

---

# BUSINESS PERFORMANCE

## Fourth quarter and FY2018

# 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

Structural framework

Strategic Plan 2019-2021

# Index

## Results

Business units

Financials

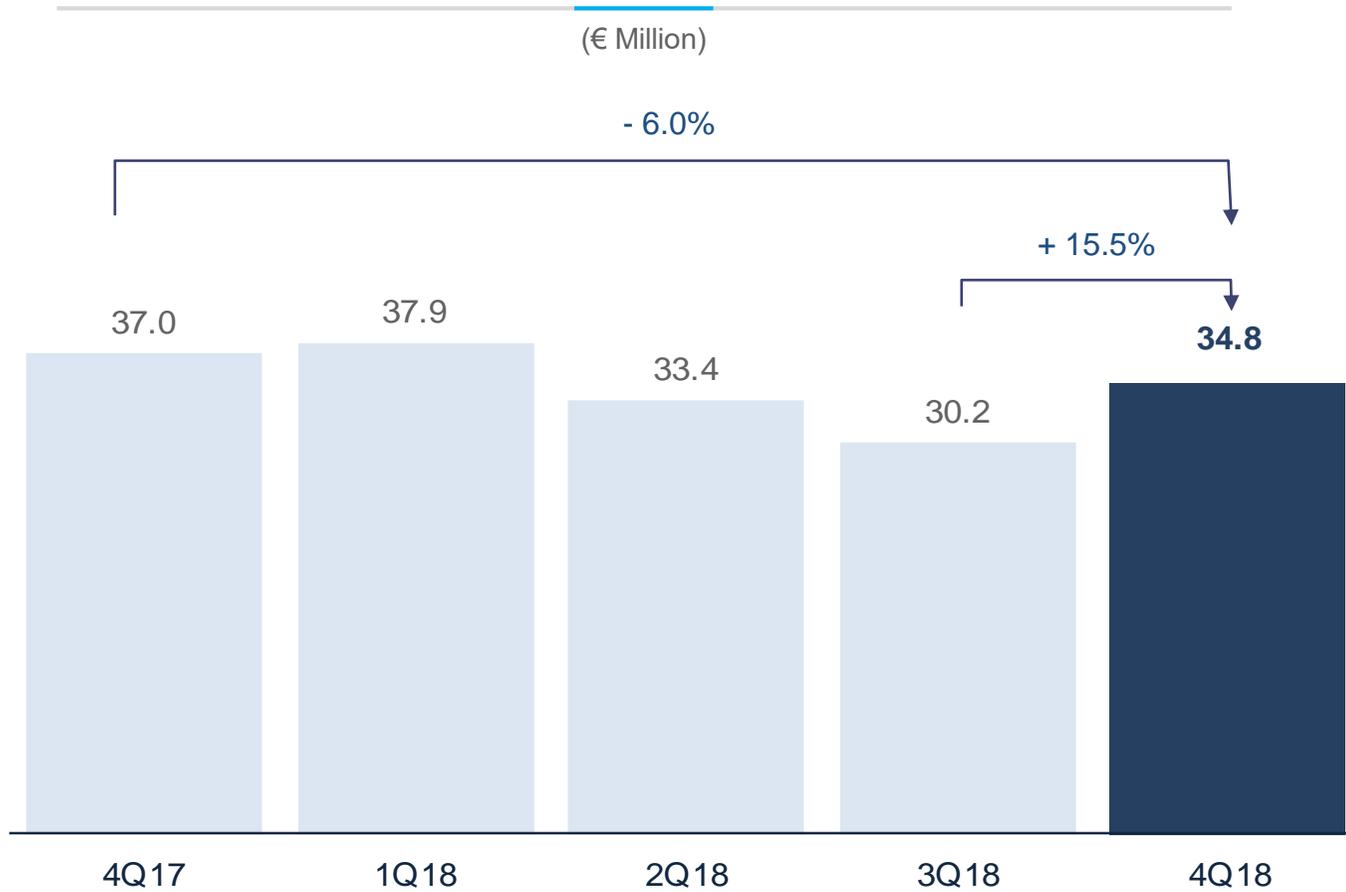
Structural framework

Strategic Plan 2019-2021



RESULTS

# Net profit





RESULTS

# Net profit

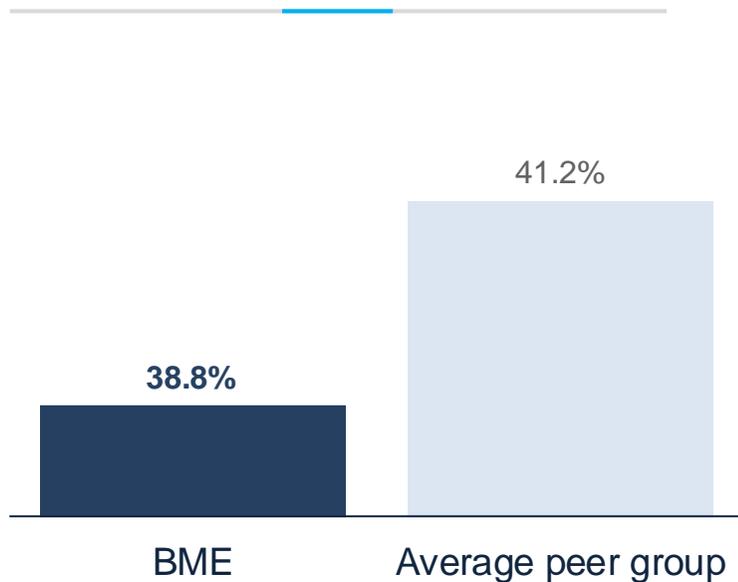




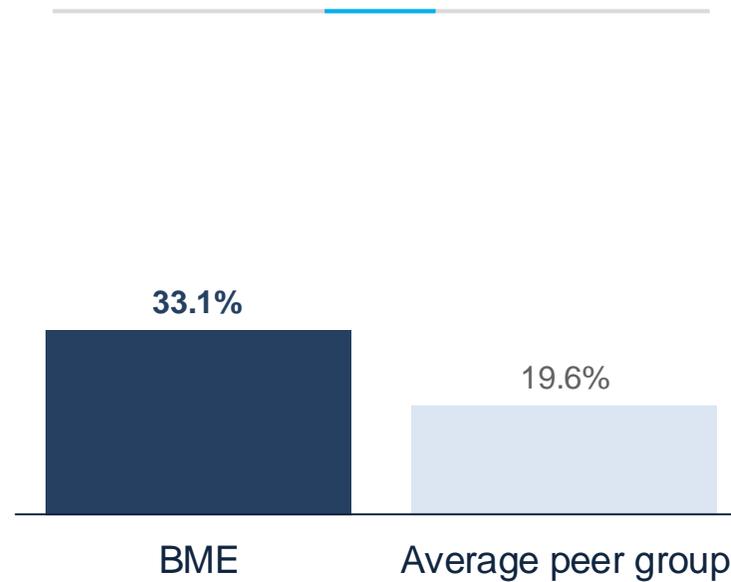
RESULTS

# Key ratios vs. benchmark

## Efficiency



## ROE



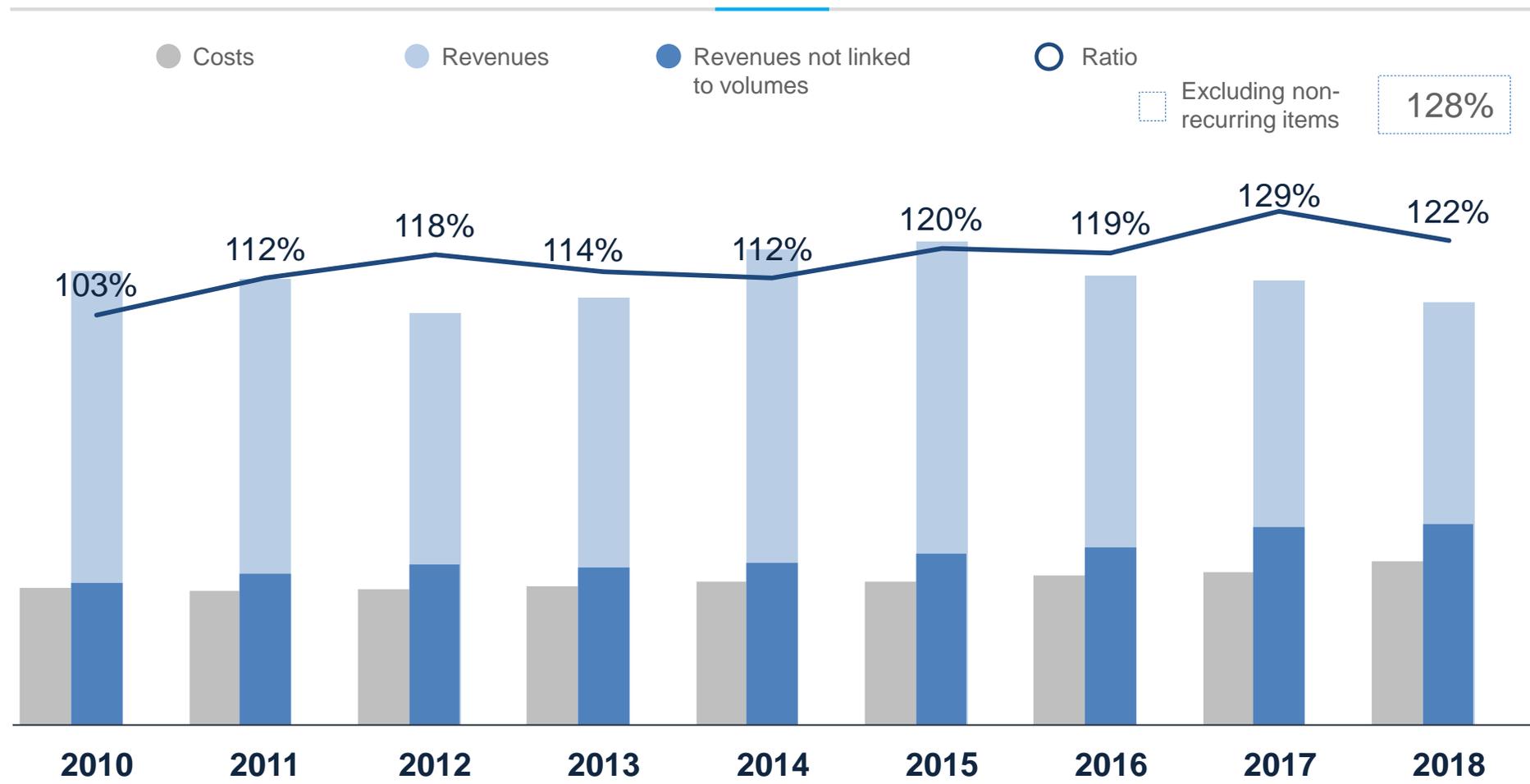
