

---

# BUSINESS PERFORMANCE

## January–September 2018

# Disclaimer

This presentation, which is personal to the recipient, has been prepared and produced by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S,A, (“BME”) solely for the benefit of investment analysis and may not be used for any purpose other than assessment of investments concerning BME. Unless otherwise stated, BME is the source for all data contained in this presentation. Such data is provided as at the date of this presentation and is subject to change without notice.

This presentation is strictly confidential and is being furnished to you solely for your information, It may not be reproduced, redistributed, passed on or published, in whole or in part, to any other person for any other purpose. This presentation does not constitute or form part of, and should not be construed as, an offer or invitation for the sale of or the subscription of, or a solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any offer, contract, commitment or investment decision relating thereto, nor does it constitute a recommendation regarding the securities of BME.

Neither this presentation nor any copy of it may be taken, transmitted into or distributed in the United States, the United Kingdom, Canada, Australia or Japan except by or on the express instructions of BME. The distribution of this presentation in other jurisdictions may also be restricted by law and persons into whose possession this presentation comes should inform themselves about and observe any such restrictions.

This presentation is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (financial promotion) order 2005 (“the order”); or (ii) are persons to whom it can otherwise lawfully be distributed (all such persons together being referred to as “relevant persons”). This presentation must not be acted on, or relied on by, persons who are not relevant persons,

The information in this presentation has not been independently verified. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information or opinions contained herein. None of BME, any of its shareholders, or any of their respective subsidiary undertakings or affiliates or any of such person’s directors, officers or employees, advisers or other representatives, accepts any liability whatsoever (whether in negligence or otherwise) arising, directly or indirectly, from the use of this presentation or otherwise arising in connection therewith.

This presentation could include forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, achievements or industry results to be materially different from those expressed or implied by these forward-looking statements. Forward-looking statements speak only as of the date of this presentation and BME expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation as a result of any change in our expectations or any change in events, conditions or circumstances on which these forward-looking statements are based.

