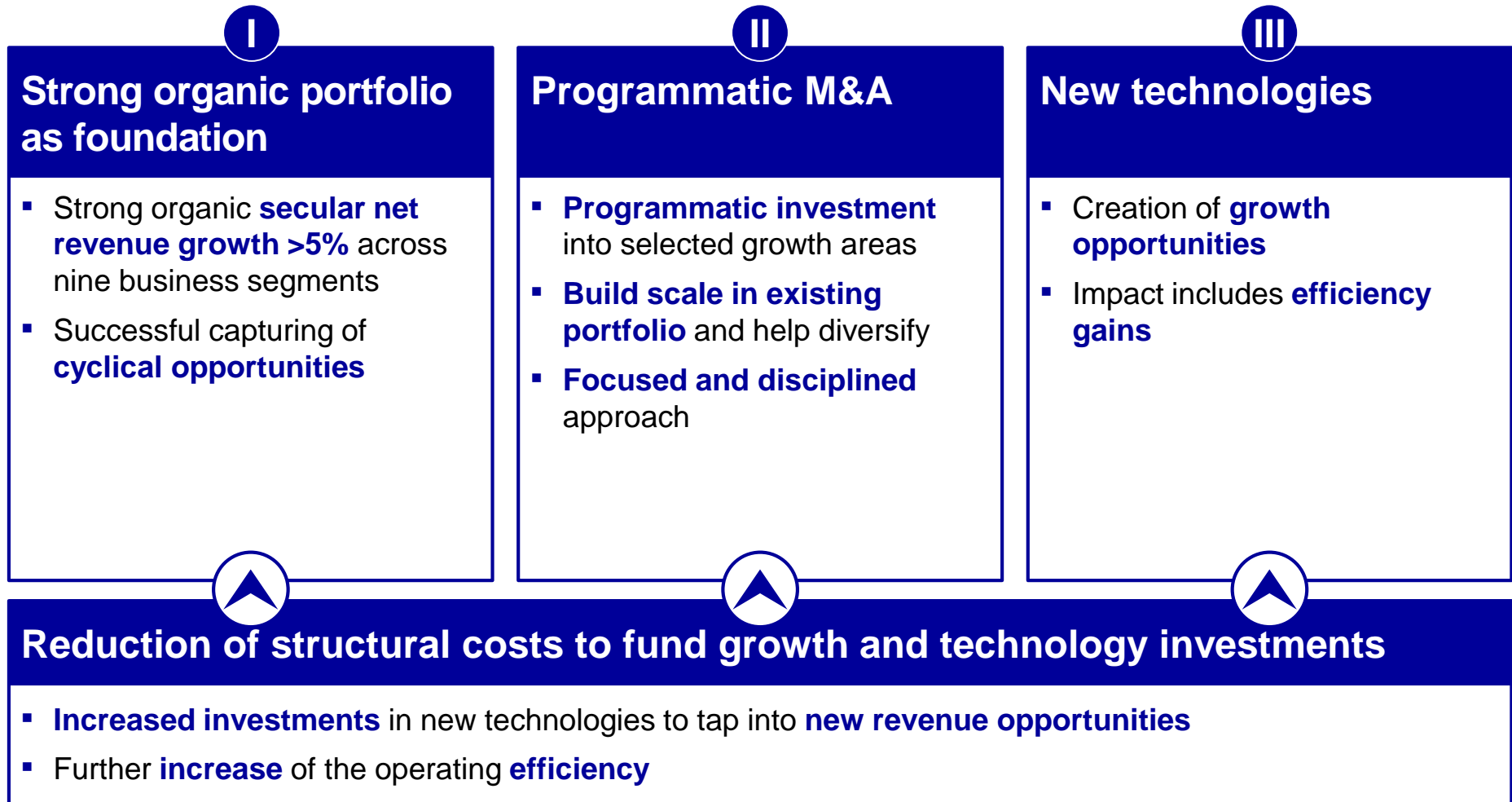
# Deutsche Börse has a strong business portfolio that covers the full value chain

 **2017 net revenue**  
Size equals % of total net revenue



- **#4 exchange organisation globally by market capitalisation**
- **Nine diversified business segments covering the full capital markets infrastructure value chain**
- **€2.5 billion net revenue with 58% adjusted EBITDA margin in 2017**

