



# 2Q19 EARNINGS PRESENTATION

August 9<sup>th</sup>, 2019

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## 2Q19 highlights

<i>R\$ millions</i>	2Q19	2Q19 / 2Q18 (%)
Total revenue	1,579.9	14.0%
Listed	1,016.8	18.2%
OTC	218.6	-8.5%
Infrastructure for financing	163.2	35.8%
Technology, data and services	181.3	8.7%
Net revenue	1,421.1	13.6%
Adjusted expenses <sup>1</sup>	(249.9)	5.3%
Recurring EBITDA <sup>1</sup>	999.1	2.9%
<i>Recurring EBITDA margin<sup>1</sup></i>	<i>70.3%</i>	<i>-735 bps</i>
Financial Result	55.6	-197.3%
Recurring net income <sup>2</sup>	785.4	-8.5%

## Highlights

### Volumes

- ADTV of R\$14.7 billion in the cash equities market
- ADV of 3.9 million contracts in the listed FICC market

### Expansion of individual investor base

- 1.1 million of investors in equities and 1.0 million in Treasury Direct
- Incentives granted for the distribution channel (brokers)

### Adjusted expenses guidance revised

- Inclusion of expenses of BLK and Portal de Documentos

### Capital structure and payout

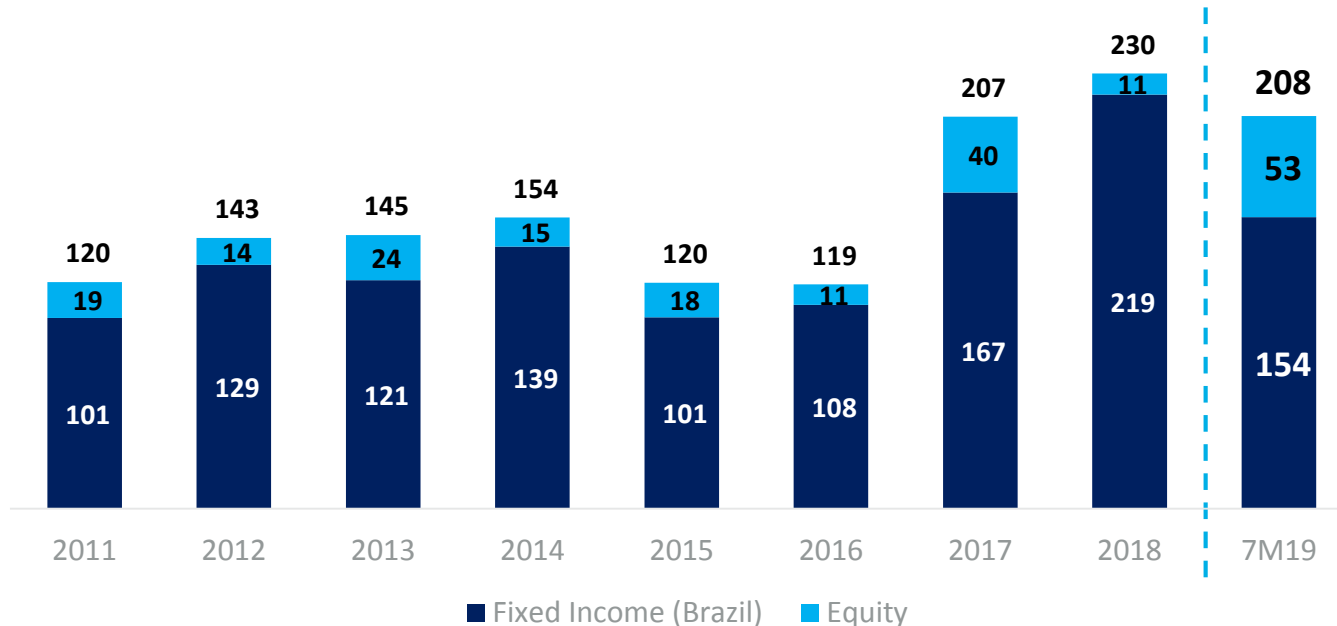
- 2019 Guidance of 1.5x Gross Debt / recurring LTM EBITDA and payout ratio of 120% - 150% of IFRS net income reaffirmed