# Index

Results

Business Units

Financials

Business Drivers

Strategic Plan 2019-2021

# Index

## Results

Business Units

Financials

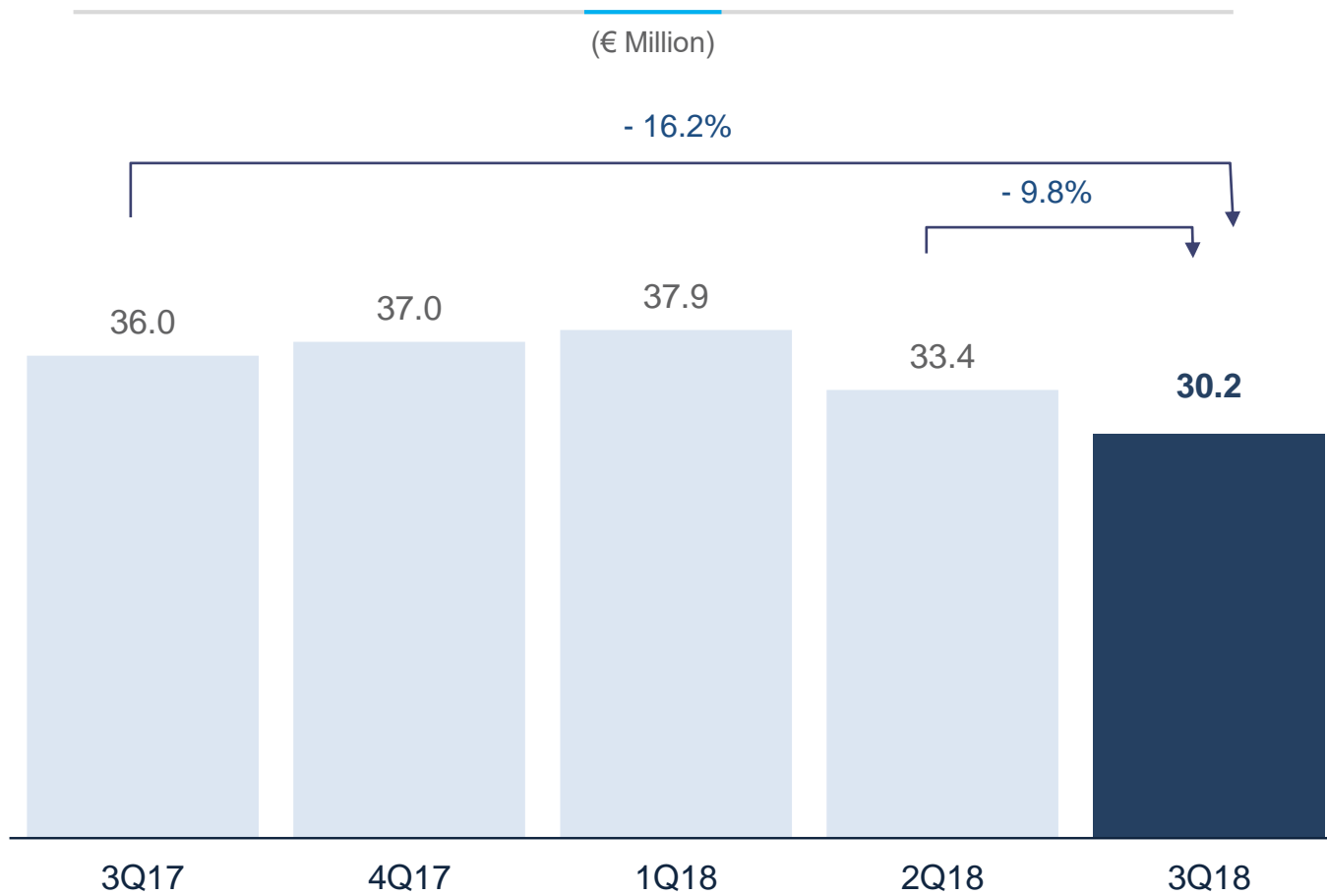
Business Drivers

Strategic Plan 2019-2021



RESULTS

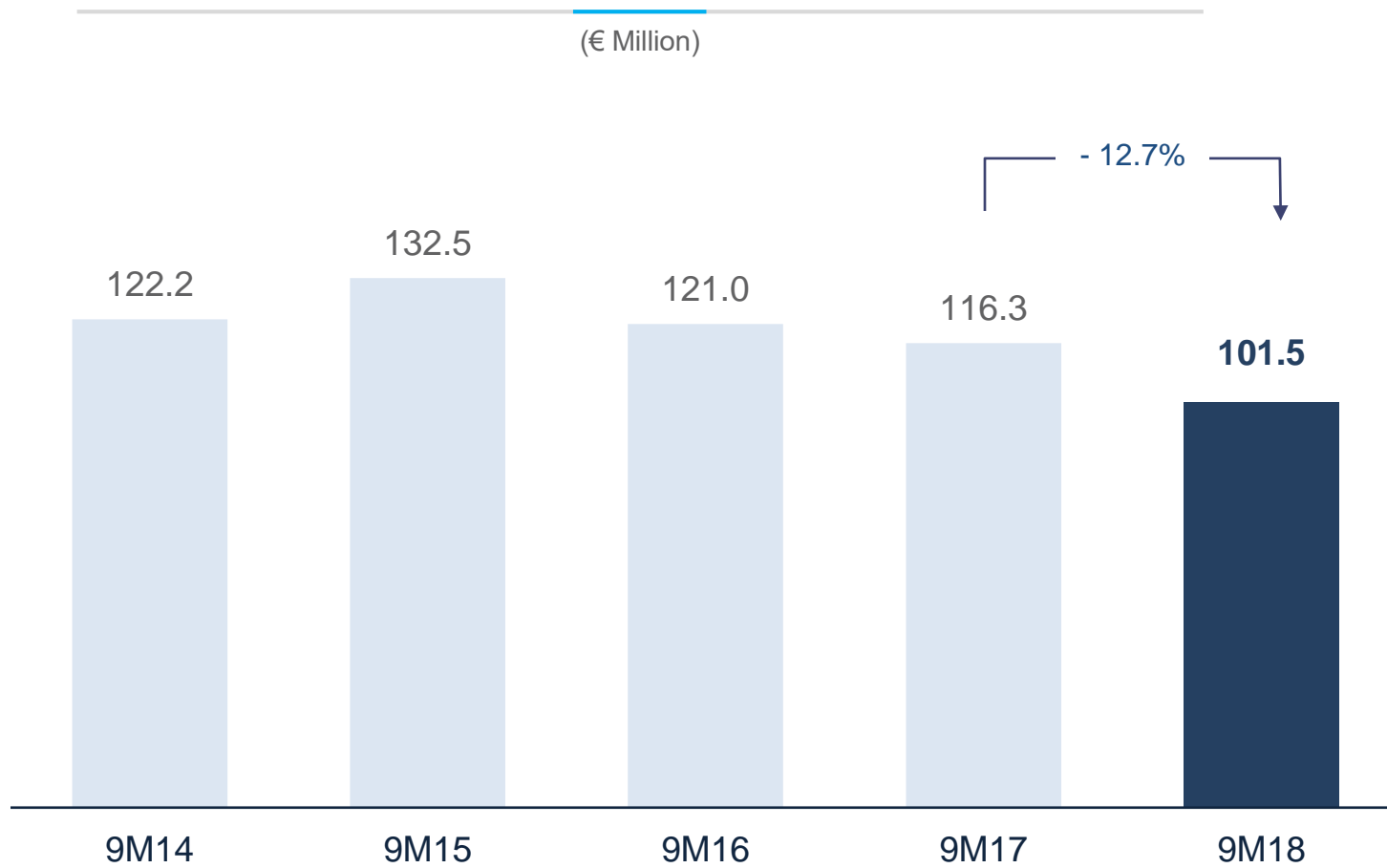
# Net Profit





RESULTS

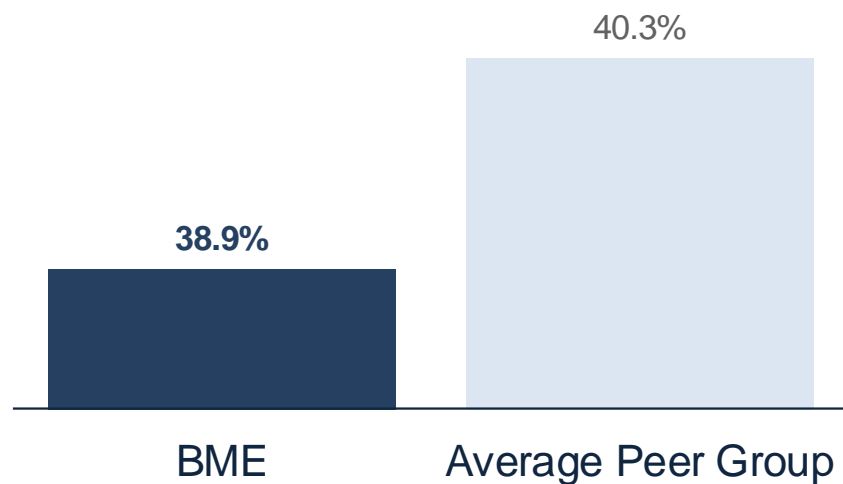
# Net Profit



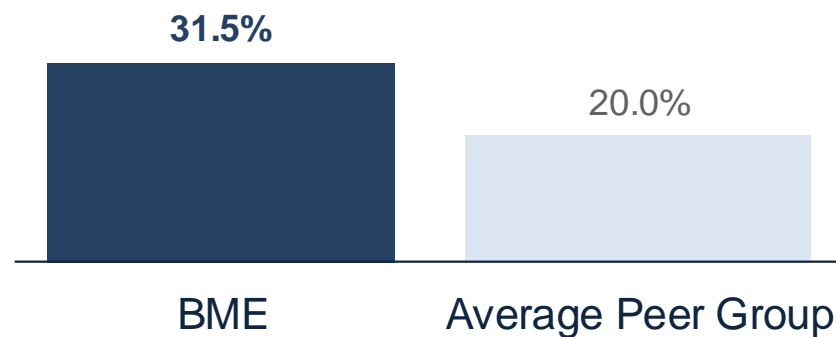
## RESULTS

# Key ratios benchmarking

- Efficiency



- ROE



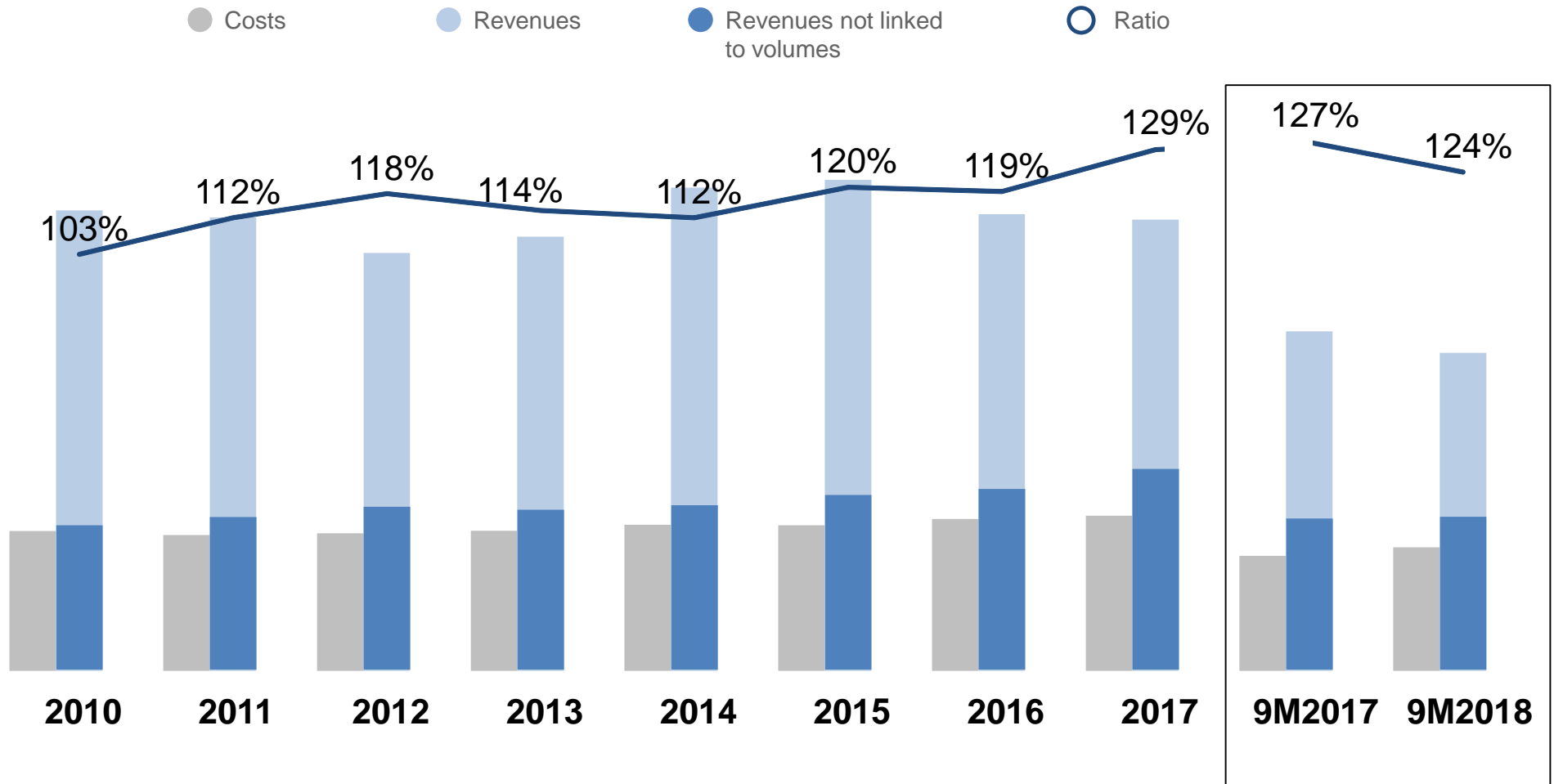
*- BME's data as of 30/09/2018.*

*- Average peer Group figures are calculated using last results published and not taking account of goodwill impairment charges.*