# Growth programme “Roadmap 2020” built on three pillars



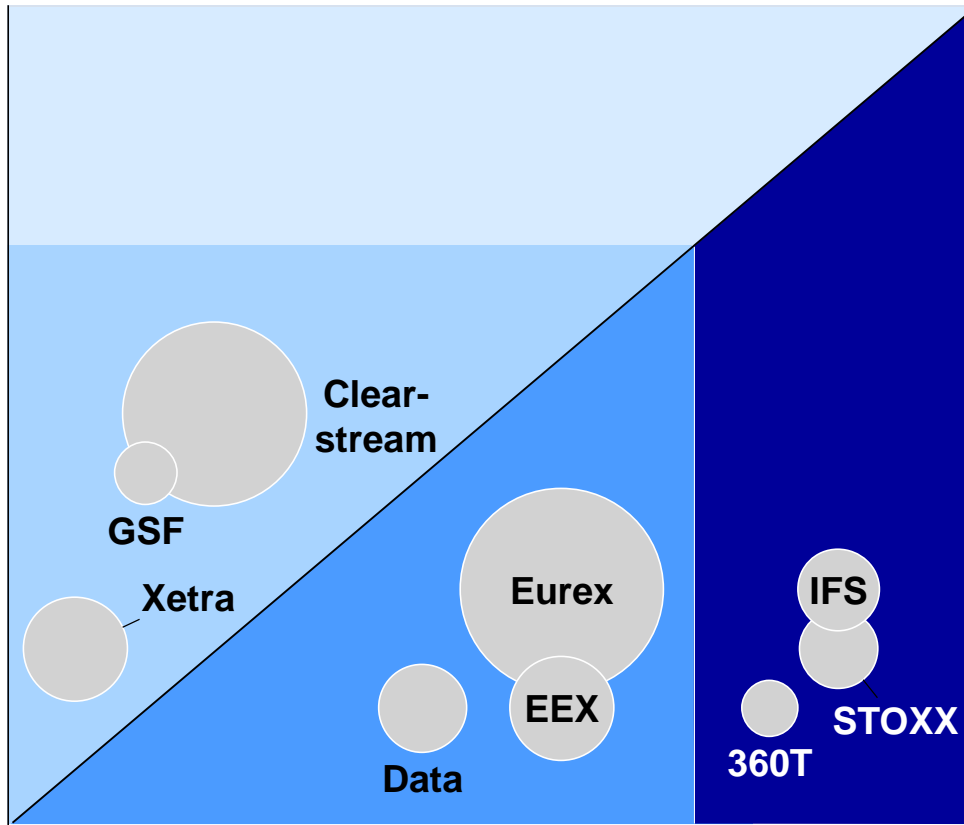
# Diversified organic portfolio with strong secular growth outlook

**Cyclical growth**  
CAGR 2017-2020

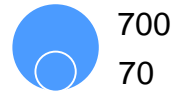
Very high

High

Moderate



Size represents 2017 net revenue (€m)



