



Deutsche Börse Group

Annual report 2020

Excerpt: Report on expected developments

Report on expected developments

The forecast describes Deutsche Börse Group's expected performance for the 2021 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

The Covid-19 pandemic unexpectedly pushed the global economy into an unprecedented recession in 2020, but Deutsche Börse Group expects a significant economic recovery over the forecast period. It will be boosted by government stimulus programmes, ultra-loose monetary policy by central banks worldwide and an increasing number of Covid-19 vaccinations.

Future development of results of operations

Given its diversified business model and multiple sources of revenue and despite the extraordinary macroeconomic environment, 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 acquisitions.

As in previous years, Deutsche Börse Group expects net revenue from secular growth opportunities to increase by at least 5 per cent in the forecast period. The Group is driving this growth through investments. 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 and acquiring new customers. In contrast, the development of business divisions relying on cyclical factors continues to depend mainly on the degree of speculation regarding the future interest rate development and the level of volatility on equities markets. Given the exceptionally high market volatility and US interest rate cuts in the first quarter of 2020, it is very likely that the Group's cyclical net revenue will go down over the forecast period. Acquisitions, particularly the acquisition of Fondcenter AG from UBS on 30 September 2020 and the acquisition of ISS as at 25 February 2021, are expected to deliver additional net revenue. In total the company anticipates net revenue of around €3.5 billion for the forecast period.

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 by a continuous process of improving operating routines. The company expects earnings before interest, tax, depreciation and amortisation (EBITDA) to go up to around €2.0 billion in the forecast period. The Group would then be fully in line with its medium-term growth targets of 10 per cent per year on average for net revenue and EBITDA over the period from 2019 to 2023.

Forecast for results of operations 2021

	Based on 2020 €m	Forecast for 2021 €bn
Net revenue	3,213.9	~3.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,877.7	~2.0

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. With regard to the development of the non-financial performance indicators forecast for 2020, the Group was unfortunately unable to maintain system availability compared with the previous year, which was due to a technical infrastructure failure. Measures taken in this regard promise significantly higher operational reliability in the future. Against this background, the company expects that the availability of the trading systems for the cash and derivatives market will again be at the very high level of previous years in 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 – amongst 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) 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 €3.00 per share to the Annual General Meeting to be held in May 2021. This would represent a cash outflow of about €551 million. 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), and flexible management and planning systems.

Deutsche Börse Group generally aims to distribute dividends equivalent to between 40 and 60 per cent of net profit for the period attributable to the shareholders of Deutsche Börse AG. 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 the Group's inorganic growth. Should the Group be unable to invest these funds, additional distributions, particularly share buy-backs, represent 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. This being the case, 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 become more agile and effective and sharpen its client focus, in order to turn Deutsche Börse into the global market infrastructure provider of choice, with a top ranking in all its business areas. Deutsche Börse Group will endeavour to further expand its secular growth areas, and to increase their contribution to net revenue again by at least 5 per cent. Taking other cyclical and consolidation effects into account, the Executive Board expects net revenue to rise to around €3.5 billion in the forecast period. The Executive Board expects EBITDA to go up to around €2.0 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.

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Publications service

The annual report 2020 is both available in German and English.

The annual report 2020 of Deutsche Börse Group is available as pdf on the internet:

www.deutsche-boerse.com/annual_report

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