

# Investor Day 2020

## Compass 2023: “Growth in uncertain times”

Frankfurt, November 18, 2020



DEUTSCHE BÖRSE  
GROUP

# Agenda

## **Roadmap 2020: What have we achieved?**

Compass 2023: What's the way forward?

Key initiatives: How do we want to grow?

Financials: How do the numbers square up?

# We successfully achieved our Roadmap 2020 targets

## Financial scorecard 2017-20E

~9%  
CAGR






Net revenue 

~12%  
CAGR

Net profit adj. 

## Roadmap 2020 target achievement

## Strategic scorecard

-  **Delivery** on **secular growth** target of >5% p.a.
-  Multiple **M&A deals** in focus areas **closed**
-  Investments in **new technology** like cloud & DLT
-  **Reduction of structural costs** by ~€100 million
-  **Execution discipline** strengthened

# Agenda

Roadmap 2020: What have we achieved?

**Compass 2023: What's the way forward?**

Key initiatives: How do we want to grow?

Financials: How do the numbers square up?



# Ten convictions form the basis for Compass 2023

- 1** Maintain and even **accelerate** our overall **growth ambition**; Compass 2023 **formula: 10% growth p.a.** overall (DB1 = growth stock)
- 2** Basis is continued **secular** net revenue **growth** (“**homemade**” sustainable **5% growth p.a.**)
- 3** Overall: **no cyclical tailwind** assumed (**differentiation** by segment)
- 4** **Importance of M&A** is **increasing**; readiness for larger deals; focus on **asset class expansion** rather than exchange consolidation (**5% growth p.a.** from M&A)
- 5** **ESG** emerging as **powerful new asset class**
- 6** **Costs** are **steered** according to **secular growth** (cyclicality must not affect growth initiatives)
- 7** **EBITDA margins** expected to **remain stable** (M&A structurally margin dilutive, cyclicality accretive)
- 8** Continue with **technology investments** in clearly defined areas (e.g. cloud, DLT); willingness to invest in **adjacent growth**
- 9** **2021** expected to be **cyclically muted**, but **secular trends fully intact** over Compass 2023 period
- 10** **Compass 2023** firmly **underpins growth**, but is also **flexible** to **getting adjusted** if required (**contingency plan** in place)

# Our key growth drivers are favorable capital markets trends

## Major trends

### OTC to on-exchange

- Growing importance of **futurization**
- Standardization of OTC derivatives opportunity for **central clearing**

### Brexit

- Brexit creates momentum to **shift margin** and **collateral pools**

### Sell-side under pressure

- **Sell-side** has to adapt to **regulatory** and **cost pressure**

### Importance of buy-side

- Growing importance of **buy-side** and shift to **passive products**
- **Increasing demand** for analytics and ESG

### Digitization

- Technology and digitization are **transforming** the way the **financial sector** operates (e.g. cloud, DLT)

### COVID-19

- Severe implications for **economy** and **markets** (digitization, efficiency, ESG)

## Our credentials



**Eurex, EEX** and **360T** very well positioned to win market share



**Eurex OTC clearing** is a winning proposition



**IFS** with **strong position** to benefit from outsourcing trend



**Qontigo** with **strong starting point** to support analytics demand



**Leading technology** is at the core of our business model



**Products and services** across the Group to **support clients**

# Our secular growth ambition is based on a broad set of initiatives

## Pre-trading

Combining **index** and **analytics** to increase **buy-side** penetration and become a leader in the field of **investment intelligence**



## Trading & Clearing

Introduction of **new derivatives products** and building the leading **OTC clearinghouse** in the Eurozone

Expand on **leading position in European energy markets** and win significant position in **US energy** market

Build out **FX one-stop-shop exchange** and **OTC solutions** with leading technology platform

**EUREX**

**> eex**



## Post-trading

**Strengthen European proposition** to continuously onboard **new portfolios/clients** and grow **custody services** on a **global scale**

Leverage **partnership model** and add **new clients/services** to strengthen **leadership position** for funds service business platform

clearstream

# We will continue to pursue our successful M&A agenda

**Pre-  
trading**

Index and analytics  
ESG

**Trading &  
Clearing**

Commodities  
Foreign-exchange  
Fixed income

**Post-  
trading**

Investment fund  
services

## Strategic guidelines

- ✓ **Strong fit** to strategic **growth areas**
- ✓ **Value creation** for shareholders
- ✓ **Successful integration** and **synergy** potential
- ✓ **Public M&A** only with high **closing certainty**
- ✓ **Avoidance of auctions** if possible
- ✓ **Partnerships** and **majority stakes** preferred
- ✓ **Larger deals** (€1-5bn++) explicitly **targeted**, but only if there is a **strong strategic fit** and **clear** post merger **integration plan**



# Acquisition of Institutional Shareholder Services Inc. (ISS) with powerful strategic rationale

## Strategic rationale

- ✓ **Very attractive business profile**
  - >5% organic revenue growth and good profitability, which fits well with our Compass 2023 targets
  - Adds substantial recurring revenue
  - Continued consolidation opportunity in ESG
- ✓ **Perfect fit of ISS with our strategic priorities**
  - Very attractive data business as growth strategy sweet spot
  - Very diverse buy-side client base
  - Top 3 in ESG business
- ✓ **Interesting array of businesses along the value chain**
  - Market leader in governance research; leading on „G“, but perfectly positioned to drive ESG overall
  - ISS leverages global data operations into adjacent areas with links to Deutsche Börse
- ✓ **Well-known global brand name**
- ✓ **Experienced and very strong senior management**

# ISS is significantly expanding our ESG capabilities and complements very well with existing businesses

## Importance of ESG

continues to rise significantly

Globally more than

**\$40 trillion**

of sustainable invested assets

~**\$1.6 billion**

revenue pool for ESG data, products, and services



Global top player in **ESG** research, ratings, data, analytics and advisory services



