



DEUTSCHE BÖRSE
GROUP

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ANNUAL REPORT 2019

Excerpt: Report on expected developments



introduction of new trading platforms and updating of existing infrastructure might be tested beforehand by clients, via the cloud. This would lead to significantly more agile processes within the Group, as new processes would be introduced at more frequent intervals, allowing the Group to respond more effectively to clients' requirements. In 2019, Deutsche Börse signed agreements with Microsoft and Google on the use of cloud services, positioning itself at the forefront of cloud use in the European financial services sector.

Blockchain technology constitutes another aspect of technological opportunities. It is considered a disruptive technology at times – but at present, the financial services sector is increasingly exploring its opportunities. Thanks to its decentralised nature, it facilitates direct interaction between participants, thus offering the potential for simplifying complex processes. Established market infrastructure providers such as Deutsche Börse Group, which covers the entire value creation chain from a single source, play an important role when it comes to tapping this potential – meeting existing industry standards at the same time. Besides legal and regulatory requirements, this also involves adhering to security standards, as well as limiting risks and ensuring cost efficiency.

Report on expected developments

The report on expected developments describes Deutsche Börse Group's expected performance for the 2020 financial year. It contains statements and information on events in the future, and is based on the company's expectations and assumptions at the time of publication of this corporate report. In turn, these are subject to known and unknown opportunities, risks and uncertainties. Numerous factors, many of which are outside the company's control, influence the Group's success, its business strategy and its financial results. Should opportunities, risks or uncertainties materialise or should one of the assumptions made turn out to be incorrect, the Group's actual performance could deviate either positively or negatively from the expectations and assumptions contained in the forward-looking statements and information contained in this report on expected developments.

Developments in the operating environment

Macroeconomic environment

With global economic growth slowing further in 2019 as expected, Deutsche Börse Group generally anticipates a slight improvement in the general conditions for global growth in the forecast period. Reasons for this include the prospect of a resolution of the ongoing trade conflicts, mainly between China and the US, the easing of US interest rate policy since mid-2019, as well as the political situation in Europe, especially with regard to the reduced risk of a disorderly withdrawal of the United Kingdom from the European Union. However, at the time of the publication of this combined management report it becomes apparent, that the SARS-CoV-2 („Coronavirus“) virus outbreak in China at the end of 2019 will have significant negative implications for the development of the global economy, at least in the first months of 2020.

Future development of results of operations

Given its diversified business model and multiple sources of revenue, Deutsche Börse Group believes it is very well positioned to further improve its results of operations in the medium and long term. This expectation is based on, among other things, the structural growth opportunities that the Group intends to exploit (for details, see the [Opportunities report](#)), as well as on additional contributions from mergers and acquisitions.

As in 2019, Deutsche Börse Group expects net revenue from structural growth opportunities to increase by at least 5 per cent in the forecast period. The Group is driving this growth through investment. In doing so, it aims to shift further market share from over-the-counter trading and clearing to the on-exchange segment and to further expand its positions in existing asset classes by introducing new products and functionalities. In contrast, the development of business divisions reliant on cyclical factors continues to depend mainly on the degree of speculation regarding future interest rate development in Europe, and the extent of equity market volatility, potentially resulting in both positive and negative effects on the Group's net revenue growth.

Within the scope of its growth strategy, Deutsche Börse Group pursues clearly defined principles for managing operating costs. Essentially, the Group achieves the necessary flexibility in managing operating costs through two different initiatives designed to enhance operating efficiency. Firstly, the Group has implemented a continuous process to improve operating efficiency. Secondly, the Group has already resolved a series of structural cost reduction measures in 2018, and has largely completed the implementation of the said measures in 2019.

The Group expects adjusted net profit for the period attributable to Deutsche Börse AG shareholders to increase to around €1.20 billion in the forecast period. The Group would then be fully in line with its medium-term growth targets of 10 to 15 per cent average per year for the adjusted net profit for the period from 2017 to 2020.

Forecast for results of operations 2020

	Based on 2019 €m	Forecast for 2020
Net revenue from structural opportunities (excluding non-recurring effects)	2,936.0	>5% growth
Net profit for the period attributable to Deutsche Börse AG shareholders (excluding non-recurring effects)	1,105.5	€bn ~1.20

Trends in non-financial performance indicators

Initiatives to promote the transparency and security of the markets will continue to be a key focus during the forecast period, ensuring that Deutsche Börse Group adds value to society. Against this backdrop, the company expects to maintain the availability of the different trading systems for the cash and derivative market at the very high level seen in previous years throughout the forecast period.

Responsible management that focuses on long-term value creation is of considerable importance for Deutsche Börse Group as a service provider. Given demographic change and the resulting shortage of specialist staff, the company aims to continue to position itself adequately and – among other things – to increase the number of women in management positions.