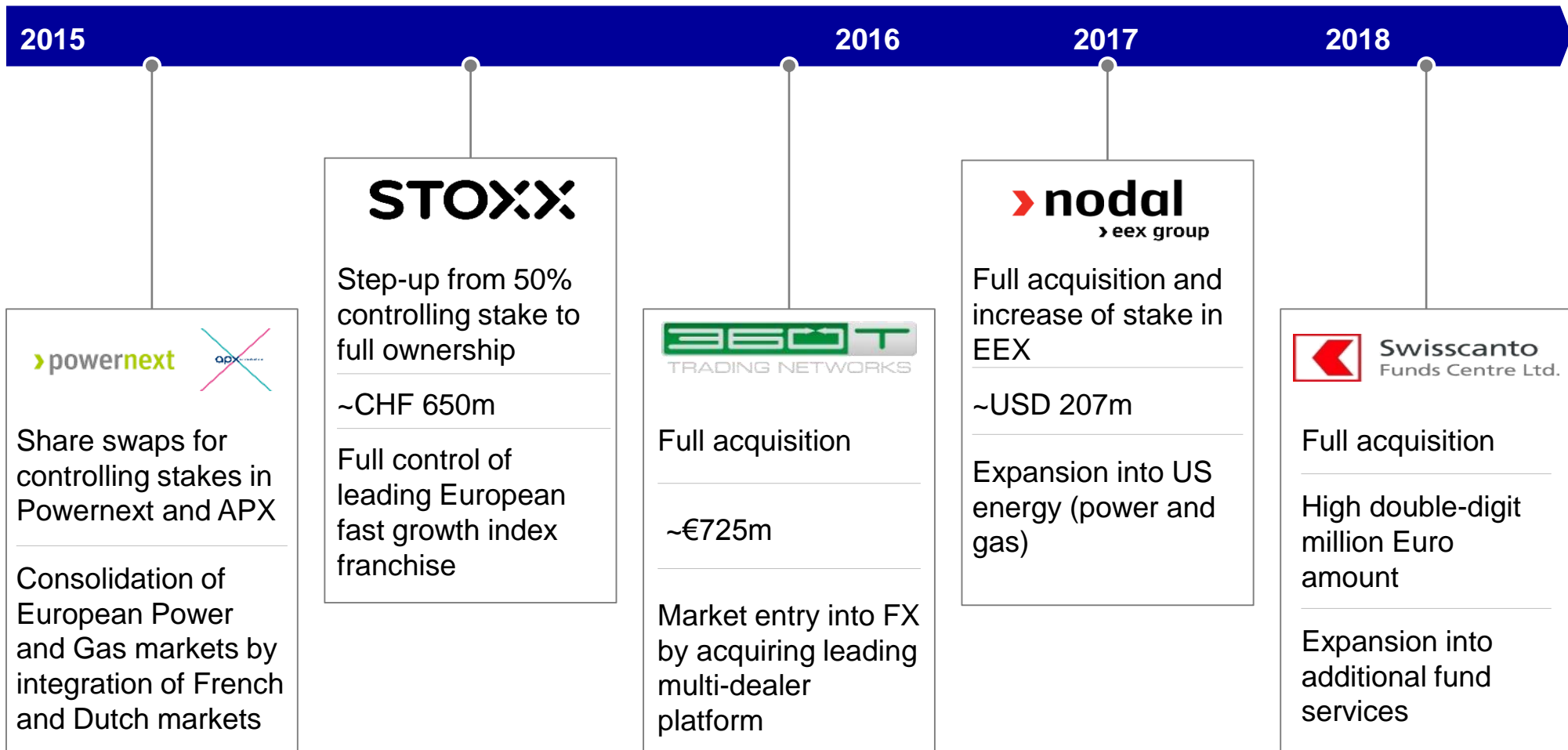
**Secular net revenue growth of at least 5% across the Group**



**Capturing cyclical effects on top**

**Secular growth**  
CAGR 2017-2020

## M&A was and will be an important contributor



# We will follow a focused and disciplined M&A approach

## A disciplined M&A approach ...

### General

- **Systematic** opportunity **screening**
- Clear **focus** on **defined areas**
- **Partnership** formats as **option**  
(e.g. post-trading business in Asia)

### Financial guidelines

- **ROIC >10%** after 3-5 years
- **Cash accretive** in general within year 1 – at the latest in year 3



## ... focused on five growth areas

### Pre-trading

① Data

### Trading & clearing

② Commodities

③ Foreign exchange

④ Fixed income

### Post-trading

⑤ Investment funds



# We want to stay a leading technology provider by focusing on four key technologies ...













## Four transformational technology trends

<b>DLT / blockchain</b>	Distributed ledger technology / blockchain creates new market structures and allows adding products onto existing structures
<b>Big data / Advanced Analytics</b>	Advanced analytics is both a revenue driver adding value to data, and an efficiency lever
<b>Cloud</b>	Cloud and exposing of services via APIs is enhancing scalability and opening new platform business options
<b>Robotics / automation / AI</b>	Artificial intelligence and robotic process automation are key efficiency drivers for operations-heavy tasks

## How Deutsche Börse will capitalise

Create markets/ drive revenue	Increase efficiency	Enhance client service
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 Strong match     Moderate match