BME's data as of 31/12/2018

Average peer Group has been calculated using latest results published and do not take into account goodwill impairment charges



RESULTS

# Solid operating leverage

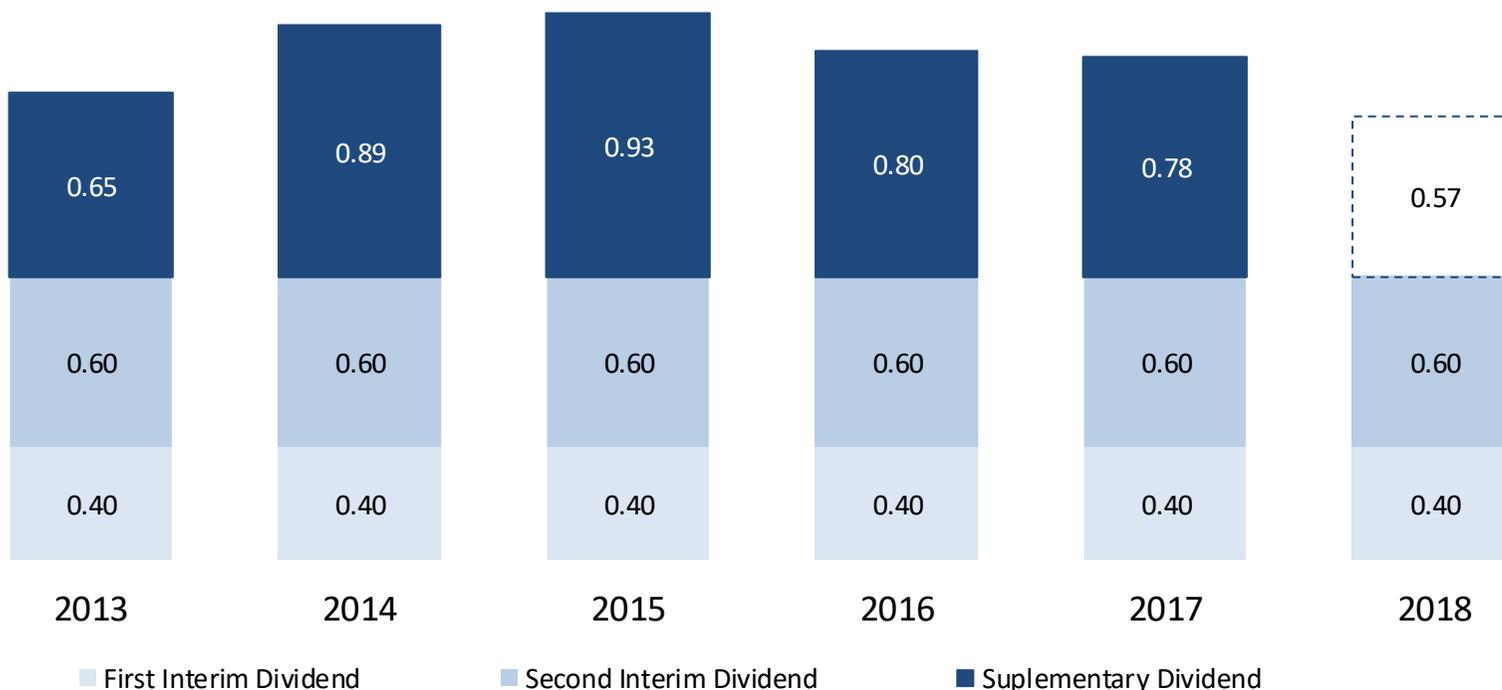




RESULTS

# Dividends: Maximizing shareholders' returns

<b>Payout ratio</b>	<b>96%</b>	<b>96%</b>	<b>93%</b>	<b>93%</b>	<b>96%</b>	<b>96%</b>
<b>DPS (€/share)</b>	<b>1.65</b>	<b>1.89</b>	<b>1.93</b>	<b>1.80</b>	<b>1.78</b>	<b>1.57</b>



## Sustainability of payout ratio

Supplementary dividend proposal: 0.57 €/share (10 May 2019)

