
Investor Day 2018

October 4, 2018



Agenda

Timing	Topic	Speaker
11:00 - 11:05 AM	Welcome	<i>Antonio J. Zoido, Chairman</i>
11:05 - 11:45 AM	BME today and market context Vision and growth strategy	<i>Javier Hernani, CEO</i>
11:45 - 12:05 PM	Financial performance Ambition level of strategic plan	<i>Marta Bartolomé, CFO</i>
12:05 - 12:35 PM	Markets	<i>Jorge Yzaguirre</i>
12:35 - 12:45 PM	Clearing	<i>Ignacio Solloa</i>
12:45 - 12:55 PM	Settlement & Registration	<i>Jesús Benito</i>
12:55 - 1:05 PM	Market Data & VAS	<i>Ramón Adarraga</i>
1:05 - 1:15 PM	Wrap-up	<i>Javier Hernani, CEO</i>
1:15 - 2:00 PM	Q&A	<i>Executive Management team</i>
2:00 PM	Refreshments networking	

 Welcome

Antonio J. Zoido
Chairman

Agenda

→ BME today and market context

→ Vision and growth strategy



Key messages for today



BME has a **strong and solid business model** built on its 4 business segments



We will **put BME on a new growth path** while continuing to sustain and enhance our core business



We will **maintain cost discipline and dividend policy**

WHAT THIS MEANS

- **Organic revenue growth** of ~4% p.a. until 2021
- **Inorganic growth** in a prudent and focused manner
- Continued focus on **high profitability and stable dividends**



Where BME stands today

KEY STRENGTHS OF BME



Highly profitable and solid business model



Strong and long-standing relationships with core clients



Efficient and reliable state-of-the-art technology



Highly skilled workforce for core business – building up new capabilities for new business















Very strong and trusted brand

BME has a strong business model based on its 4 business segments

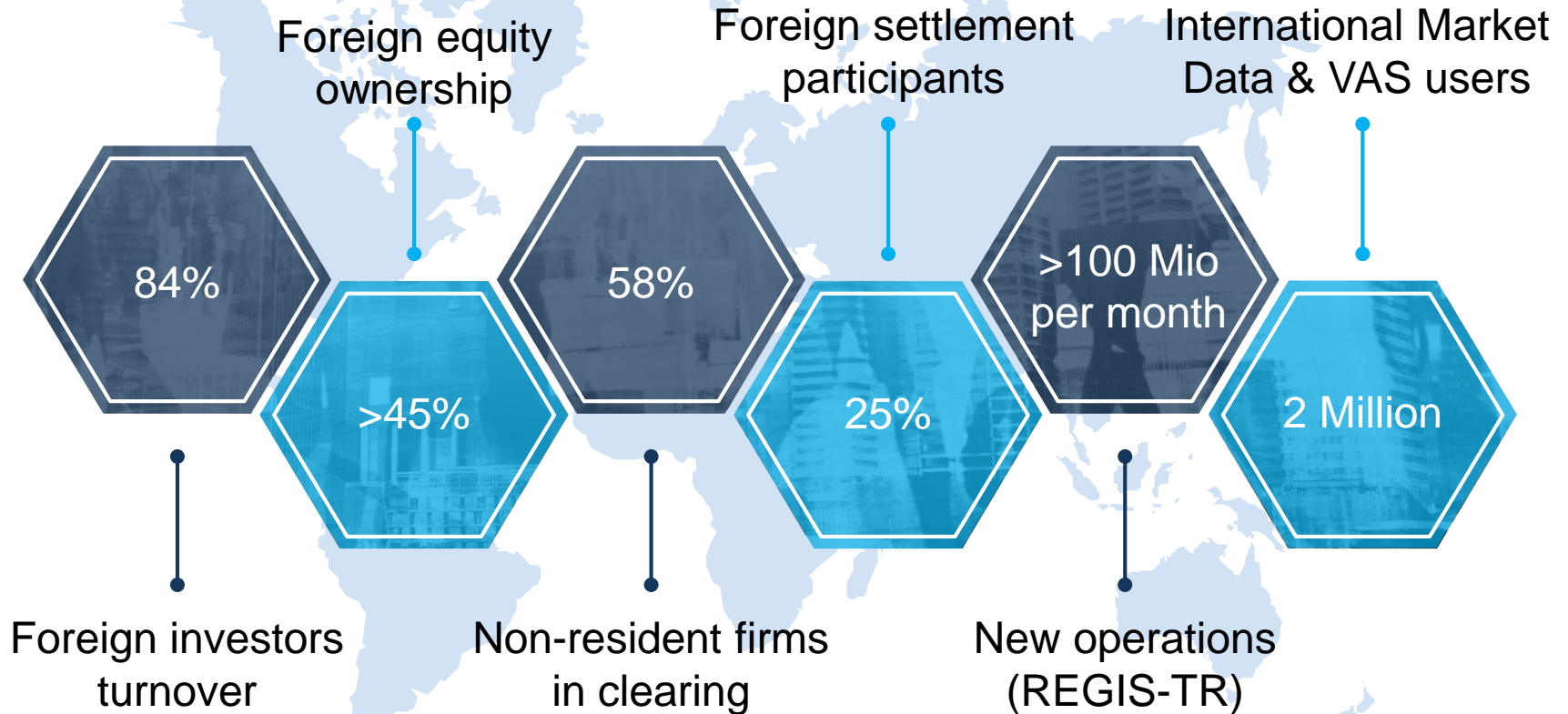
2017, EUR million

 Share of total

Segment	Unique proposition	Net revenue		EBITDA	
Markets 	Leading trading venue for Spanish Cash Equity, Fixed Income and Derivatives	164		111	
Clearing 	Central Counterparty for equities, financial and energy derivatives, repos and swaps	27		17	
Settlement & Registration 	National CSD with link to TARGET2-Securities (Iberclear)	64		47	
Market Data & VAS 	Provider of BME's primary data, IBEX index suite and high-performance technological solutions (BME Inntech)	63		40	
Total		320¹		210¹	

¹ Difference related to other operating income allocated to corporate unit (revenue: +2 Mio. EUR, EBITDA: -5 Mio. EUR)

BME is increasingly doing business internationally

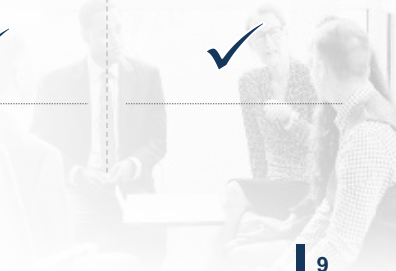


Current industry trends provide opportunities and at the same time, challenges for BME

INDUSTRY TRENDS

- 1 **Regulations enabling new opportunities** (e.g., mandatory central clearing of OTC), but also **posing potential challenges** (e.g., FTT)
- 2 **Shifting volumes in Cash Equity** from incumbent exchanges to MTFs and systematic internalizers
- 3 **Diversification across the CMIP¹ value chain**
- 4 **Changing balance of the industry** with rising importance of the buy-side within CMIP¹ ecosystem
- 5 **Ongoing cost pressure on banks** creating new opportunities for infrastructure providers
- 6 **Rise of new technologies** enabling innovations across the value chain (e.g., big data, cloud, robotics, DLT²)
- 7 **Ever growing demand for data and analytics**

OPPORTUNITY CHALLENGE



1 Capital Markets Infrastructure Providers

2 Distributed ledger technology

1 Over the past few years, we have successfully mastered important regulatory changes in our core business



Clearing, Settlement & Registry reform

- Introduction of CCP clearing
- Separating CCP and CSD activities
- New ARCO system for settlement (equities)
- CSDR

TARGET2-Securities

- Establishment of connection to European T2S system
- Inclusion of Fixed Income instruments into ARCO system

MiFID II

- Transparency and market microstructure
- Improvement of transaction reporting, order record-keeping, and best execution
- Setup of APA/ARM

EMIR and FinfraG

- Creation of REGIS-TR as a European Trade Repository (JV with Clearstream)
- Offering of regulatory reporting services

2 Trading volume in European equities has decreased in recent years while growth of MTFs has slowed down

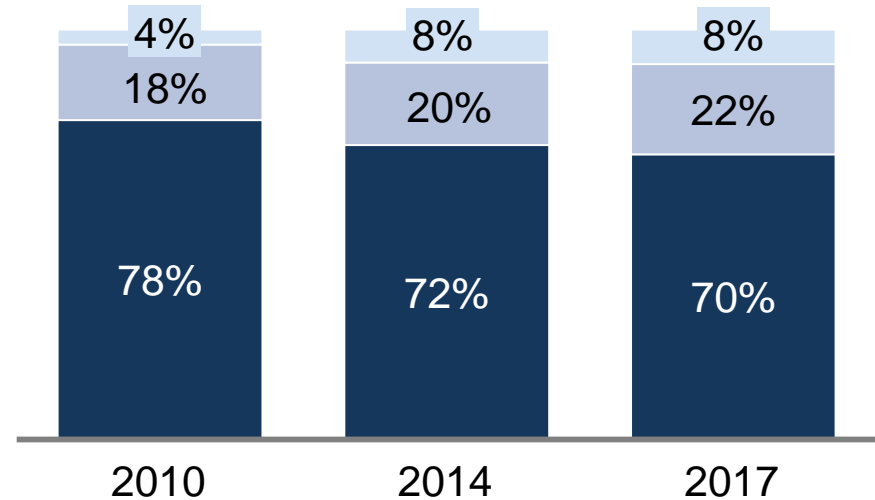
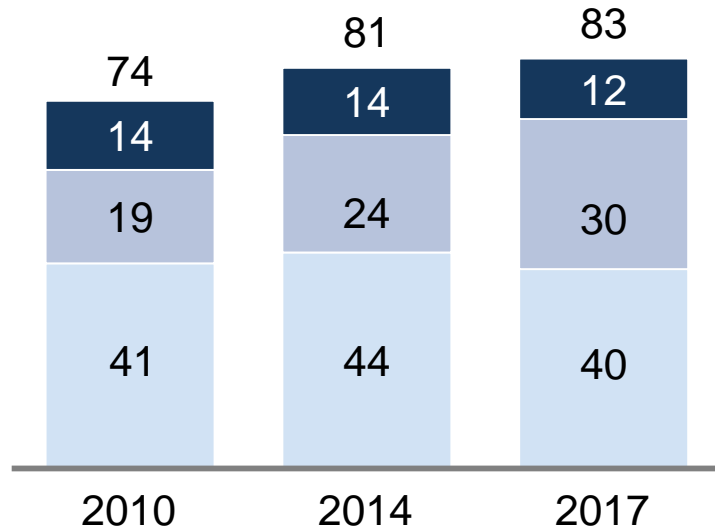
■ EMEA ■ Asia-Pacific ■ Americas

