

Deutsche Börse

Seeking secular growth augmented with M&A

Deutsche Börse (DB1) is a leading European capital markets infrastructure provider with activities across pre-trading, trading and clearing, and post-trade segments. Its diversity provides resilience to fluctuations in market activity and encompasses a range of faster growing areas that can fuel the secular growth element of its strategy. M&A is also seen as a potential source of additional capability and growth.

A broad market infrastructure business

Deutsche Börse's largest three segments by revenue and EBITDA are Eurex (financial derivatives), which contributed 41% of H120 EBITDA; Clearstream (custody, settlement, collateral management and other post-trade activities), 27%; and Xetra (cash equities), 12%. The remaining c 20% of EBITDA is generated by EEX (spot and derivative commodity markets), 360T (foreign exchange), IFS (international fund services) and Qontigo (indices, including Stoxx and Dax, and portfolio construction and risk analysis tools). By asset class exposure, 50% of revenues are equity or index related, 25% fixed income, 9% commodities, 6% funds and 3% FX, while 7% is accounted for by interest income. Geographically, Europe as a whole accounts for 88% of revenue, including 30% UK and 22% Germany, with 12% arising in the Americas and Asia. Finally, revenue splits 52/48% between transactional and recurring.

Strategy identifies a range of opportunities

The group is due to present its strategy and new mid-term plan for the next three years on 18 November under the title 'Compass 2023'. The group has made it clear that secular growth and M&A will remain as the main pillars of its strategy. When it discusses secular growth, Deutsche Börse refers to opportunities created by regulatory change and new client requirements. Examples include growing demand for exchange-traded rather than over-the-counter transactions, the switch from active to passive investments and the trend towards central clearing. Key segments with opportunities for secular growth are Eurex, EEX, 360T, IFS and Qontigo. The group looks closely at many M&A opportunities and seeks to exercise price discipline.

Undemanding valuation versus major peers

Deutsche Börse trades on prospective P/E multiples that are below the average for large exchange peers. Given its diversified business model, strong market positions and growth potential in a number of areas, this does not appear demanding.

Edison estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/18	2,770	1,412	4.46	2.70	32.4	1.9
12/19	2,936	1,537	5.47	2.90	26.5	2.0
12/20e	3,213	1,641	6.24	3.15	23.2	2.2
12/21e	3,351	1,707	6.65	3.30	21.8	2.3

Source: Deutsche Börse, Refinitiv collected consensus estimates

Financial services

19 October 2020

Price €144.7
Market cap €27bn

Share price graph



Share details

Code	DB1
Shares in issue	183.4m
Net debt/annualised EBITDA	0.8

Business description

Deutsche Börse is a major European financial markets infrastructure provider with ambitions for global growth. Its operations cover the full capital markets value chain and are managed in seven business segments including: financial derivatives (Eurex), commodities (EEX), foreign exchange (360T), post-trade services (Clearstream), investment fund services (IFS), indices and analytics (Qontigo), and cash equities (Xetra).

Bull

- A well-established leading position in European derivatives.
- A number of business areas with high growth prospects.
- Diversification across trading, pre- and post-trading activities.

Bear

- Subject to capital market cyclicality.
- Delivery of secular growth element of strategy carries risk.
- Some pricing and execution risk attached to M&A.

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