# Index

Results

**Business units**

Financials

Structural framework

Strategic Plan 2019-2021

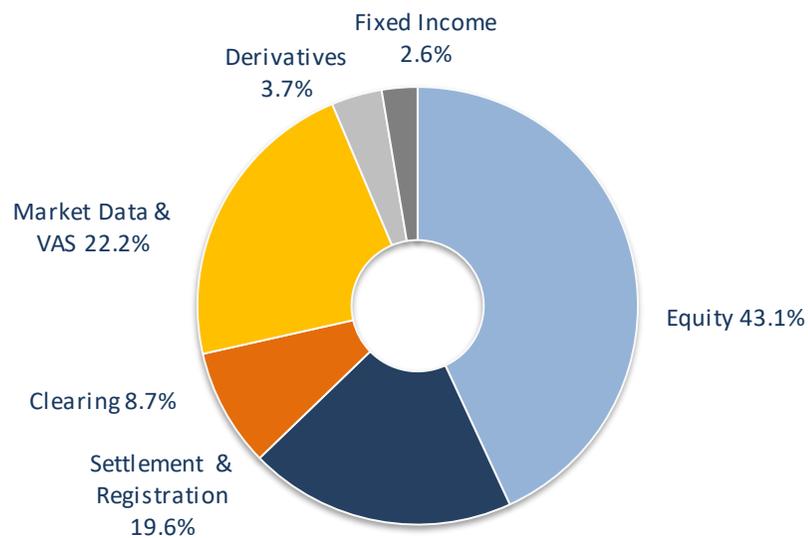


BUSINESS UNITS EVOLUTION

# Business units

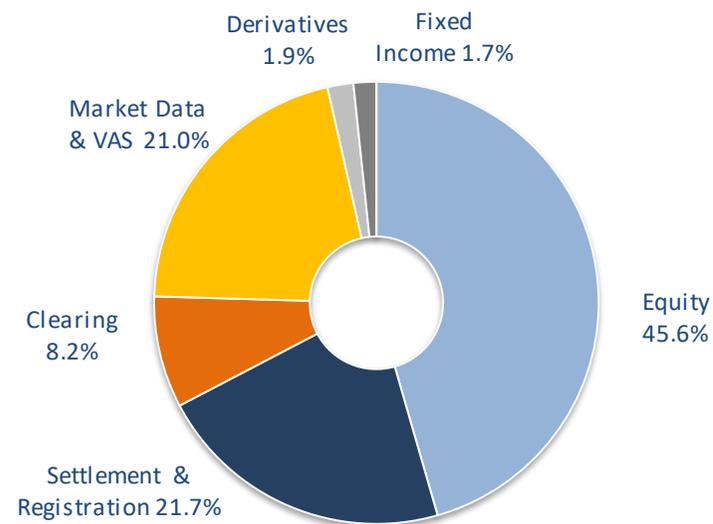
## Consolidated net revenues

FY 2018 - %



## EBITDA

FY 2018 - %



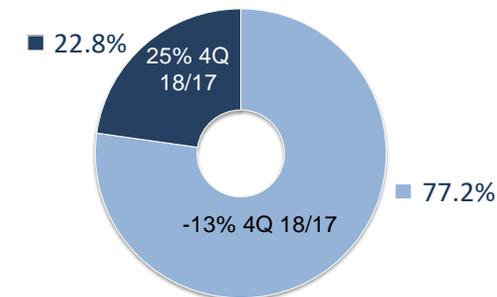


BUSINESS UNITS EVOLUTION

# Equity Market

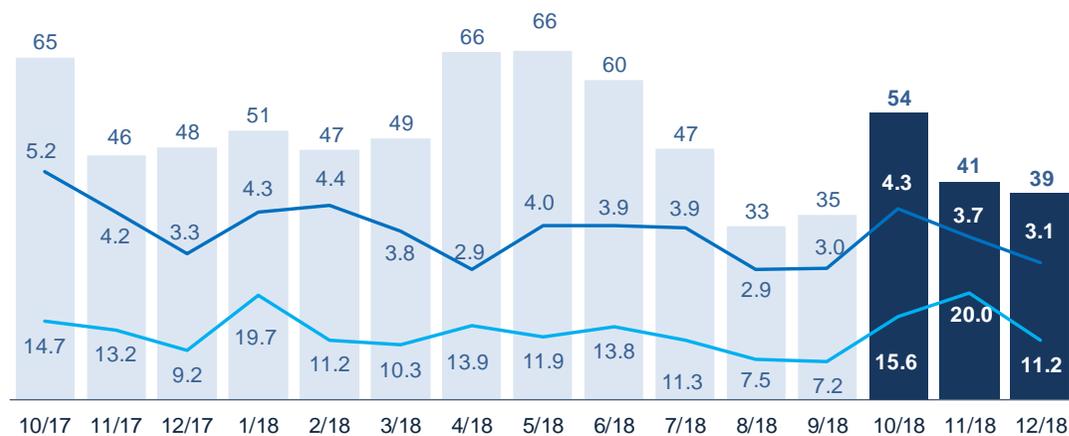
Thousands of €	4Q 2018	4Q 2017	%	FY 2018	FY 2017	%
<b>Net Revenue</b>	32,577	34,909	-6.7%	129,673	144,456	-10.2%
<b>Operating Costs</b>	(10,599)	(10,893)	-2.7%	(40,777)	(41,866)	-2.6%
<b>EBITDA</b>	<b>21,978</b>	<b>24,016</b>	<b>-8.5%</b>	<b>88,896</b>	<b>102,590</b>	<b>-13.3%</b>

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



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

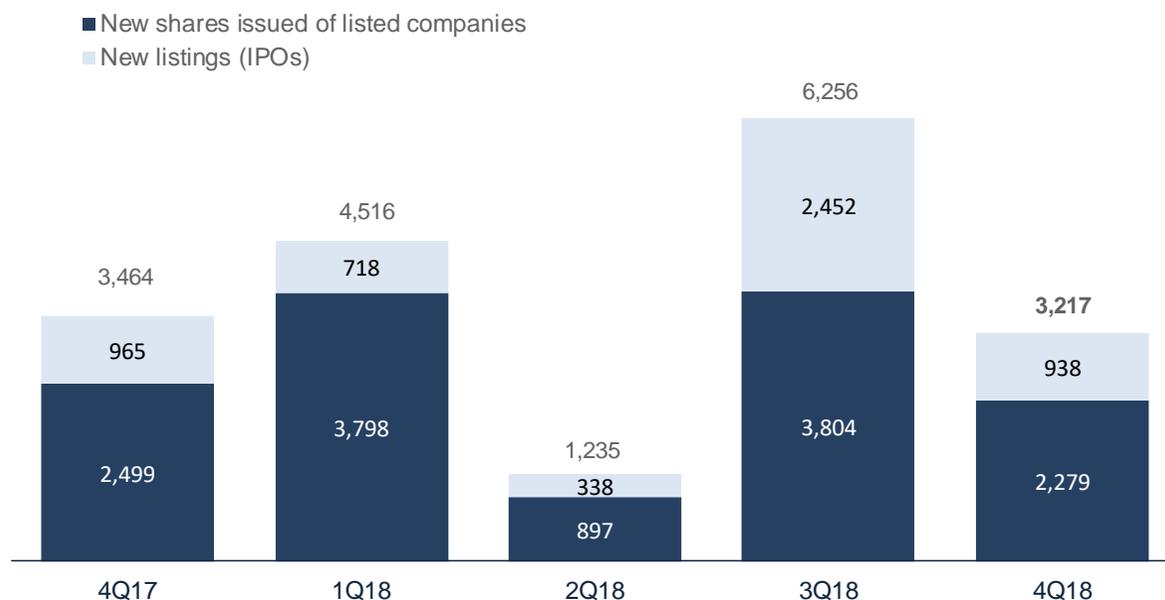
● Turnover (€ Billion)      ○ Shares (Billion)      ○ Trades (Million)



## BUSINESS UNITS EVOLUTION

## Equity Market

## Listing activity



- During the year, flows channelled to the stock exchange reached €15,224 million through 141 corporate transactions with shares (rights issues and IPOs), four more than in 2017.
- 2018 has seen five new companies listed on the Exchange, while three growth companies and 20 SOCIMIs (REITs) were listed on MAB. The total number of listed REITs was 69 in 2018, which reflects the favourable moment currently experienced by the property market in Spain, with the support of the stock market.
- Listed companies issued new shares for €10.8 billion in the year.

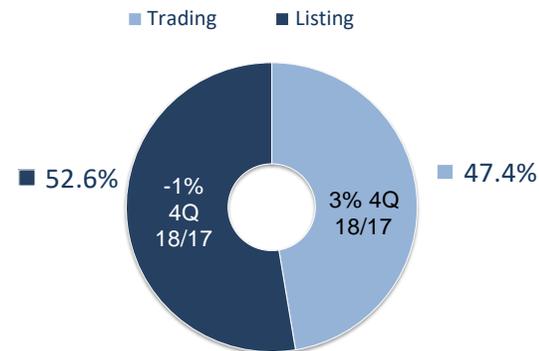
Source: FESE (Federation of European Stock Exchanges)



BUSINESS UNITS EVOLUTION

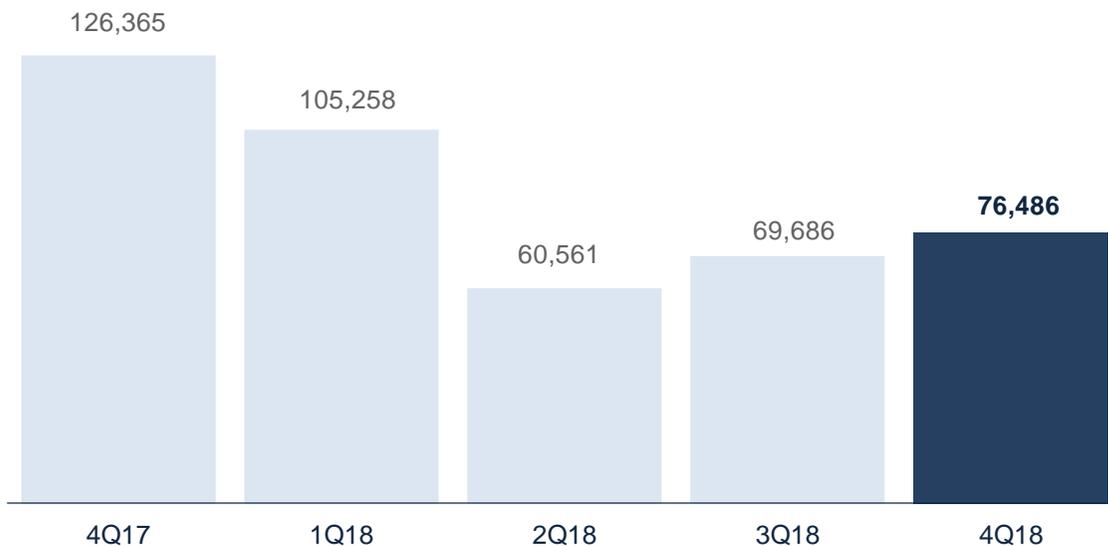
# Fixed Income

Thousands of €	4Q 2018	4Q 2017	%	FY 2018	FY 2017	%
<b>Net Revenue</b>	2,178	2,152	1.2%	7,878	8,683	-9.3%
<b>Operating Costs</b>	(1,133)	(1,175)	-3.6%	(4,652)	(4,682)	-0.6%
<b>EBITDA</b>	<b>1,045</b>	<b>977</b>	<b>7.0%</b>	<b>3,226</b>	<b>4,001</b>	<b>-19.4%</b>



## AIAF. Volume admitted

(€ Million)



- Recovery in fixed income admissions compared to the previous quarter to €76.5 billion. Foreign Debt issues incorporated into trading reached €5.6 trillion.
- Improvement in the negotiation through platform, which increased 46.2% in the year and 72.3% in the quarter.
- Positive trend continues in the Alternative Fixed Income Market (MARF) during 2018. Volume issued increased by 60.2% and the outstanding balance increased by 46.9% compared to 2017.