■ MTFs ■ CBOE/BATS/Chi-X Europe¹ ■ Exchanges

Equity trading volume,
USD trillions

CAGR
2010-17

Market shares in European markets²

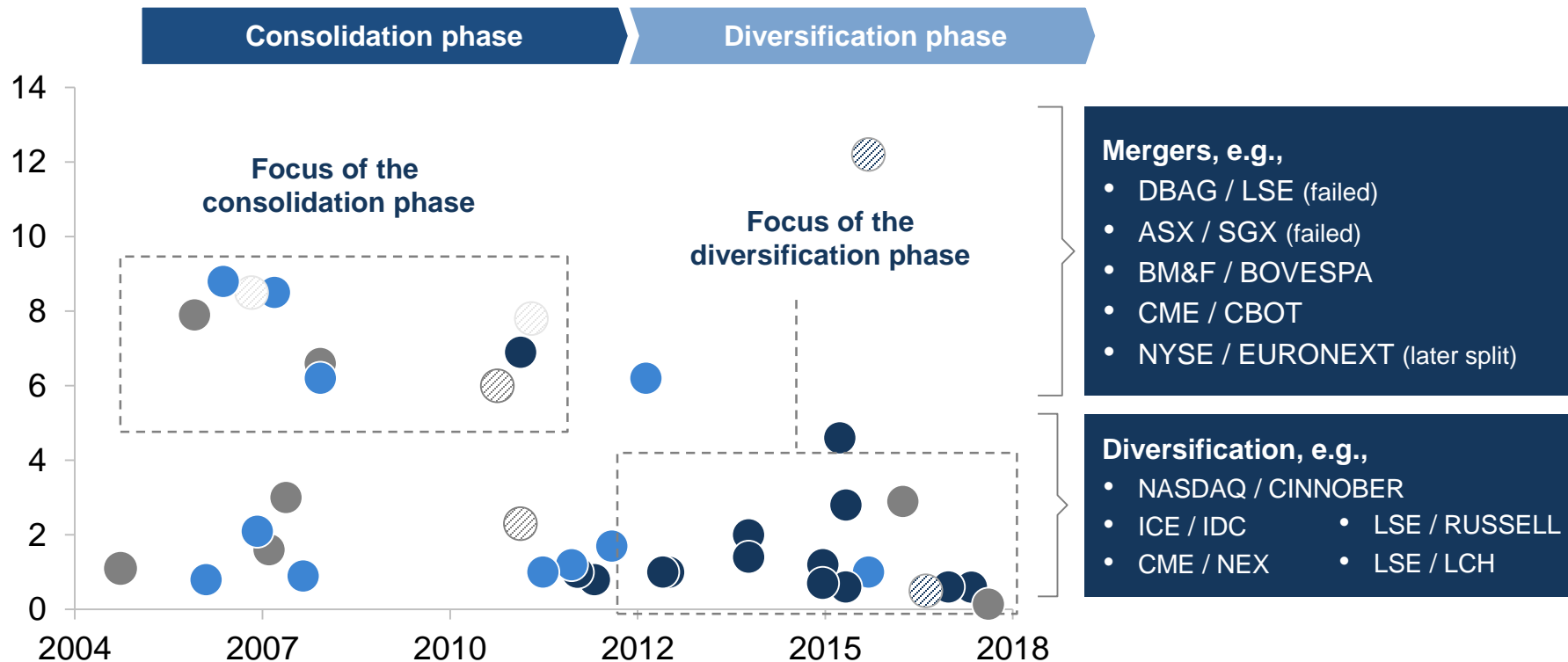


¹ BATS merged with Chi-X Europe in 2011 and was acquired by CBOE in 2017
² Includes equity turnover in the EOB, off-EOB, and dark pool but excludes reporting transactions
 SOURCE: World Federation of Exchanges (left), FESE (right)

3 The M&A activity in the stock exchange sector has gone from consolidation to a pragmatic move into new businesses

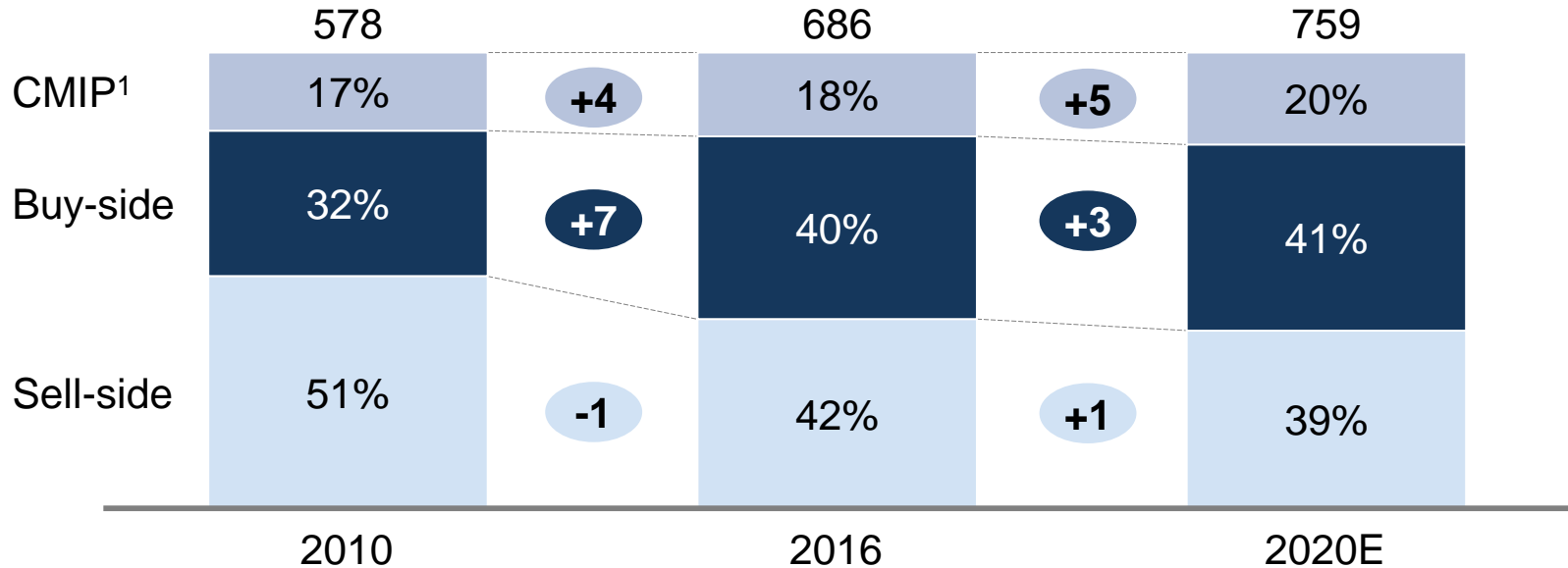
Transaction value (EUR billions)

● Market data and technology/post-trade ● Derivatives ● Stocks ● Cancelled



4 The balance of the industry is changing with the increasing importance of the buy-side

Global capital markets ecosystem revenues, USD billion



... CAGR

¹ Capital Markets Infrastructure Providers; revenues excluding securities services

² Revenues of major asset management players in the 20 largest countries contributing to 95% of the global AuM

³ Includes investment banking and institutional sales & trading revenues for banks and brokers

In addition, new opportunities arise from an ongoing cost pressure in banks, new technologies, and an ever growing demand for analytics

5 Ongoing cost pressure on banks

- Banks increasingly looking into **new ways to structurally gain efficiencies** as a result of continuously high regulatory pressure
- **Industry utilities increasingly considered** by banks to outsource non-differentiating services

6 Rise of new technologies

- **New technologies provide opportunities to re-shape the future of capital markets**
 - Promising use cases for application of DLT¹ increasingly emerging
 - Robotics and AI to drive efficiency and scalability of repetitive tasks
 - Cloud adoption increases agility while outweighing security concerns

7 Ever growing demand for analytics

- **Data has increased exponentially** in the last few years
- **CMIP uniquely positioned to capitalize on value from advanced analytics** driven by access to proprietary data

BME has the vision to become THE infrastructure solution provider for financial institutions

OUR 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

To achieve our vision we will follow 4 strategic paths



- ✓✓ Priority
- ✓ Selective

We will leverage both organic and inorganic growth in order to meet our strategic targets