**Qontigo** with world-class indices and best-of-breed portfolio-construction and risk analytics tools

Global leader in providing **governance research** and **proxy voting**



**Clearstream** with strong European post-trading footprint

Excellent **research, data, product distribution, insight,** and **workflow solutions** to the buy-side



**IFS** with global fund distribution services and €2.8 trillion custody assets

**Best in class ESG, governance research and data provider**

**Leading market infrastructure provider**

# With Compass 2023 we target continued secular growth and an increased M&A contribution

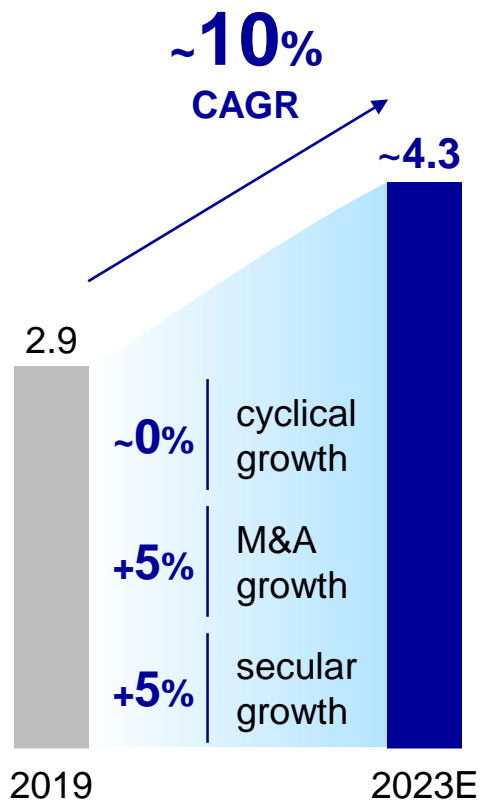
## Compass 2023

Continued secular growth

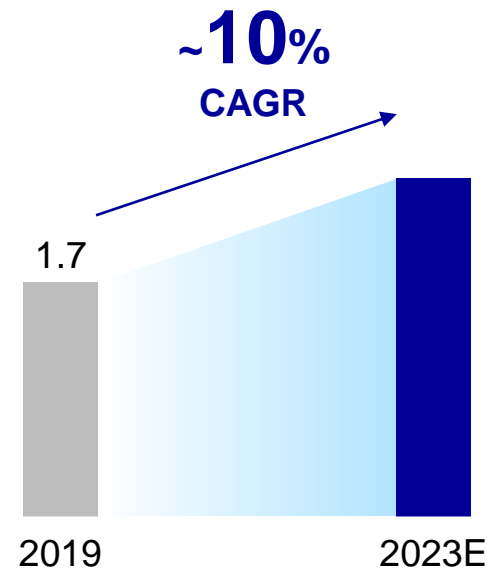


Increased M&A contribution

## Net revenue (€bn)



## EBITDA reported (€bn)



Note: all figures including ISS

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# ISS – An innovative global leader in data and research centered around governance and ESG

**The global leader in corporate governance for more than three decades** with rapidly growing position in broader ESG and distribution services

ISS empowers investors and companies to build for long-term and sustainable growth by **providing best-in-class data, analytics, and insights**