BUSINESS UNITS EVOLUTION

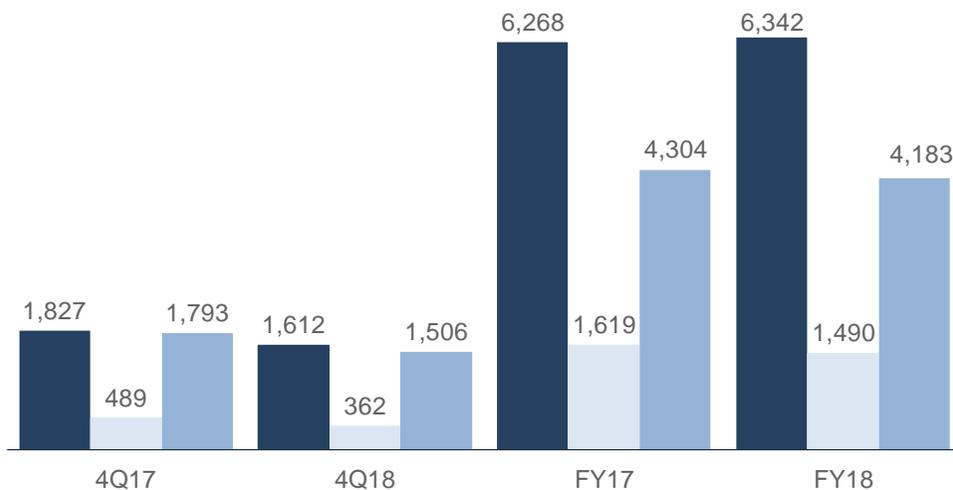
# Derivatives

<i>Thousands of €</i>	<b>4Q 2018</b>	<b>4Q 2017</b>	<b>%</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>%</b>
<b>Net Revenue</b>	2,904	3,106	-6.5%	11,189	10,841	3.2%
<b>Operating Costs</b>	(2,010)	(1,669)	20.4%	(7,520)	(6,392)	17.6%
<b>EBITDA</b>	<b>894</b>	<b>1,437</b>	<b>-37.8%</b>	<b>3,669</b>	<b>4,449</b>	<b>-17.5%</b>

## Index derivatives contracts traded

(Thousand contracts)

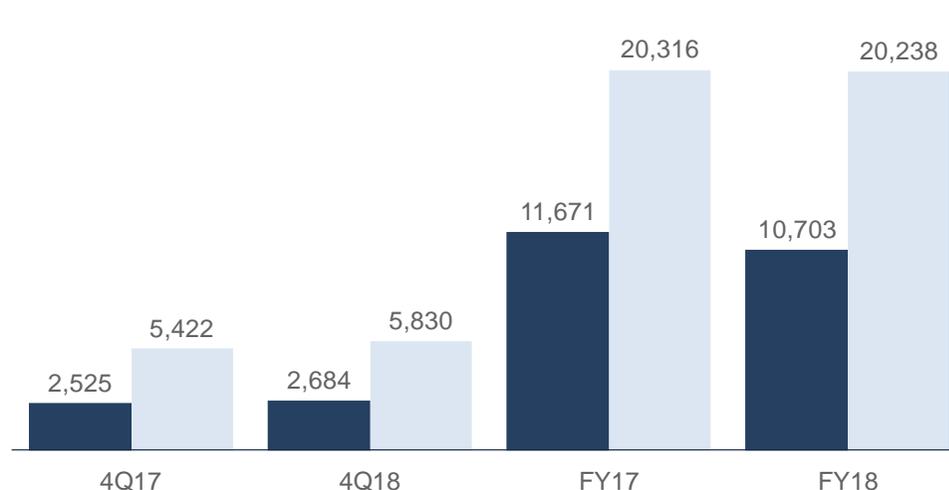
● Futures IBEX 35® ● Futures MiniIBEX ● Options IBEX 35®



## Stock derivatives contracts traded

(Thousand contracts)

● Stock Futures ● Stock Options



## BUSINESS UNITS EVOLUTION

## Clearing

<i>Thousands of €</i>	4Q 2018	4Q 2017	%	FY 2018	FY 2017	%
Net Revenue	6,631	7,276	-8.9%	26,244	26,961	-2.7%
Operating Costs	(2,727)	(2,607)	4.6%	(10,315)	(9,868)	4.5%
<b>EBITDA</b>	<b>3,904</b>	<b>4,669</b>	<b>-16.4%</b>	<b>15,929</b>	<b>17,093</b>	<b>-6.8%</b>

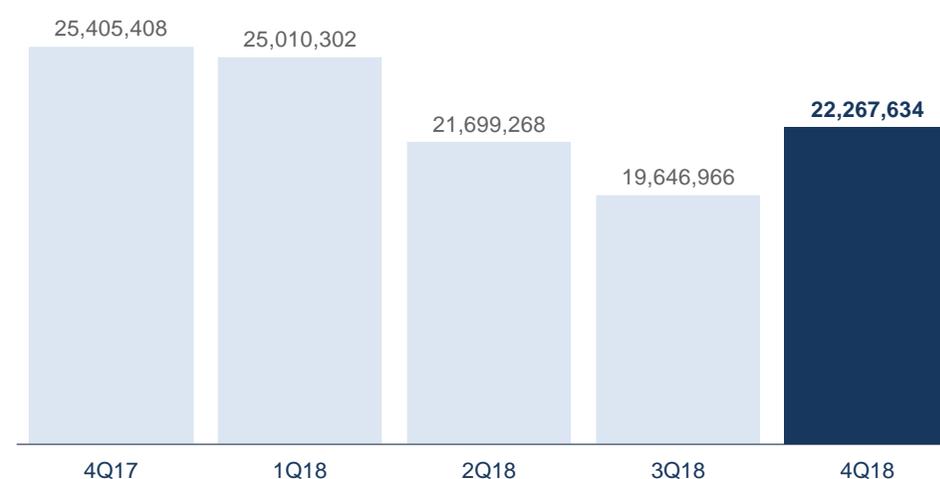
## Financial Derivatives

(Number of contracts)



## Number of equity transactions cleared

(Number of transactions)



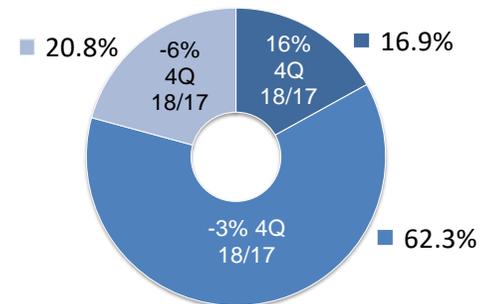


BUSINESS UNITS EVOLUTION

# Settlement & Registration

Thousands of €	4Q 2018	4Q 2017	%	FY 2018	FY 2017	%
<b>Net Revenue</b>	14,482	14,613	-0.9%	58,974	63,675	-7.4%
<b>Operating Costs</b>	(4,976)	(4,363)	14.0%	(16,556)	(16,186)	2.3%
<b>EBITDA</b>	<b>9,506</b>	<b>10,250</b>	<b>-7.3%</b>	<b>42,418</b>	<b>47,489</b>	<b>-10.7%</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

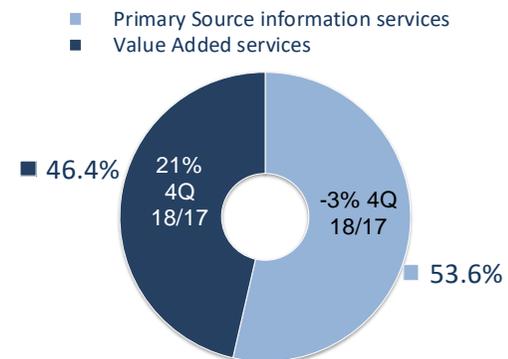




BUSINESS UNITS EVOLUTION

# Market Data & VAS

<i>Thousands of €</i>	4Q 2018	4Q 2017	%	FY 2018	FY 2017	%
<b>Net Revenue</b>	17,043	15,982	6.6%	66,705	62,731	6.3%
<b>Operating Costs</b>	(7,809)	(6,427)	21.5%	(25,723)	(23,127)	11.2%
<b>EBITDA</b>	<b>9,234</b>	<b>9,555</b>	<b>-3.4%</b>	<b>40,982</b>	<b>39,604</b>	<b>3.5%</b>



## Market Data & VAS: Unit drivers

**BME Inntech**

**Order and execution feeds (FOE)  
Transaction cost analysis (TCA)  
BME ComplianceNet (SICAM)**

**International consulting**

**Set up of trading platform and OMS of the Colombian Stock Exchange  
Developments with Bolivian and Algiers Stock Exchanges**

# Index

Results

Business units

**Financials**

Structural framework

Strategic Plan 2019-2021

## FINANCIALS

## Net revenues

<i>Thousands of €</i>	<b>4Q 2018</b>	<b>4Q 2017</b>	<b>%</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>%</b>
<b>Equity</b>	32,577	34,909	-6.7%	129,673	144,456	-10.2%
<b>Fixed income</b>	2,178	2,152	1.2%	7,878	8,683	-9.3%
<b>Derivatives</b>	2,904	3,106	-6.5%	11,189	10,841	3.2%
<b>Clearing</b>	6,631	7,276	-8.9%	26,244	26,961	-2.7%
<b>Settlement &amp; Registration</b>	14,482	14,613	-0.9%	58,974	63,675	-7.4%
<b>Market Data &amp; VAS</b>	17,043	15,982	6.6%	66,705	62,731	6.3%

## FINANCIALS

## EBITDA

<i>Thousands of €</i>	4Q 2018	4Q 2017	%	FY 2018	FY 2017	%
<b>Equity</b>	21,978	24,016	-8.5%	88,896	102,590	-13.3%
<b>Fixed income</b>	1,045	977	7.0%	3,226	4,001	-19.4%
<b>Derivatives</b>	894	1,437	-37.8%	3,669	4,449	-17.5%
<b>Clearing</b>	3,904	4,669	-16.4%	15,929	17,093	-6.8%
<b>Settlement &amp; Registration</b>	9,506	10,250	-7.3%	42,418	47,489	-10.7%
<b>Market Data &amp; VAS</b>	9,234	9,555	-3.4%	40,982	39,604	3.5%

