



BATS GLOBAL MARKETS (BATS)

THE LITTLE ENGINE THAT COULD

May 13th, 2016

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PLEASE SUBMIT QUESTIONS* TO

QA@HEDGEYE.COM

**ANSWERED AT THE END OF THE CALL*

WHAT IS AN EXCHANGE COMPANY?



Financial Technology company that manages the trading systems that facilitate the trading of various asset classes

Revenues

Clearing and transaction fees

Market data and information services ..

Access and communication fees

Other

Total Revenues

Matches Buyer and Seller on an agency basis and charges a transaction/clearing fee

Charges market participants for data associated with the markets transacted in

Charges fees related to accessing their technology systems and other communication related charges

Expenses

Compensation and benefits

Communications

Technology support services

Professional fees and outside services

Generally fixed in nature as there is little incremental cost with processing additional transactions

EXCHANGE PROFITABILITY IS TOP OF THE TABLES

	Exchange Sector Avg.	Asset Management Avg.	Broker Dealer Sector Avg.	S&P 500 Index Avg.
Operating Margin	54.3%	37.8%	14.9%	12.9%
Profit Margin	37.0%	28.0%	10.1%	8.9%
EDITDA Margin	64.8%	41.2%	28.4%	18.1%
Net Debt/EBITDA	1.2x	0.9x	4.1x	1.8x
Free Cash Flow Yield	6.5%	6.3%	NA	4.6%
Dividend Yield	1.9%	2.1%	1.3%	1.9%



THE UNDERLYING MARKETS ARE MASSIVE WITH BILLIONS TRANSACTED PER DAY – GLOBAL EXCHANGES ARE VITALLY IMPORTANT COMPANIES

Bank of
International
Settlements Daily
Turnover Value in
USD



EXCHANGE	JAN-DEC 2015	JAN-DEC 2014	% CHANGE
1 CME Group	3,531,760,591	3,442,770,984	2.6%
Chicago Mercantile Exchange	1,749,610,948	1,776,004,327	-1.5%
Chicago Board of Trade	1,196,933,143	1,171,487,756	2.2%
New York Mercantile Exchange	585,216,500	495,278,901	18.2%
2 National Stock Exchange of India	3,031,892,784	1,880,363,732	61.2%
3 Eurex	2,272,445,891	2,097,975,470	8.3%
Eurex	1,672,658,058	1,490,541,824	12.2%
International Securities Exchange	482,171,761	481,279,337	0.2%
International Securities Exchange Gemini	117,616,072	126,154,309	-6.8%
4 Intercontinental Exchange	1,898,810,416	2,215,559,295	-9.8%
ICE Futures Europe	901,659,951	933,019,034	-3.4%
NYSE Arca	381,515,438	438,869,148	-13.1%
ICE Futures U.S.	365,433,350	364,250,670	0.3%
NYSE Amex	344,463,910	473,742,797	-27.3%
ICE Futures Canada	5,720,023	5,676,345	0.8%
ICE Futures Singapore ¹	17,744	1,301	1263.9%
5 Moscow Exchange	1,659,441,584	1,413,222,196	17.4%
6 BM&FBovespa	1,358,592,857	1,420,479,205	-4.4%
Bolsa de Mercadorias & Futuros	692,726,202	630,384,723	9.9%
Bolsa de Valores de Sao Paulo	665,866,655	790,094,482	-15.7%
7 CBOE Holdings	1,173,934,104	1,325,391,523	-11.4%
Chicago Board Options Exchange	1,043,031,630	1,193,388,385	-12.6%
C2 Exchange	79,226,943	81,387,833	-2.7%
CBOE Futures Exchange	51,675,531	50,615,305	2.1%
8 Dalian Commodity Exchange	1,116,323,375	769,637,041	45.0%
9 Zhengzhou Commodity Exchange	1,070,335,606	676,343,283	58.3%
10 Shanghai Futures Exchange	1,050,494,146	842,294,223	24.7%
11 Nasdaq	1,045,646,992	1,147,450,449	-8.9%
Nasdaq PHLX	623,514,666	617,770,938	0.9%
Nasdaq Options Market	286,845,485	386,177,089	-25.7%
Nasdaq Nordic Markets	99,990,848	91,799,475	8.9%
Nasdaq Boston	31,496,313	31,590,712	-0.3%
Nasdaq Commodities	3,013,883	1,708,870	76.4%
Nasdaq NLX	785,697	18,403,365	-95.7%
12 Korea Exchange	794,935,326	677,765,128	17.3%
13 BSE	614,894,523	754,992,572	-18.6%
BSE	614,894,523	730,173,169	-15.8%
United Stock Exchange of India ²	0	24,819,403	NA
14 JSE Securities Exchange	488,515,983	299,742,584	63.0%
15 BATS Exchange	397,881,184	201,985,667	97.0%
BATS Exchange	396,415,424	201,985,667	96.3%
EDGX Options Exchange ³	1,465,760	NA	NA

