Deutsche Börse Creates Leading Index and Portfolio / Risk Analytics Business
Analyst and Investor Conference Call
## Transaction summary

### Overview
- **Deutsche Börse** is acquiring **Axioma** for **$850 million** cash/debt free (~$820 million equity value) and will **combine it with its index business** (STOXX/DAX) valued at **€2.6 billion**
- **General Atlantic (“GA”)** will invest ~$715 million into the new company to **fund Axioma acquisition**
- Deutsche Börse has **developed products with Axioma** since 2011 and has a **deep relationship with GA** – transaction expands both partnerships
- **Sebastian Ceria**, current Axioma CEO will **lead the new company** and together with other key management will **reinvest ~$105 million into the new company**
- **Ownership:** Deutsche Börse ~78%, General Atlantic ~19%, and management ~3%

### Strategic rationale
- Transaction is **fully in-line** with Deutsche Börse’s **“Roadmap 2020” strategy**
- Strengthens Deutsche Börse’s **pre-trading offering** and improves **access to the buy-side**
- Combination is highly complementary (clients, products and geographies) and creates **meaningful synergies of around €30 million** by the end of 2021 (annualised run-rate, pre-tax)
- New company will be a **buy-side intelligence leader** uniquely **positioned to benefit from trends that are reshaping investment management** (active to passive, quant- and factor-investing, demand for risk analytics, and index customization) and thus **strong value generation** is expected
- **Partnership with GA** will help to **further accelerate growth** including through **further potential M&A**
- Transaction structure **crystalizes value of index asset** and **preserves the Group’s M&A firepower**
Axioma provides buy-side access and strong entry into portfolio and risk management workflows

Key facts & investment highlights

- Global provider of multi-asset class portfolio and risk management software solutions
- Founded in 1998, headquartered in New York
- >400 customers including leading asset managers and asset owners (~80% buy-side, ~70% US)
- >7,000 professional users
- ~240 employees

Recognized risk and data analytics market leader
Scalable cloud-based technology infrastructure
Deep and growing bench of top tier clients
High revenue retention and multi-year contracts

Axioma solutions

| Software (76%) | Portfolio management tools for multiple asset classes
| | Portfolio analytics software for risk and performance attribution
| | Cloud-based enterprise-wide risk management systems
| | Portfolio construction tools
| Data (17%) | Stand-alone risk models
| | Factor libraries with 43k equities worldwide
| | Ability to build tradable products / indices
| Services (7%) | Dedicated research team to support building of sophisticated index strategies
| | Regulatory filings within a simple platform

Annualized contract value (ACV)$^1$ by fiscal year$^2$ ($m$)

| FY 2010 | FY 2018E |
| ~19 | ~100 |

$^1$ ACV is the annualized contract value of all active subscriptions as of fiscal year-end
$^2$ Fiscal year ending March 31 of subsequent year (e.g., FY 2018 represents year ending 31 March 2019)
Deutsche Börse’s index business is the leading European provider

- Excellent market position: **#1 European tradable index, #2 European provider** for rules-based strategies, benchmarks and data sets, **#4 globally, #1 in structured products** and **#2 in futures and options traded** globally

- Attractive financial profile: **diversified licensing model** (mandates, ETFs, ETDs, structured products, trading, data), majority **recurring revenue, strong profitability**

- **Award-winning innovator** in **premium** tradable thematic and custom investment strategies

- STOXX and DAX offer **some of the most traded index derivatives** worldwide, with **875 million futures and options** traded on Eurex in 2018

- Well positioned for trend to **passive and smart-beta / thematic investing** – with open data architecture

### Gross revenue (€m)\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
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<tbody>
<tr>
<td>Value</td>
<td>135</td>
<td>148</td>
<td>168</td>
</tr>
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</table>

+12% p.a.

### EBITDA (€m)\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>84</td>
<td>99</td>
<td>115</td>
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+17% p.a.