	<u>ORGANIC</u>	<u>INORGANIC</u>	<u>RATIONALE</u>
A Sustain and further grow our core business	✓✓		Strengthen BME as a “one-stop shop” in Spain along complementary offerings
B Bring additional services to our existing customers	✓✓	✓✓	
C Open up new customer groups with new offerings	✓	✓✓	
D Expand into new geographies	✓	✓	
			Diversify internationally based on market opportunities

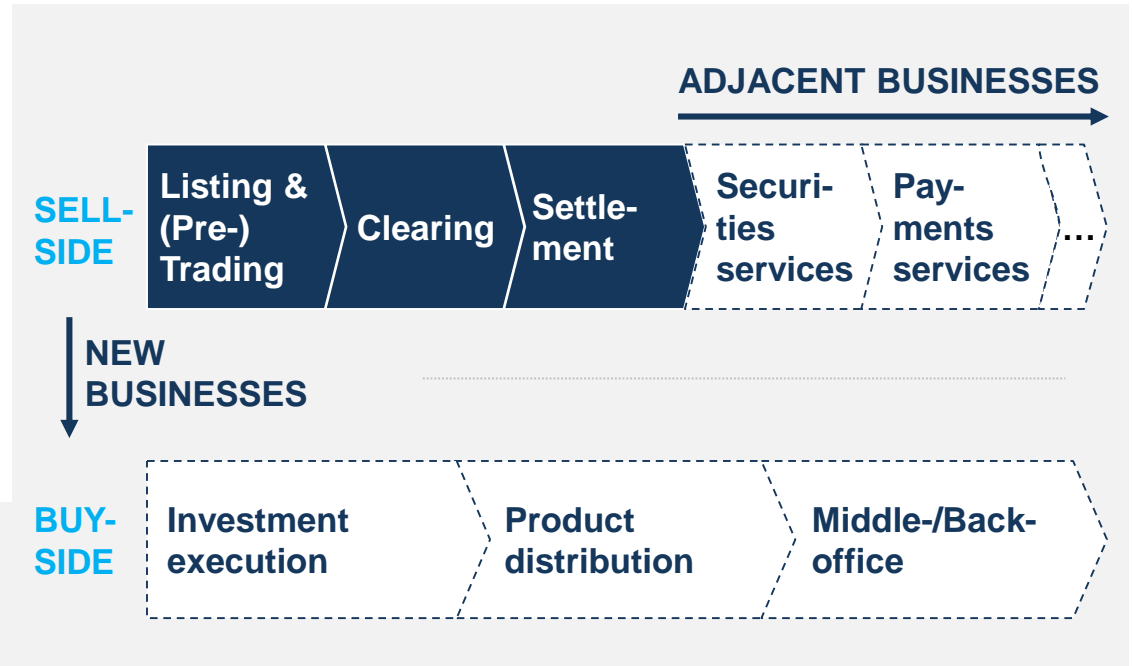
Targeted M&A will be in a prudent and focused way – we have already identified areas for potential acquisitions

Covered by BME today
 Potential expansion via M&A

○ M&A can **significantly accelerate growth** – it has been an important part of overall growth in the industry

○ BME will **pursue programmatic M&A** with the aim to create significant revenue and cost synergies

○ We have **identified focus areas for potential acquisitions** in adjacent and new businesses



Recap what this means – The BME of tomorrow

Leading market position in Spain – strengthened trading, clearing and settlement business

Broader service offering – one-stop shop for our core clients

More diversified client base – also serving directly the buy-side

Increased international footprint – active across Europe and LATAM



**Organic revenue growth
of ~4% p.a. until 2021**



**Inorganic growth in a prudent and
focused manner**



**Continued focus on high
profitability and stable dividends**

Agenda

→ Financial performance

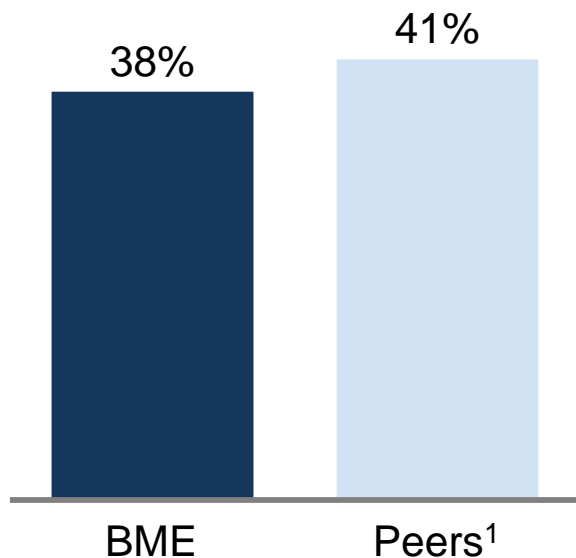
→ Level of ambition of strategic plan



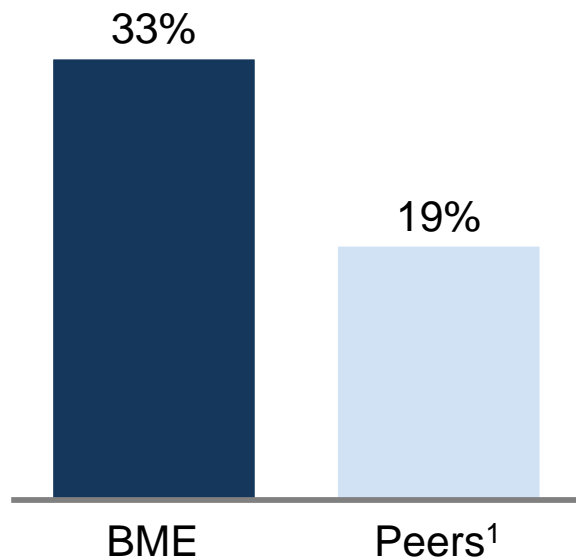
Marta Bartolomé
CFO

BME has demonstrated a strong track record of good operating results, high profitability levels and dividend payouts

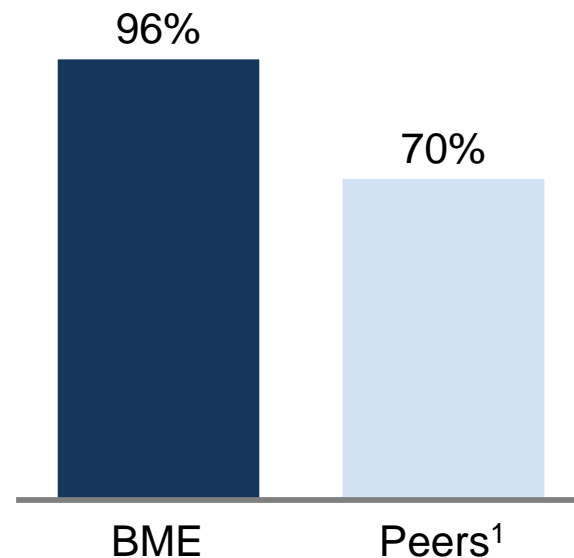
Efficiency



Return on equity (ROE)



Dividend payout



¹ Includes Deutsche Börse, Intercontinental Exchange, NASDAQ, Euronext, and London Stock Exchange

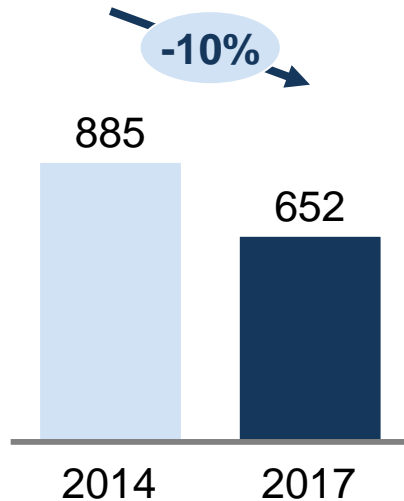
SOURCE: BME's data as of 30/06/2018; average peer Group figures are calculated using last results published and not taking account of goodwill impairment charges

BME's business model proves to be resilient – profits and revenue are relatively stable despite decline in Equity trading volume