THE VITALS ON THE RECENT IPO OF BATS GLOBAL MARKETS (BATS)

Name:		Bats Global Markets
Ticker:		BATS
Market Cap \$MM	\$	2,400
TMM Revenues \$MM	\$	413
EBITDA Margin		67%
Dividend Yield		1.3%
Short Interest as a % of Float		NA
Insider Ownership		70.0%
Cash balance \$MM	\$	77
Long Term Debt \$MM	\$	552
Annual Free Cash Flow \$MM	\$	144

Last 5 Years

5

New Markets

+32%

Total Net
Revenue CAGR

+12%

Organic Net
Revenue CAGR

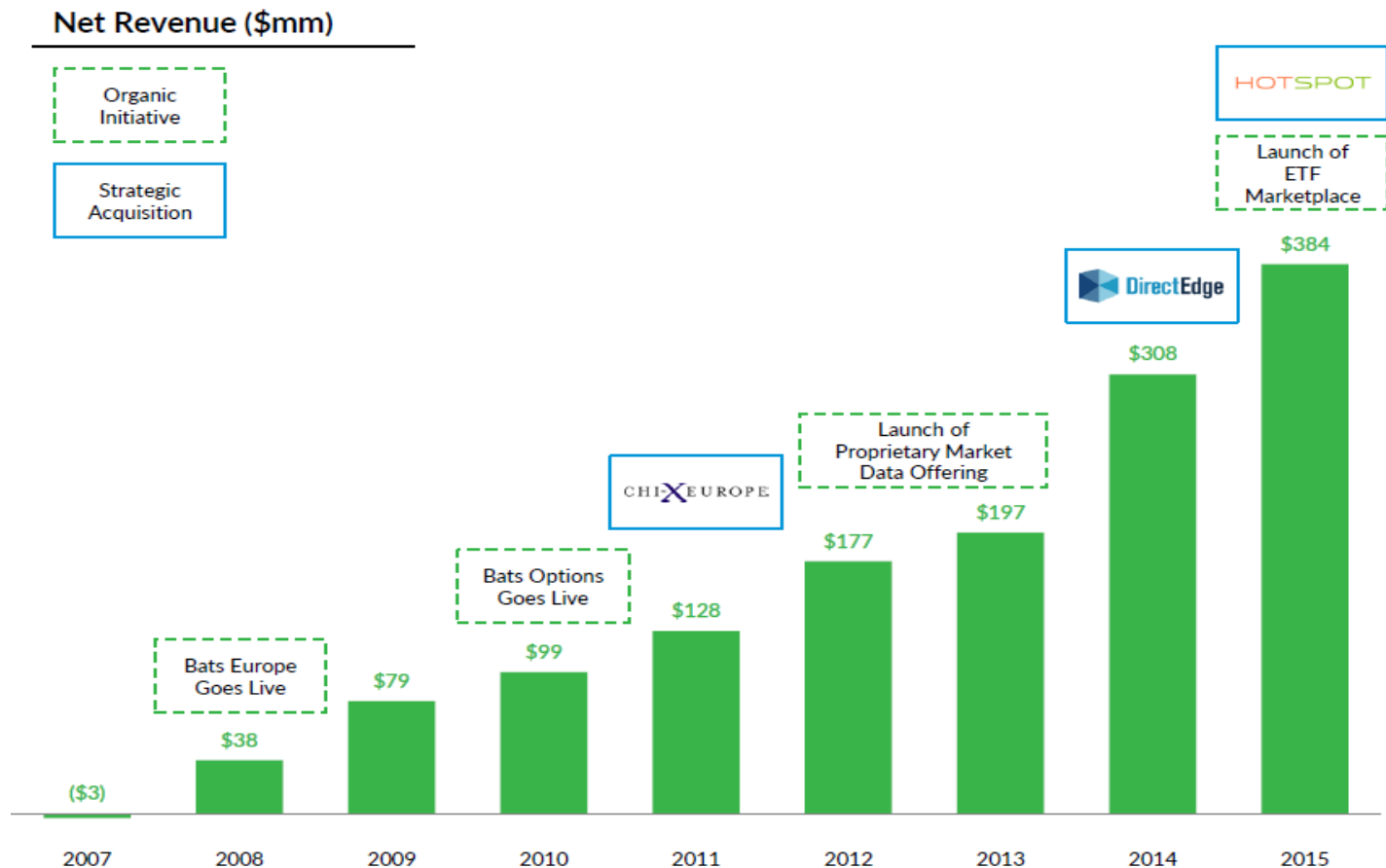
+41%

Normalized
EBITDA CAGR

+14 % pts

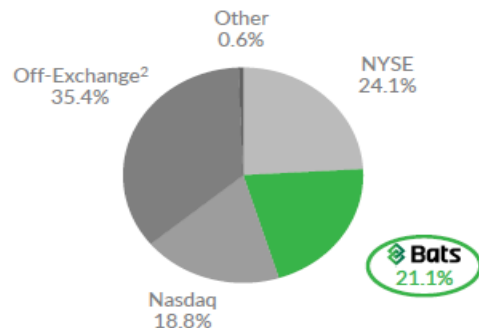
Normalized