Deutsche Börse AG's Executive Board has defined target quotas for women on the two management levels beneath the Executive Board, in accordance with section 76 (4) of the AktG, in each case referring to Deutsche Börse AG. By 31 December 2021, the proportion of women holding positions in the first and second management levels beneath the Executive Board is planned to reach 15 per cent and 20 per cent, respectively.

Moreover, as early as in 2010, the Executive Board had adopted a voluntary commitment to increase the share of women holding middle and upper management positions to 20 per cent by 2020, and of women holding lower management positions to 30 per cent during the same period. The Group maintains this ambition, and has extended the scope of its voluntary commitment, over and above legal requirements. Firstly, the target figures determined in this context relate to Deutsche Börse Group (including subsidiaries) worldwide. Secondly, the definition of management levels/positions was extended to also include heads of teams, for example.

Future development of the Group's financial position

The company expects operating cash flow, which is Deutsche Börse Group's primary funding instrument, to remain clearly positive in the future. The Group expects that two significant factors will influence changes in liquidity. Firstly, the company plans to invest around €200 million in intangible assets and property, plant and equipment at Group level. These investments will serve primarily to develop new products and services in the Eurex (financial derivatives) and Clearstream (post-trading) segments, and to enhance existing ones. Secondly, the Executive Board and Supervisory Board of Deutsche Börse AG will propose a dividend of €2.90 per share to the Annual General Meeting to be held in May 2020. This would correspond to a cash outflow of about €532 million. Against the background of the growth strategy, the company anticipates that, in future, freely available funds will increasingly also be applied to the Group's complementary external growth options. Apart from the above, no other material factors were expected to impact the Group's liquidity at the time the combined management report was prepared. As in previous years, the Group assumes that it will have a sound liquidity base in the forecast period due to its positive cash flow from operating activities, adequate credit lines (for details [see note 23 to the consolidated financial statements for details](#)), and flexible management and planning systems.

Deutsche Börse Group generally aims to distribute dividends equivalent to between 40 and 60 per cent of adjusted net profit for the period attributable to Deutsche Börse AG shareholders. Within this range, the Group manages the actual payout ratio mainly relative to the business performance and based on continuity considerations. In addition, the company plans to invest the remaining available funds primarily into organic growth, but also, secondarily, for the Group's complementary external development. Should the Group be unable to invest these funds, additional payouts, particularly share buy-backs, present another opportunity for the use of funds. To maintain its strong credit ratings at

Group level, the company aims at a ratio of net debt to EBITDA of no more than 1.75, and a ratio of free funds from operations to net debt of at least 50 per cent.

Overall assessment by the Executive Board

The Executive Board of Deutsche Börse AG believes that the Group continues to be very well positioned in terms of international competition, thanks to its comprehensive offering along the securities trading value chain and its innovative strength. Against this backdrop, the Executive Board expects to see a positive trend in the Group's results of operations over the long term. The purpose of the measures as part of the growth strategy is to further accelerate the Group's growth. In this context, the Group aims to act in a more agile and effective manner, and with increased client focus, to turn Deutsche Börse into the global market infrastructure provider of choice, being top-ranked in all its activities. Looking at the economic and regulatory framework over the forecast period, uncertainty persists concerning capital market participants' behaviour; therefore, it is impossible to come up with a concrete forecast for cyclical growth in net revenue. Nonetheless, Deutsche Börse Group endeavours to further expand its structural growth areas, and to increase their contribution to net revenue again by at least 5 per cent. In terms of net profit for the period attributable to Deutsche Börse AG shareholders, the Executive Board expects growth (excluding non-recurring effects) of around €1.20 billion in the forecast period. Overall, the Executive Board assumes on this basis that cash flow from operating activities will be clearly positive and that, as in previous years, the liquidity base will be sound. The overall assessment by the Executive Board is valid as at the publication date for this combined management report.

Deutsche Börse AG (disclosures based on the HGB)

The annual financial statements of Deutsche Börse AG are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the supplementary provisions of the German Stock Corporation Act (Aktiengesetz, AktG) and are the underlying basis for the explanations that follow.

Business and operating environment

General position

Deutsche Börse AG is the parent company of Deutsche Börse Group. The parent company's business activities include first and foremost the cash and derivatives markets, which are reflected in the Eurex (financial derivatives) and Xetra (cash equities) segments, as well as the data and index businesses. Deutsche Börse AG also operates essential parts of Deutsche Börse Group's information technology. The development of Deutsche Börse Group's Clearstream (post-trading) segment is reflected in Deutsche Börse AG's business development, primarily due to the profit and loss transfer agreement with Clearstream Holding AG. Deutsche Börse Group's IFS (investment fund services) and GSF (collateral management) segments, in contrast, play a lesser role for Deutsche Börse AG. Nonetheless, Deutsche Börse AG's business and operating environment is essentially the same as that of Deutsche Börse Group; this is described in the [“Macroeconomic and sector-specific environment”](#) section.

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