## **Global reach, local touch:**

Large and diverse client base with >4,000 clients

## **Primed for continued growth**

both organically and through acquisition



**>2,000** employees



**33** offices



**15** countries



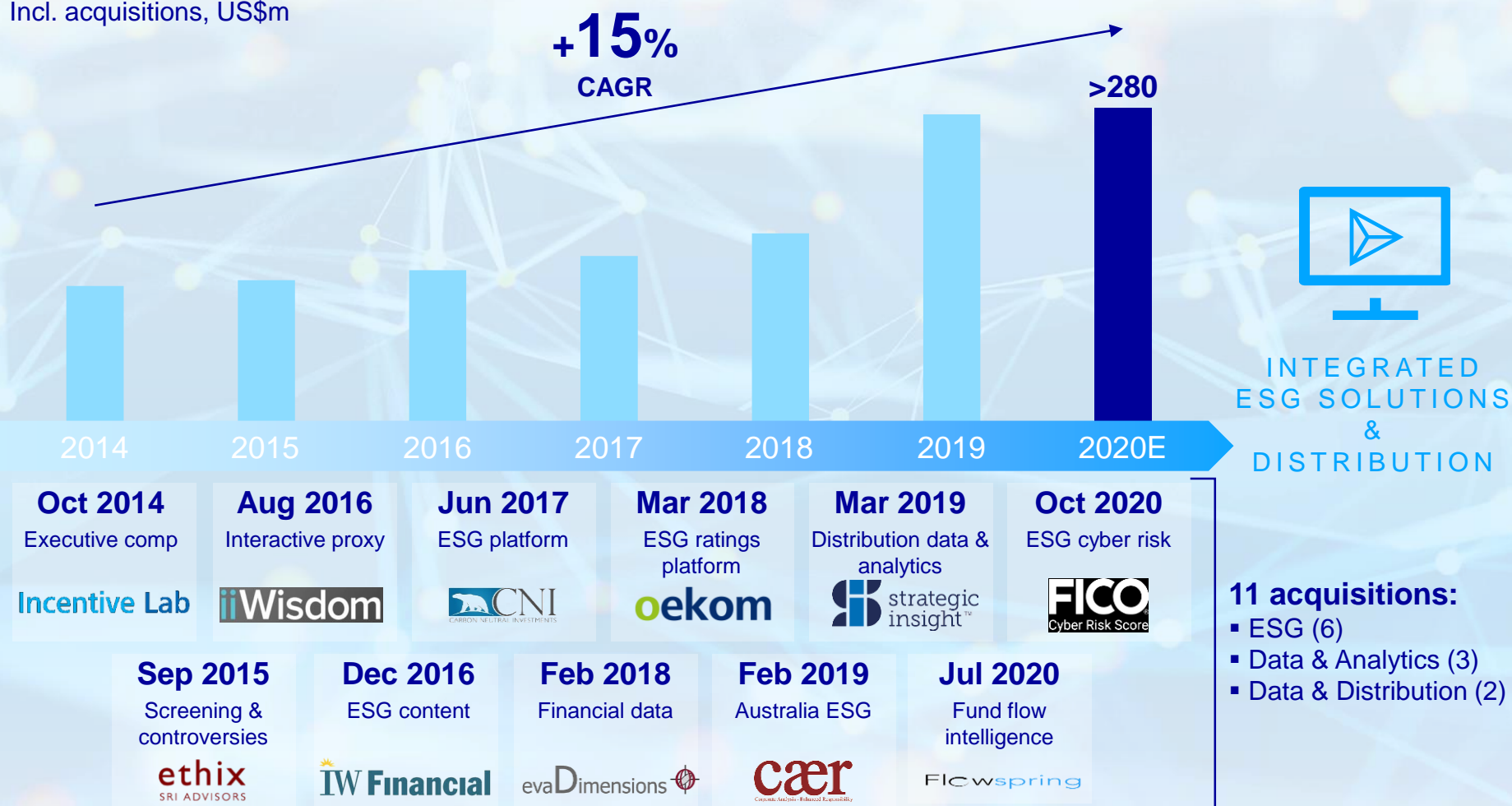
**115** markets covered



# ISS – Well established global business with excellent organic and inorganic growth track record

## Net revenue growth

Incl. acquisitions, US\$m



# ISS – ESG permeates all five businesses serving investors and corporations

<b>ISS GOVERNANCE</b> ▶ Global leader in providing objective governance research and advisory, and end-to-end proxy voting solutions	<b>ISS ESG</b> ▶ Innovative and high-quality ESG research, ratings, index, screening, data, analytics & advisory services	<b>ISS CORPORATE SOLUTIONS</b> ▶ Solutions to help companies design and manage their governance, compensation, EVA and sustainability programs	<b>ISS MI</b> ▶ MARKET INTELLIGENCE Provides critical research, data, insight, and workflow solutions to global asset managers and distributors	<b>ISS MEDIA</b> ▶ PLANSPONSOR · PLANADVISER · CIO Market-leading digital media brands – PLANSPONSOR, PLANADVISER, and CIO – for the investment management industries
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**75%** of the business related to ESG & stewardship solutions

**23%** distribution

**2%** media

## Integrated data & technology infrastructure drives product innovation

### Product Set Breadth & Innovation

- Market leader and widest range of ESG and stewardship solutions
- Continued innovation & product development
- Offshore development & data collection

### Superior Data Assets

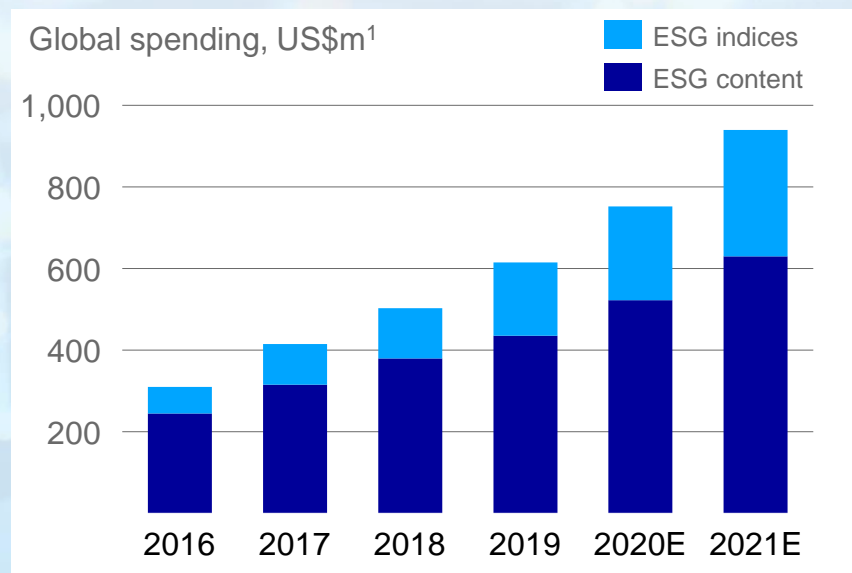
- Continuous expansion of proprietary data sets unrivalled for timeliness, breadth and depth
- Coverage spans carbon & climate, executive pay, director profiles, ESG ratings, and tens of thousands more datapoints underlying portfolio monitoring

### Scalable Technology Infrastructure

- Scalable and integrated technology infrastructure to support diverse product suite
- Highly secure, reliable and flexible environment gives common architecture across multiple products

# ISS – Strong and unique opportunities for future growth and synergies with Deutsche Börse

## ESG data spending continues to grow rapidly



**+20% p.a.**  
growth on ESG  
data spending

**+35% p.a.**  
growth on ESG  
index spending

## Unique position to expand products & services

## ISS and Deutsche Börse are uniquely positioned across key ESG segments

Governance Research and Voting	<b>ISS GOVERNANCE</b> ▶
Corporate Solutions	<b>ISS CORPORATE SOLUTIONS</b> ▶
ESG (screening, data, research, ratings, index, climate, cyber)	<b>ISS ESG</b> ▶
Index/ Analytics	<b>STOXX DAX AXIOMA</b>

1) Source: Opimas, overall ESG data, products and services estimated at ~\$1.6bn in 2020

# ISS – Partnership to strengthen Deutsche Börse’s pre-trade business and to provide runway for ISS to grow

## Future ESG growth

ISS’ business will transform Deutsche Börse into a global ESG leader; ISS with Deutsche Börse’s significant financial resources will accelerate ISS’ product/M&A roadmap

## Strong and diverse client base

ISS’ **strong global brand** translates into access to **4,000+ clients**, with high **buy-side** exposure including 2,000+ asset managers (including global top 10)

## Regionally complementary

ISS with very **strong US franchise and brand**; leverage **Deutsche Börse’s strong European brand/network** to expand in EMEA