EBITDA Margin

THE BUILDOUT OF THE COMPANY'S PRODUCT SUITE

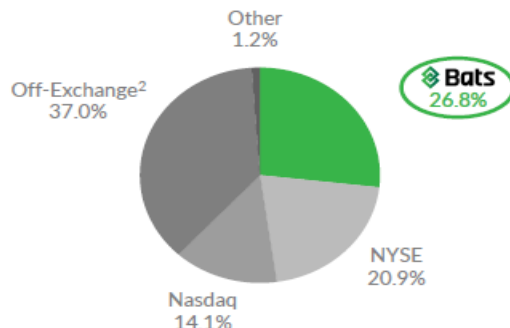


TOP POSITIONING IN SEVERAL IMPORTANT MARKETS NOW

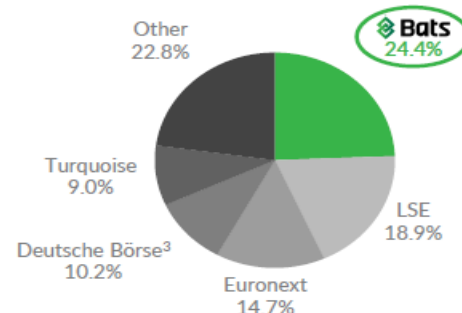
U.S. Equities Market Share¹



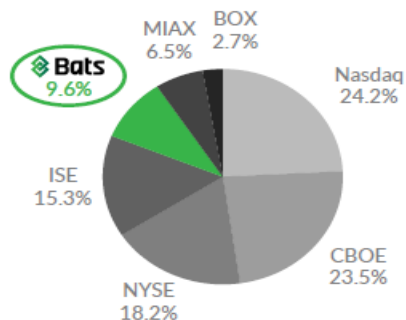
U.S. ETF Market Share¹



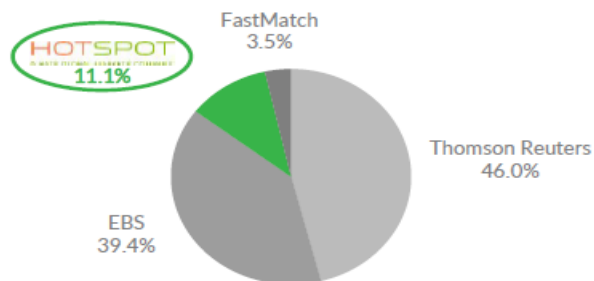
European Equities Market Share^{1,3}



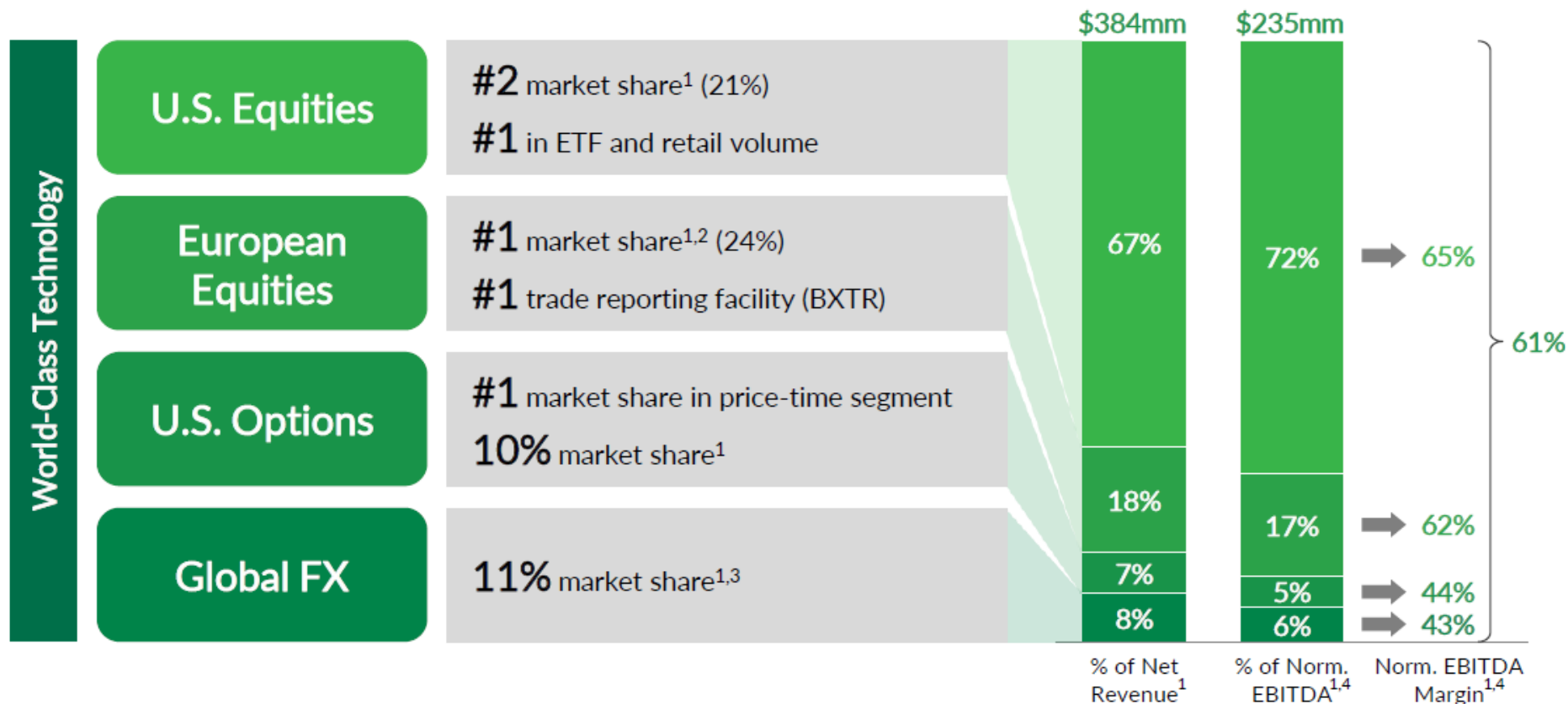
U.S. Options Market Share¹



Global FX Market Share^{1,4}



UNPARALLELED PROFITABILITY



THE LITTLE ENGINE THAT COULD – A LONG POSITION

1

PERVERSELY RECESSIONS ARE BEST

While investors are in love with growth, counterintuitively recessions or phase transitions from growth to economic declines are boons for the exchange sector. Volatility rises substantially late cycle and the onset of recession is a very profitable time for the sector.

2

MIND YOUR EXPOSURES

Another hallmark of economic declines is the consistent rise of corporate credit spreads over Treasury, however with the highest ROIC in Financials and as a result the lowest cost of capital, the sector can outperform as a self funding sector.