RESULTS

# Solid operating leverage

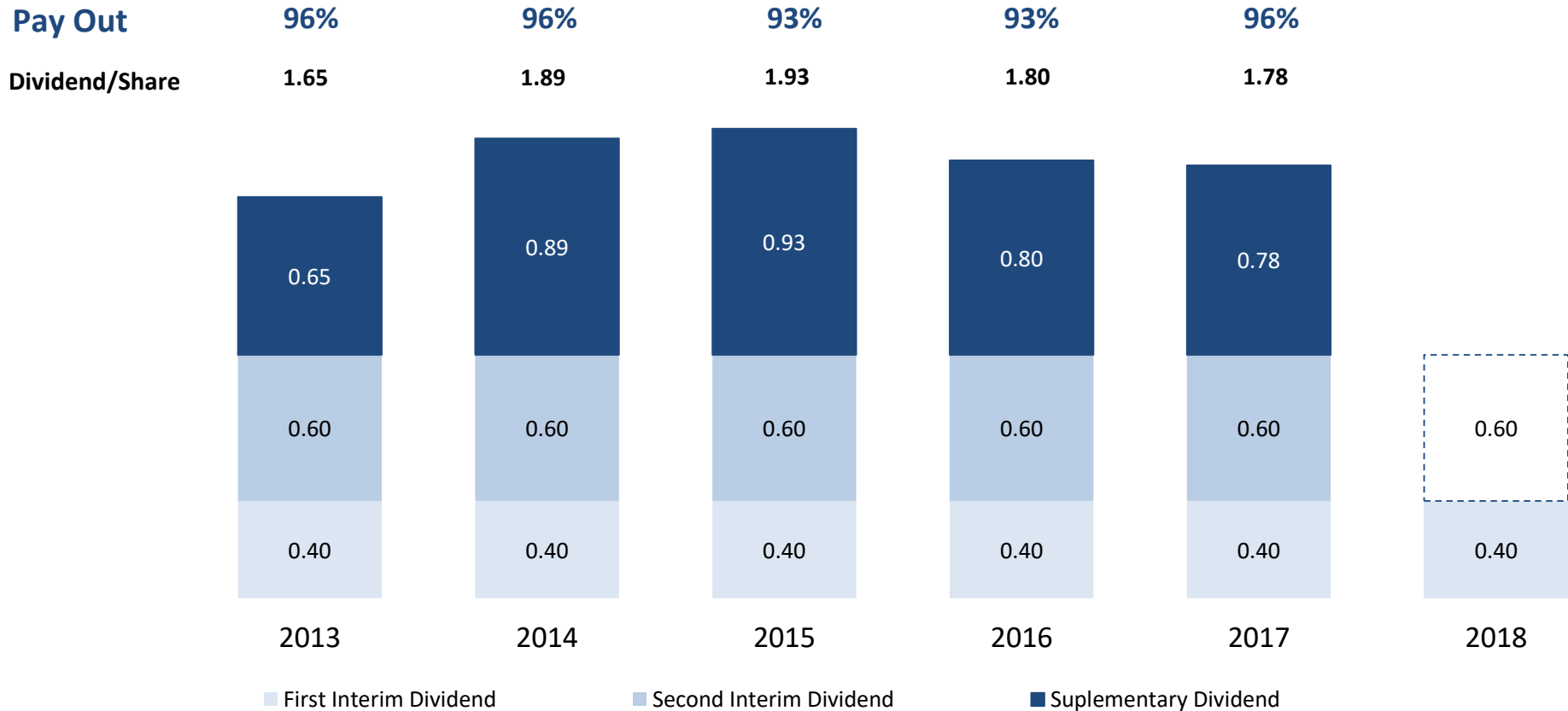






RESULTS

# Dividends: Maximizing shareholders' returns



## Sustainability of Pay-Out

Interim dividend proposal: 0.60 €/share (28<sup>th</sup> December 2018)

# Index

Results

**Business Units**

Financials

Business Drivers

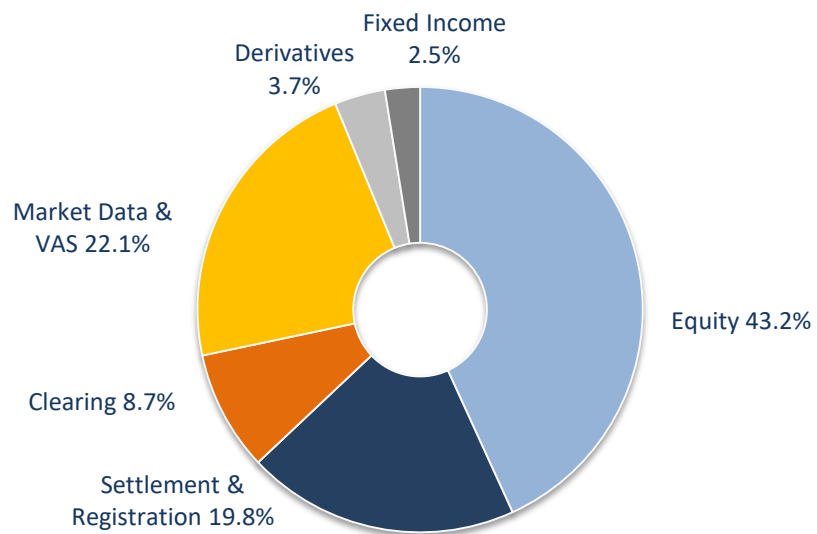
Strategic Plan 2019-2021



# Business Areas

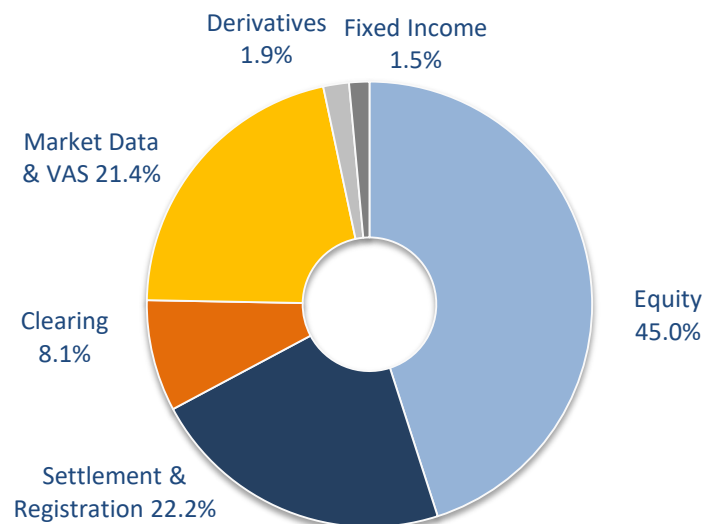
## Consolidated Net Revenues

9M 2018 - %



## EBITDA

9M 2018 - %

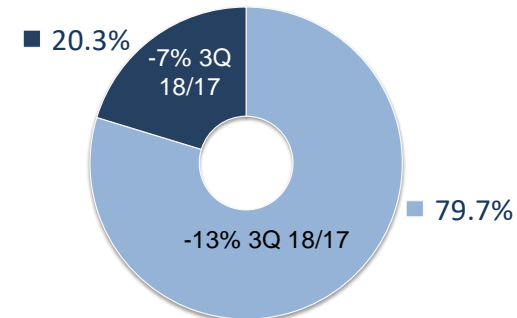




# Equity Market

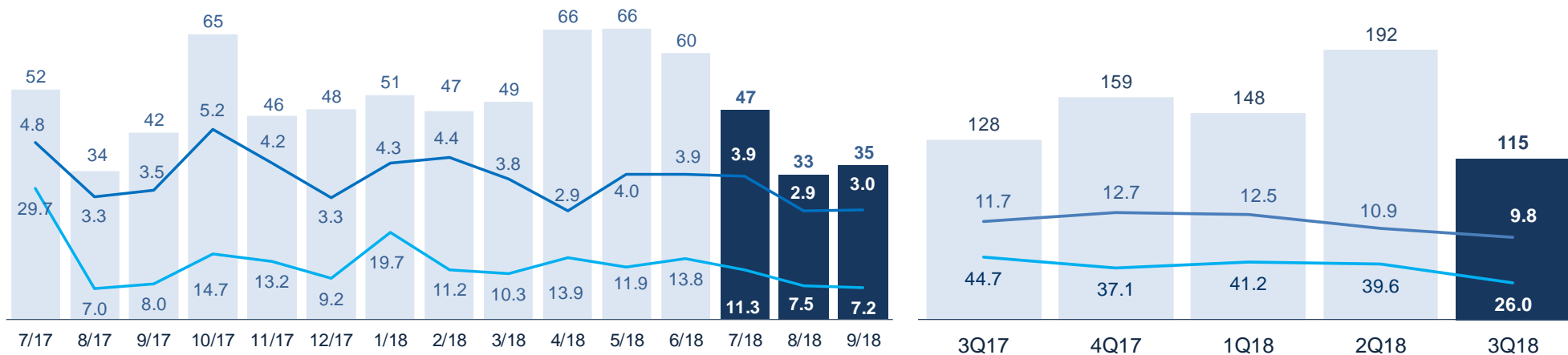
Thousands of €	3Q 2018	3Q 2017	%	9M 2018	9M 2017	%
<b>Net Revenue</b>	29,497	33,460	-11.8%	97,096	109,547	-11.4%
<b>Operating Costs</b>	(10,022)	(10,399)	-3.6%	(30,178)	(30,973)	-2.6%
<b>EBITDA</b>	<b>19,475</b>	<b>23,061</b>	<b>-15.6%</b>	<b>66,918</b>	<b>78,574</b>	<b>-14.8%</b>

