

Deutsche Börse AG

Financials

A new growth programme

Deutsche Börse's new CEO has launched a growth programme called 'Accelerate' to boost the company's revenue and profits after several years of stagnant financial performance. His programme envisages significant changes to the group's day-to-day operations as well making cost savings of around €50m per year. In July it raised its net income forecast for 2015 by around 7% after a strong H1 performance and has set ambitious targets for 2018. It promises to continue paying attractive dividends and the shares currently offer a 2.6% yield.

Accelerate

The group's new growth initiative involves fundamental changes in the day to day operations of the company. It involves changes to the group's sales organisation, to its performance measure and incentivisation, to its selection of growth markets, its M&A programme and its capital allocation. It could significantly improve the company's prospects by building on its already strong market positions.

Bolt-on acquisitions

Deutsche Börse has recently engaged in two M&A actions: purchasing an FX trading platform, 360T, for €725m in July 2015 and fully acquiring the index providers, STOXX and Indexium, for CHF650m in the same month. The former expands the company's reach into a new large asset class and the latter will enable the company to benefit from the trend towards passive investment, with funds paying to use its indices.

Guidance for 2018

Deutsche Börse's new CEO has also targeted annual revenue increases of between 5-10% per year to 2018 and operating profit increases of 10-15% per year in that period. These targets, which depend on market conditions remaining broadly favourable, show the new CEO's intention to transform the company's financial performance.

Valuation: Yield premium

Consensus forecasts show Deutsche Börse's P/E ratios for 2015 and 2016 are around 18% lower than the other large international financial marketplace operators. Its yield is around 10% higher. If the company delivers on its 'Accelerate' programme, this valuation gap may close.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/13	2,217	668.1	2.60	2.10	31.9	2.5
12/14	2,404	963.4	4.14	2.10	20.0	2.5
12/15e	2,604	1,058.6	4.20	2.19	21.0	2.6
12/16e	2,783	1,217.1	4.70	2.30	17.7	2.8

Source: Company data, Thomson Reuters

Price €82.90

Market cap €16bn

Share price graph



Share details

Code	DB1
Shares in issue	193m
Net debt (€m) at 30 June 2015	188.2*
*adjusted for banking activities.	

Business description

Deutsche Börse is a Germany-based international financial marketplace operator. It offers electronic trading systems for buying and selling securities on stock exchanges in Europe. It operates four business segments: Xetra, Eurex, Clearstream and Market Data & Services.

Bull

- 'Accelerate' programme to transform the company's day-to-day operations and lead to higher revenue and profits.
- Structural growth initiatives and potentially cyclical upswing.
- c 2.8% dividend yield, strong balance sheet and active capital management.

Bear

- Regulatory change.
- Low interest rates.
- 'Accelerate' programme could be a stretch to achieve.

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