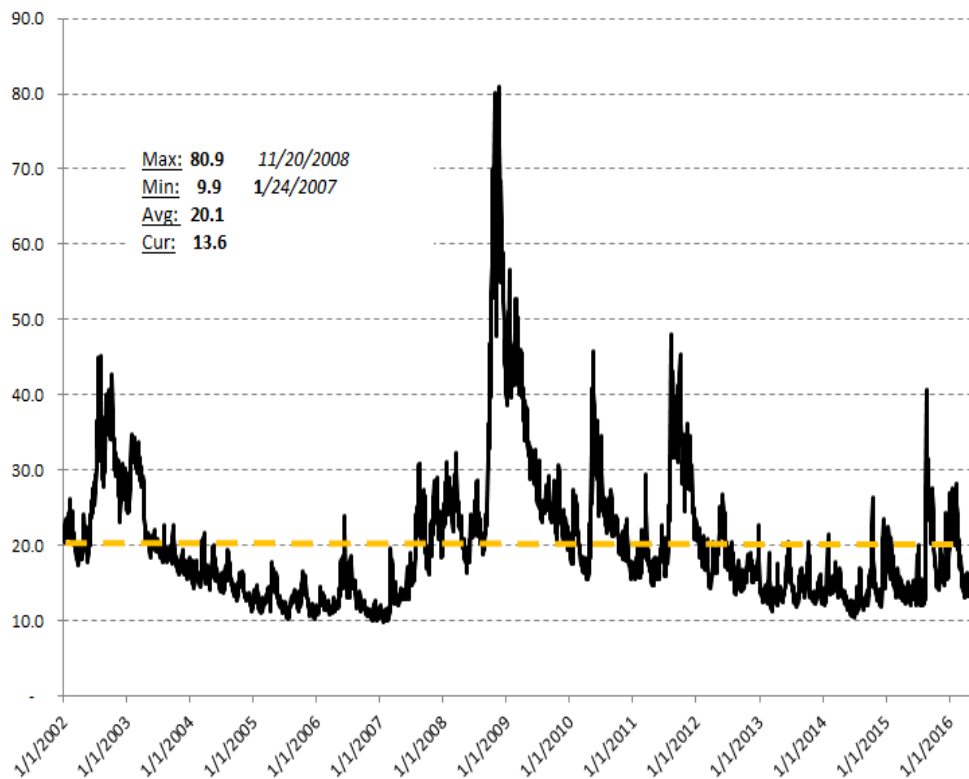
3

NOT BULLISH ENOUGH

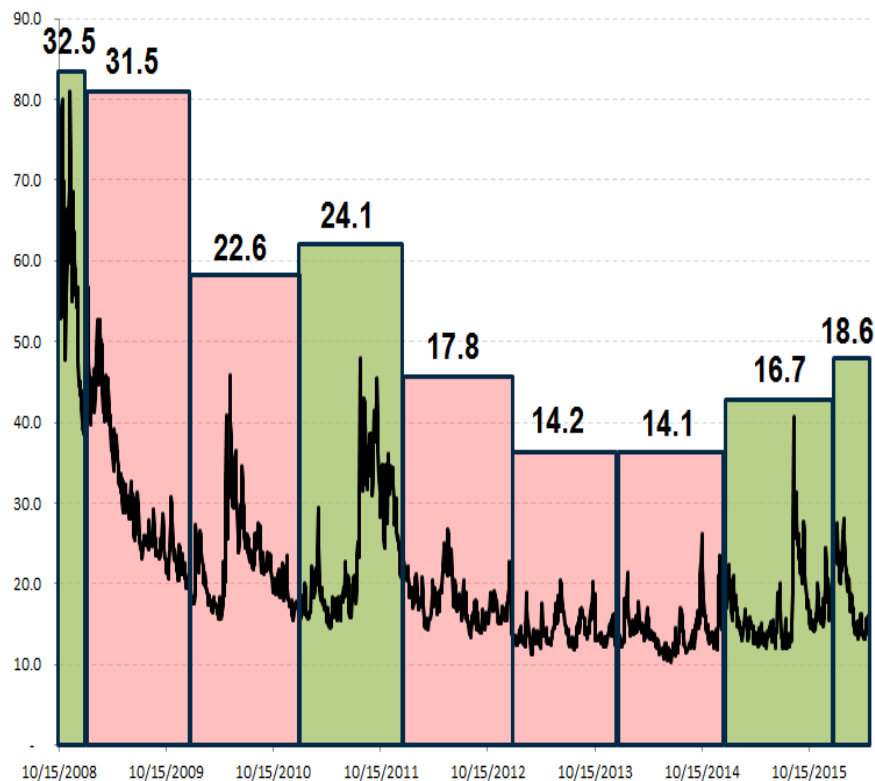
We see substantial opportunity for the exchange in U.S. options and U.S. ETFs as the recent merger of Nasdaq and ISE puts market share up for grabs. We are +10% above consensus for next year and think that relative to a Financial sector with negative top line and earnings that investors will pay more for the growth that is available.