■ Per trade and regarding characteristics of the orders  
 ■ Listing and other services



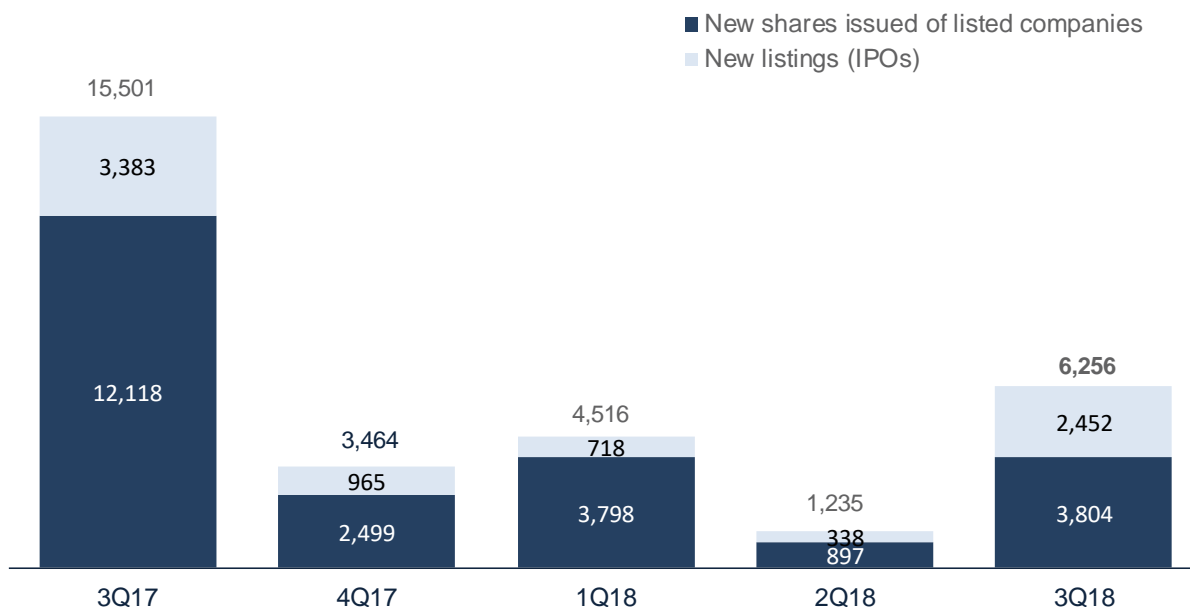
## Equity (Turnover. number of trades and number of shares traded)

● Turnover (€ Billion)      ○ Shares (Billion)      ○ Trades (Million)



# Equity Market

## Listing activity



Total investment flows channeled to the Exchange in 3Q18 reached €6.3 billion.

The third quarter reached €2.5 billion in IPOs, the best since 3Q17. Berkeley Energía went listed to the Exchange, while 10 new SOCIMIs (REITs) and one company in the Growth segment have joined the MAB.

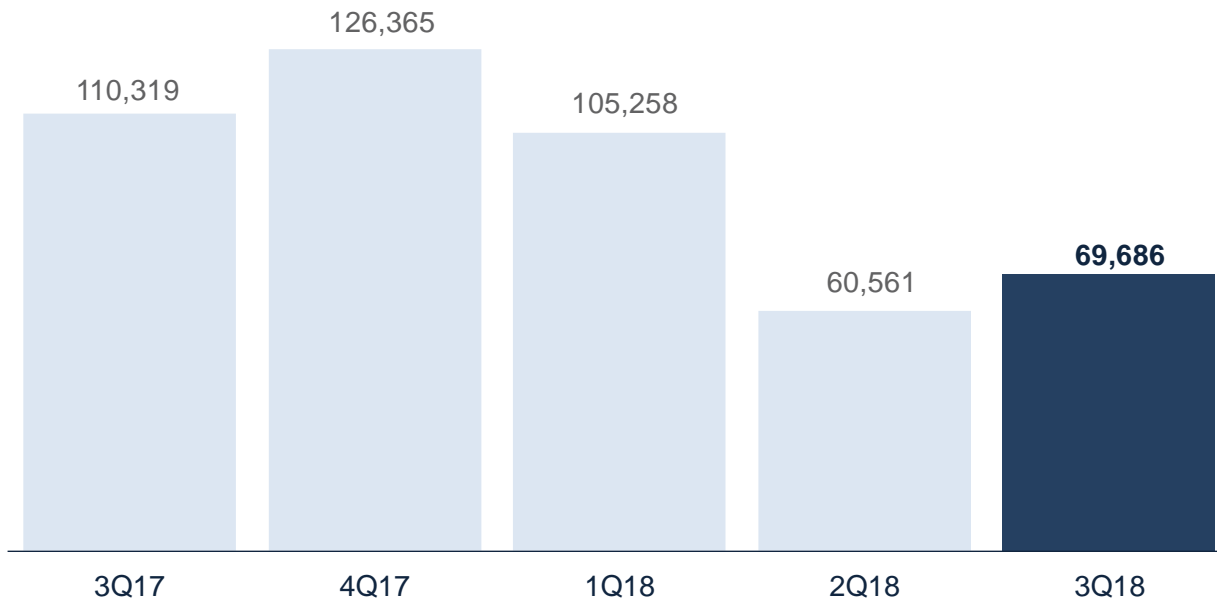
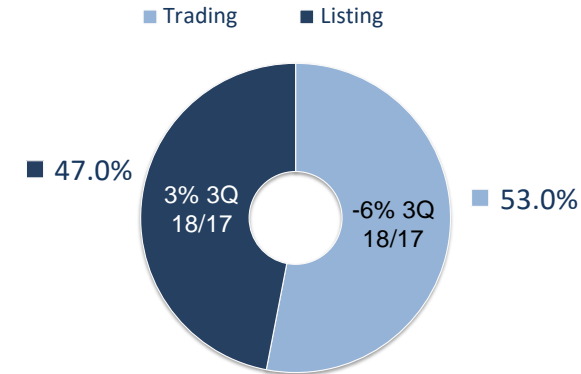
Listed companies issued new shares for €3.8 billion in the quarter.

Source: FESE (Federation of European Stock Exchanges)



# Fixed income

Thousands of €	3Q 2018	3Q 2017	%	9M 2018	9M 2017	%
<b>Net Revenue</b>	1,931	1,975	-2.2%	5,700	6,531	-12.7%
<b>Operating Costs</b>	(1,154)	(1,218)	-5.3%	(3,519)	(3,507)	0.3%
<b>EBITDA</b>	<b>777</b>	<b>757</b>	<b>2.6%</b>	<b>2,181</b>	<b>3,024</b>	<b>-27.9%</b>



Recovery in fixed income admissions compared to the previous quarter to €69.7 billion. Foreign Debt issues incorporated into trading reached €5.48 trillion.

Improvement in the negotiation by platform. In the third quarter it reached €42.0 billion, 69.3% higher than in 2017.

Growing role of the Alternative Fixed Income Market (MARF) in financing. Growth of 47.8% in volume issued and 31.5% in outstanding balance with respect to 2017.



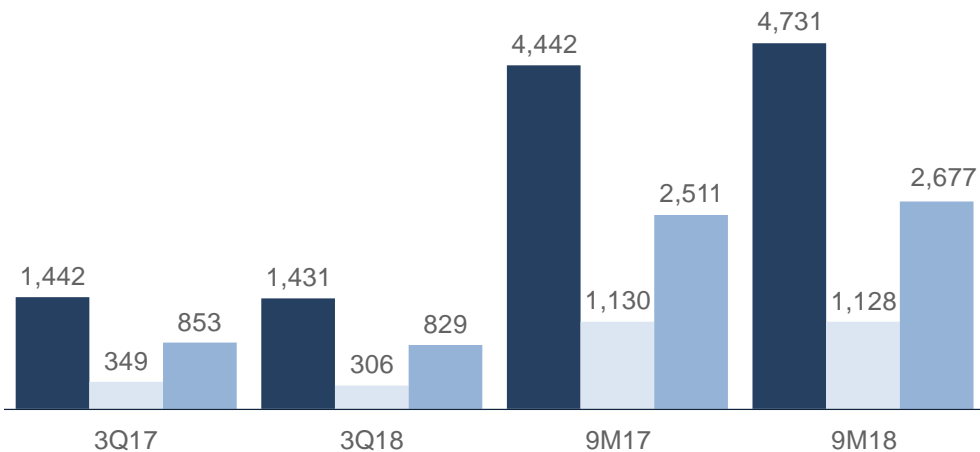
# Derivatives

<i>Thousands of €</i>	<b>3Q 2018</b>	<b>3Q 2017</b>	<b>%</b>	<b>9M 2018</b>	<b>9M 2017</b>	<b>%</b>
<b>Net Revenue</b>	2,588	2,616	-1.1%	8,285	7,735	7.1%
<b>Operating Costs</b>	(1,918)	(1,615)	18.8%	(5,510)	(4,723)	16.7%
<b>EBITDA</b>	<b>670</b>	<b>1,001</b>	<b>-33.1%</b>	<b>2,775</b>	<b>3,012</b>	<b>-7.9%</b>