... and are currently growing our capabilities in all four technologies

## **DLT / blockchain**

Entering into phase II (from use cases to broader based application)

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## **Big data / Advanced Analytics**

Systematic monetisation of existing data across the Group

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## **Cloud**

New Executive Board member with extensive experience

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## **Robotics automation / AI**

Already identified potential to increase efficiency and capture savings in the double digit million Euro range

## We will structurally improve our cost base to fund our growth and technology investments through two mechanisms

**Allowed cost increase**

**Allowed increase** at given **scalability**:

At 10 per cent net revenue growth operating cost can grow up to 5 per cent



**Shift in cost base**

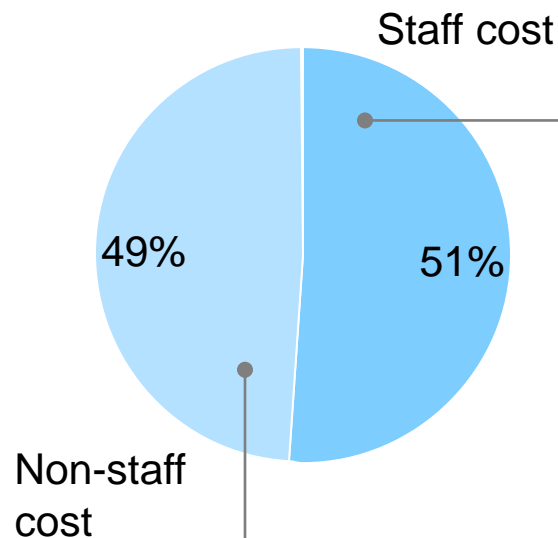
**Shift by structurally improving productivity:**

- Reduction of cost by €100 million by end of 2020 through reducing work force by ~350 FTE, thereof 50 managers, and reducing operating cost
- Re-investing in growth

# Key levers for structural cost savings split between staff and non-staff cost

## Cost distribution 2017

100% = €1,197 million



## Savings targets

€50m

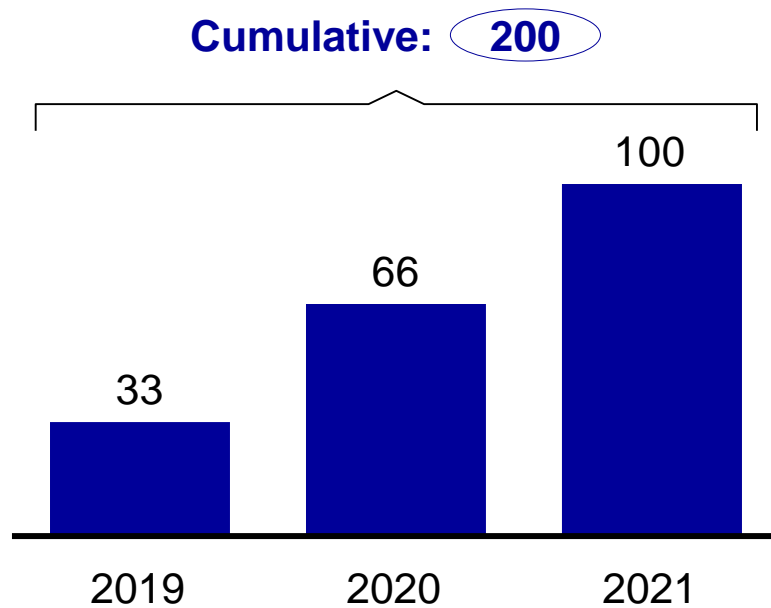
€50m

## Key levers to reduce cost base

- Management delayering
  - Process automation and digitisation (Robotics / AI)
  - Nearshoring
  - Position cuts
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- IT simplification and legacy replacements
  - Enhanced IT sourcing (offshoring)
  - Procurement optimisation
  - Spend reductions across all cost categories