## FINANCIALS

## Balance sheet

<i>Thousands of €</i>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
<b>Goodwill</b>	87,725	88,718
<b>Other non-current assets</b>	90,813	84,979
<b>Cash and cash equivalents</b>	270,336	275,739
<b>Current financial assets</b>	6,247	16,221
<b>Non-Group current financial assets</b>	13,876,242	22,135,164
<b>Other current assets</b>	78,965	82,367
<b>Total assets</b>	<b>14,410,328</b>	<b>22,683,188</b>
<b>Owners' Equity</b>	399,210	430,147
<b>External Partners</b>	410	279
<b>Non-current liabilities</b>	40,233	20,138
<b>Current liabilities</b>	13,970,475	22,232,624
<b>Total equity and liabilities</b>	<b>14,410,328</b>	<b>22,683,188</b>

## FINANCIALS

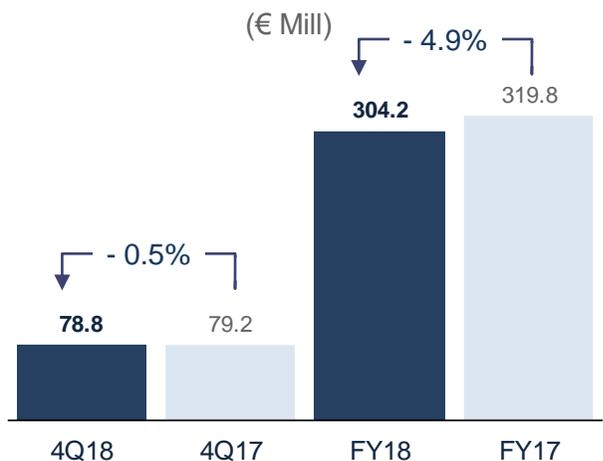
## P&amp;L

<i>Thousands of €</i>	<b>4Q 2018</b>	<b>4Q 2017</b>	<b>%</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>%</b>
<b>Net Revenue</b>	78,823	79,221	-0.5%	304,156	319,768	-4.9%
<b>Expenses</b>	(30,518)	(28,459)	7.2%	(118,090)	(109,980)	7.4%
<b>EBITDA</b>	48,305	50,762	-4.8%	186,066	209,788	-11.3%
<b>EBIT</b>	45,387	48,790	-7.0%	177,231	201,709	-12.1%
<b>Financial results</b>	(202)	(264)	-23.5%	206	65	216.9%
<b>Share of profit (loss) of associates</b>	282	230	22.6%	2,389	1,094	118.4%
<b>EBT</b>	45,467	48,756	-6.7%	179,826	202,868	-11.4%
<b>Net Profit</b>	<b>34,814</b>	<b>37,027</b>	<b>-6.0%</b>	<b>136,288</b>	<b>153,319</b>	<b>-11.1%</b>

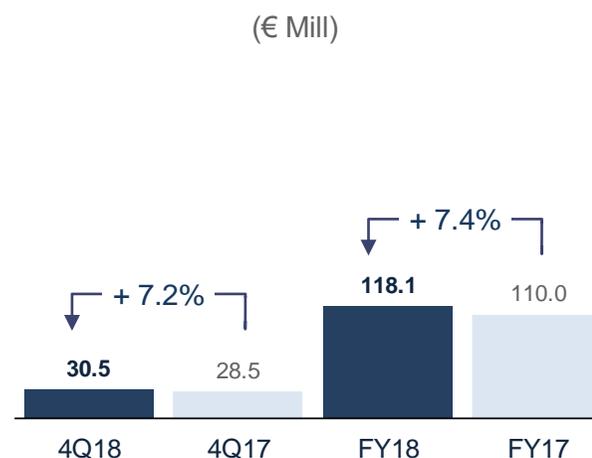
FINANCIALS

# P&L – Main figures

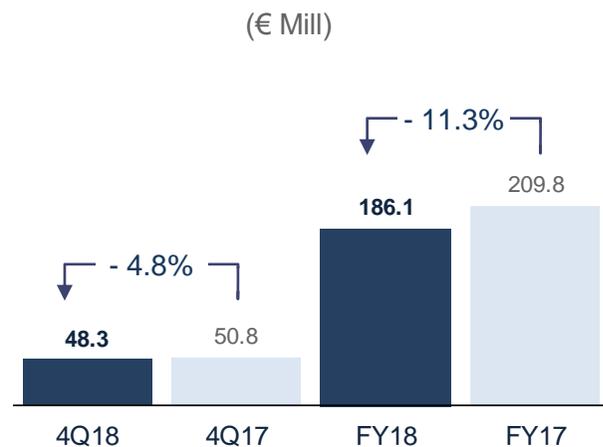
## Net revenues



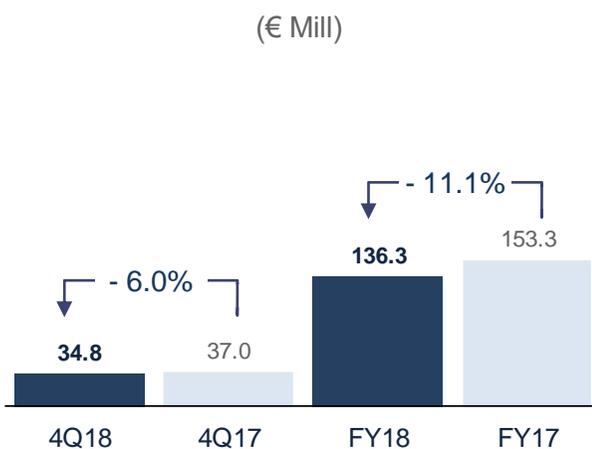
## Costs



## EBITDA



## Net profit



## FINANCIALS

## P&amp;L – Adjusted

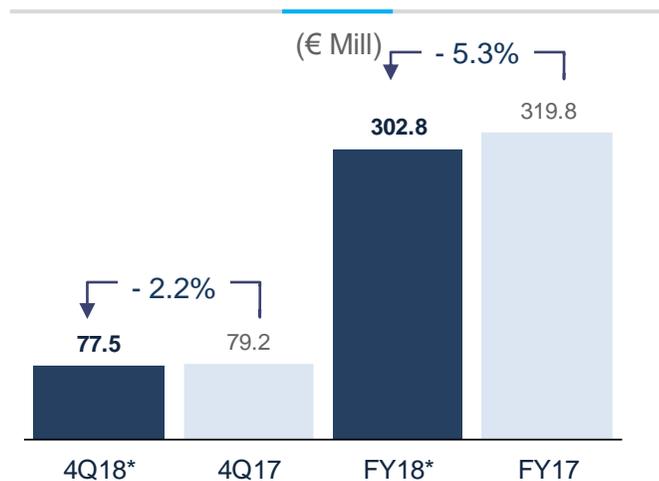
<i>Thousands of €</i>	<b>4Q 2018 *</b>	<b>4Q 2017</b>	<b>%</b>	<b>FY 2018 *</b>	<b>FY 2017</b>	<b>%</b>
<b>Net Revenue</b>	77,493	79,221	-2.2%	302,826	319,768	-5.3%
<b>Expenses</b>	(28,743)	(28,459)	1.0%	(112,686)	(109,980)	2.5%
<b>EBITDA</b>	48,750	50,762	-4.0%	190,140	209,788	-9.4%
<b>EBIT</b>	46,825	48,790	-4.0%	182,298	201,709	-9.6%
<b>Financial results</b>	(202)	(264)	-23.5%	206	65	216.9%
<b>Share of profit (loss) of associates</b>	282	230	22.6%	2,389	1,094	118.4%
<b>EBT</b>	46,905	48,756	-3.8%	184,893	202,868	-8.9%
<b>Net Profit</b>	<b>36,141</b>	<b>37,027</b>	<b>-2.4%</b>	<b>140,336</b>	<b>153,319</b>	<b>-8.5%</b>

\* 4Q 2018 and FY 2018 data has been adjusted to exclude the impact of NIIF 15 and other non-recurring items.