### Strong local capital market activity

- R\$208 billion raised through equity and debt in 7M19

# Strong local capital market activity

(R\$ billions)<sup>1</sup>



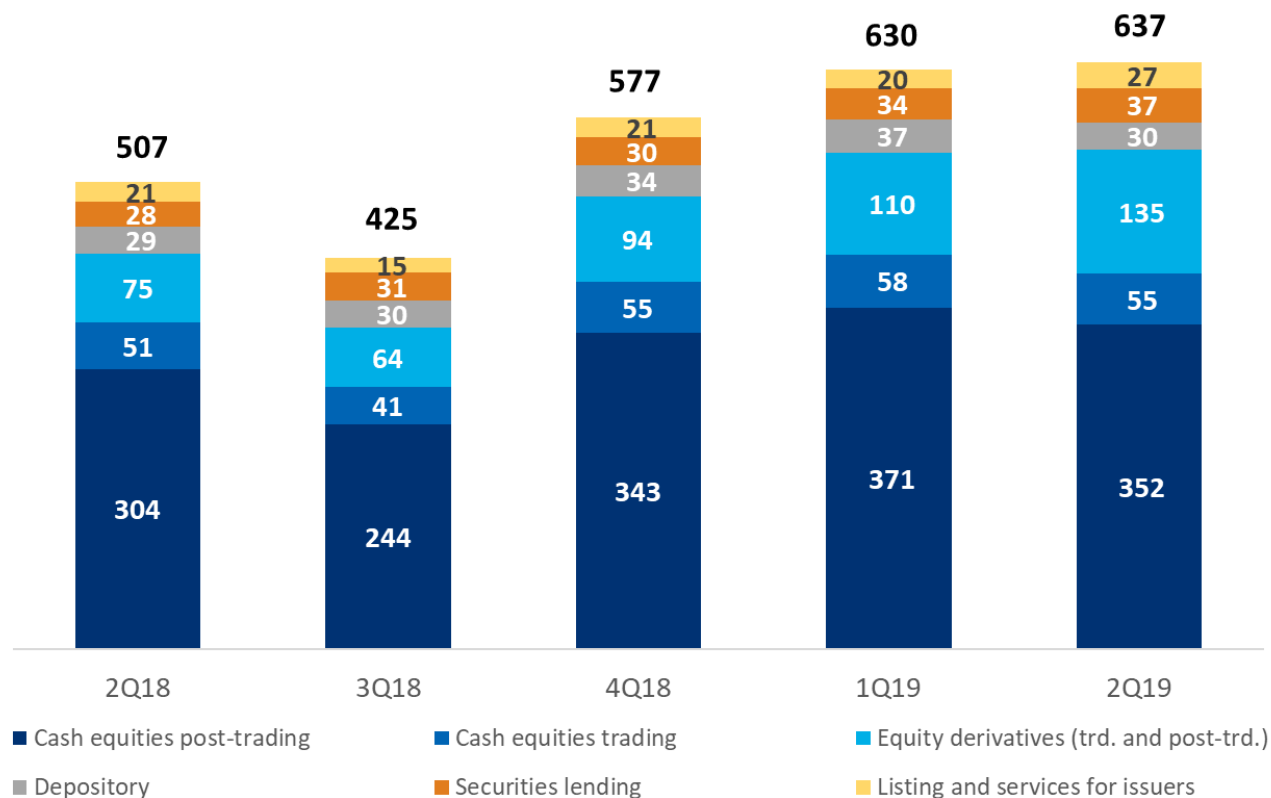
## Increased relevance of local capital markets in financing Brazilian companies

- Decrease in interest rates in Brazil
- Investors seeking for greater diversification in investments
- Decrease in the amount of disbursement by BNDES and other state-owned banks
- Signs that Brazilian companies and groups are more open to revise their ownership and capital structures

# Performance by segment

Listed – equities (40.3% of total B3 revenues)

Revenue (R\$ millions)