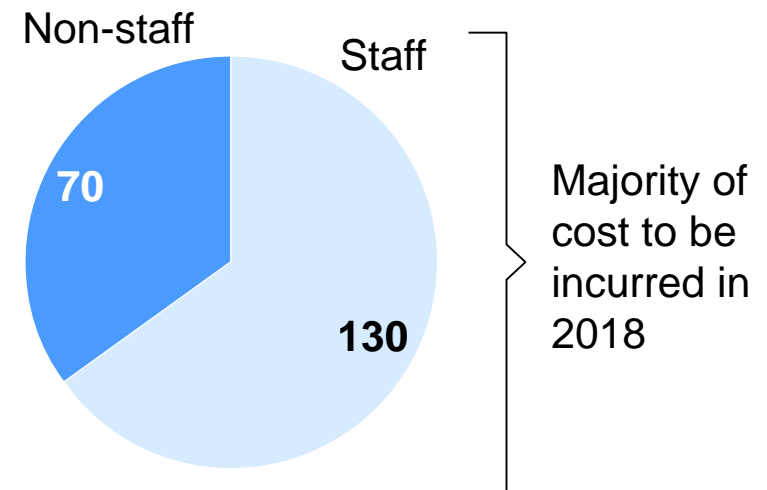
# Savings of €100 million will be invested into growth and new technologies

## Cost savings (€m)



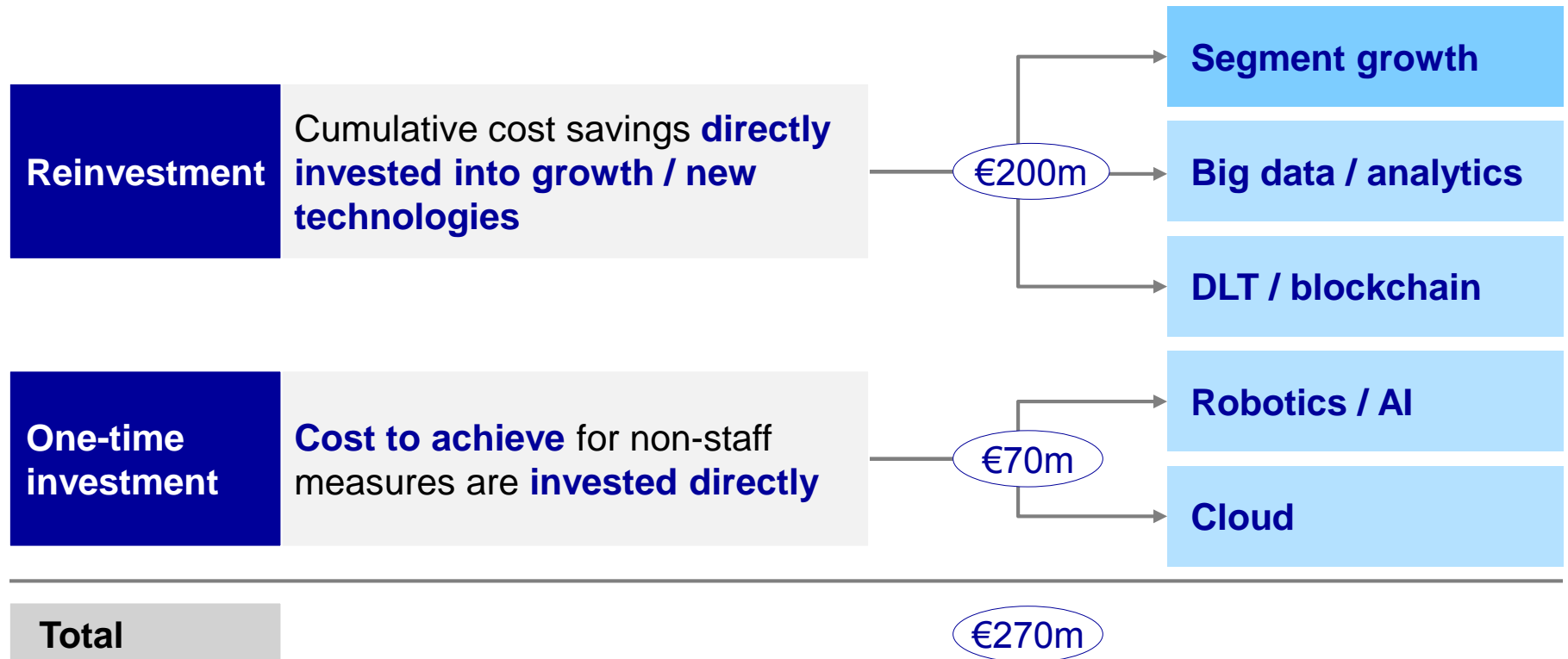
**€100 million** creates flexibility – if net revenue growth allows, savings will be **reinvested**