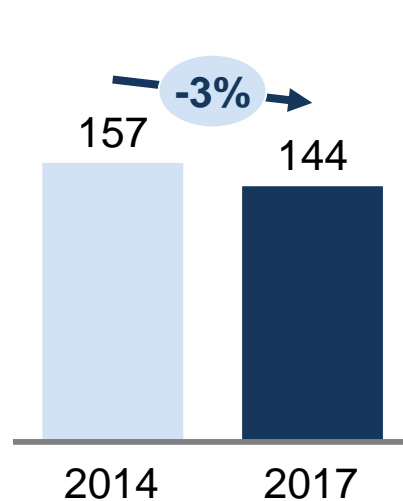


BME Cash Equity

Trading volume,
EUR billions

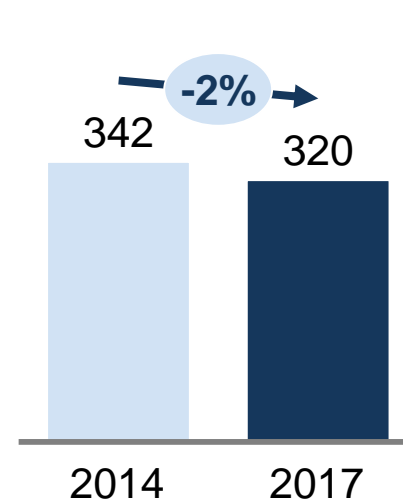


Net revenue,
EUR millions

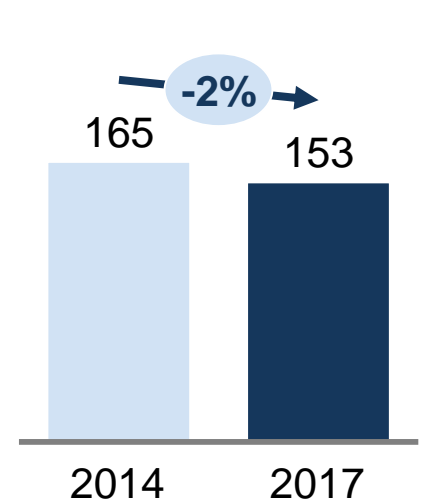


BME Group

Net revenue,
EUR millions

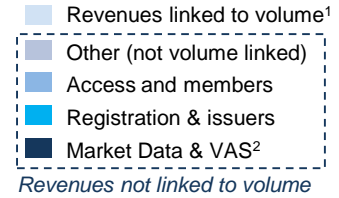


Net profit,
EUR millions

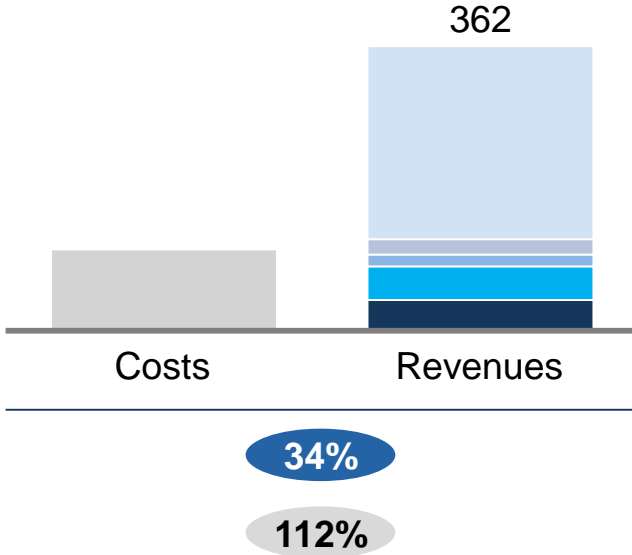


BME is becoming increasingly less dependent on volume-related revenues

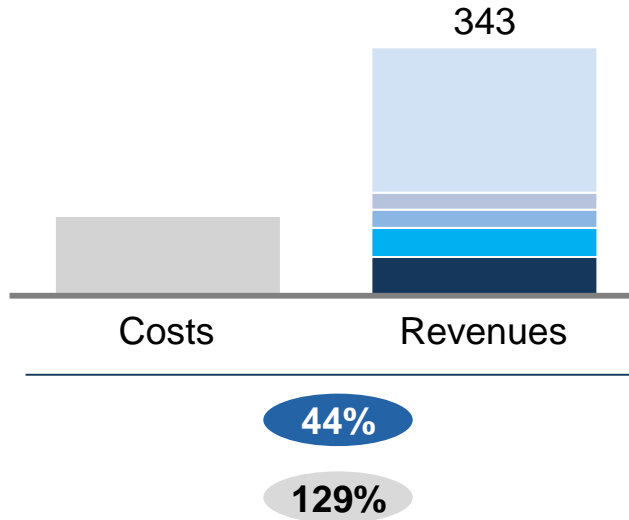
- ... Revenues not linked to volume
- ... Revenues not linked to volume over cost



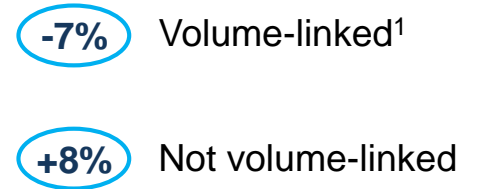
BME Group 2014, EUR million



BME Group 2017, EUR million



Revenues CAGR, 2014-17



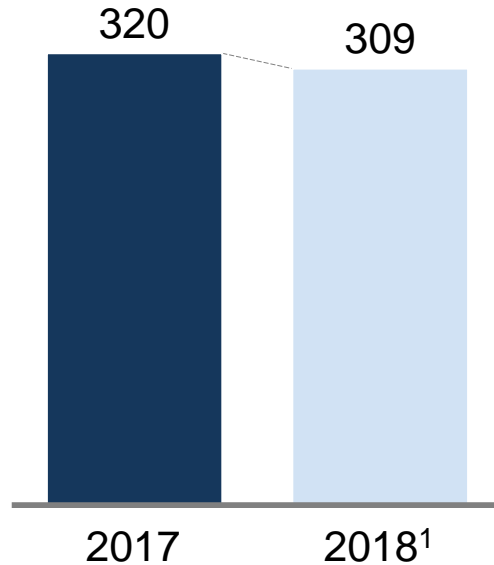
¹ Trading, clearing and settlement revenues related to transactions and other non recurrent

² Excluding volume related services

Due to challenging market environment, analyst consensus predicts a decline in revenue and profit for 2018

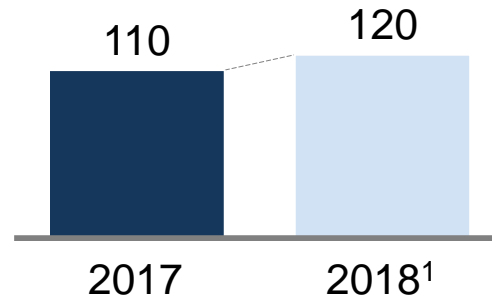
Net revenue

EUR millions



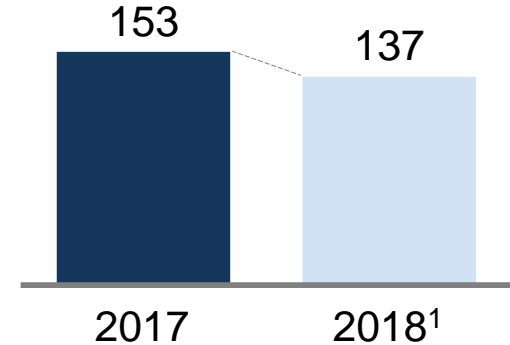
Total cost

EUR millions



Net profit

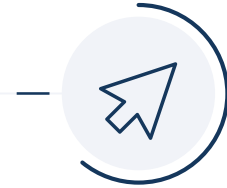
EUR millions



¹ Analyst consensus forecast from Capital IQ (September 2018)

BME aims to return to a path of growth and has a clear growth objective by 2021

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.



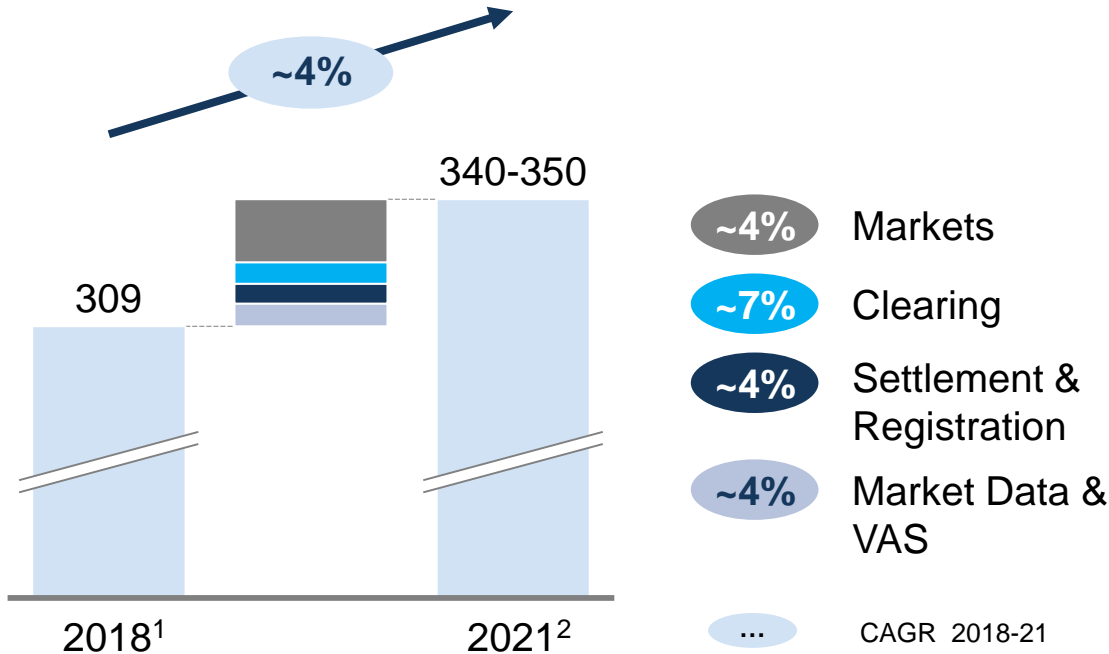
CAPITAL ALLOCATION & INORGANIC

Maintain current dividend policy

Prudent and focused inorganic growth

BME's growth aspiration of ~4% p.a. in revenue is driven by growth across its 4 segments

Net revenues, EUR millions



Key assumptions

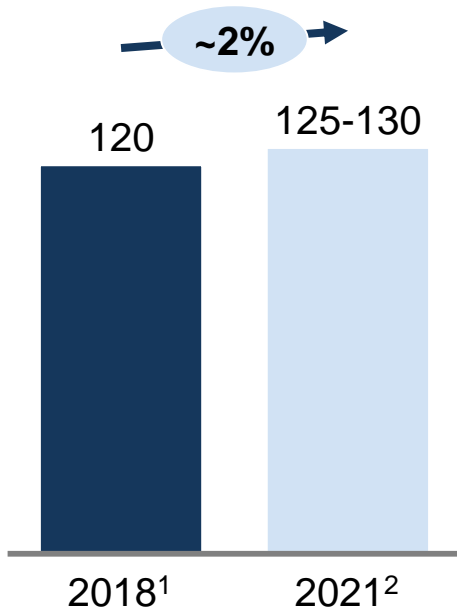
- Growth as a mix of business as usual and initiative portfolio
- **Markets** with positive outlook on volumes and listings
- **Clearing and Settlement & Registration** with improved services and new products.
- **Market Data & VAS** with focus on geographic expansion and new technology offerings