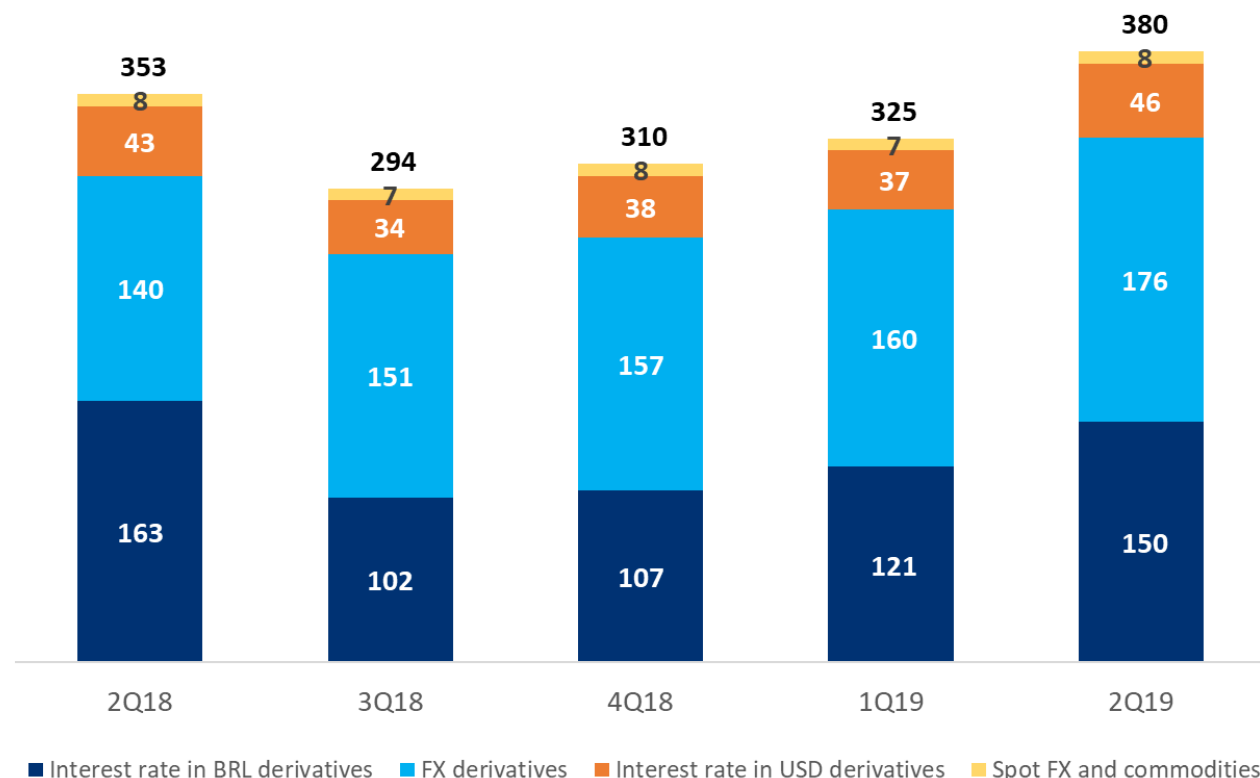
Performance (vs 2Q18): **+25.6%**

- Increase of 22.1% in the ADTV
  - Growth of 15.7% in the average market capitalization
  - Turnover velocity of 95.2% (89.0% in 2Q18)
  
- Increase of 109.4% in the ADV of Stock Indices future contracts
  
- Incentives granted to brokers for the expansion of clients in the depository (see details on slide 10)
  
- Revenue from services offered to issuers propelled by the increase in public offerings

## Performance by segment (cont.)

Listed – FICC (24.0% of total B3 revenues)

Revenue (R\$ millions)



Performance (vs 2Q18): **+7.6%**

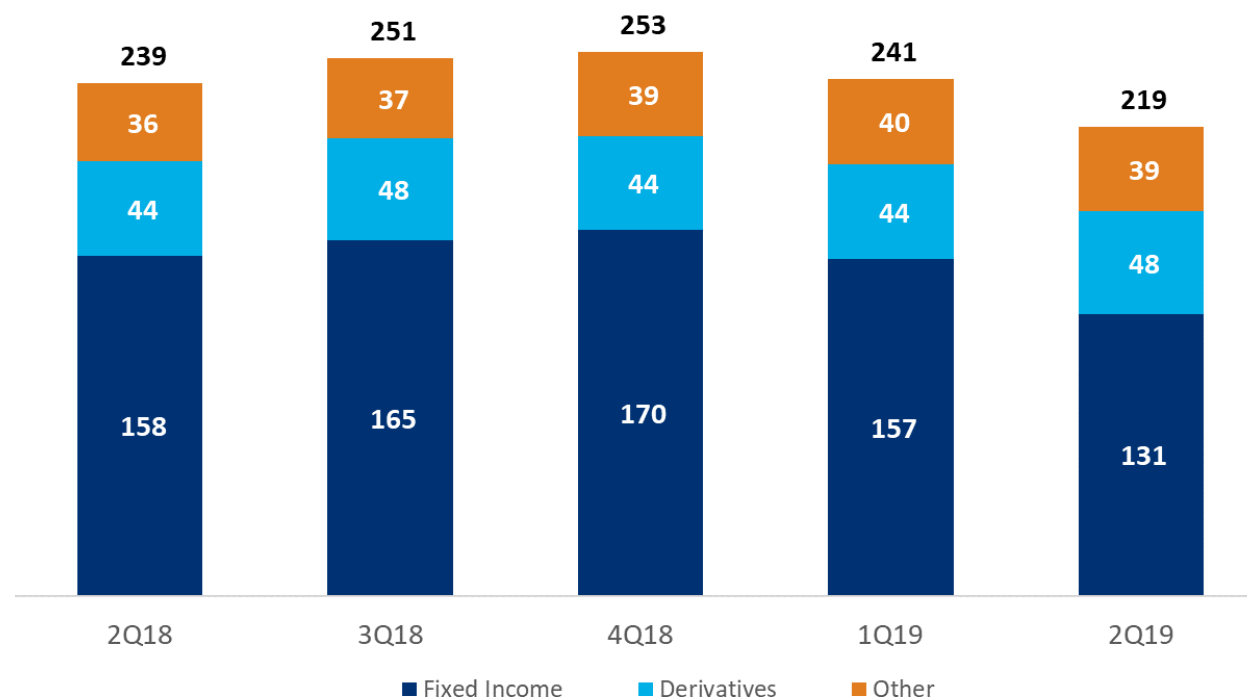
- Interest rates in BRL
  - Growth in the ADV concentrated in options; negative impact on RPC, given that options have lower RPC than average
- FX related contracts
  - Positive impact from the appreciation of the US Dollar on the average RPC of Interest Rates in USD, FX Rates and Commodities<sup>1</sup>