## Business complementary

Highly **complementary product offering** already **within ISS**; **strong linkages** to **Deutsche Börse** that offer concrete **revenue synergies** in pre- and post-trading

## Strong operations skills

ISS has **strong** and **deep experience** in operating emerging market **data and processing centres**, which can be leveraged by **Deutsche Börse**



ISS research and advisory activities to continue to operate fully independent at arm’s length

# Qontigo – Building state-of-the-art investment products of the future

## Key secular growth drivers

- **Investment intelligence market** will **grow by 5-10% p.a.** with high growth pockets of **>15%**
- **Active-to-passive migration** will continue – Qontigo serves both and can leverage scale in index/passive
- Demand for **seamless customer experience** and margin pressure will accelerate growth of **E2E platforms** and interoperable **ecosystems**
- **Disruption by ESG** and **fast lateral entrants** will lead to few **mega-platforms** and offer opportunities for **superior analytics**
- Qontigo **aggregates scale** with its **open architecture platform** connecting own as well as 3<sup>rd</sup> party content

### Revenue growth

>15%

**Net revenue growth**  
CAGR 2019-23E

t/o secular

**~10%**  
CAGR

t/o M&A  
(Axioma)

**~5%**  
CAGR



# Qontigo – COVID has even accelerated secular growth trends and strengthened our growth convictions

## Key drivers

## Initial objectives

## COVID acceleration

**Increasing complexity**

Unite Axioma's **sophisticated analytics** and technology with STOXX' **indexing expertise**



Higher requirements for sophisticated models post COVID; link to tradeable products

**Brands matter**

**Disrupt** entrenched **brands**; advance/protect our own brands



Concentration on biggest and/or highest valued brands (like STOXX, Axioma)

**Passive proliferating**

Leverage our **strengths in indexing and analytics** to help clients create unique passive/structured solutions



Public debate on active vs. passive costs and performance intensifies

**Client margins shrinking**

Create a **cost efficient model** as margin squeeze continues and regulation increases



Accelerated move to the cloud due to greater cost pressure

**Sustainable investing**

Capitalize on our index position in Europe, expand **ESG offerings** and lead in investor-centric models



Position Deutsche Börse Group as the go-to source for sustainable investment solutions

# Qontigo – Priorities for driving double-digit revenue growth

## Key drivers of distribution and product strategy



- Implement **segment-specific distribution strategies** to optimize cross-selling
  - Wealth channel significantly accelerating
  - Opportunity to grow asset-based fees tied to ETPs
  - New distribution partnerships expand reach
- One-stop shop for **sustainable indices & analytics products**
  - Expand **index product offering**: comprehensive global families for ESG, unlock access to deep and broad research and data
  - Include **ESG functionality** into Axioma **analytics products** and develop selective ESG IP to set reporting standards
- Expand **analytics solutions** that offer full **integration in the cloud** (e.g. optimizer access, single security analytics, multi-asset class performance attribution)

**Qontigo: Optimizing Impact**

# Trading & Clearing – Well positioned to deliver scalability and growth

## Industry trends

### Investment themes

- Active to passive
- Single to global multi asset
- Towards sustainability / ESG

### Regulation

- OTC to exchange
- Bilateral to clearing
- Towards transparency and integrity

### Technology

- Sell-side to buy-side agency
- High-touch to electronic
- Towards quant and data driven

## Synergetic assets

Trusted markets, global benchmarks and brands



Deep liquidity, margin and collateral pools



Leading risk management and portfolio margining



Superior technology, innovation capacity, and operational excellence

## Ambition level

### EUREX

- The **global venue** for benchmark **indices**
- The **home** of the **Euro yield curve**



The preferred **global commodity exchange** group



The **global leader** for listed and OTC **FX trading, clearing** and technology

# Eurex – Trading and clearing of financial derivatives

## Key secular growth drivers

### Equity index business – Product innovation

- **Leading global position with STOXX index family; unique innovation pipeline** to capture growth trends in **index, futurization, ESG and ETF derivatives**

### Fixed income business – OTC clearing

- **Partnership program** driving volume **growth by factor of 6**; Euro Interest Rate Derivatives (IRD) with **~19% market share**

### Service and business expansion – Organic and M&A

- **Quantitative Brokers** – quant-tech algorithmic execution
- **Buy-in Agent** – service for failed securities settlement

## Net revenue growth

**7-10%**

**Net revenue growth**  
CAGR 2019-23E

t/o secular

**>5%**  
CAGR

t/o M&A  
(Quantitative  
Brokers)

**~1%**  
CAGR

# Eurex Equity Index – Product innovations lever global lead and drive structural growth ambitions

**Global index derivatives and futurization:**  
global leader today; scale and expansion next

**ESG and ETF derivatives:**  
leading entry today; liquidity build-up next

	Achievements so far	Next	Achievements so far	Next
<b>Global index derivatives</b>  <b>MSCI</b>	<b>Global leader with 46% market share</b>  <b>+265% in volumes</b> <b>+178% in open interest since 2016</b>	<b>Expand MSCI product suite into ESG, dividend &amp; total return derivatives</b>	<b>ESG derivatives</b>  <b>STOXX MSCI</b>	<b>Global leader with broadest product range</b>  <b>+65% in volumes</b> <b>+220% in open interest since launch in 2019</b>
<b>Futurization</b>  <b>Total Return Futures</b>  <b>STOXX</b>	<b>Global leader with first mover advantage</b>  <b>+450% in volumes</b> <b>+190% in open interest since launch in 2018</b>	<b>Diversify into other index families</b>  <b>Expand into single name &amp; customizable baskets</b>	<b>ETF derivatives</b>	<b>European leader with broadest product range</b>  <b>+530% in volumes since launch in 2018</b>
				<b>Diversify into other index families</b>  <b>Complement with additional ESG methodologies</b>
				<b>Partnerships with additional ETF issuers</b>  <b>Expansion into new asset classes</b>