## Cost to achieve (€m)



To achieve structural improvements a **one-time investment** of ~**€200 million** will be made

# Cost savings and one-time investments for non-staff measures are reinvested into growth and efficiency



About 2/3 invested into growth, 1/3 into efficiency

# Deutsche Börse will strengthen its execution discipline through four main levers

## Description

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<b>1</b>	<b>Consequent realisation of secular growth</b>	<ul style="list-style-type: none"><li>▪ Strong business segment heads established</li><li>▪ Business segment heads with full P&amp;L responsibility</li></ul>
<b>2</b>	<b>New executive board members</b>	<ul style="list-style-type: none"><li>▪ Clearer responsibilities</li><li>▪ Stronger business focus</li><li>▪ Stronger technology focus</li></ul>
<b>3</b>	<b>Professionalisation of key processes</b>	<ul style="list-style-type: none"><li>▪ Upgrade M&amp;A capabilities</li><li>▪ Systematic development of new technologies</li><li>▪ Tighter steering</li></ul>
<b>4</b>	<b>Consequence management</b>	<ul style="list-style-type: none"><li>▪ Strict consequence management including e.g.<ul style="list-style-type: none"><li>– Investment allowance</li><li>– Personal compensation cuts</li></ul></li></ul>

# Mid-term financial targets are confirmed and made more specific with a clear ambition to achieve secular growth

## Growth aspirations until 2020

- Organic/secular net revenue growth of >5% CAGR
- Positive cyclical effects every year
- Net profit 10-15% CAGR



## Capital management

- Dividend policy: ~40% to 60% of net profit
- Rating: AA (gross debt/EBITDA <1.5)

## Cost management

Scalable business model

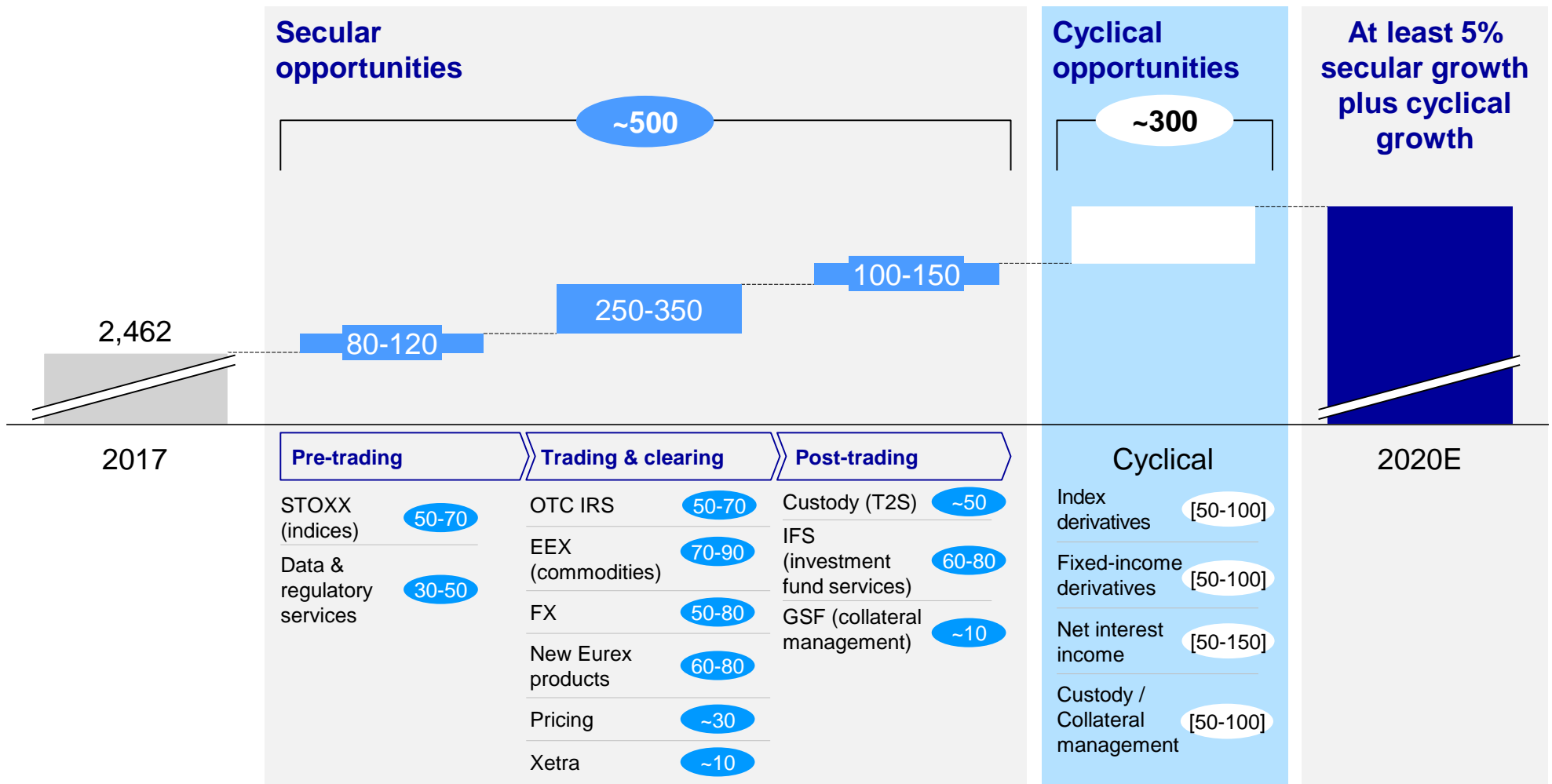
- Net revenue: +5% → Costs: 0%
- Net revenue: +10% → Costs: max. +5%