<sup>1</sup> The average RPC of FX Rate and Interest Rate in USD contracts in 2Q19 takes into account the average PTAX closing price at the end of Mar/19, Apr/19 and May/19 (R\$3.93), while the average RPC for 2Q18 takes into account the average PTAX closing price at the end of Mar/18, Apr/18 and May/18 (R\$ 3.51).

## Performance by segment (cont.)

### OTC (13.8% of total B3 revenues)

Revenue (R\$ millions)



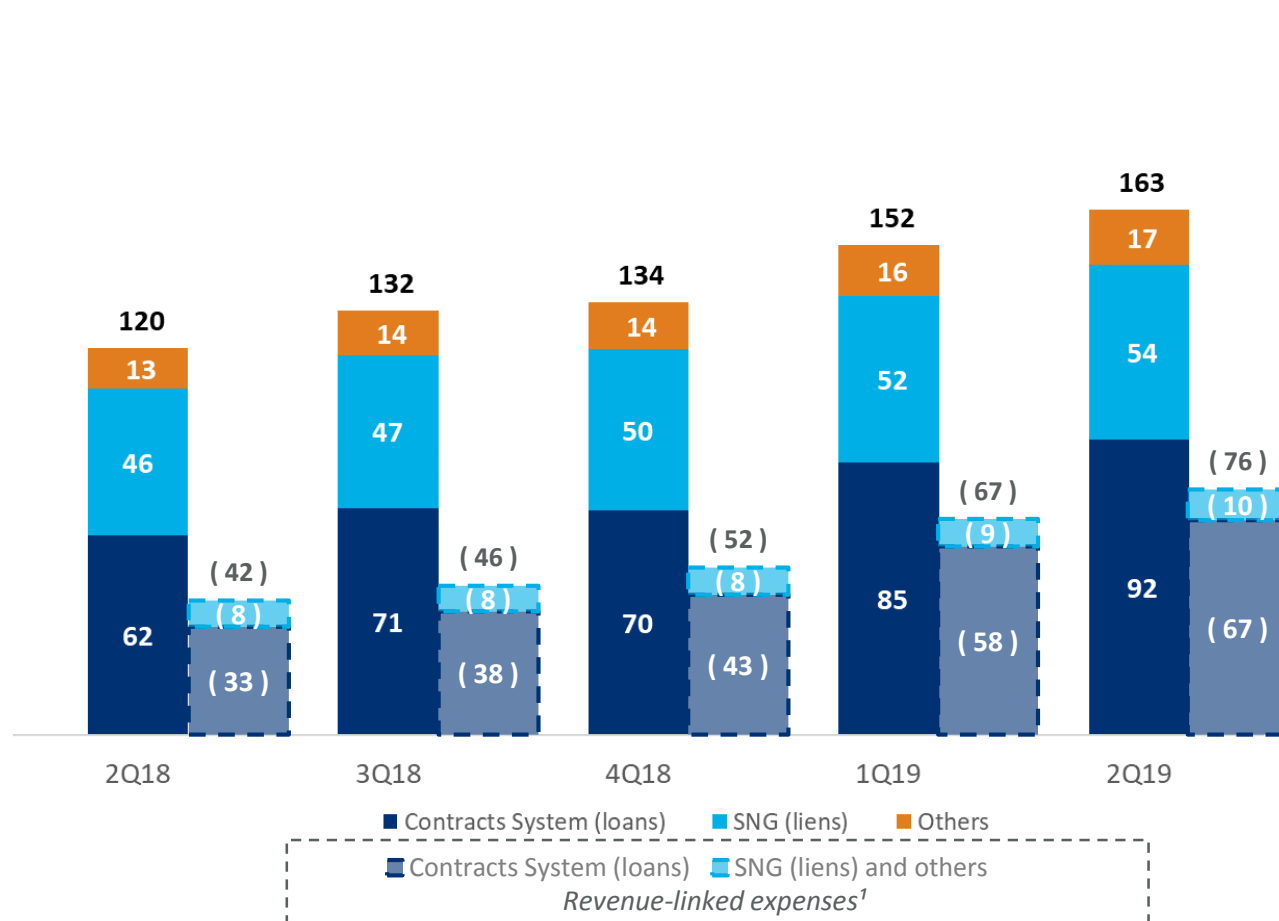
### Performance (vs 2Q18): **-8.5%**

- Fixed Income
  - Growth in the volume of bank funding instruments
  - Increase in issuances of corporate debt offset by redemption of debentures issued by leasing companies<sup>1</sup>
  - Incentives granted to brokers for the expansion of clients in Treasury Direct, with negative impact on revenues in the short-term (see details on slide 10)
  
- Derivatives
  - Increase in the volume of new registrations and outstanding positions, mainly due to contracts related to FX Rates