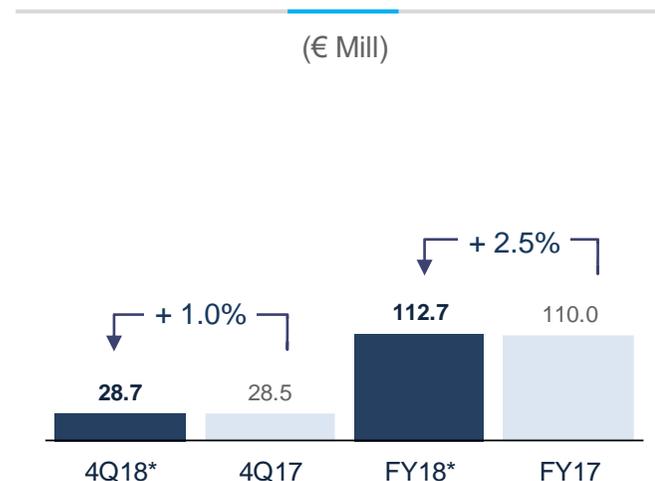
FINANCIALS

# P&L – Adjusted – Main figures

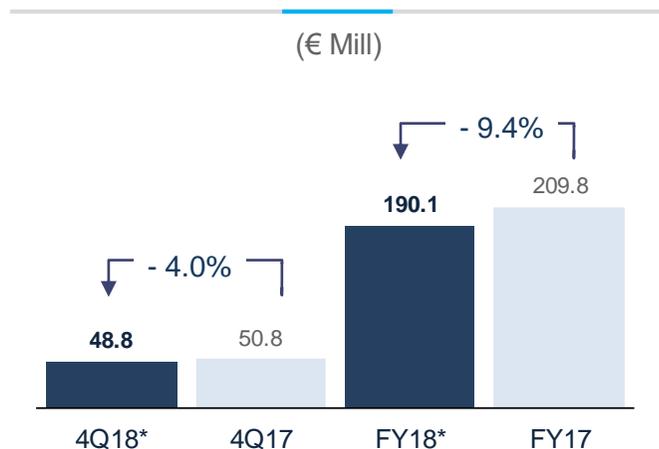
## Net revenues



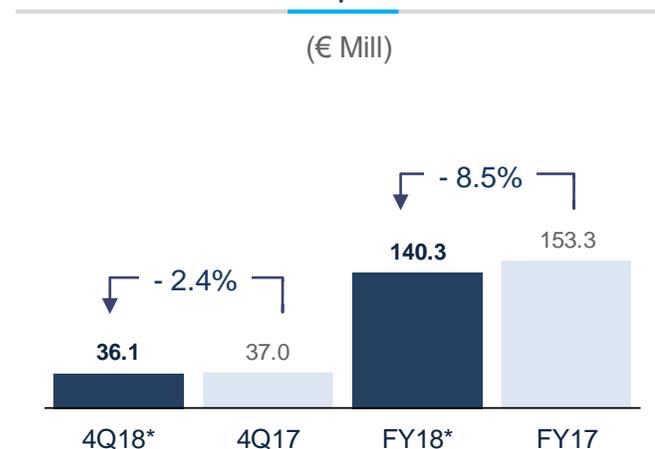
## Costs



## EBITDA



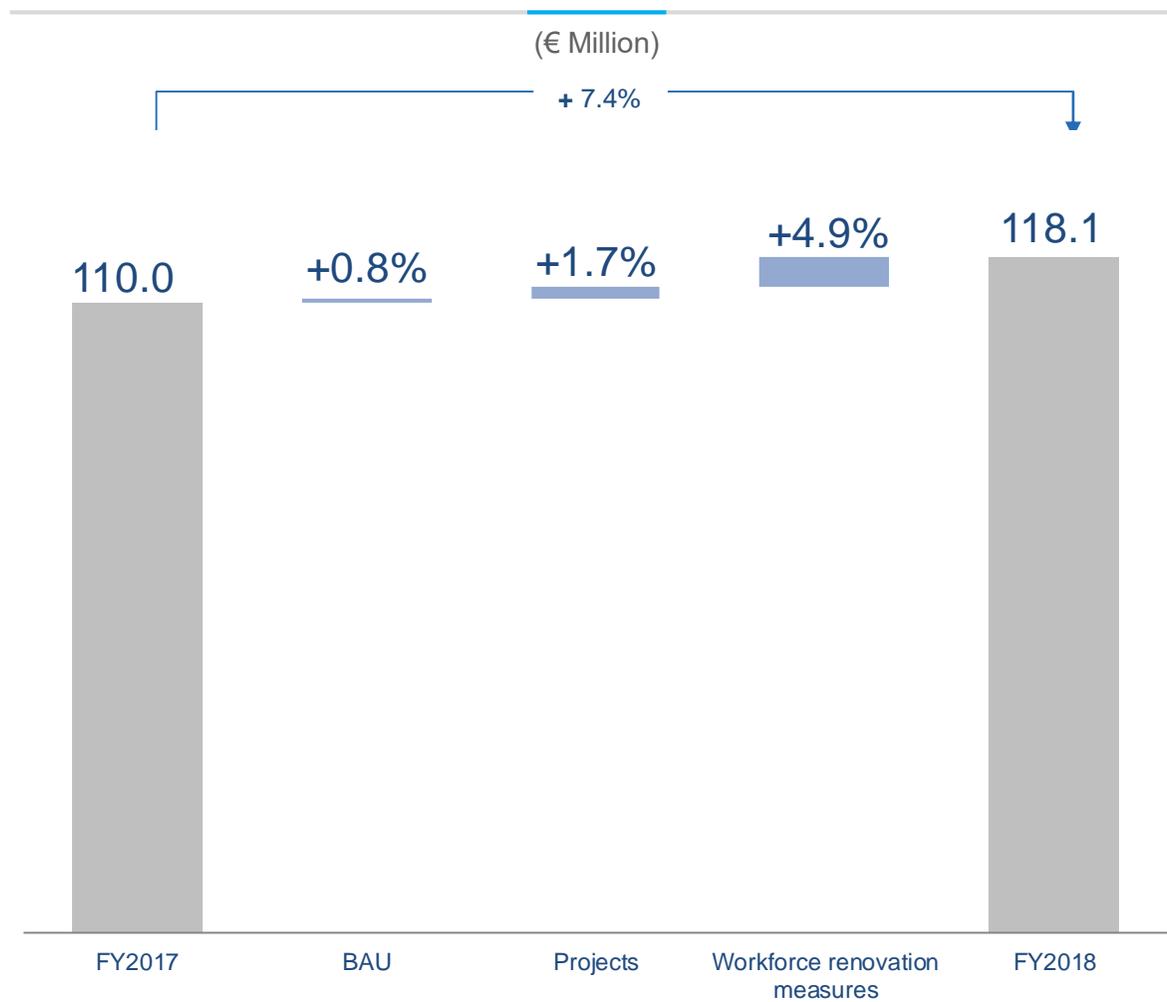
## Net profit



\* 4Q 2018 and FY 2018 data has been adjusted to exclude the impact of NIIF 15 and other non-recurring items.

FINANCIALS

# Operating costs FY 2018



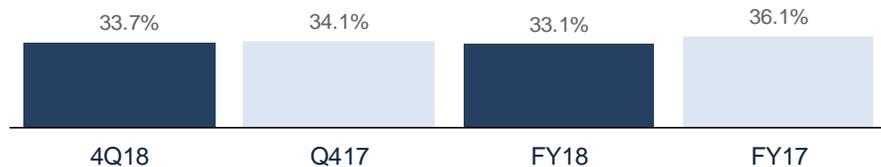


FINANCIALS

# Efficiency & profitability

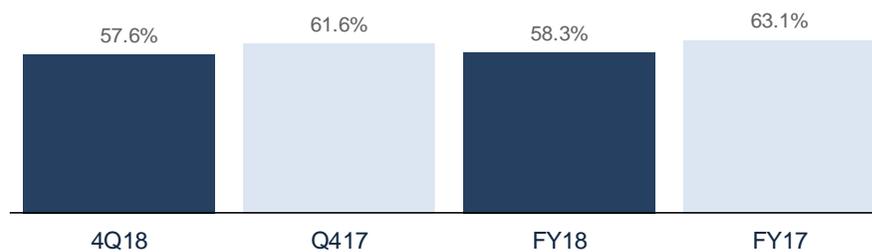
ROE evolution

(% ROE)



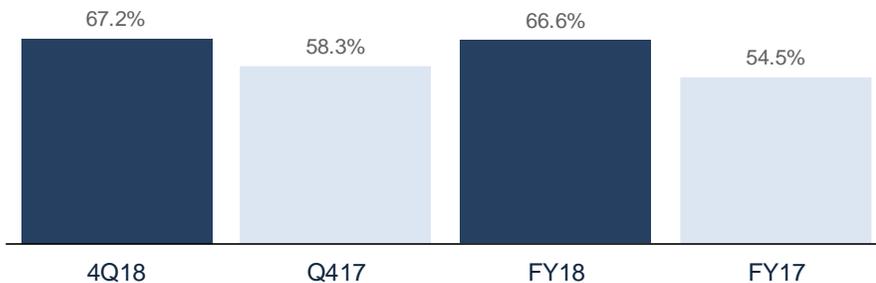
EBIT/ Net revenues ratio evolution

(% EBIT/ Net revenues)



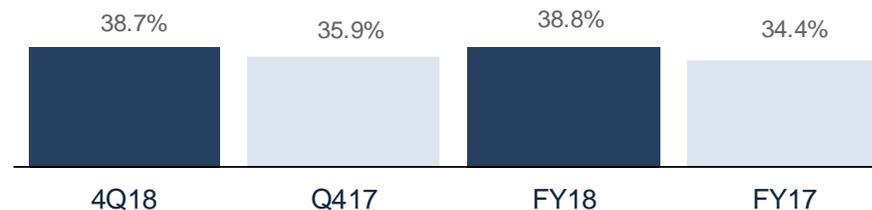
Cost/ EBIT ratio evolution

(% Cost/ EBIT)



Efficiency ratio evolution

(% Efficiency)



