

Quarterly statement Q1/2020

Deutsche Börse Group with strong start to year in an extraordinary environment

Quarterly results at a glance

- Net revenue for the first quarter of 2020 increased significantly, up 27 per cent to €914.8 million, thanks to markedly higher market volatility.
- Adjusted operating costs of €291.1 million reflected a 17 per cent increase, due to consolidation and investments.
- Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) thus rose by 30 per cent, to €619.8 million; net profit for the period attributable to Deutsche Börse AG shareholders amounted to €387.4 million.
- Basic earnings per share stood at €2.11, equivalent to a 33 per cent (based on an average number of 183.4 million shares).
- Despite the strong start to the year, the Group's guidance for 2020 remains unchanged (adjusted consolidated net profit for the period of around €1.2 billion), mainly reflecting expected declines in some business areas during the further course of the year, like the net interest income at Clearstream.
- Deutsche Börse AG's Annual General Meeting will take place on 19 May 2020, as planned. Against the background of the persistent global COVID-19 pandemic, having carefully considered all relevant aspects, the company has decided to hold a virtual Annual General Meeting. The Executive Board and the Supervisory Board propose to distribute a dividend of €2.90 per share, an increase of approximately 7 per cent compared to the previous year.

Comparability of figures

With effect from the first quarter of 2020, Deutsche Börse Group has adjusted the segment reporting structure, in order to further enhance transparency regarding the Group's growth areas.

- The former GSF (collateral management) segment has been fully allocated to the Clearstream (post-trading) segment.
- Business in the former Data segment is now being reported within the Xetra (cash equities) and Eurex (financial derivatives) segments.

Results of operations

Developments in the first quarter of 2020 were driven primarily by the pandemic spread of the novel coronavirus (COVID-19 pandemic) and the associated uncertainty amongst market participants with regard to the impact on the global economic environment. Volatility – as measured by the VSTOXX index – thus exceeded the levels seen during the financial crisis of 2009, leading to clearly increased trading

volumes in the Eurex (financial derivatives) and Xetra (cash equities) segments. On the other hand, major benchmark indices collapsed by more than one-third, which triggered a decline of business activities in individual business lines of the Group, such as custody services for equities, or the volume of investments in exchange-traded funds. The crisis triggered strong economic policy interventions in response to the massive social restrictions adopted to prevent a further spread of the infection. Specifically, governments and national banks attempt to counter an emerging recession as effectively as possible, through state subsidies at historical levels and an easing of monetary policy, in order to provide liquidity to all sectors of the economy. In mid-March, the US Federal Reserve (Fed) lowered its target Fed Funds range to between 0.00 per cent and 0.25 per cent. The European Central Bank (ECB) announced further monetary policy measures designed to support economic stability in the euro area. In this context, the Fed's interest rate cuts have a negative impact on Deutsche Börse Group's net interest income from banking business at Clearstream, as the majority of client cash balances are denominated in US dollars. However, the marked increase in US dollar deposits during the first quarter largely offset the lower interest rate levels compared to the previous year.

Deutsche Börse Group was thus able to substantially increase net revenue in the first quarter of 2020 to €914.8 million compared to the previous year (Q1/2019: €720.8 million) – a 27 per cent increase. Despite increased market uncertainty, all segments contributed positively to the Group's secular net revenue growth, which totalled 8 per cent. The Group's cyclical net revenue showed a very clear 16 per cent increase, attributable to the environment outlined above. Consolidation effects – mainly resulting from the acquisition of Axioma in 2019 – generated additional net revenue growth of around 3 per cent.

The Group's operating costs totalled €318.4 million (Q1/2019: €273.2 million) and included non-recurring effects in the amount of €27.3 million (Q1/2019: €24.6 million), mainly comprising costs for acquisitions, legal advice retained for litigation, and for measures to reduce structural costs launched within the scope of the "Roadmap 2020". Adjusted operating costs of €291.1 million reflected a 17 per cent increase (Q1/2019: €248.6 million), largely due to higher investments and personnel expansion but also to some additional IT expenses in course of the corona crisis (+10 per cent). Consolidation effects also led to an increase in operating costs (+7 per cent).

Deutsche Börse Group's adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by a significant 30 per cent, to €619.8 million (Q1/2019: €475.5 million). Adjusted depreciation, amortisation and impairment losses totalled €61.7 million (Q1/2019: €52.9 million). The Group's financial result amounted to €–16.5 million (Q1/2019: €–16.9 million). As expected, the adjusted tax rate was unchanged, at 26 per cent.

At €387.4 million, net profit for the period attributable to Deutsche Börse AG shareholders was up 33 per cent on the figure for the same quarter of the previous year (Q1/2019: €291.9 million).