# Performance by segment (cont.)

## Infrastructure for financing (10.3% of total B3 revenues)

Revenue (R\$ millions)



## Performance (vs 2Q18): +35.8%

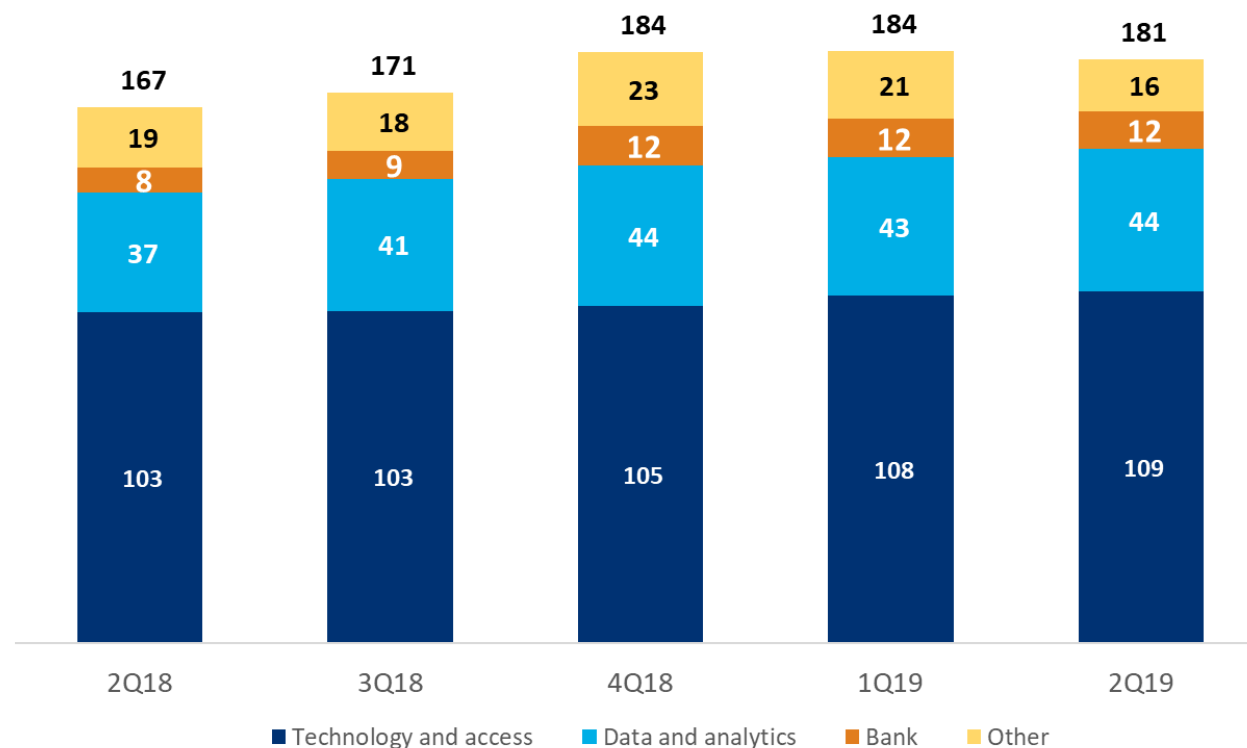
- National Liens System (SNG)
  - 11.0% growth in the number of financed vehicles
- Contracts System
  - Interruption in Paraná state in Oct'18
  - Services resumed in Minas Gerais and Piauí states in May'19, with adjustments to the business model (service segmentation and price adjustments<sup>2</sup>)
  - Changes in the business model and regulation in other states should continue to impact revenues and expenses in the upcoming quarters
- Other
  - Acquisition of Portal de Documentos<sup>3</sup> should positively impact revenue in the coming quarters, but also add expenses



## Performance by segment (cont.)

Technology, data and services (11.5% of total B3 revenues)

Revenue (R\$ millions)