¹ Analyst consensus forecast from Capital IQ (September 2018)

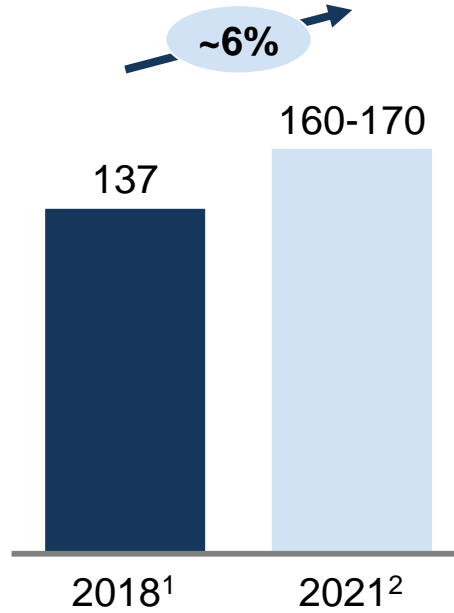
² Implied based on expected growth

We expect a cost base increase slightly above CPI and a positive effect from growth on net profit

Total cost, EUR millions



Net profit, EUR millions



... CAGR 2018-21

Maintained cost discipline

- Cost base: ~2%
- CAPEX: ~EUR 10 million p.a.

Maintained cost discipline

- Transformation of skills and organizational changes
- Process automation and robotics

Focused investment in growth

- Growth initiative portfolio
- Selective investment in new technologies

¹ Analyst consensus forecast from Capital IQ (September 2018)

² Implied based on expected growth

M&A will be part of our strategic program – we will follow a prudent and focused approach

KEY CONSIDERATIONS



Targets with **high strategic fit**



Synergetic to core business
(BME as the “best owner”)



Cultural and transformational fit
with organization



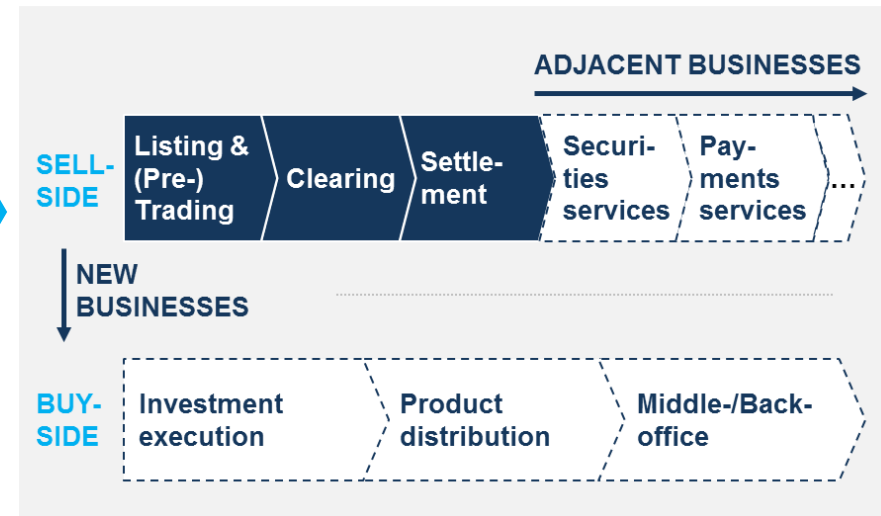
Controlling and minority stakes
(with clear path to control and/or access to relevant know-how)



Commitment to **current dividend policy** (see next page)

RECAP: KEY FOCUS AREAS

 Covered by BME today
  Potential expansion via M&A



We will finance inorganic growth with cash and debt and commit to our current dividend policy



POTENTIAL ACQUISITIONS FUNDED WITH CASH & DEBT

- **To finance potential purchases**
 - 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**



COMMITMENT TO HIGH DIVIDEND

- **Maintaining the current dividend policy**
- **Acquisitions focus on increasing EBITDA**

Recap what this means – BME's new growth trajectory



Organic growth until 2021:

- Net revenue ~4% p.a.
- Net profit of ~6% p.a.



Inorganic growth in a prudent and focused manner



Continued focus on high profitability and stable dividends



Markets

net revenue: ~4% p.a.



Clearing

net revenue: ~7% p.a.



Settlement & Registration

net revenue: ~4% p.a.



Market Data & VAS

net revenue: ~4% p.a.

Agenda

Business segment deep dives



Markets

Jorge Yzaguirre



Clearing

Ignacio Solloa



Settlement & Registration

Jesús Benito



Market Data & VAS

Ramón Adarraga



Agenda

Business segment deep dives



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Jesús Benito



Market Data & VAS

Ramón Adarraga



Snapshot of markets business



CURRENT SETUP

- Revenues of **EUR 164 million** in 2017
- Three primary asset classes
 - **Cash Equity**
 - **Fixed Income**
 - **Derivatives**



KEY DEVELOPMENTS

- **Implemented MiFID II successfully**
- **Changed price structure on Cash Equity** for most liquid stocks (effective since March 2018)



HIGHLIGHTS (2017)

1.13

Market capitalization Cash
Equity (EUR trillion)

51

Number of trades in Cash
Equity (million)

> 650

Cash Equity trading volume/
single counted
(EUR billion)

> 450

Fixed Income
outstanding balance
(EUR billion)

6

Spanish securities in Euro
Stoxx 50 with high liquidity

45

Financial derivatives
(million contracts)

Industry trends are taken into account in the strategic plan

Segment



Cash
Equity



Fixed
Income



Derivatives

Key trends

- **Lower volumes in Europe** and drop in performance of Spanish companies in recent years but expected rebound going forward
 - **Continued pressure on market shares** from alternative trading venues
 - **Positive outlook on IPO pipeline** for listing in primary markets
-
- **MiFID II to move further OTC instruments on regulated markets** in Europe
 - **Fragmentation of liquidity and transparency** across multiple trading venues (regulated markets, MTFs, and systematic internalizers)
 - **Increasing demand for market financing** of Spanish corporates
-
- **Regulation bringing more OTC products to regulated markets**
 - **Regulation on retail products creating opportunities** for new products
 - **Expectation on increasing market volatility**

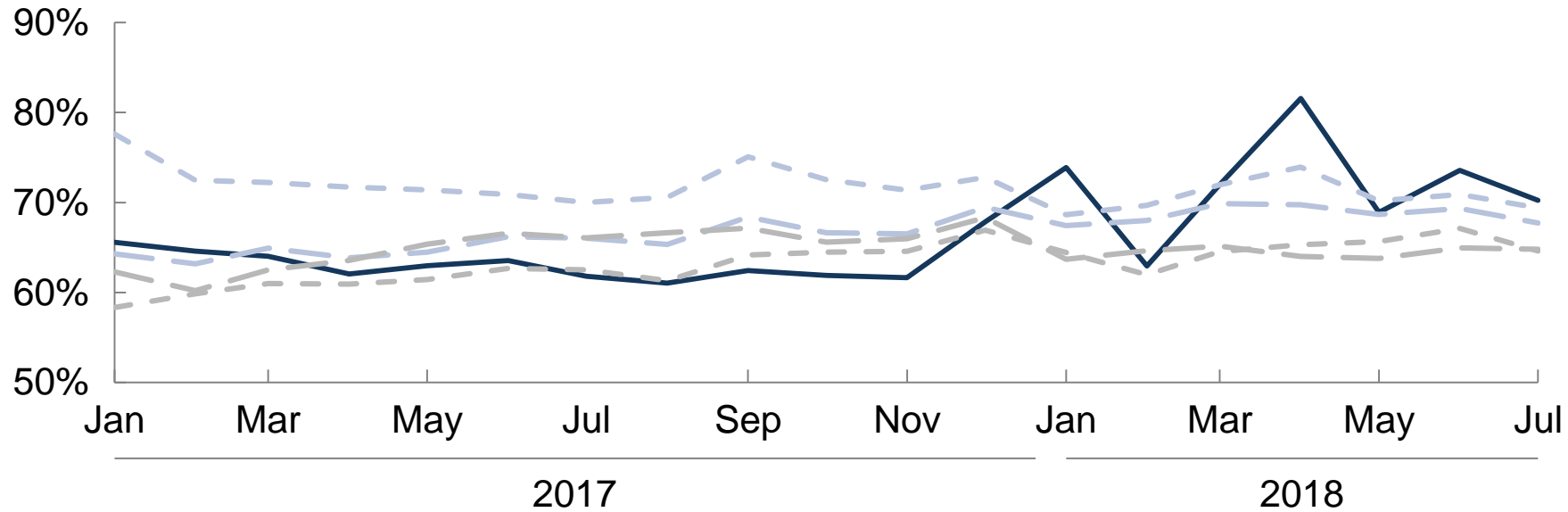


BME's market share has stabilized at a similar level to that of other European exchanges over the recent period

Development of Cash Equity market shares of major European exchanges

Percent

Spain (IBEX 35) Italy (MIB 40) Germany (DAX 30) France (CAC 40) UK (FTSE 100)