Gregor Pottmeyer, Chief Financial Officer of Deutsche Börse AG, commented on the results: "The extraordinary market environment during the first quarter also generated extraordinarily positive results at Deutsche Börse. Besides the strong cyclical development, we were also able to generate significant secular net revenue growth, as planned. We are thus confident that the Group will continue to grow sustainably irrespective of fundamental trends."

Risk Report

Deutsche Börse Group's risk strategy is aligned with its business model and company strategy. The Group provides the infrastructure for reliable and secure capital markets, assists constructively in their regulation, and plays a leading role in all of the areas in which it does business. Deutsche Börse Group's risk strategy is based on three core principles:

1. Risk limitation – protecting the company against liquidation and ensuring its continuing operation
2. Support for growth in the various business segments
3. Appropriate risk/return ratio.

On pages 71 to 93 of its annual report 2019, Deutsche Börse Group provides detailed information on its operating environment, strategy, principles, organisation, processes, methods and concepts of its risk management, as well as measures for managing and reducing risk. For a detailed description of the current status of litigation, please refer to pages 79 to 82 of the annual report 2019.

In January 2020, the World Health Organization (WHO) declared the outbreak of COVID-19 as a global emergency, with more than 9,000 cases reported worldwide (including in 18 countries outside of China). Since the outbreak has continued to spread on a global scale, the Group coordinated and implemented centralised precautionary measures in order to safeguard the continuity of Deutsche Börse Group's business processes, as well as the health and safety of staff. This includes the introduction of travel bans, implementing social distancing measures, and the gradual transition to remote access for all areas.

The situation is currently being managed on the basis of the Group's incident and crisis management process, which ensures continuous monitoring throughout all Group entities, and at all Group locations worldwide.

Beyond this, the Executive Board is not aware of any material changes to the Group's risk situation at this time.

Report on Expected Developments

Despite the strong start to the year, and notwithstanding the persistent global COVID-19 pandemic, Deutsche Börse Group does not envisage any material deviation from the forecasts for its results of operations, as presented on pages 96 to 99 of the consolidated financial statements for 2019. This view is based on the expectation that volatility-driven stronger business activity during the first quarter of 2020 will be largely neutralised by declines in individual businesses during the remainder of the year, such as in net interest income of the Clearstream segment. The Group therefore continues to expect adjusted net profit for the period attributable to Deutsche Börse AG shareholders to increase to around €1.2 billion in the forecast period.



Consolidated income statement

(01 Jan 2020 – 31 Mar 2020)

	Reported		Adjusted for exceptional effects	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	€m	€m	€m	€m
Sales revenue	959.2	748.5	959.2	748.5
Net interest income from banking business	67.6	62.0	67.6	62.0
Other operating income	3.6	1.7	3.6	1.7
Total revenue	1,030.4	812.2	1,030.4	812.2
Volume-related costs	-115.6	-91.4	-115.6	-91.4
Net revenue	914.8	720.8	914.8	720.8
Staff costs	-196.1	-177.1	-191.3	-163.5
Other operating expenses	-122.3	-96.1	-99.8	-85.1
Operating costs	-318.4	-273.2	-291.1	-248.6
Net income from strategic investments	-3.9	3.3	-3.9	3.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	592.5	450.9	619.8	475.5
Depreciation, amortisation and impairment losses	-62.0	-53.1	-61.7	-52.9
Earnings before interest and tax (EBIT)	530.5	397.8	558.1	422.6
Financial result	-16.5	-16.9	-16.5	-16.9
Earnings before tax (EBT)	514.0	380.9	541.6	405.7
Income tax expense and other tax	-133.4	-97.3	-140.8	-105.4
Net profit for the period	380.6	283.6	400.8	300.3
thereof non-controlling interests	13.4	8.4	13.4	8.4
Consolidated net profit for the period	367.2	275.2	387.4	291.9
Earnings per share (basic) (€)	2.00	1.50	2.11	1.59

Key indicators Eurex (financial derivatives) segment

	Q1/2020	Q1/2019	Change
	€m	€m	%
Net revenue	346.3	250.3	38
Equity index derivatives	194.2	119.1	63
Interest rate derivatives	61.6	55.7	11
Equity derivatives	14.8	13.6	9
OTC clearing	13.0	9.1	43
Margin fees	18.0	11.7	54
Eurex data	14.8	14.8	0
Other	29.9	26.3	14
Operating costs	83.5	74.5	12
Operating costs (adjusted)	78.6	68.2	15
EBITDA	258.0	177.8	45
EBITDA (adjusted)	262.9	184.6	42