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1) **Source:** [https://www.stoxx.com/web/stoxxcom/company-profile](https://www.stoxx.com/web/stoxxcom/company-profile)

2) Entire Deutsche Börse index business on a stand-alone basis
Strong strategic rationale for highly complementary combination of Axioma and Deutsche Börse’s index business

Create a buy-side intelligence leader with open infrastructure
Analytics, indices, performance, risk, compliance, global coverage

**Vision**

**Index business (STOXX, DAX)**
- Domains: Indices, compliance
- Clients: Passive buy-side, custodians, vendors
- Regional focus: Europe, global
- Data sets: Transaction-, market- & reference data
- Revenue model: Asset based fees, brand & data licensing, subscriptions

**Axioma**
- Domains: Analytics, performance, risk
- Clients: Active buy-side
- Regional focus: US, global
- Data sets: Risk factor data, portfolio holdings
- Revenue model: Software sales & licensing

**Strategic rationale**
- Combination of Axioma risk analytics and Deutsche Börse’s index business creates unique offering to benefit from macro industry trends
- Flexibility / open architecture approach creates future-proof positioning and ability to increase scale
- Leading capabilities in customization create opportunity to address attractive growing market segments
- Highly complementary client focus, regional footprint and revenue model results in meaningful synergies

**Opportunities**
- New tools and functionalities (e.g. benchmark studio)
- New analytics and indices
- Add-on acquisitions in index area
- Standard APIs – new partnerships
- Attractive opportunity for talent development
Combination will result in meaningful synergy opportunities

- New index concepts and investment solutions
- New product listings and risk derivatives on Eurex
- Cross-selling opportunities (i.e. analytics)
- Additional benchmark sales to Axioma clients
- Data procurement optimization
- Leverage complementarity in staff build-up
- Operations consolidation
- Overhead cost synergies
- Reduced financing costs

Annualized run-rate synergies (pre tax, end of 2021)

~€30 million
Transaction structure crystalizes value of index asset, preserves M&A firepower and ensures value creation

**Simplified transaction structure**

- **Deutsche Börse** ~78% ownership
- **General Atlantic** ~19% ownership
- **Axioma management** ~3% ownership
- **New company** 100% ownership

**Key transaction steps**

- Deutsche Börse to transfer its index businesses DAX and STOXX into a new company
- New company to acquire Axioma
- General Atlantic to invest via capital increase in new company and provide funds for Axioma acquisition
- Axioma management to reinvest ~$105 million of sales proceeds into new company

1) Preliminary ownership percentages; final depends in particular on roll-over amount
2) Simplified structure
Involvement of General Atlantic ensures entrepreneurial culture and helps to accelerate growth of the combined company

General Atlantic overview

- **Top growth investor** – invested >$30 billion in over 300 growth companies
- Global firm with $31 billion AuM and 150+ investment professionals
- Deep tech and data expertise and strong network in financial services
- Long history of working alongside corporates to help accelerate growth
- Patient, long-term capital allows for longer investment horizons and supports minority stake focused investment approach, serving as an active voice for value creation
- Extensive experience of successful transformations in the German market

Rationale for strategic partnership with GA

- Cultivate the entrepreneurial spirit of the combined business and help to accelerate growth
- Support and expertise to expand the combined business, i.e. access to inorganic opportunities to result in possible further M&A
- Crystallizes attractive valuation of Deutsche Börse’s index business and Axioma

New company partnership principles

- Combined business will be a core asset of Deutsche Börse going forward
- Deutsche Börse to control board
- True equity investment partnership with the objective of high growth and strong value creation
Transaction is expected to achieve strong value creation through macro trends, margin upside and synergies

**Equity value growth potential of new company – illustrative**

- Significant value accretion expected through
  - Macro-trends and above industry growth for index business and Axioma
  - Margin upside through scale and product roll-out at Axioma
  - Synergies and complimentary businesses
- Deutsche Börse’s value accretion expectations are aligned with a private equity’s firm approach and investment
- Average annual growth of the equity value of more than 15% would result in at least doubling the size of the new company
- Increased value of the new company can only be realized at the time of the potential exit of General Atlantic; therefore, the EPS impact on IFRS income statement is slightly dilutive for the next years
Key messages

- **Strategic transaction in-line with “Roadmap 2020” programme**
  - Programmatic M&A
  - Creates buy-side intelligence leader
  - Augments scale of pre-trading business (index segment)

- **Strong business rationale**
  - Axioma has broad buy-side access and world-class analytics
  - Unique complementary combination of products and geography
  - Entrepreneurial culture anchored in leadership investment and GA partnership

- **Attractive transaction structure**
  - Crystallizes value of index asset
  - No new funding – preserves M&A firepower

- **Potential for significant value creation**
  - Positive macro-trends
  - Increase scale and margin upside
  - Synergies
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