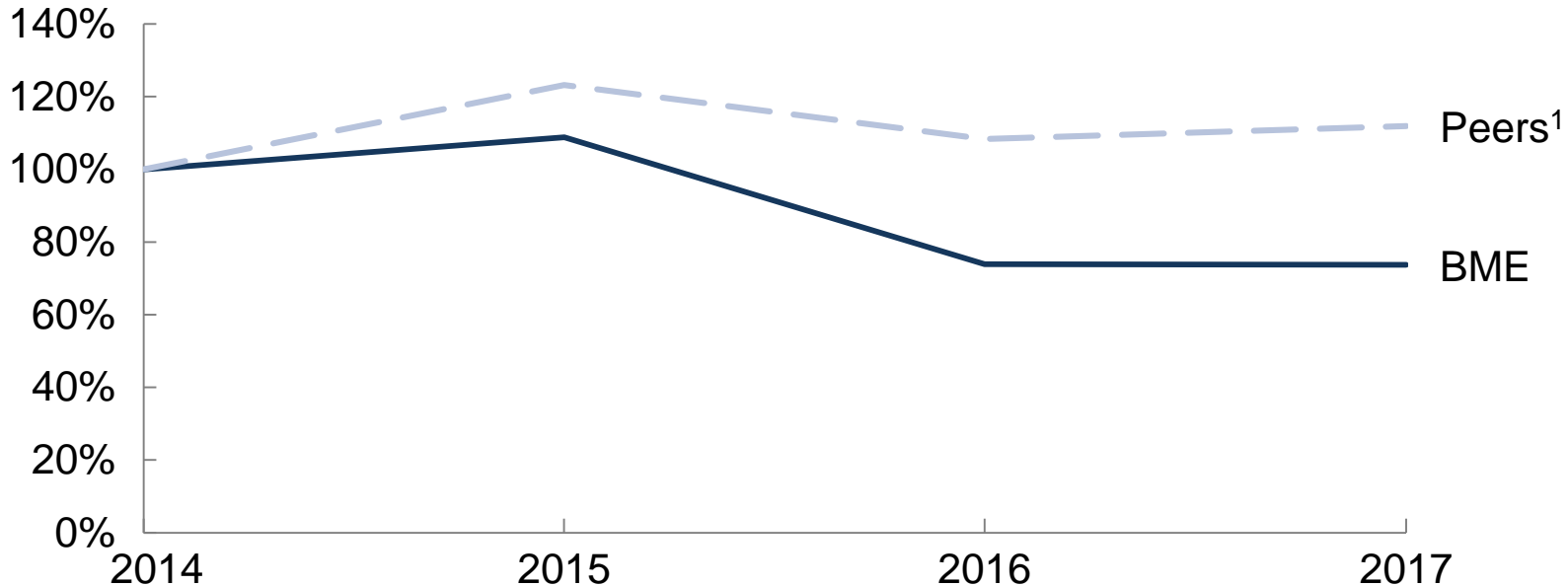




Equity turnover in Spain fell more than in other European markets due to several political and macroeconomic factors

Annual equity turnover in major European market places

Index (100% = 2014)



¹ Peers is an average of the UK (LSE), Germany (DB1), Italy (MIB), Nordics (OMX), and Euronext

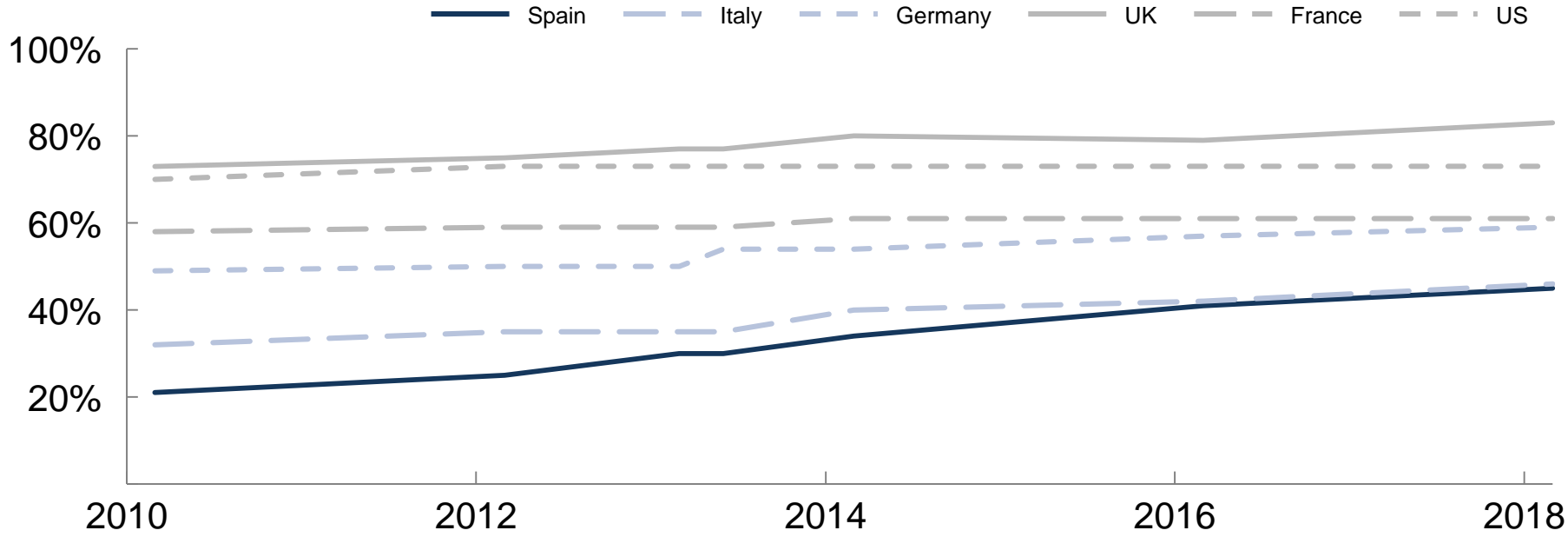
SOURCE: BME; Borsa Italiana; Deutsche Börse; Euronext; London Stock Exchange; OMX



In recent years, demand for market financing of Spanish corporates is increasing

Market financing as a share of overall financing across selected countries

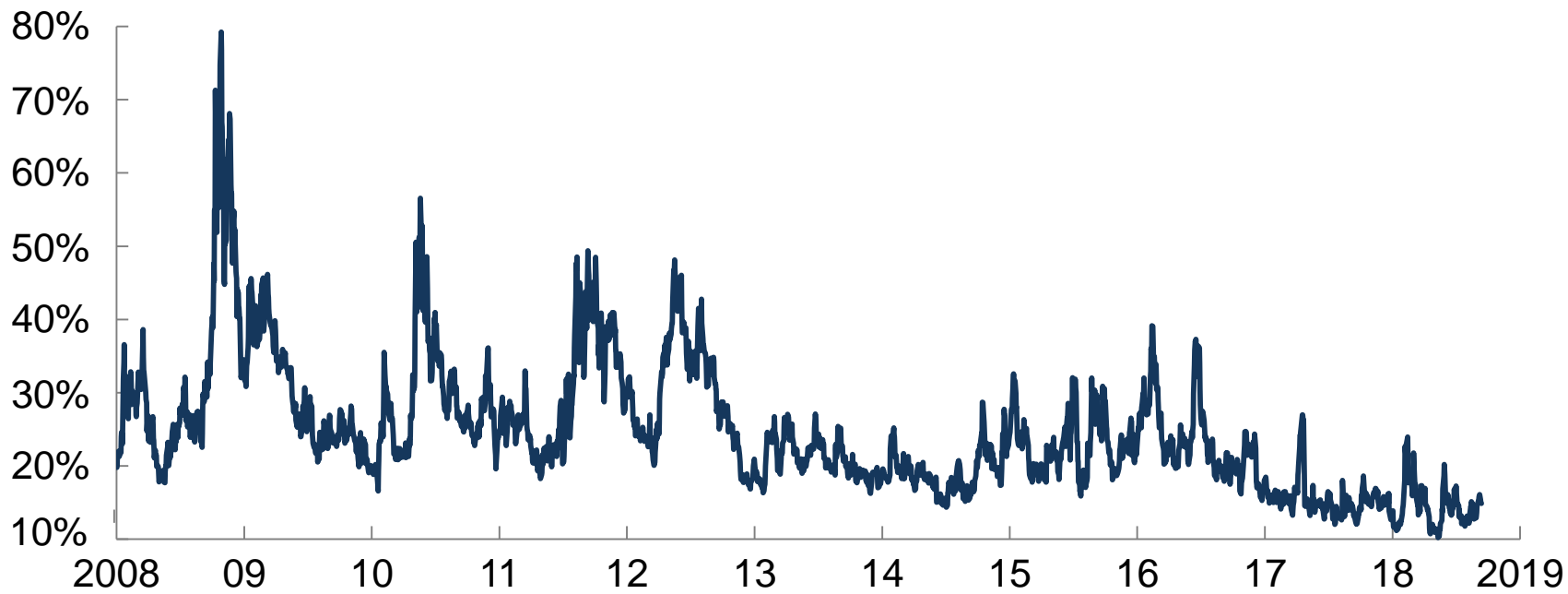
Percent





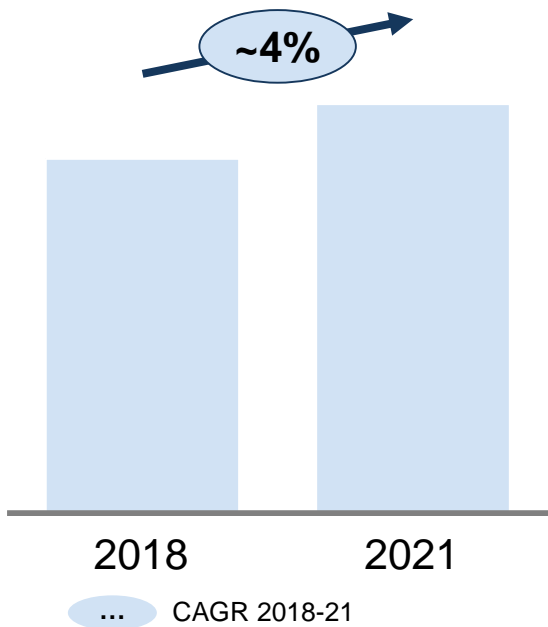
Low volatility over recent years with a negative effect on derivatives markets