## Index derivatives contracts traded

(Thousand of contracts)

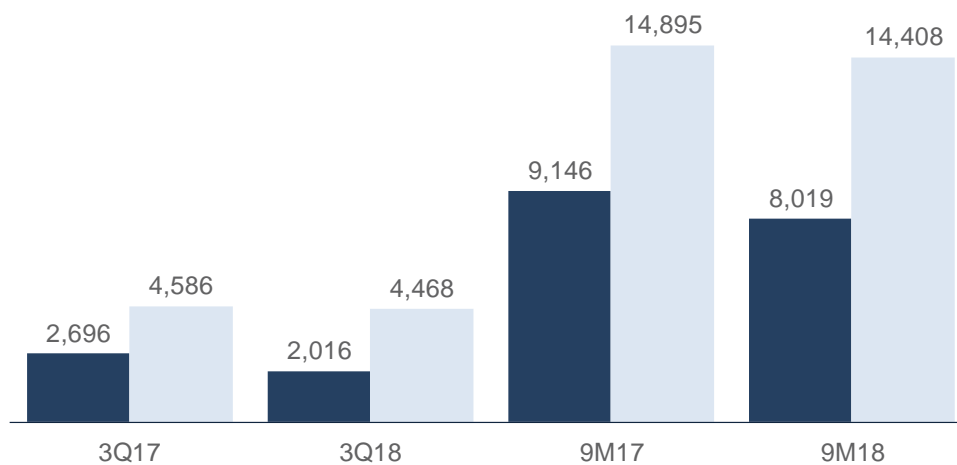
● Futures IBEX 35® ● Futures MiniIBEX ● Options IBEX 35®



## Stock derivatives contracts traded

(Thousand of contracts)

● Stock Futures ● Stock Options



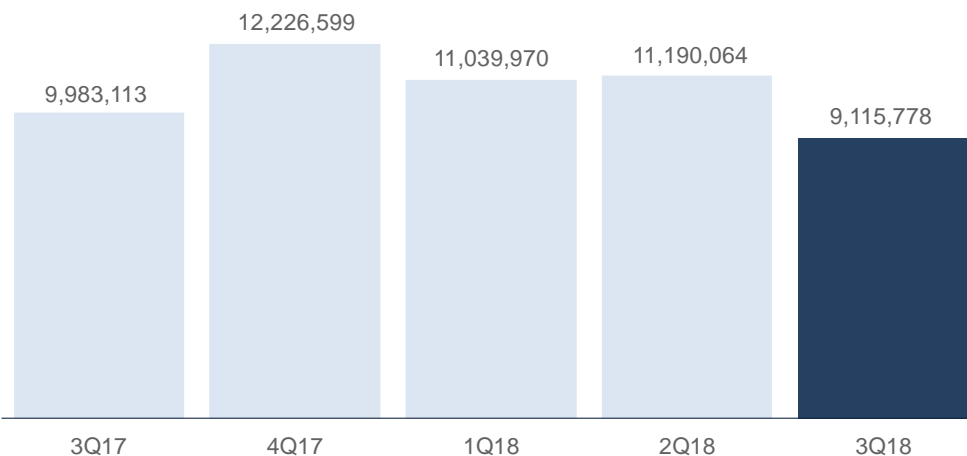


# Clearing

<i>Thousands of €</i>	<b>3Q 2018</b>	<b>3Q 2017</b>	<b>%</b>	<b>9M 2018</b>	<b>9M 2017</b>	<b>%</b>
<b>Net Revenue</b>	5,861	6,319	-7.2%	19,613	19,685	-0.4%
<b>Operating Costs</b>	(2,552)	(2,584)	-1.2%	(7,588)	(7,261)	4.5%
<b>EBITDA</b>	<b>3,309</b>	<b>3,735</b>	<b>-11.4%</b>	<b>12,025</b>	<b>12,424</b>	<b>-3.2%</b>

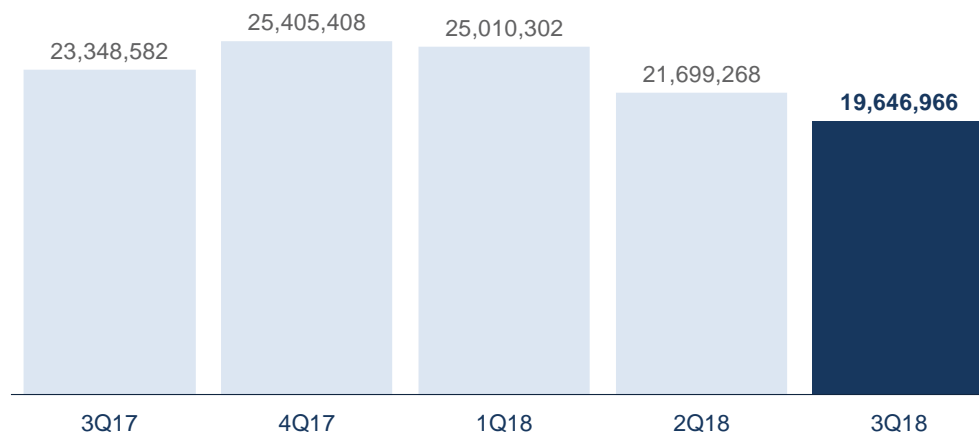
## Financial Derivatives

(Number of contracts)



## Number of equity transactions cleared

(Number of transactions)



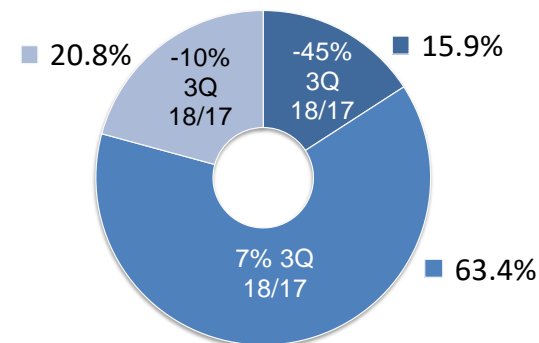




# Settlement & Registration

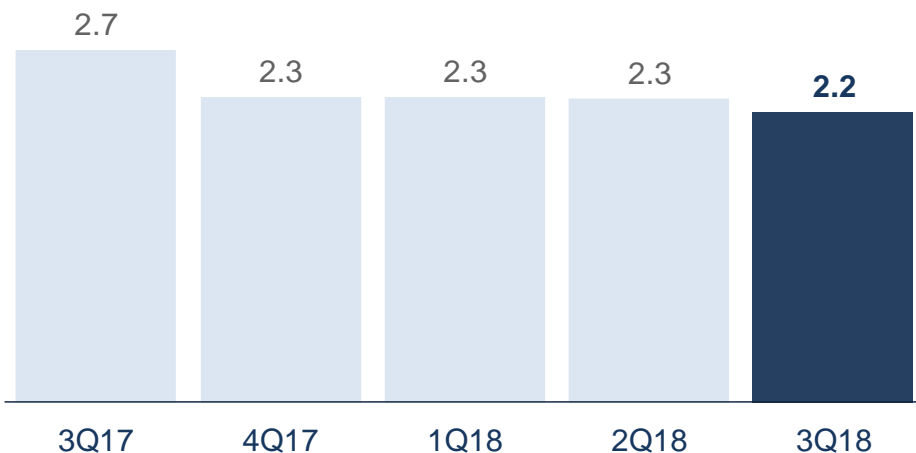
Thousands of €	3Q 2018	3Q 2017	%	9M 2018	9M 2017	%
<b>Net Revenue</b>	14,544	16,217	-10.3%	44,492	49,062	-9.3%
<b>Operating Costs</b>	(3,785)	(4,146)	-8.7%	(11,580)	(11,823)	-2.1%
<b>EBITDA</b>	<b>10,759</b>	<b>12,071</b>	<b>-10.9%</b>	<b>32,912</b>	<b>37,239</b>	<b>-11.6%</b>