# Eurex Fixed Income – Successful partnership program drives OTC volume growth and market share expansion

## Achievements since launch in 2018

## Next

**Competitive spreads**

from **2** to **0** BP  
Eurex-LCH  
Euro Basis<sup>1</sup>



- Same spreads quoted by vast majority of dealers for Eurex vs LCH and negligible basis
- Further build out **USP of integrated risk management** and portfolio margining **across listed, repo and IRS businesses**

**Distribution**

from **~200** to **~500**  
Clearing Members and  
Disclosed Clients<sup>2</sup>



- Leverage **partnership program** to create traction in **buy side repo initiative**
- Leverage additional jurisdictions to **expand non-EU member and client base**

**Market Share**

from **2%** to **19%**  
Market share in  
Euro IRD<sup>3,4</sup>



- **Increasing portfolio switches** into Euro zone; aiming at **market share of 25% post Brexit**
- **Switch Incentive Program** launched; delivers tangible economic benefits

1) Source: Bloomberg, 10Y €IRS; 2) Multiple clearing relations of the same entity are not counted; 3) Notional outstanding as of 30 Sept. 2020 compared to before Partnership Program launch; 4) Market share source: Clarus FT

# EEX – Trading and clearing of commodity spot and derivatives markets

## Key secular growth drivers

- Further **market share wins** in European **power and natural gas markets** vs. the uncleared OTC market
- **Leverage** the unique **physical-delivery capability** of our clearing house European Commodities Clearing
- **Building out** our US energy exchange **Nodal, regional expansion** of business, strengthening **Asian footprint**

### Net revenue growth

7-10%

Net revenue  
growth  
CAGR 2019-23E

t/o secular

>5%  
CAGR

# EEX – Leverage potential of the global commodity exchange group, local expertise in global commodity markets

## Key industry trends

- Long-term trend towards **electronic trading** and more **cleared transactions** continues
- Commodity **traders increasingly active beyond** their **local markets**
- Climate debate lets European and US **environmental markets** boom
- Transition towards **renewable energy sources** leads to disruptive trends and **opportunities**
- **Asian markets** are **being shaped** and global trading patterns are evolving

## Key activities

- **Expand leadership and market share in European** power adding local products
- **Connect more international traders** and extend regulatory licenses (e.g. Nodal UK)
- **Large scale auctions** to support market based pricing of **carbon emissions**
- **Market design** and **innovation** (e.g. short-term power flexibility markets)
- **Expansion of US natural gas market** by offering trading screens and capital efficiencies
- Develop **Japanese power market clearing** and expand offering to further Asian countries



**Focus on organic growth** (products and clients) by capitalizing on our global venue and client network; in parallel actively pursue selected **M&A opportunities** globally

# 360T – Foreign exchange markets



Best ECN/MDP for  
forwards/swaps  
360T



Best market data provider  
360T

## Key secular growth drivers

- **FX market:** global, large and growing
- Shift to **electronic execution** and **multi-dealer** platforms; **reputation, regulatory** status key
- **Changing market structure:** rise of non-bank liquidity providers, largest bank liquidity providers getting bigger, market fragmentation
- **Reduced credit capacity:** PB capacity linked to higher costs, de-selecting clients based on credit availability, alternatives needed
- **Technological progress:** digitalization, electronification, low latency, data

## Net revenue growth

>10%

**Net revenue  
growth**  
CAGR 2019-23E

t/o secular

~10%  
CAGR

# 360T – Driving a holistic and complete FX product and trading suite on a global scale

## Key industry trend

Shift to **electronic execution** and **multi-dealer platforms** across clients, products, regions and solutions **accelerated by ...**

Asset managers / real money progressing on **electronification** and **automation**

**Shifting / fragmented markets** requiring different trading styles and products

Increasing **futurization** and introduction to **central clearing** for FX products

**COVID-19**: unclear on long-term effects, **electronification & automation** expected to increase

## Key activities

... 360T's aspiration to **continuously scale its business** based on these drivers

Focus on expansion of **holistic FX trading** offering and **automated trading solutions**

**360T Active Markets (incl. GTX)** offering anonymous Spot, NDFs (on-/off-SEF) and MidMatch for Swaps

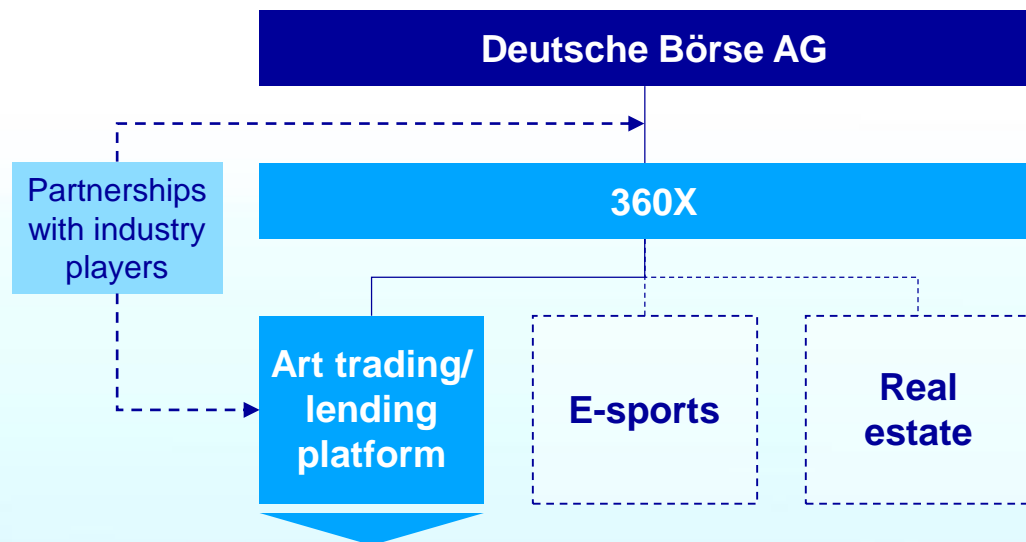
Providing a unique proposition for **FX ETD** and for centralized **FX OTC Clearing**