Implied volatility of the IBEX 35 (VIBEX) Percent



The markets business aims to grow by ~4% p.a. until 2021 across its 3 market segments, and through adjacent and new businesses

Net revenue



Growth dimensions



Detailed in the following slides

1 We have high expectations for Equity volumes and will take selective actions to incentivize liquidity and listing activity



CASH EQUITY



Recover volumes



- Use **market-making schemes** to incentivize liquidity
- Develop schemes allowing **flexible fee structures** for efficient and dynamic fee management
- Develop **evolution of market trading system**



Increase listings



- Attract **new listings from small, and medium-sized growth firms** (BME4 Companies)
- **Increase visibility** of small companies (Lighthouse)
- **Attract new REIT and growth companies** in MAB

2 We will grow in Fixed Income by increasing our competitiveness as well as by offering new products and services



FIXED INCOME



Increase competitiveness

- **Optimize** operational and regulatory **listing processes and listing fee structure**
- Support **MARF's consolidation** as an alternative to AIAF and other European markets
- **Attract Spanish public debt liquidity** as THE only regulated market



Expand offering

- Develop a system to **admit European sovereign bonds** and provide daily **fair value for all listed ISINs**
- **Repatriate Spanish corporate bonds** listed in other countries (double listing)

3 We will reinforce our strong position in the Spanish derivatives market and leverage regulatory change and improved services



DERIVATIVES



Benefit from regulation



- **Bring standardized OTC derivatives products** to the regulated market
- **Scale up range of product offering**



Offer superior services



- Develop measures focused on **increasing screen liquidity**
- **Attract new participants** to the market as a result of improved new range of product offering (contracts)
- **Improve transparency and price discovery**

Beyond strengthening our core business, we will invest in adjacent and new opportunities for existing and new customers

Description

4 Existing customers

- **Asset valuation:** create a valuation service for listed Fixed Income assets
- **Listing services:** develop listing services for issuers in other formats (e.g., shareholder registration and notification services)
- **Value-added services for issuers:** develop added-value services for post-trade issuers (e.g., stakeholders registry book, support in managing financial operations)

5 New customers

- **BME FX:** introduce traded futures as a substitute to retail CFDs (OTC) as well as FX spot netting and matching platforms
- **Investor relations:** offer shareholder information services to IR departments (e.g., voting services, notifications, info on operations)
- **Fund platform:** provide fund trade executions and settlements for Spanish-domiciled investment funds

Agenda

Business segment deep dives



Markets

Jorge Yzaguirre



Clearing

Ignacio Solloa



Settlement & Registration

Jesús Benito



Market Data & VAS

Ramón Adarraga



Snapshot of BME Clearing business



CURRENT SETUP

- **Revenues of EUR 27 million** in 2017
- Diversified range of clearing services, for
 - Financial derivatives
 - Cash Equity
 - Fixed Income
 - Energy¹ and OTC IRS derivatives



KEY DEVELOPMENTS

- **Introduced Cash Equity segment**
- **Adapted to TARGET2-Securities**
- Diversified to **non-BME traded instruments and expanded to new asset classes** (e.g., IRS, gas)



HIGHLIGHTS (2017)

45

Financial derivatives
cleared (million contracts)

5

Collateral held
(EUR billion)

>100

Number of cash
transactions (million)

63 CM

73 NCM

Number of members

295

Repo volume cleared
(EUR billion)

58%

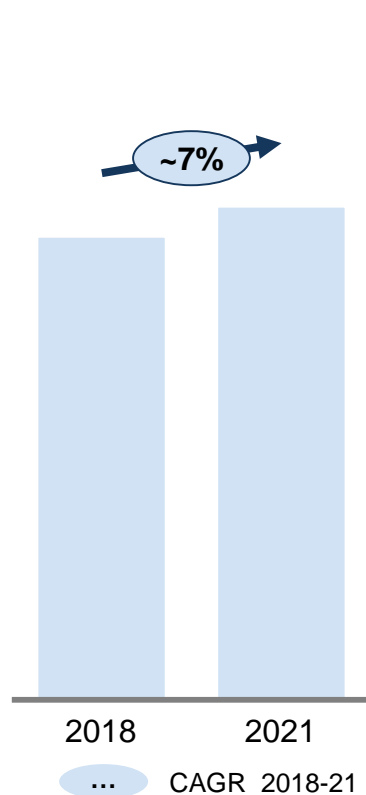
Share of non-
resident firms

5 key trends are expected to shape the Clearing business going forward

Trend	Description
Changes in regulation	<ul style="list-style-type: none"> • More OTC derivatives being cleared centrally/on CCP due to increase in requirements for OTC clearing • Opportunities to expand to other markets and instruments (e.g. repos, FX clearing)
TARGET2-Securities	<ul style="list-style-type: none"> • TARGET2-Securities introduces flexibility in the trading, clearing, and settlement chain
Buy-side services	<ul style="list-style-type: none"> • Increasing importance of buy-side offers the opportunity to serve buy-side clients with new types of membership
Competition for IT leadership	<ul style="list-style-type: none"> • Competition for IT leadership (e.g., margining optimization, DLT-based innovation)
Quantitative easing	<ul style="list-style-type: none"> • Potential end of quantitative easing and increasing interest rates would lead to a positive effect on Fixed Income volumes

The Clearing business aims to grow by ~7% p.a. until 2021 through investments in new product and service offerings

Net revenue



Growth dimensions

Sustain and further grow core business

Additional services to existing and new customers

New offerings

- **Optimize clearing system** (e.g., account structure, new types of members, enhanced margin system)
 - Sell or license **existing technology to other market places**
 - Provide services to **firms that are not part of big liquidity pools**
 - **Further grow in recently launched products** (e.g., gas contracts)
 - For Fixed Income, work on **new connections with different trading platforms** (BrokerTec to come soon) **and CSDs**
-
- **Introduce Rolling Spot Futures** (FX, equities) **as a substitute** to retail CFDs (OTC)
 - **Incorporate other sovereign debt repos** into product portfolio
 - Allow BME Clearing and Iberclear clients to **concentrate their global collateral and financing activities in BME infrastructures**
-
- Set up **securities lending clearing**
 - Use **DLT** (Distributed Ledger Technology) for **electronic pledges**

Agenda

Business segment deep dives



Markets

Jorge Yzaguirre



Clearing

Ignacio Solloa



Settlement & Registration

Jesús Benito



Market Data & VAS

Ramón Adarraga



Snapshot of BME Settlement & Registration business



CURRENT SETUP

- **Revenues of EUR 64 million** in 2017
- Key source of revenues are
 - Participants, accounts and communication
 - Settlement
 - Registry and custody
 - Issuers services
 - Other services



KEY DEVELOPMENTS

- **Harmonization of registry system** with Europe (equities and Fixed Income)
- **Migration of Iberclear to T2S**
- **Growth of trade repository (REGIS-TR)**
- Currently **adoption of CSDR** requirements



HIGHLIGHTS (2017)

2.5	33.7
Assets under custody (EUR trillion)	Settlement Value (EUR trillion)
8%	10%
T2S assets under custody share	T2S settlement value share
3,884	84
Number of issuers	Number of participants

Six key trends are expected to shape the Settlement & Registration business in the future

Trend

Service expansion

Description

- **Further development of links among CSDs** (especially among T2S CSDs)
- Increase in **importance of issuer services and other value-added services**

Developing financing solutions

- **Exploration of new business lines for CSDs** (e.g., around collateral management, pledge, repo solutions, securities lending, ...)