# Index

Results

Business units

Financials

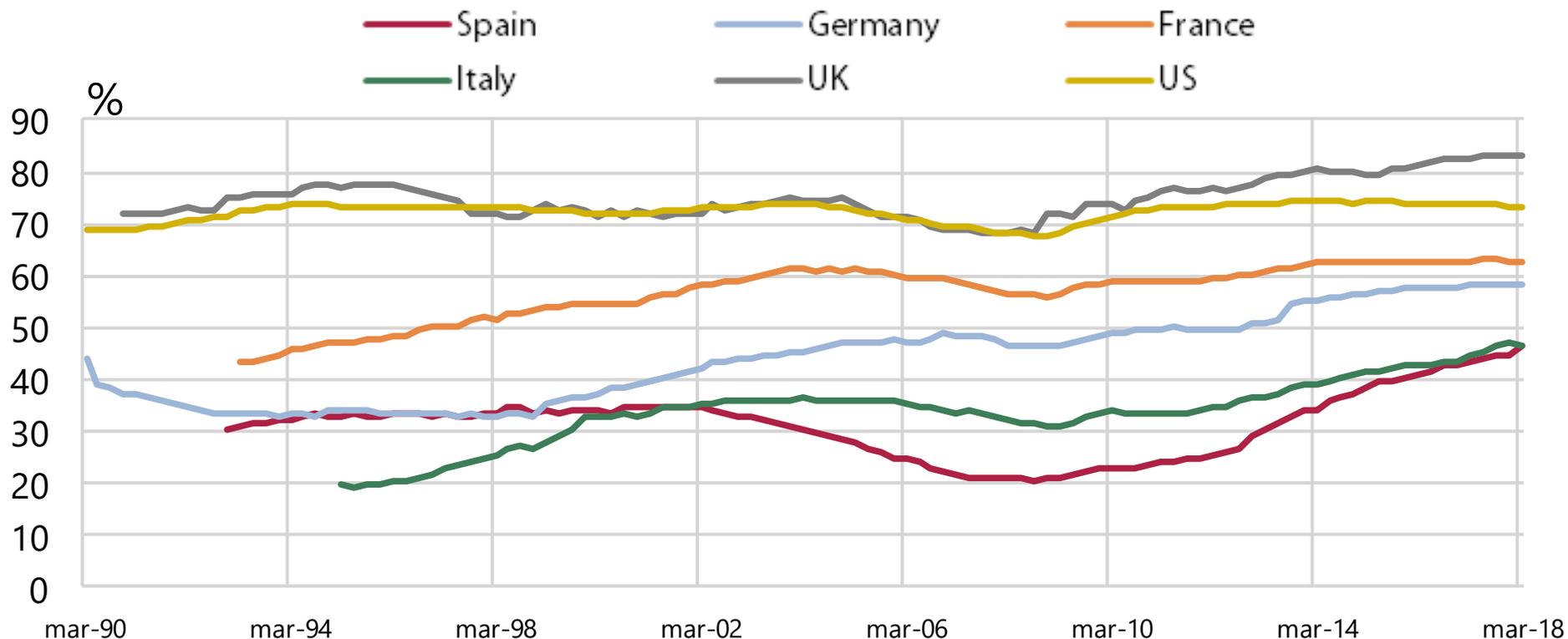
**Structural framework**

Strategic Plan 2019-2021

STRUCTURAL FRAMEWORK. MARKET FINANCING

# Market-based versus bank-based financing (%)

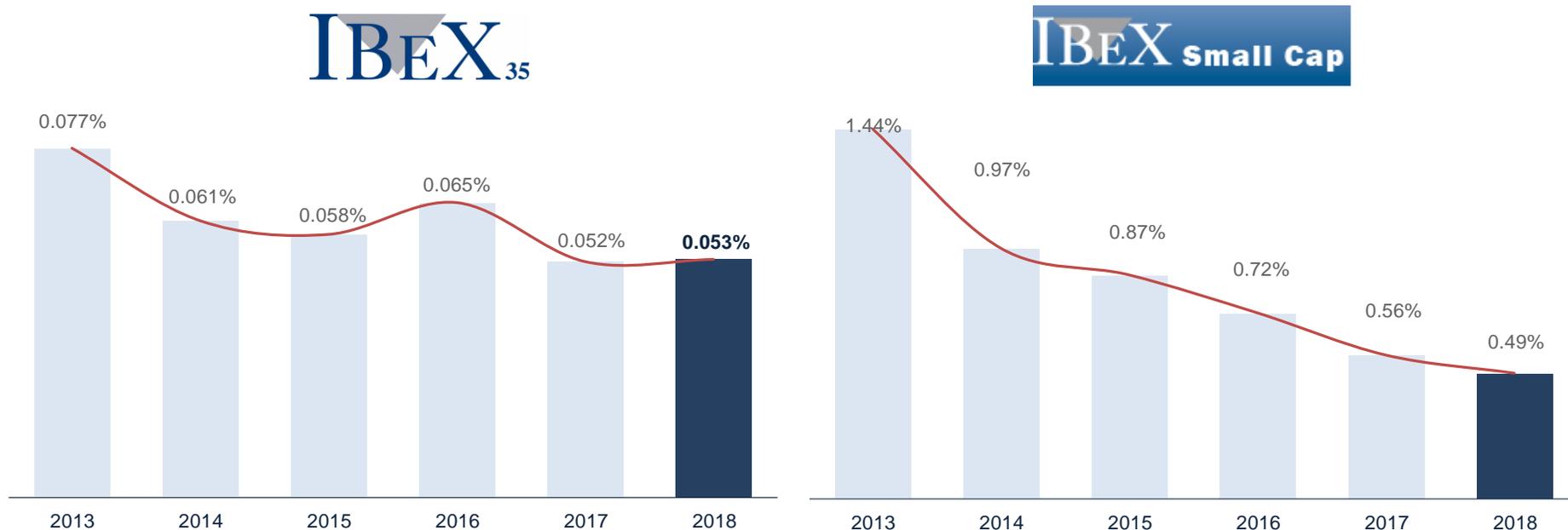
Non-financial companies (1990 – 2018)



Source: CNMV, based on data from Dealogic and central banks. Represents the percentage of market-based financing over the sum of market-based and bank-based financing

STRUCTURAL FRAMEWORK. MARKET FINANCING

# IBEX® 35/ Small Cap bid-ask spread (2013-2018)

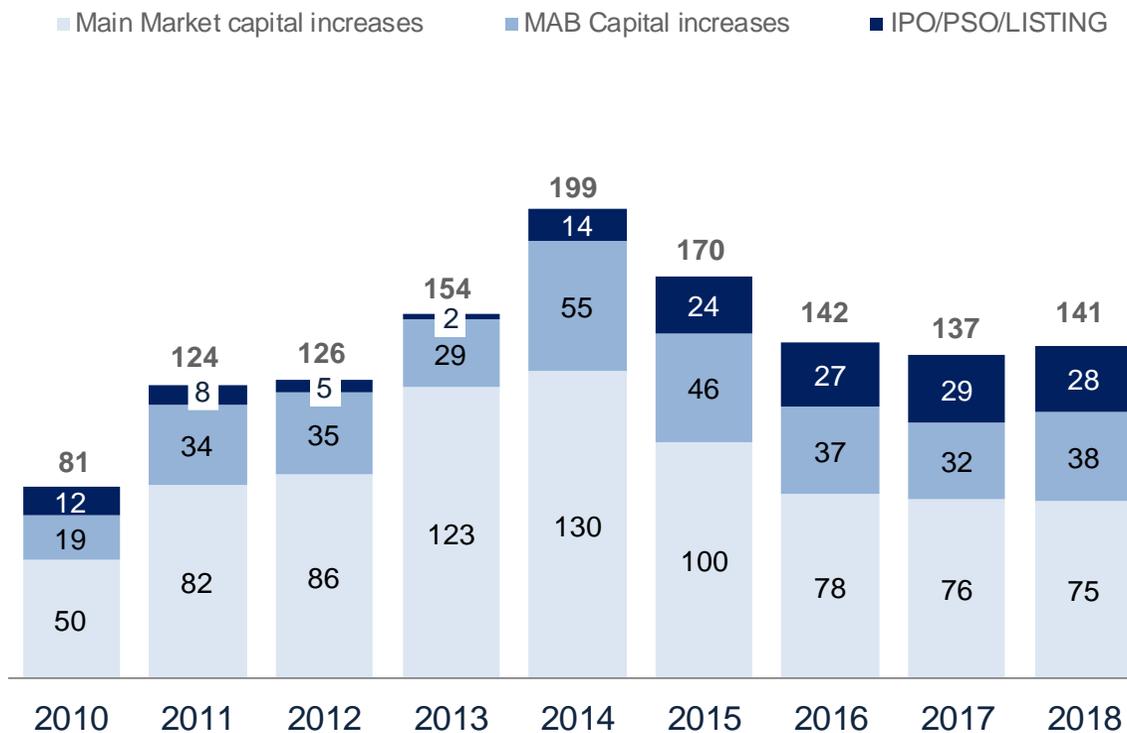


Source: Annual market report

STRUCTURAL FRAMEWORK. MARKET FINANCING

# Financing in the Exchange

Number by type of operation (2010-2018)