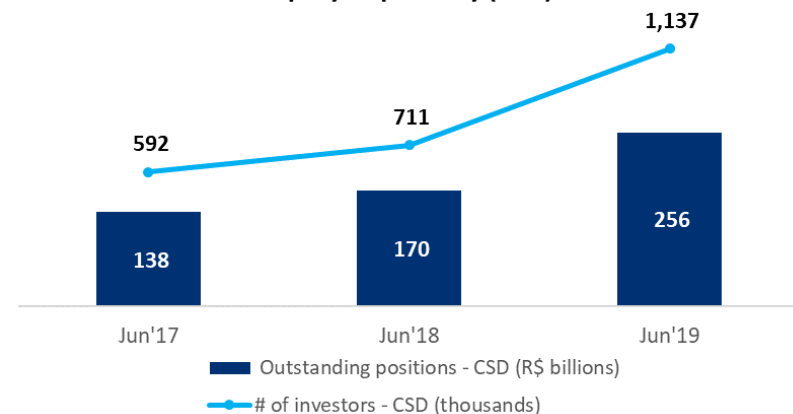


Performance (vs 2Q18): **+8.7%**

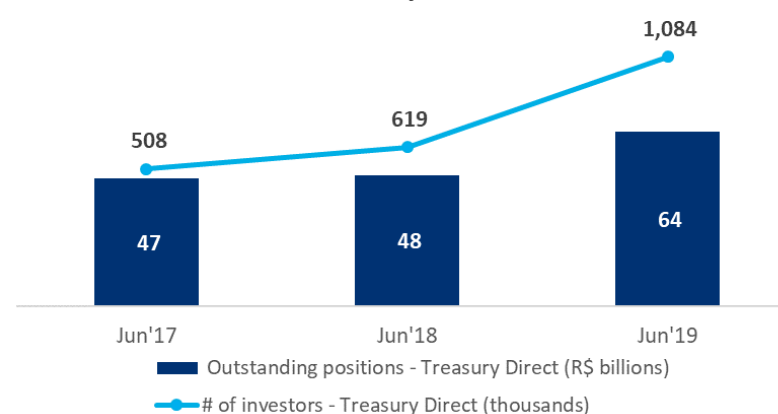
- Technology and access
  - Increase in the number of clients in the OTC segment (entry of credit unions)
- Data and *analytics*
  - Positive impact from the appreciation of the US Dollar against the Real (57.8% of this revenue is linked to the US Dollar)
  - Increase in the client base

# Expansion of the individual investor base

Equity depository (CSD)

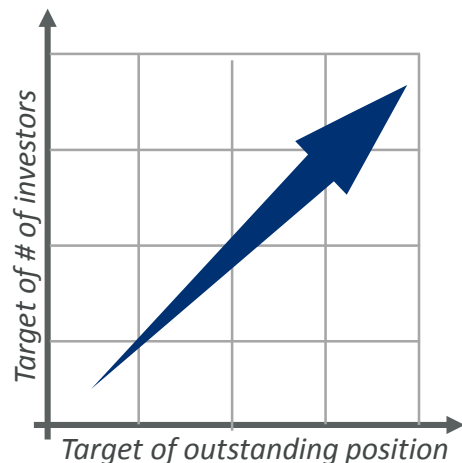


Treasury Direct



## Diversification and sophistication of investments of individual investors

- Low interest rates environment
- Brokerage firms working in prospecting and educating clients
- B3's role in financial education and incentives