Focus on clients and efficiency

- **Increase of client focus in CSDs** as well as gain in efficiency to compensate decrease in margins and respond to further pressure from competitors
- **New technologies and platforms** could support CSDs on this (e.g., robotics, cloud)

BPO services

- **Utilities will be under consideration for many players** to protect core businesses from increasing back-office costs, complexities, and risks

DLT & digitalization opportunities

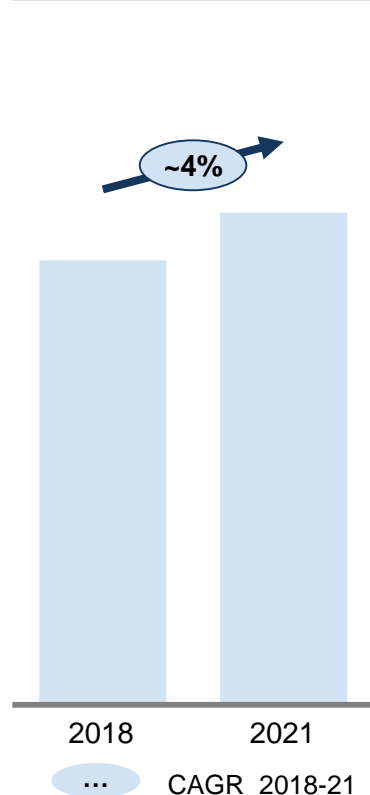
- **DLT may disrupt businesses – analysis** focused on value-added services, which provide valuable business opportunities

Regulatory reporting

- Increase in importance of **reporting requirements** for financial institutions; creating **business opportunities** for **market infrastructure providers (SFTR, ...)**

The Settlement & Registration business aims to grow by ~4% p.a. until 2021 through improved and new service offerings

Net revenue



Growth dimensions

Sustain and further grow core business

- Develop tools and procedures to **increase efficiency and client focus** (e.g., robotics, internal control department, internal training, client satisfaction surveys)
- **Optimize the system and adapt organization** to fulfill regulations (CSDR and settlement discipline)
- Adapt **IT system and services** to offer **SFTR** services in **REGIS-TR**

Additional services to existing customers

- **Cross Border Services (CBS)**: connect Iberclear with different markets to provide services to clients of foreign securities (beyond existing cooperation with Citi)
- **Expand BPO services** taking advantage of banks increasing willingness to **outsource** non-competitive back-office operations, and software development and maintenance
- Analyze **post-trade information databases to offer enhanced services** in view of new technology possibilities (e.g. big data, analytics, ...)

Open up new customer groups with new offerings

- Development of **value-added post-trade services**, for example
 - New issuer's services
 - Proxy voting
 - Collateral management facilities
 - Securities lending
 - Payment services opportunities
- **Use of DLT** for post-trade services

Agenda

Business segment deep dives



Markets

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Clearing

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Settlement & Registration

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Market Data & VAS

Ramón Adarraga



Snapshot of BME Market Data & VAS segment



CURRENT SETUP

- **Revenues of EUR 63 million** in 2017
- Revenues stem from
 - **Market data:** provisions of BME's primary data and IBEX index suite
 - **Value-added services (InnTech):** high-performance technological solutions for financial firms



KEY DEVELOPMENTS

- **Merged several non-trading businesses** of BME enabling creation of InnTech
- **Integrated existing solutions and services** along the value chain
- Developed **global offering for front and middle-office processes**



HIGHLIGHTS (2017/18)

- **Digital transformation of investment processes** for a Spanish private bank
- **Full front and middle-office platform for wealth management and on-line brokerage** for a leading Iberian bank and for a top-3 Mexican Bank
- **Full market data platform for an international Spanish bank/broker entity**
- **Order routing and multi-market access platform** for a major Latin American exchange
- **Financial apps and information services** for several European and Latin American exchanges
- **Consultancy on financial markets and implementation of BME core platform solutions** in Africa and LATAM (e.g., trading, settlement, data)
- **Wealth management platform for B2C** (e.g., top-3 Colombian commercial bank) **and for B2B purposes** (e.g., members of a central American exchange)

Constantly developing market practices, technology and regulation set the pace of the market data and VAS segment

Trend	Description
Increased demand for market data	<ul style="list-style-type: none"> • Great increase of market data usage by autonomous decision-making systems / algorithmic trading systems • Exchange groups intensively diversifying into market data and information services areas (e.g., value-added services) to capture key opportunities arising from market trends
Regulations	<ul style="list-style-type: none"> • Potentially heightened regulatory scrutiny of market data offerings (e.g., definition of reasonable commercial basis for core market data and quality of APA data) • New uses of market data (e.g., smart order routing systems) stemming from new regulations (e.g., MiFID II)
Advanced analytics & AI	<ul style="list-style-type: none"> • Opportunities from the application of artificial intelligence in financial markets, specially for the development of investment and best-execution algorithms
Continued shift to passive products	<ul style="list-style-type: none"> • Continued growth in demand for index licensing but also increasing price pressure

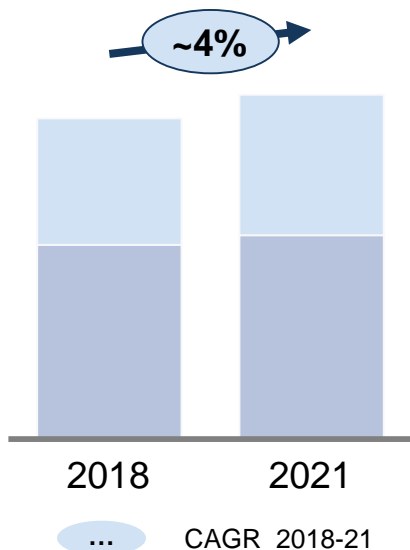


The Market Data & VAS business aims to grow by ~4% p.a. until 2021 with a focus on geographic expansion and new technology

Net revenue

Growth dimensions

- VAS
- Market Data



Building blocks

- Sustain and further grow core business
- Services and geographies diversification
- New offerings: Companies transformation

Market Data

VAS

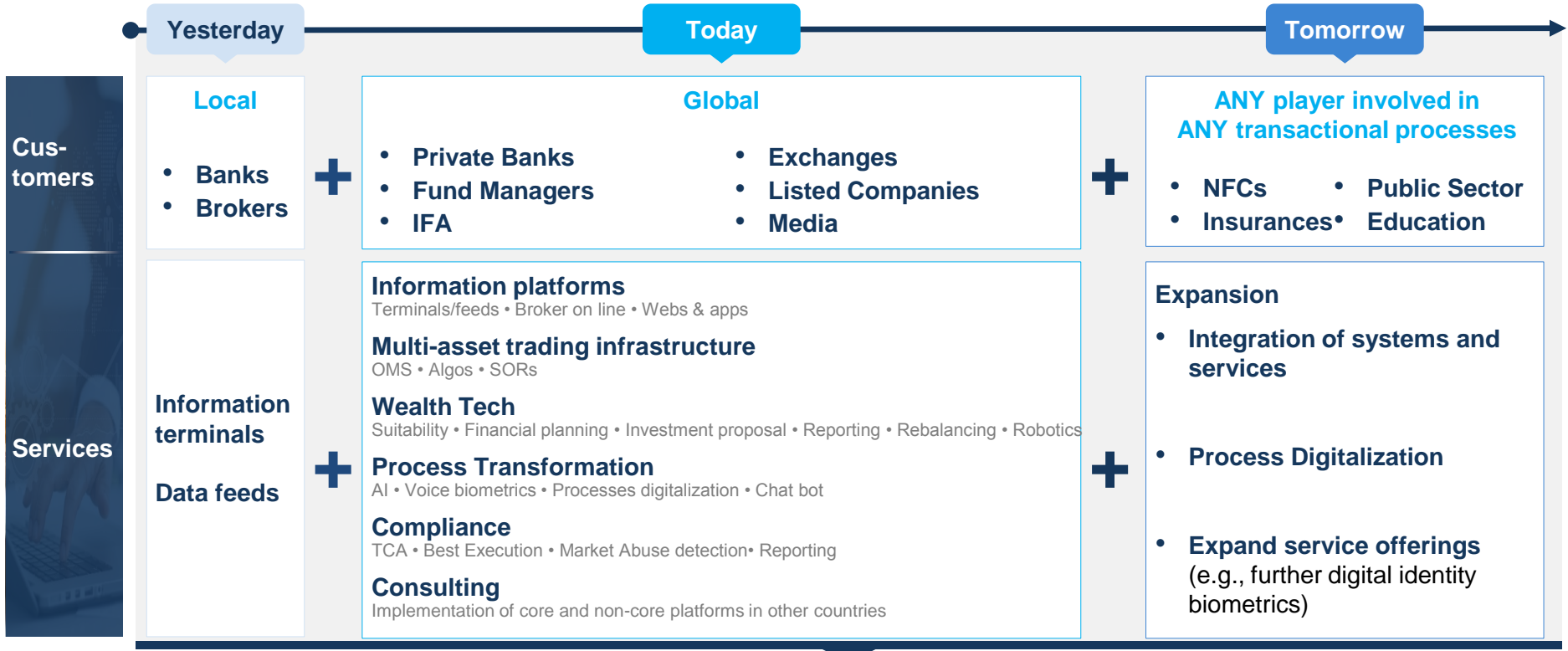
Examples



- Indices trademark rights
- Suitable market data fees adjusted to the reality of MiFID II
- New products: BME AI (SofIA Lab)
- New geographies: LED
- BME InnTech as a provider of full solutions



BME Inntech group transformation



Flexible options on delivery

White label ⇔ Branded | SaaS ⇔ On premise | Supervised ⇔ Unregulated

→ Wrap-up



Javier Hernani
CEO

In order to deliver on our strategy, we will transform BME

WHAT WE ARE DOING



Promoting cultural change and developing talent and capabilities for new businesses



Reinforcing project governance and enhancing agile development for initiatives



Prudent and focused M&A process and efficient integration plan



New technologies and innovation as the forefront of BME transformation



Accelerating commercial transformation

Wrap-up

Market and aspiration



- Industry trends are putting pressure on **BME's core business**, but also provide us with new opportunities
- BME has developed a **strategic plan** with the aim of **becoming "THE infrastructure solution provider for financial institutions"**

Our strategic plan



- **Sustain and further grow** our core business
- Bring **additional services** to our existing customers
- Open up **new customer groups** with new offerings
- Expand into **new geographies**

Execution



- **Organic growth** from both the core business and new growth initiatives
- **Inorganic growth** to accelerate growth in a prudent and focused way
- **Commitment to financial discipline** and stable dividends

 Q&A ?

Building a new BME ...

**New growth strategy
(organic and inorganic)**



**Become a one-stop
shop for our clients**



**More diversified
business mix**



...with a clear transformation roadmap

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