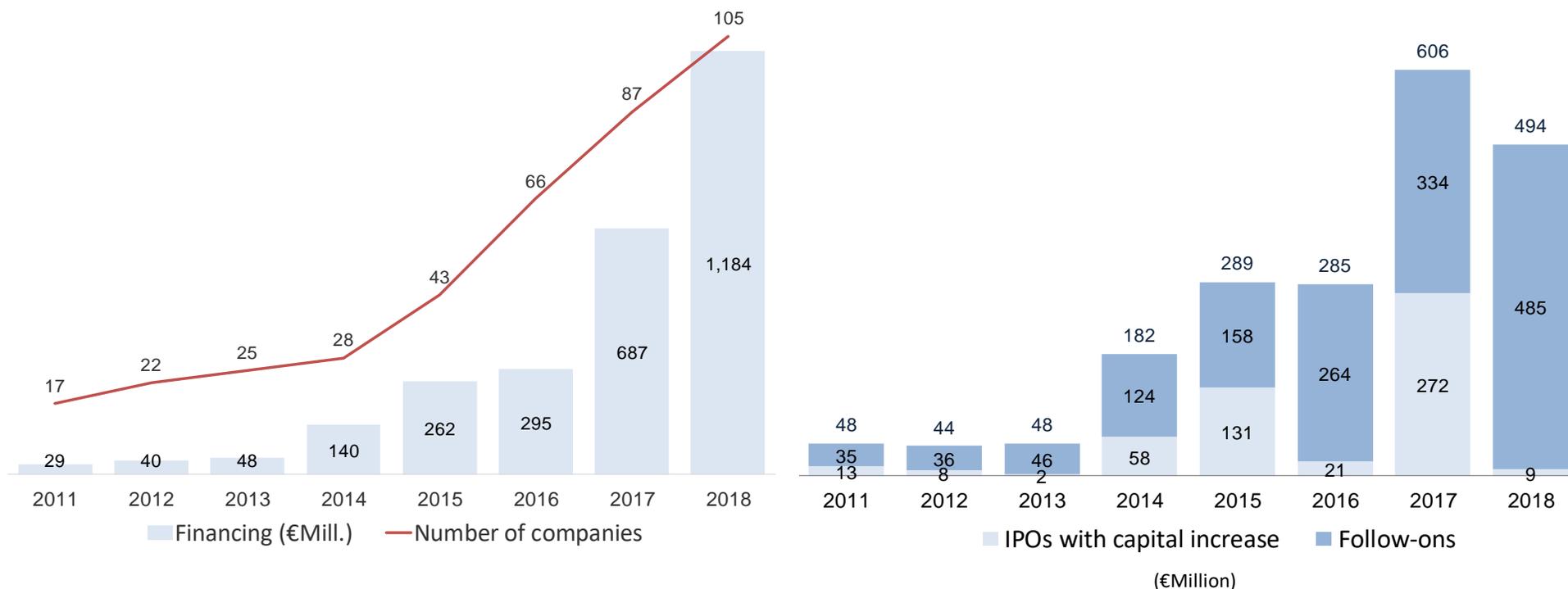


Source: Market data

STRUCTURAL FRAMEWORK. MARKET FINANCING

# Alternative Market (MAB)

Financing, number of companies and capital increases

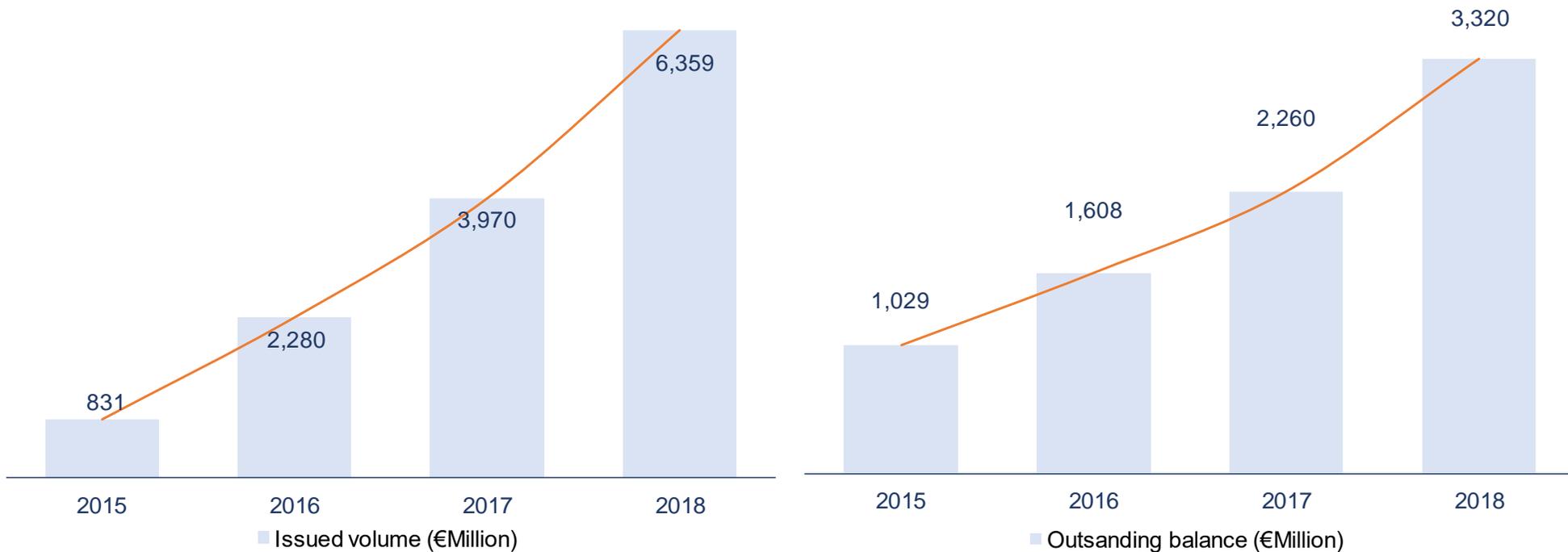


Source: Market data. Growth companies and REITs segments

STRUCTURAL FRAMEWORK. MARKET FINANCING

# Alternative Fixed Income Market (MARF)

Issued volume, outstanding balance



Source: Market data. Growth companies and REITs segments

# Index

Results

Business units

Financials

Structural framework

**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

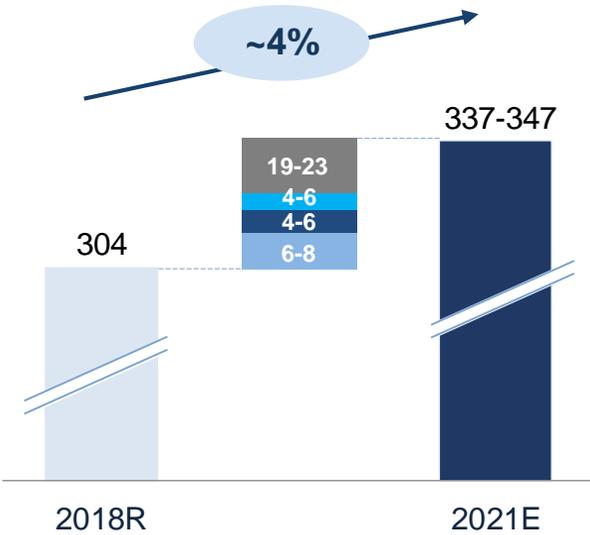
Maintain current dividend policy

Prudent and focused inorganic growth

STRATEGIC PLAN 2019 – 2021

# Main figures

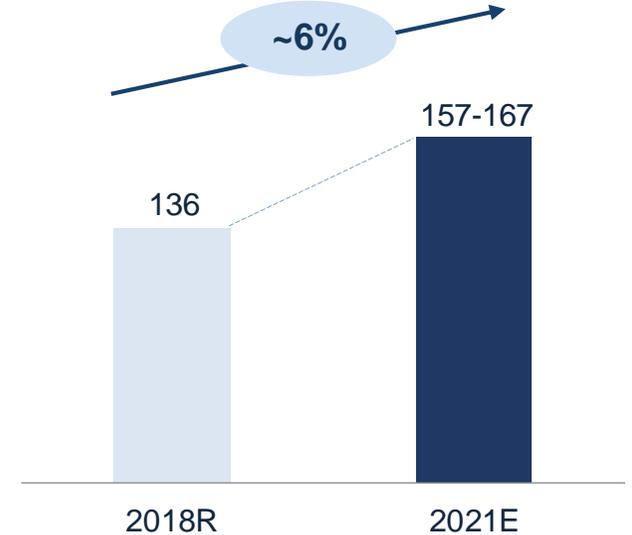
Net revenues, €M



Total costs, €M



Net profit, €M



- ~4% Market
- ~7% Clearing
- ~4% Settlement & Registration
- ~4% Market Data & VAS

... CAGR 2018-21

## 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)

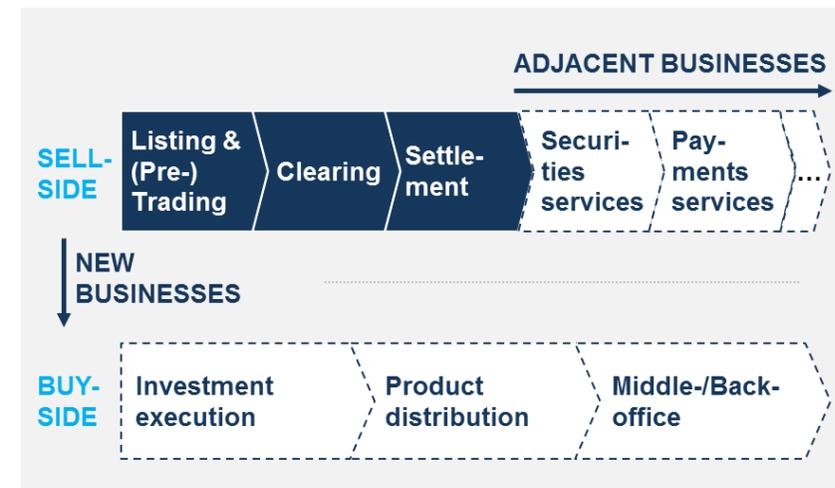
### Commitment to current dividend policy

## 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