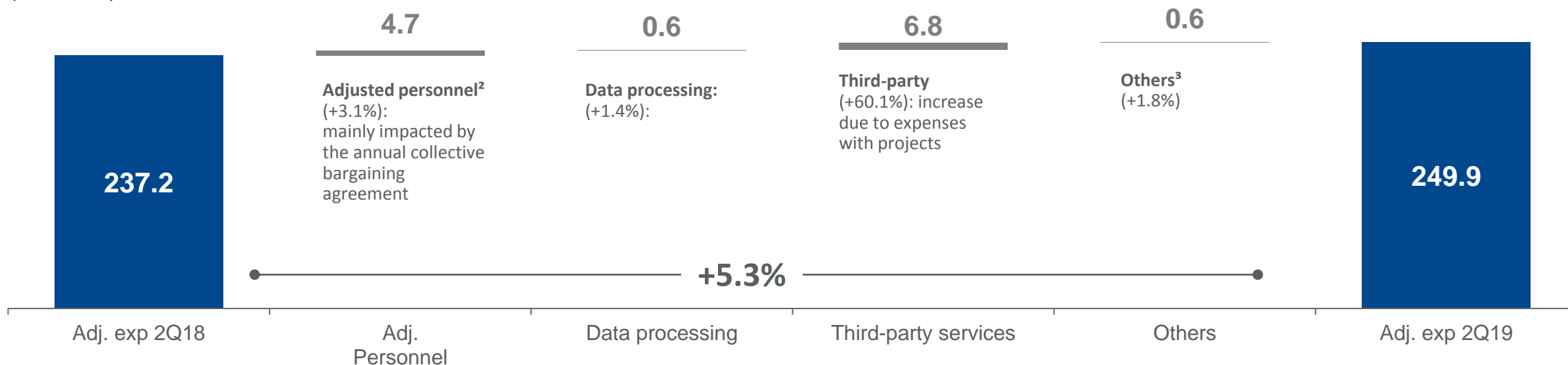


## B3 Incentive Programs

- ✓ Recognize and reward brokerage firms for their work and share benefit of market growth
  - Leverage client base expansion
  - Treasury Direct is relevant to attract new clients to brokerage firms and B3 (entry product)
- ✓ Rebates/bonuses for reaching growth targets
  - Depository: R\$14.7 MM in 2Q19 and R\$21.4 MM in 1H19
  - Treasury Direct: R\$43.1 MM in 2Q19 and R\$58.8 MM in 1H19
- ✓ Programs revised every six months

# Adjusted expenses<sup>1</sup>

(R\$ millions)

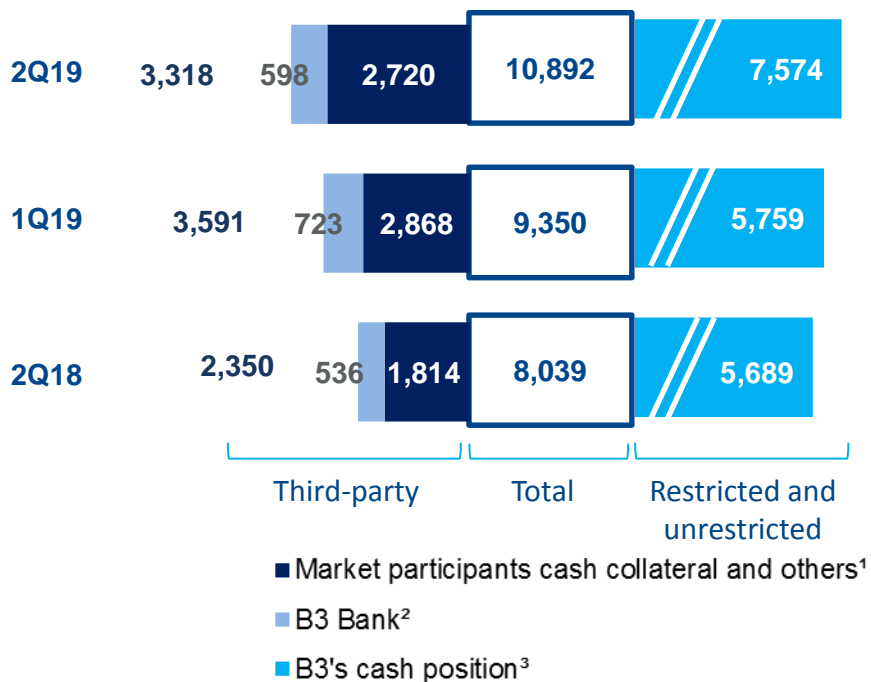


(in R\$ millions and % of total adjusted expenses)

2Q19	154.7 (61.9%)	43.9 (17.6%)	18.1 (7.2%)	33.2 (13.3%)
2Q18	150.0 (63.2%)	43.3 (18.3%)	11.3 (4.8%)	32.6 (13.7%)

# Financial highlights

## Cash and Financial Investments (R\$ millions)



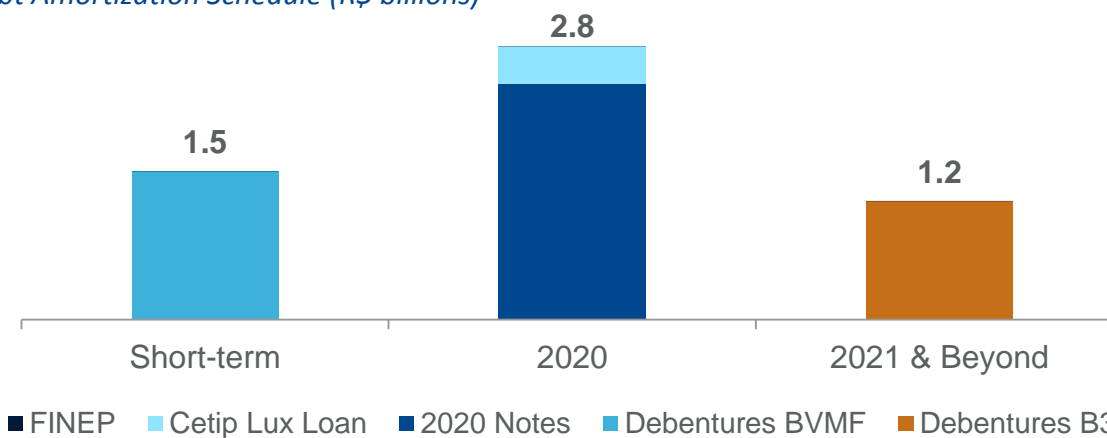
- B3's cash supports clearing activities and general corporate needs. Includes R\$601.2 million in IoC and dividends already paid on Jul'19
- Third-party cash of R\$3.3 billion is not considered as B3's own cash, but the Company earns interest on most of this cash balance