**Growth impacted** by market development; 360T already **compensating** negative effects with “own” secular growth




# 360X – New platform for serial marketplace creation and operations in non-adjacent asset classes

## 360X structure and focus



**Initial focus on art** – plan to partner with industry players, e.g. insurances

- **Art market attractive** based on size, growth, and inefficiencies
- Opportunity identified in creating **global art exchange** driven by **fractionalization** and **tokenization** of art
- Creation of **ecosystem** in art trading, lending and insurances

 Potential other asset classes

- **360X as entrepreneurial platform**, based in Frankfurt and led by Carlo Kölzer
- Vehicle for **serial creation and operation of marketplaces** in non-adjacent new asset classes
- **Lean set-up** as an independent firm supported by 360T and Deutsche Börse infrastructure
- **Initial investment of €10m** until end of 2021
- **Partnering with key industry players**, especially in the art vertical, also to bring in capital
- **Additional assets** added in modular fashion – holistic, systemic approach

# IFS – Leading provider of investment fund distribution services

## Key secular growth drivers

- Positioning in **sweet spot** of global fund **sector growth**, third party **distribution acceleration** and **outsourcing pressures**
- Build out **#1 position** as leading European **fund processing** service provider with **~€2.8tr** assets under custody
- Strengthen fund distribution services (via **Fund Centre**) as foundation for growth and **onboarding of new portfolios**
- **Cross-selling synergy effects** from business combinations, e.g. Ausmaq, Fund Centre, Clearstream (I)CSD
- **Expand in alternative fund shares issuance** to via digital enablers and DLT (FundsDLT)
- Strengthen **funds data** and **analytics** solutions

## Revenue growth

>15%

**Net revenue growth**  
CAGR 2019-23E

t/o secular

**~10%**  
CAGR

t/o M&A  
(Ausmaq, UBS  
Fondcenter)

**~6%**  
CAGR

# IFS – Well positioned in sweet spot of long-term growth trends

## Key industry trend

**Attractive** underlying **investment fund market** with assets of **\$55tr globally** and strong historic growth of **>10% p.a.**

Increasing relevance of **passive** and **alternative** investment strategies – **multi-asset class capabilities** are key

Increasing importance of **independent distributors** and **third-party fund offering**

**Cost pressure** in banking and **consolidation dynamics** open opportunities for further growth

## IFS with strong position to grow

- Order processing capabilities for **>190k funds** across 43 jurisdictions
- **Leading in Europe** and strong onboarding pipeline; strong **growth momentum in APAC**
- Leading (mutual and hedge) **fund** and **ETF execution** player combined with **(I)CSD**
- **Scaling business model** offering efficiency benefits to clients
- Fund Centre with **distribution agreements** for **>70k funds** across 25 jurisdictions
- Connecting **300 distribution partners** with >400 global fund providers
- Comprehensive outsourcing offering across the **full value chain**
- **Superior partnering proposition** (e.g., with UBS)

# IFS – Ambition to further grow IFS footprint along the value chain – strategic roadmap focused around 4 pillars

## Expand in alternative fund shares issuance

- **Expand** the **value chain** and range of **services** offered
- Use **digital enablers** and DLT to boost efficiency along the value chain



## Optimize core Vestima services

- **Consolidate foundations** via product development
- Tilt to **new markets** and expand **market coverage**
- Further **enhance efficiency** (processes, platforms)



## Expand front-office distribution support (via Fund Centre)

- **Strengthen products** (via Fund Centre) to compete at par with leaders
- **Develop market share** by attracting more distributors and fund promoters



## Strengthen fund data solutions

- **Valorize data** to drive efficiency
- Upgrade and monetize **fund distribution data services**

# Agenda

Roadmap 2020: What have we achieved?