THE GRIND LOWER OF VOL THIS CYCLE IS STARTING TO BACK UP AND INFLECT HIGHER

Daily VIX Levels

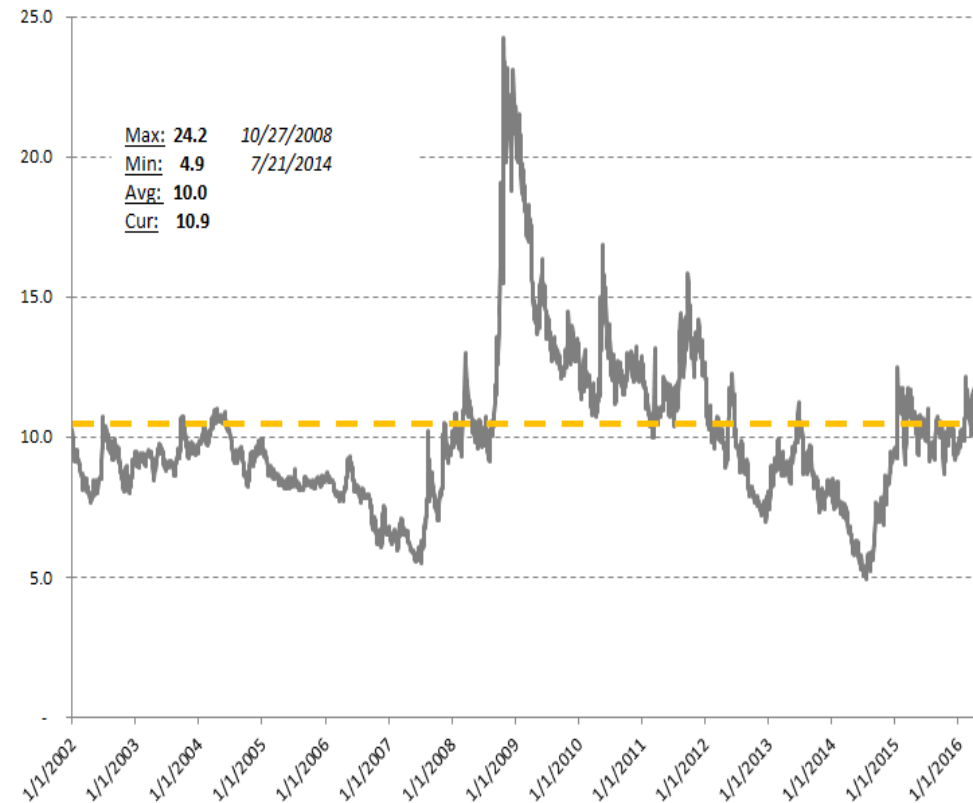


Daily VIX Levels

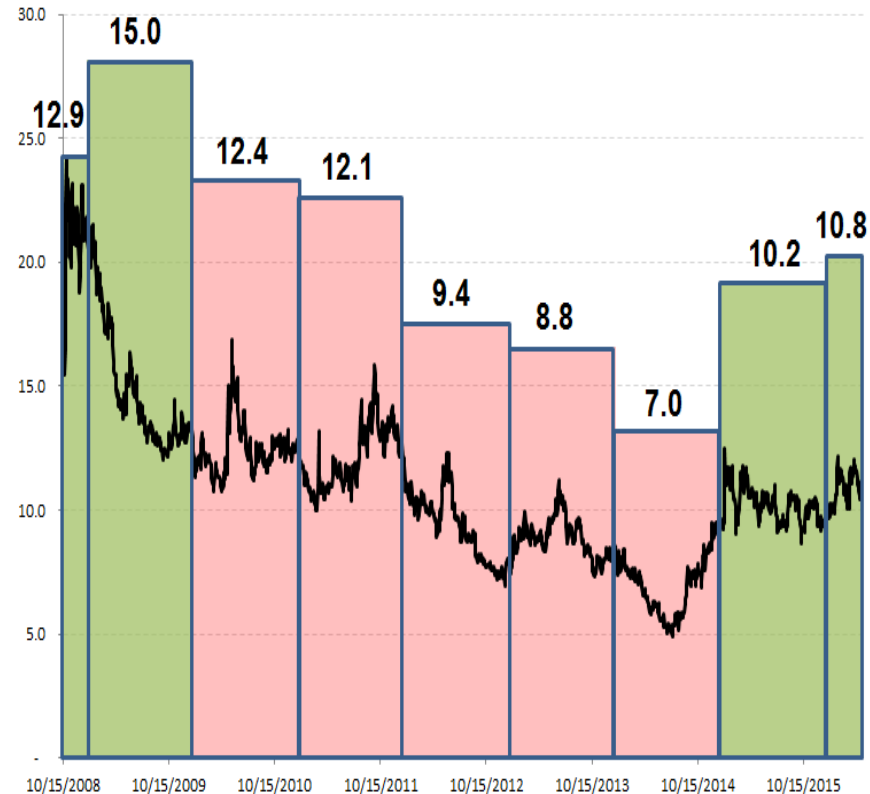