■ Settlement ■ Registration ■ Other services



## Settlement: Number of trades settled

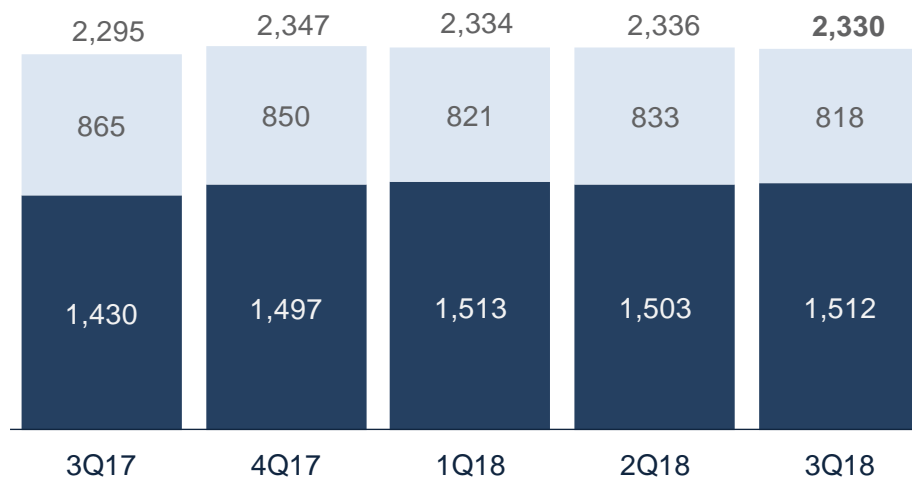
(Million of trades)



## Securities under custody: Volume registered

(€ Billion)

● Par Value registered in FI    ● Market value registered in Equity

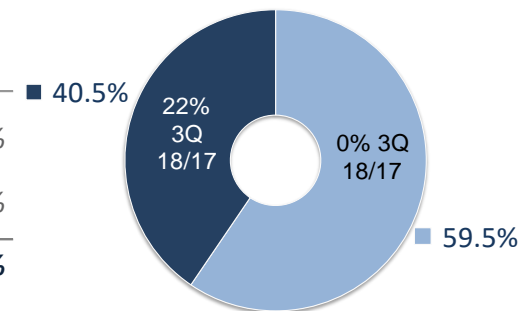




# Market Data & VAS

<i>Thousands of €</i>	<b>3Q 2018</b>	<b>3Q 2017</b>	<b>%</b>	<b>9M 2018</b>	<b>9M 2017</b>	<b>%</b>
<b>Net Revenue</b>	16,702	15,451	8.1%	49,662	46,749	6.2%
<b>Operating Costs</b>	(5,939)	(5,488)	8.2%	(17,914)	(16,700)	7.3%
<b>EBITDA</b>	<b>10,763</b>	<b>9,963</b>	<b>8.0%</b>	<b>31,748</b>	<b>30,049</b>	<b>5.7%</b>

■ Primary Source information services  
 ■ Value Added services



## Market Data & VAS: Unit Drivers

**Trading services and Routing**

**Algorithmic trading Module**  
**Order and Execution Feeds (FOE)**  
**Transaction Cost Analysis (TCA)**  
**International Routing**

**International Consulting**

**Start-up of the trading platform and OMS of the Colombian Stock Exchange**

# Index

Results

Business Units

**Financials**

Business Drivers

Strategic Plan 2019-2021

## FINANCIALS

## Net Revenues

<i>Thousands of €</i>	<b>3Q 2018</b>	<b>3Q 2017</b>	<b>%</b>	<b>9M 2018</b>	<b>9M 2017</b>	<b>%</b>
<b>Equity</b>	29,497	33,460	-11.8%	97,096	109,547	-11.4%
<b>Fixed income</b>	1,931	1,975	-2.2%	5,700	6,531	-12.7%
<b>Derivatives</b>	2,588	2,616	-1.1%	8,285	7,735	7.1%
<b>Clearing</b>	5,861	6,319	-7.2%	19,613	19,685	-0.4%
<b>Settlement &amp; Registration</b>	14,544	16,217	-10.3%	44,492	49,062	-9.3%
<b>Market Data &amp; VAS</b>	16,702	15,451	8.1%	49,662	46,749	6.2%

## FINANCIALS

## EBITDA

<i>Thousands of €</i>	<b>3Q 2018</b>	<b>3Q 2017</b>	<b>%</b>	<b>9M 2018</b>	<b>9M 2017</b>	<b>%</b>
<b>Equity</b>	19,475	23,061	-15.6%	66,918	78,574	-14.8%
<b>Fixed income</b>	777	757	2.6%	2,181	3,024	-27.9%
<b>Derivatives</b>	670	1,001	-33.1%	2,775	3,012	-7.9%
<b>Clearing</b>	3,309	3,735	-11.4%	12,025	12,424	-3.2%
<b>Settlement &amp; Registration</b>	10,759	12,071	-10.9%	32,912	37,239	-11.6%
<b>Market Data &amp; VAS</b>	10,763	9,963	8.0%	31,748	30,049	5.7%

## FINANCIALS

## Balance sheet

<i>as of September, 30<sup>th</sup></i> <i>(Thousands of €)</i>	<b>2018</b>	<b>2017</b>
<b>Goodwill</b>	88,718	88,718
<b>Other non-current assets</b>	86,897	85,404
<b>Cash and cash equivalents</b>	302,355	299,592
<b>Current financial assets</b>	9,347	22,093
<b>Non-Group current financial assets</b>	13,036,541	18,199,422
<b>Other current assets</b>	54,301	53,594
<b>Total assets</b>	<b>13,578,159</b>	<b>18,748,823</b>
<b>Owners' Equity</b>	434,623	442,407
<b>External Partners</b>	87	243
<b>Non-current liabilities</b>	22,814	19,817
<b>Current liabilities</b>	13,120,635	18,286,356
<b>Total equity and liabilities</b>	<b>13,578,159</b>	<b>18,748,823</b>