Including €100 million structural cost reduction by end of 2020 to finance growth



# Deutsche Börse will grow strongly over the next years

## Mid-term organic net revenue growth opportunities (€m)



# Secular and cyclical growth opportunities across segments

Business segments		Net revenue 2017 (€m)	Growth expectation	
			CAGR 2017-20 (incl. cyclical growth)	t/o secular growth
Pre-trading	STOXX (index business)	128	>10%	Very high
	Data	154	5-10%	High
Trading & clearing	Eurex (financial derivatives)	796	>10%	High
	EEX (commodities)	212	>10%	High
	360T (foreign exchange)	67	>10%	Very high
	Xetra (cash equities)	218	~5%	Moderate
Post-trading	Clearstream (post-trading)	668	5-10%	Moderate
	IFS (investment fund services)	138	>10%	Very high
	GSF (collateral management)	82	5-10%	Moderate
<b>Total</b>		<b>2,462</b>		

# Cyclical growth opportunities

	Description	Volatility	Interest rates	Net revenue impact 2020E (€m)
Eurex	a Increase of market volatility resulting in higher index derivatives activity	✓		50-100
	b Expectation on future interest rates drives fixed income activity		✓	50-100
Clear-stream	c Net interest income directly correlated to ECB / US Fed rates		✓	50-150
	d Higher net issuance of bonds if interest rates increase		✓	50-100

## Balanced approach: capital allocation between growth and dividend distribution – confirmation of policy going forward

### Rating

- Strong AA credit rating mainly because of post-trading business
- Gross debt to EBITDA required to be <1.5x

### Dividend policy

- Payout between 40% to 60% of net profit
- Mid-term payout target ~50%

### Excess cash

- Use includes M&A and potentially share buy-backs

## Key performance indicators to measure success

**>5%**  
secular net  
revenue  
growth

Deutsche Börse will achieve at minimum **5% CAGR in secular net revenue** until 2020 across the Group

**10-  
15%**  
net profit  
growth

Deutsche Börse will achieve a **10–15% CAGR in net profit** until 2020

**-€100m**  
structural  
cost

Deutsche Börse will **reduce its structural cost** base by €100 million until end of 2020

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