THE GRIND LOWER OF VOL THIS CYCLE IS STARTING TO BACKUP AND INFLECT HIGHER

Deutsche Bank FX Volatility Levels

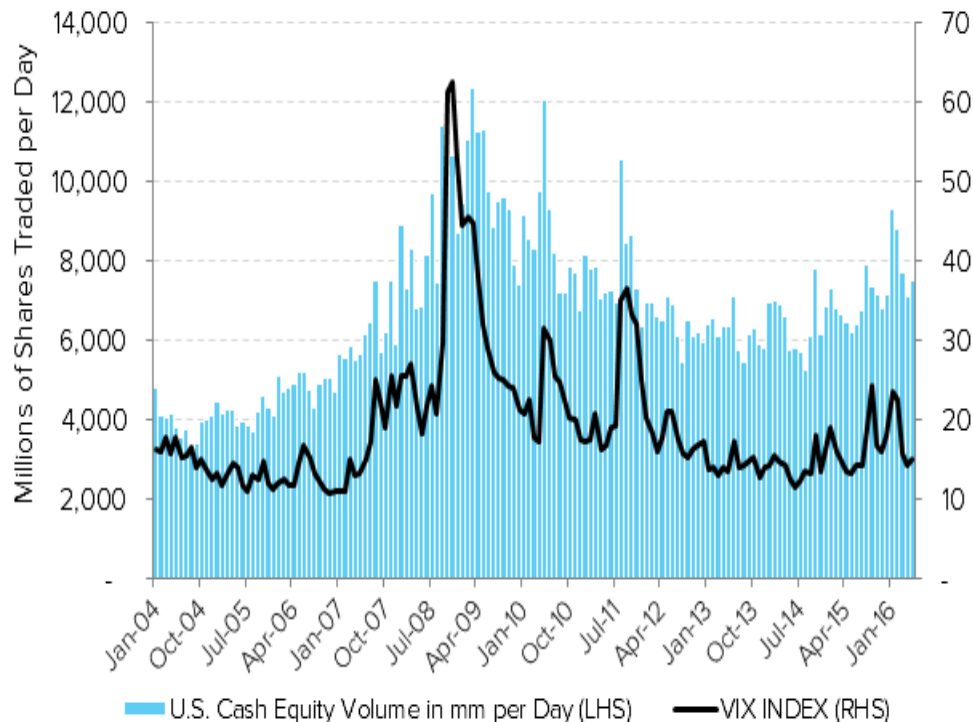


Deutsche Bank FX Volatility Levels



VOLATILITY IS THE CAUSAL FACTOR FOR EXCHANGE TRADING