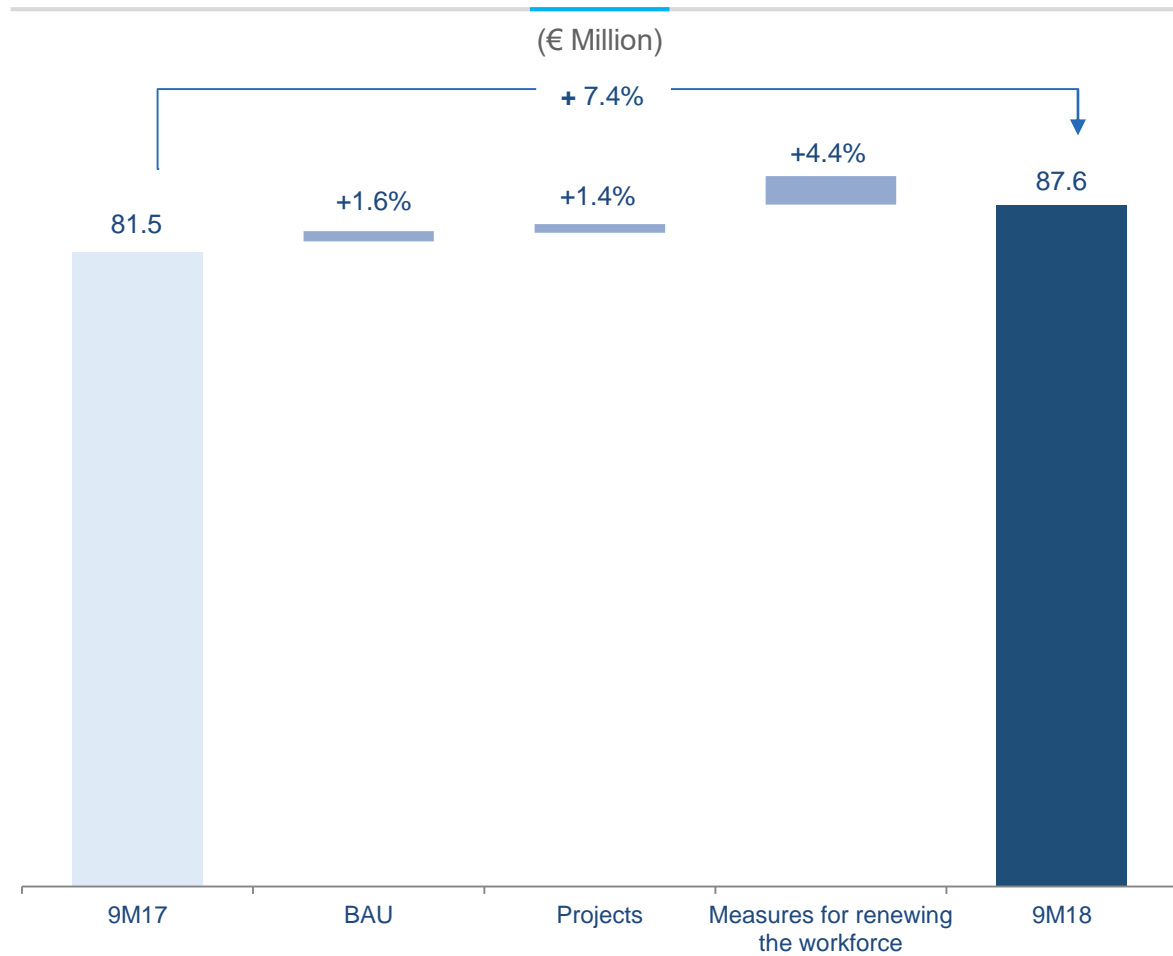
## FINANCIALS

## P/L

<i>Thousands of €</i>	<b>3Q 2018</b>	<b>3Q 2017</b>	<b>%</b>	<b>9M 2018</b>	<b>9M 2017</b>	<b>%</b>
<b>Net Revenue</b>	71,421	76,246	-6.3%	225,333	240,547	-6.3%
<b>Expenses</b>	(29,876)	(27,124)	10.1%	(87,572)	(81,521)	7.4%
<b>EBITDA</b>	41,545	49,122	-15.4%	137,761	159,026	-13.4%
<b>EBIT</b>	39,573	47,078	-15.9%	131,844	152,919	-13.8%
<b>Financial results</b>	(86)	(41)	109.8%	408	329	24.0%
<b>Share of profit (loss) of associates</b>	452	442	2.3%	2,107	864	143.9%
<b>EBT</b>	39,939	47,479	-15.9%	134,359	154,112	-12.8%
<b>Net Profit</b>	<b>30,153</b>	<b>35,996</b>	<b>-16.2%</b>	<b>101,474</b>	<b>116,292</b>	<b>-12.7%</b>

RESULTS

# Operating costs





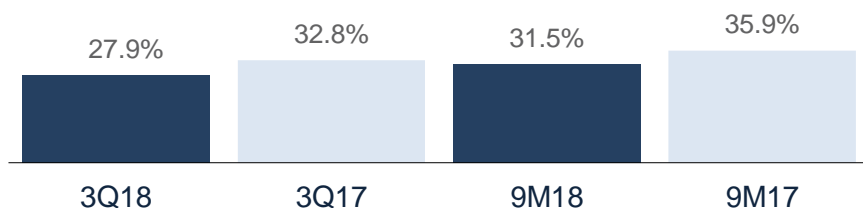


FINANCIALS

# Efficiency & Profitability

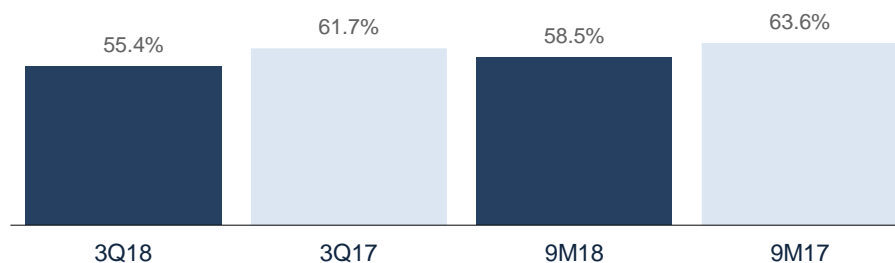
ROE Evolution

(% ROE)



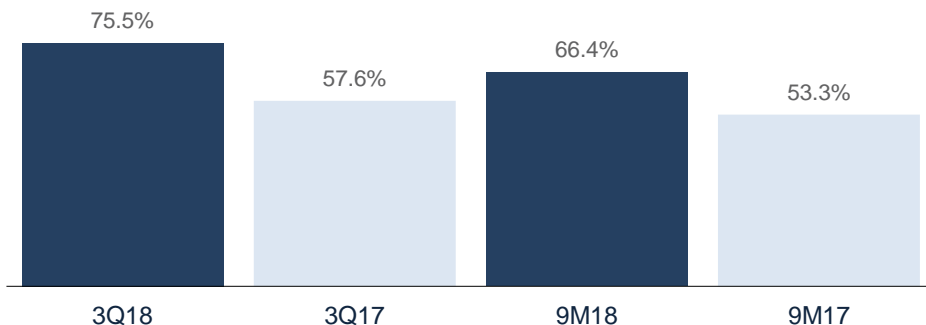
EBIT/Net Revenues Ratio Evolution

(% EBIT/Net Revenues)



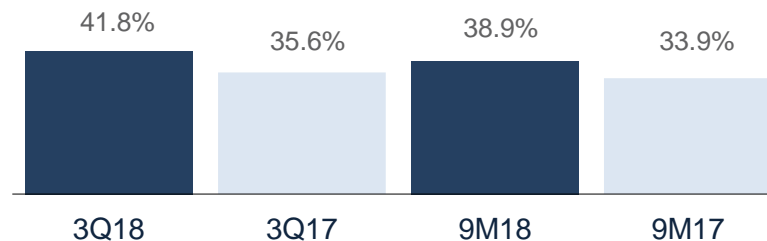
Cost/EBIT Ratio Evolution

(% Cost/EBIT)



Efficiency Ratio Evolution

(% Efficiency)

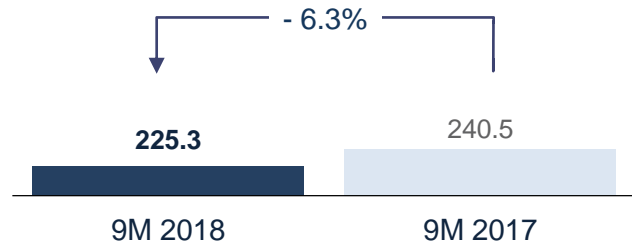


FINANCIALS

# Comparison with 9M 2017

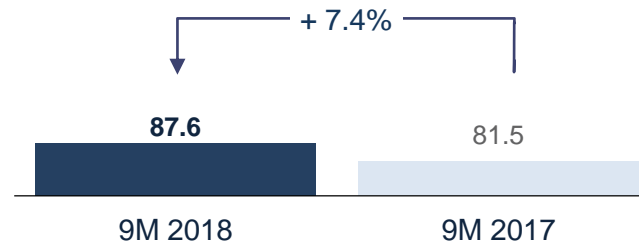
## Net Revenue 9M 2018/2017

(€ Mill)



## Costs 9M 2018/2017

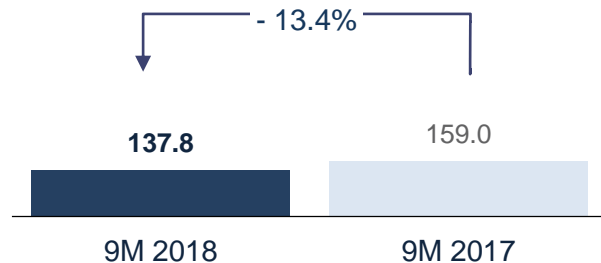
(€ Mill)



## Margins

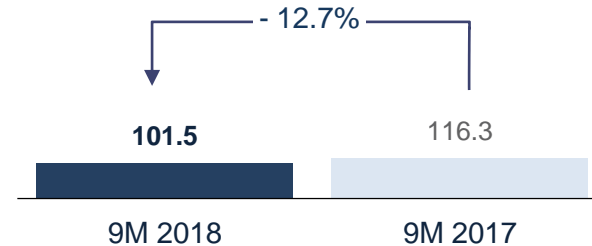
### EBITDA 9M 2018/2017

(€ Mill)



### Net Profit 9M 2018/2017

(€ Mill)



# Index

Results

Business Units














Financials

**Business Drivers**

Strategic Plan 2019-2021

# Business drivers: Highly liquid market

Spanish blue-chips are of the most liquid stocks in the EMU

RK	Company	9M18	Daily avg. 9M18	Relative weight at EuroStoxx50 (%) <sup>1)</sup>
		Turnover (€ Billion)	Turnover (€ Billion)	
1	 Grupo Santander	123.2	0.64	3.13%
2	 TOTAL	106.5	0.56	5.50%
3	 Bayer	101.7	0.54	3.72%
4	 INTESA SANPAOLO	90.9	0.48	1.53%
5	 SAP	87.8	0.46	4.65%
6	 SIEMENS	87.0	0.46	4.21%
7	 adidas	84.8	0.45	1.51%
8	 Allianz	82.7	0.44	3.29%
9	DAIMLER	81.9	0.43	2.57%
10	 SANOFI	73.4	0.38	3.25%
17	 BBVA	63.5	0.33	1.65%
28	 Telefonica	50.5	0.26	1.42%
30	 INDITEX	46.8	0.25	1.38%
31	 IBERDROLA	40.2	0.21	1.64%