## Financial Leverage and Debt Schedule

### Financial Leverage (R\$ millions)

(in R\$ millions)		2Q19
Gross debt		5,485
Recurring EBITDA (LTM)		3,655
Financial leverage		1.5x

### Debt Amortization Schedule (R\$ billions)



- 2019 guidance: financial leverage of up to 1.5x Gross Debt / Recurring LTM EBITDA; and payout ratio between 120% and 150% of IFRS net income
- R\$1,2 bn from issuance of debentures in May'19

# Appendix

# Financial Statements

## Adjusted expenses reconciliation (R\$ million)

Adjustments to expenses	2Q19	2Q18	2Q19/2Q18 (%)	1Q19	2Q19/1Q19 (%)	1H19	1H18	1H19/1H18 (%)
<b>Expenses</b>	<b>(679.5)</b>	<b>(531.6)</b>	27.8%	<b>(665.0)</b>	2.2%	<b>(1,344.5)</b>	<b>(1,134.4)</b>	18.5%
(+) Depreciation and amortization	257.6	237.2	8.6%	257.6	0.0%	515.1	473.3	8.8%
(+) Long term stock based compensation	37.9	13.8	175.6%	52.5	-27.8%	90.5	48.7	85.9%
(+) Expenses related to the combination with Cetip	-	15.0	-	-	-	-	30.0	-
(+) Provisions (recurring and non-recurring)	48.8	(18.5)	-364.0%	48.4	0.7%	97.2	31.2	211.2%
(+) Revenue-linked expenses	85.4	46.8	82.2%	74.9	14.0%	160.3	89.3	79.5%
<b>Adjusted expenses</b>	<b>(249.9)</b>	<b>(237.2)</b>	5.3%	<b>(231.6)</b>	7.9%	<b>(481.5)</b>	<b>(461.9)</b>	4.2%

## EBITDA reconciliation (R\$ million)

	2Q19	2Q18	2Q19/2Q18 (%)	1Q19	2Q19/1Q19 (%)	1H19	1H18	1H19/1H18 (%)
<b>EBITDA</b>	<b>999.1</b>	<b>956.2</b>	4.5%	<b>970.8</b>	2.9%	<b>1,969.9</b>	<b>1,701.3</b>	15.8%
(+) Expenses related to the combination with Cetip	-	15.0	-	-	-	-	30.0	-
<b>Recurring EBITDA</b>	<b>999.1</b>	<b>971.2</b>	2.9%	<b>970.8</b>	2.9%	<b>1,969.9</b>	<b>1,731.4</b>	13.8%
<i>Recurring EBITDA margin</i>	70.3%	77.7%	-735 bps	70.4%	-13 bps	70.4%	73.3%	-292 bps

# Financial Statements

## Net income reconciliation (R\$ million)

	2Q19	2Q18	2Q19/2Q18 (%)	1Q19	2Q19/1Q19 (%)	1H19	1H18	1H19/1H18 (%)
<b>Net income (attributable to shareholders)</b>	<b>654.8</b>	<b>724.4</b>	-9.6%	<b>606.2</b>	8.0%	<b>1,261.0</b>	<b>1,039.2</b>	21.3%
(+) Expenses related to the combination with Cetip	-	9.9	-	-	-	-	19.8	-
(+) Amortization of intangibles from combination with Cetip	130.6	123.5	5.7%	130.3	0.2%	260.9	247.1	5.6%
<b>Recurring net income</b>	<b>785.4</b>	<b>857.8</b>	-8.5%	<b>736.5</b>	6.6%	<b>1,521.9</b>	<b>1,306.1</b>	16.5%
(+) Deferred Tax (goodwill from Cetip combination)	119.6	119.6	0.0%	119.6	0.0%	239.3	239.3	0.0%
<b>Recurring net income adjusted by goodwill tax benefit</b>	<b>905.0</b>	<b>977.5</b>	-7.4%	<b>856.1</b>	5.7%	<b>1,761.1</b>	<b>1,545.3</b>	14.0%