Key indicators EEX (commodities) segment

	Q1/2020	Q1/2019	Change
	€m	€m	%
Net revenue	81.8	73.6	11
Power spot	18.9	17.1	11
Power derivatives	32.8	27.0	21
Gas	11.6	11.5	1
Other	18.5	18.0	3
Operating costs	42.6	38.7	10
Operating costs (adjusted)	36.7	36.1	2
EBITDA	39.1	34.8	12
EBITDA (adjusted)	45.0	37.4	20

Key indicators 360T (foreign exchange) segment

	Q1/2020	Q1/2019	Change
	€m	€m	%
Net revenue	27.6	21.4	29
Trading	23.0	17.8	29
Other	4.6	3.6	28
Operating costs	14.8	12.9	15
Operating costs (adjusted)	14.2	11.2	27
EBITDA	12.8	8.5	51
EBITDA (adjusted)	13.4	10.2	31

Key indicators Xetra (cash equities) segment

	Q1/2020	Q1/2019	Change
	€m	€m	%
Net revenue	101.4	86.8	17
Trading and clearing	61.4	38.1	61
Listing	4.5	4.3	5
Xetra data	24.7	29.4	-16
Other	10.8	15.0	-28
Operating costs	34.4	34.5	0
Operating costs (adjusted)	32.5	31.3	4
EBITDA	68.5	53.4	28
EBITDA (adjusted)	70.4	56.1	25

Key indicators Clearstream (post-trading) segment

	Q1/2020	Q1/2019	Change
	€m	€m	%
Net revenue	235.7	208.7	13
Custody	107.0	94.9	13
Settlement	30.4	19.9	53
Net interest income from banking business	48.3	48.9	-1
Collateral management	19.6	19.4	1
Third party services	7.8	7.7	1
Other	22.6	17.9	26
Operating costs	80.3	75.1	7
Operating costs (adjusted)	73.5	70.1	5
EBITDA	154.9	133.9	16
EBITDA (adjusted)	161.7	138.9	16

Key indicators IFS (investment fund services) segment

	Q1/2020	Q1/2019	Change
	€m	€m	%
Net revenue	55.6	41.7	33 ¹
Custody	20.9	17.0	23
Settlement	18.2	12.3	48
Other	16.5	12.4	33
Operating costs	26.6	23.7	12
Operating costs (adjusted)	22.9	20.7	11
EBITDA	29.0	18.0	61
EBITDA (adjusted)	32.7	21.0	56

1) Organic growth in net revenue of 28%.

Key indicators Qontigo (index and analytics business) segment

	Q1/2020	Q1/2019	Change
	€m	€m	%
Net revenue	66.4	38.3	73 ¹
ETF licences	8.1	8.6	-6
Exchange licences	12.6	8.2	54
Other licences	24.9	21.5	16
Analytics	20.8	0.0	-
Operating costs	36.2	13.8	162
Operating costs (adjusted)	32.7	11.0	197
EBITDA	30.2	24.5	23
EBITDA (adjusted)	33.7	27.3	23

1) Organic growth in net revenue of 20%.



Shortened consolidated financial statements

Assets

(as at 31 March 2020)	31 Mar 2020	31 Dec 2019	31 Mar 2019
	€m	€m	€m
NON-CURRENT ASSETS			
Intangible assets	5,020.0	5,008.4	4,198.5
Property, plant and equipment	493.8	498.0	485.5
Financial instruments held by central counterparties	14,632.1	5,234.2	7,332.8
Other non-current assets	1,087.9	966.3	1,036.6
Total non-current assets	21,233.8	11,706.9	13,053.4
CURRENT ASSETS			
Restricted bank balances	62,388.6	29,988.7	30,036.2
Financial instruments held by central counterparties	129,469.7	78,301.5	108,648.5
Other current assets	28,222.9	17,168.2	22,001.6
Total current assets	220,081.2	125,458.4	160,686.3
Total assets	241,315.0	137,165.3	173,739.7

Shortened consolidated financial statements

Liabilities

(as at 31 March 2020)	31 Mar 2020	31 Dec 2019	31 Mar 2019
	€m	€m	€m
EQUITY			
Shareholders' equity	6,089.7	5,735.3	5,084.0
Non-controlling interests	392.2	375.3	141.7
Total equity	6,481.9	6,110.6	5,225.7
NON-CURRENT LIABILITIES			
Financial instruments held by central counterparties	14,632.1	5,234.2	7,332.8
Other non-current liabilities	2,783.3	3,376.2	3,184.5
Total non-current liabilities	17,415.4	8,610.4	10,517.3
CURRENT LIABILITIES			
Cash deposits by market participants	62,155.4	29,755.8	29,737.3
Financial instruments held by central counterparties	127,510.1	77,411.5	108,178.5
Other current liabilities	27,752.2	15,277.0	20,080.9
Total current liabilities	217,417.7	122,444.3	157,996.7
Total equity and liabilities	241,315.0	137,165.3	173,739.7

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