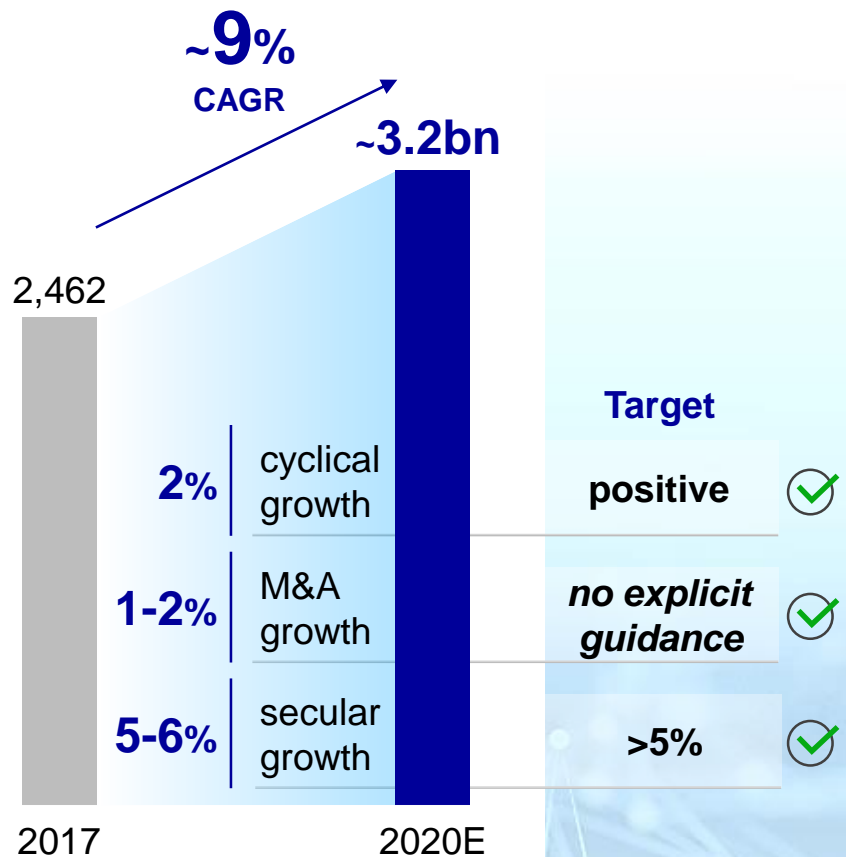
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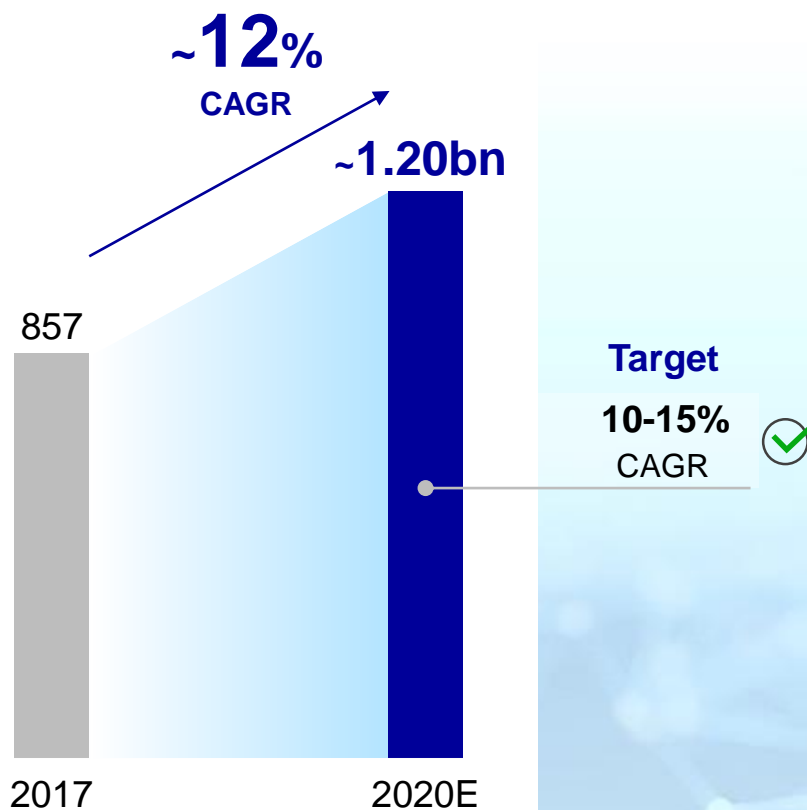
**Financials: How do the numbers square up?**

# We fully reached our Roadmap 2020 financial targets

## Net revenue 2017-20E (€m)



## Net profit (adj.) 2017-20E (€m)





# Compass 2023 KPIs will be based on reported income statement

## Income statement reconciliation 2019 (€m)

	Adjusted	Exceptionals	Reported
<b>Net revenue</b>	<b>2,936</b>		<b>2,936</b>
Operating costs	-1,130	-135	-1,264
<b>EBITDA</b>	<b>1,813</b>	<b>-135</b>	<b>1,678</b>
<i>EBITDA margin</i>	<i>62%</i>		<i>57%</i>
EBIT	1,590	-138	1,452
Net profit	1,106	-102	1,004
<b>Earnings per share (€)</b>	<b>6.03</b>	<b>-0.56</b>	<b>5.47</b>