Source: Bloomberg

1) As of 30/09/18

**Note: In September 2018 the company Amadeus IT Holding entered the EuroStoxx 50**

## Business drivers

## Highly liquid market

## Quality of spreads and best market impact for Spanish stocks

	<b>Top Cap – 0.3 bps</b>	<b>IBEX35</b>	<b>IBEX Medium Cap</b>	<b>IBEX SmallCap</b>
Year/Month	Avg. Spread (%)	Avg. Spread (%)	Avg. Spread (%)	Avg. Spread (%)
201709		0.046%	0.228%	0.649%
201710		0.050%	0.223%	0.695%
201711		0.052%	0.241%	0.621%
201712		0.051%	0.253%	0.517%
201801	0.042%	0.051%	0.237%	0.454%
201802	0.047%	0.056%	0.252%	0.488%
201803	0.046%	0.054%	0.219%	0.411%
201804	0.044%	0.051%	0.215%	0.418%
201805	0.043%	0.051%	0.214%	0.419%
201806	0.043%	0.052%	0.211%	0.427%
201807	0.040%	0.049%	0.226%	0.436%
201808	0.041%	0.051%	0.228%	0.438%
201809	0.042%	0.051%	0.234%	0.449%

The average spread of the Top Cap, IBEX 35® and the IBEX® Medium Cap remained stable in the third quarter.

The spread of the IBEX® Small Cap has improved by 20 basis points in the last year.

Source: Market monthly reports

# Index

Results

Business Units

Financials

Business Drivers

**Strategic Plan 2019-2021**

# BME's Vision is Based on 3 Key Rationales



*“Become THE infrastructure solution provider for financial institutions”*

**Create a one-stop shop** to strengthen ties with the Spanish financial industry as a first step

**Further grow and diversify** businesses building on our resilient and scalable foundation

**Achieve synergies** by leveraging BME's neutrality and existing customer base

# Strategic Paths





# Financial Targets



BME MIDTERM  
FINANCIAL  
TARGETS UNTIL  
2021



## GROWTH

Net revenue: ~4% p.a.

Net profit: ~6% p.a.



## COST DISCIPLINE

Cost base: ~2% p.a.

CAPEX: ~EUR 10 million p.a.



## CAPITAL ALLOCATION & INORGANIC

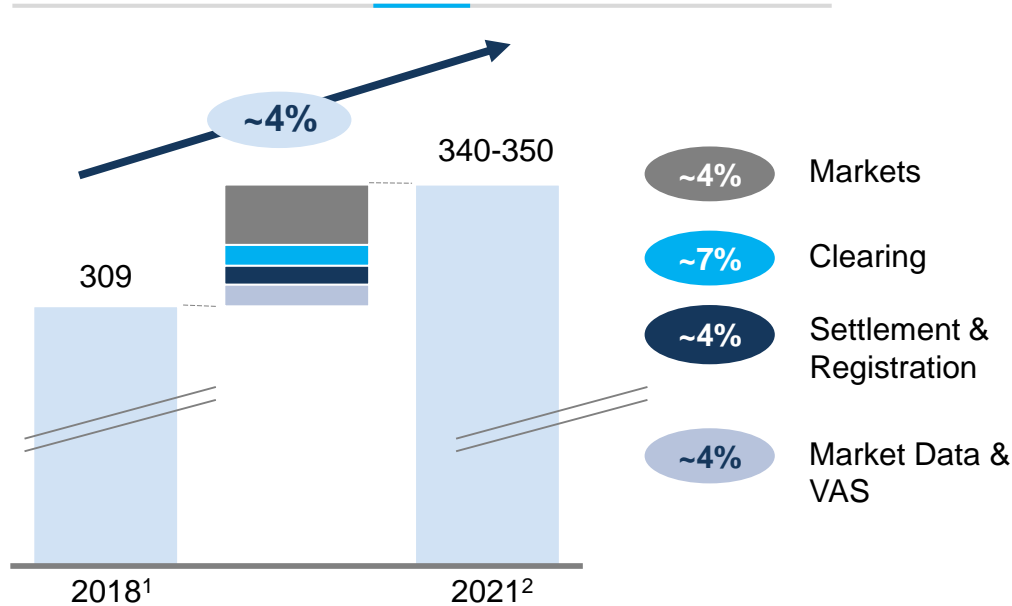
Maintain current dividend policy

Prudent and focused inorganic growth

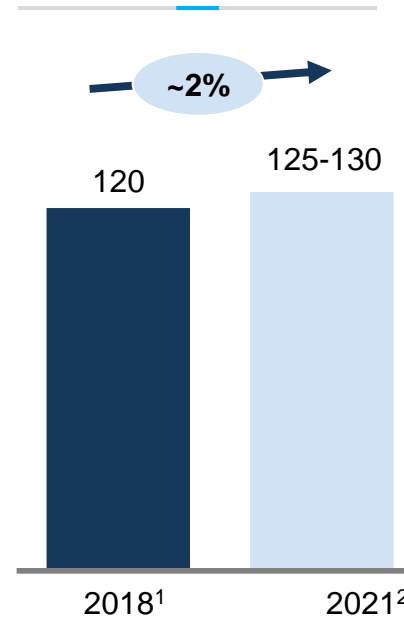
STRATEGIC PLAN 2019 - 2021

# Main Figures

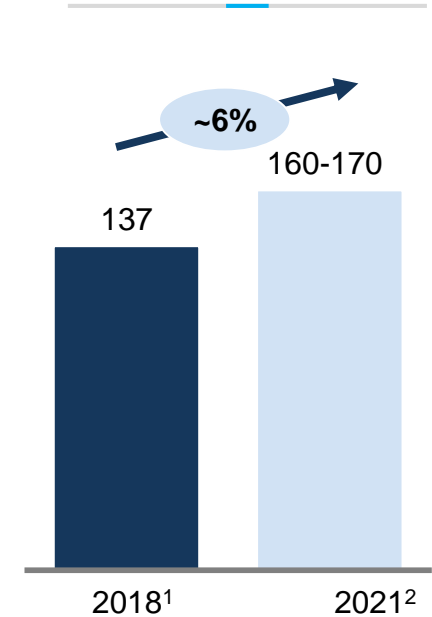
Net revenues, €M



Total Costs, €M



Net Profit, €M



... CAGR 2018-21

1. Analyst consensus forecast from Capital IQ (September 2018)

2. Implied based on expected growth

## STRATEGIC PLAN 2019 - 2021

# M&A Rationale

## M&A Rationale

### Key Aspects:

- Targets with high strategic fit
- Synergetic to core business (BME as the “best owner”)
- Cultural and transformational fit with organization
- Controlling and minority stakes (with clear path to control and/or access to relevant know-how)

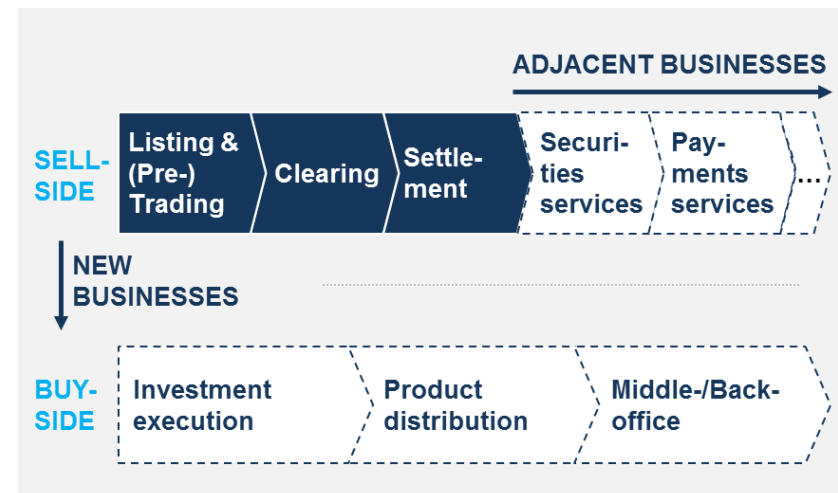
### Commitment to current dividend policy

## M&A Constraints

### Potential acquisitions funded with cash & debt

- Use excess cash (EUR >100 million)
- Raise debt
- Debt levels to be kept comfortably within solid investment grade rating (estimated leverage ratio: 1.5-2.5x EBITDA)
- Improvement of the capital structure and WACC

 Covered by BME today
  Potential expansion via M&A





# Q&A