Going forward, **income statement** will be published on **reported basis** only

Base year for key **Compass 2023 KPIs** will be **2019**

KPIs reflects our **profitable growth ambition**

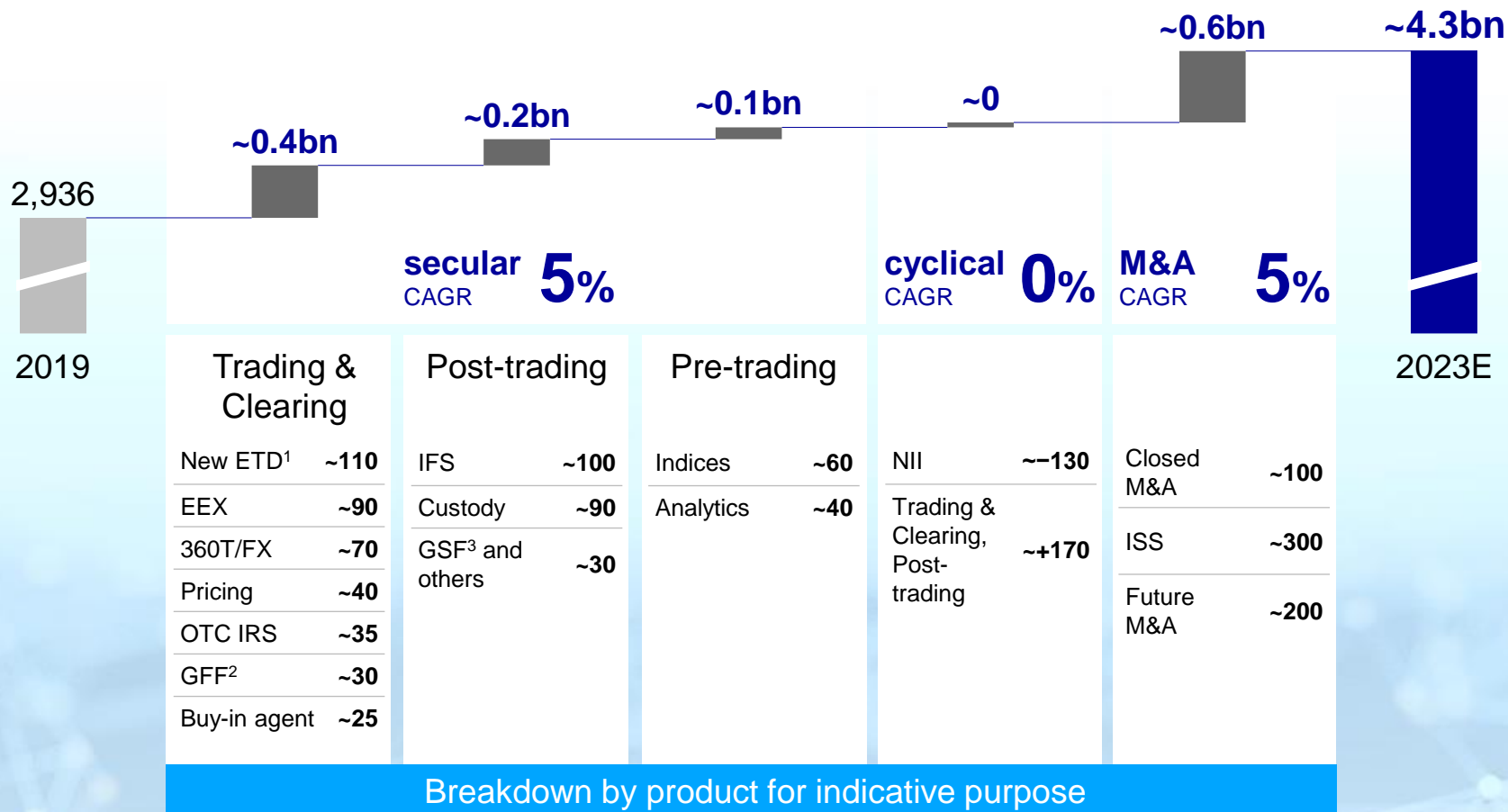
**Net revenue growth**

**EBITDA growth** (reported)

**EPS growth** (reported)

# Our growth ambition is based on multitude of strategic initiatives

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



1) Exchange traded derivatives; 2) Global Funding & Financing; 3) Global Securities Financing

# Midterm secular net revenue growth opportunities fully intact

Segment		Net revenue 2019 (€m)	Growth CAGR 2023E	t/o secular	t/o M&A	
Trading & Clearing	Eurex	1,009	7-10%	>5%	~1%	Quantitative Brokers
	EEX	289	7-10%	>5%	—	
	360T	92	>10%	~10%	—	
	Xetra	329	0-3%	0%	—	
Post-trading	Clearstream	843	0-3%	3-5%	—	
	IFS	183	>15%	~10%	~6%	Ausmaq, UBS Fondcenter
Pre-trading	Qontigo	190	>15%	~10%	~5%	Axioma
ISS					~2%	>5% secular growth expected for ISS
Future M&A					~2%	
<b>Total</b>		<b>2,936</b>	<b>~10%</b>	<b>~5%</b>	<b>~5%</b>	

# We will continue to pursue our successful M&A agenda

## Financial guidelines

**Pre-  
trading**

Index and analytics  
ESG

**Trading &  
Clearing**

Commodities  
Foreign-exchange  
Fixed income

**Post-  
trading**

Investment fund  
services

- ✓ Cash earnings **accretive in year 1**, latest in year 3
- ✓ **ROI** in year 3 should be **higher than WACC** (~6%) across M&A portfolio
- ✓ **Margin dilution accepted** for transactions with strong strategic fit

# ISS is an attractive growth business, which fits well with our Compass 2023 financial targets

## Acquisition of a growing business ...

**>US\$280m**

Net revenue 2020E  
(pro forma IFRS)

**>5% CAGR**

Organic net revenue  
growth until 2023E  
pre synergies

**>90%**

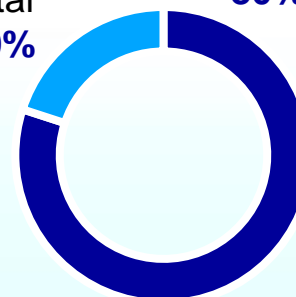
High recurring  
net revenue base

- In 2020 **~35% adjusted EBITDA margin** pre transaction effects with **further operating leverage potential**
- Due to strong complementarity, revenue **synergies** expected to result in **€15 million additional EBITDA** by 2023
- ISS will be **fully consolidated** and **forms a new segment** within the pre-trading area

## ... in a strategic partnership format

ISS management,  
Genstar Capital  
**20%**

Deutsche Börse  
**80%**



- **Purchase price** of **US\$2,275 million** (€1,925m) for 100% cash/debt free
- Deutsche Börse is **acquiring ~80%**, which is financed through **~€1 billion debt** and remainder with own **cash**
- Transaction is **cash accretive in year 1** (~5% incl. run rate synergies)
- Transaction is expected to **close** in the **first half of 2021**

# We refined our financial steering logic to support our growth ambition

Financial steering	Sustainable growth	<ul style="list-style-type: none"><li>▪ Funding of <b>growth initiatives</b> linked to sustainable <b>secular net revenue growth</b></li></ul>
	Overall cost development	<ul style="list-style-type: none"><li>▪ In order to support our <b>secular revenue growth ambition</b>, we expect the operating costs to increase</li><li>▪ <b>Reported operating costs</b> will be new cost metric</li></ul>
	Continuous improvement	<ul style="list-style-type: none"><li>▪ <b>Continuous improvement</b> (~2% productivity increase p.a. or ~€100m by 2023) will be key measure to capture <b>efficiencies</b> and ensure <b>scalability</b> of core businesses</li></ul>
	Profitability	<ul style="list-style-type: none"><li>▪ We are planning with a broadly <b>stable EBITDA margin until 2023</b></li><li>▪ Additional <b>cyclical support</b> would result in an increase of the <b>EBITDA margin</b></li></ul>



# Long standing capital management policy is confirmed

## Rating

- AA rating mainly because of post-trading business
- Net debt / EBITDA below 1.75x
- FFO / net debt above 50%

## Dividend policy

- Payout between 40% to 60% of net profit (reported)
- With increased earnings, payout ratio expected to decrease

## Use of excess cash

- Preferably reinvested into the business to support M&A strategy; otherwise buy-backs would be considered

## Capital allocation

- Permanent review and monitoring of business portfolio
- Maintain sound balance sheet structure

# Summary financial targets Compass 2023

**CAGR 2019-23E**

**Net revenue**

**~10%**

**EBITDA (reported)**

**~10%**

**EPS (reported)**

**~10%**

Note: all figures including ISS

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