HERE SHOWN AGAINST U.S. CASH EQUITIES

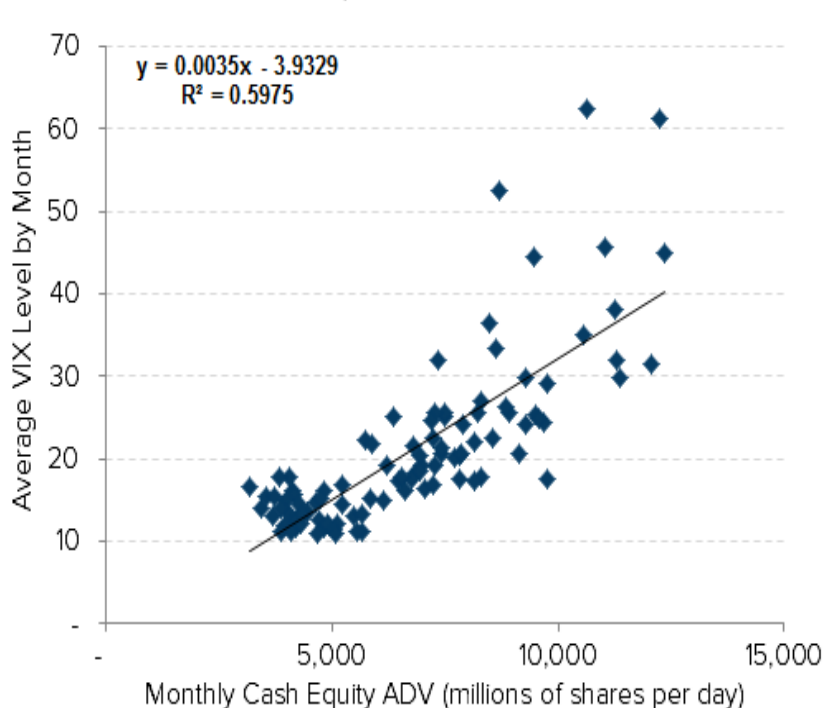
U.S. CASH EQUITY VOLUME vs VIX



Source: BATS, FactSet

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U.S. CASH EQUITY VOLUME vs VIX



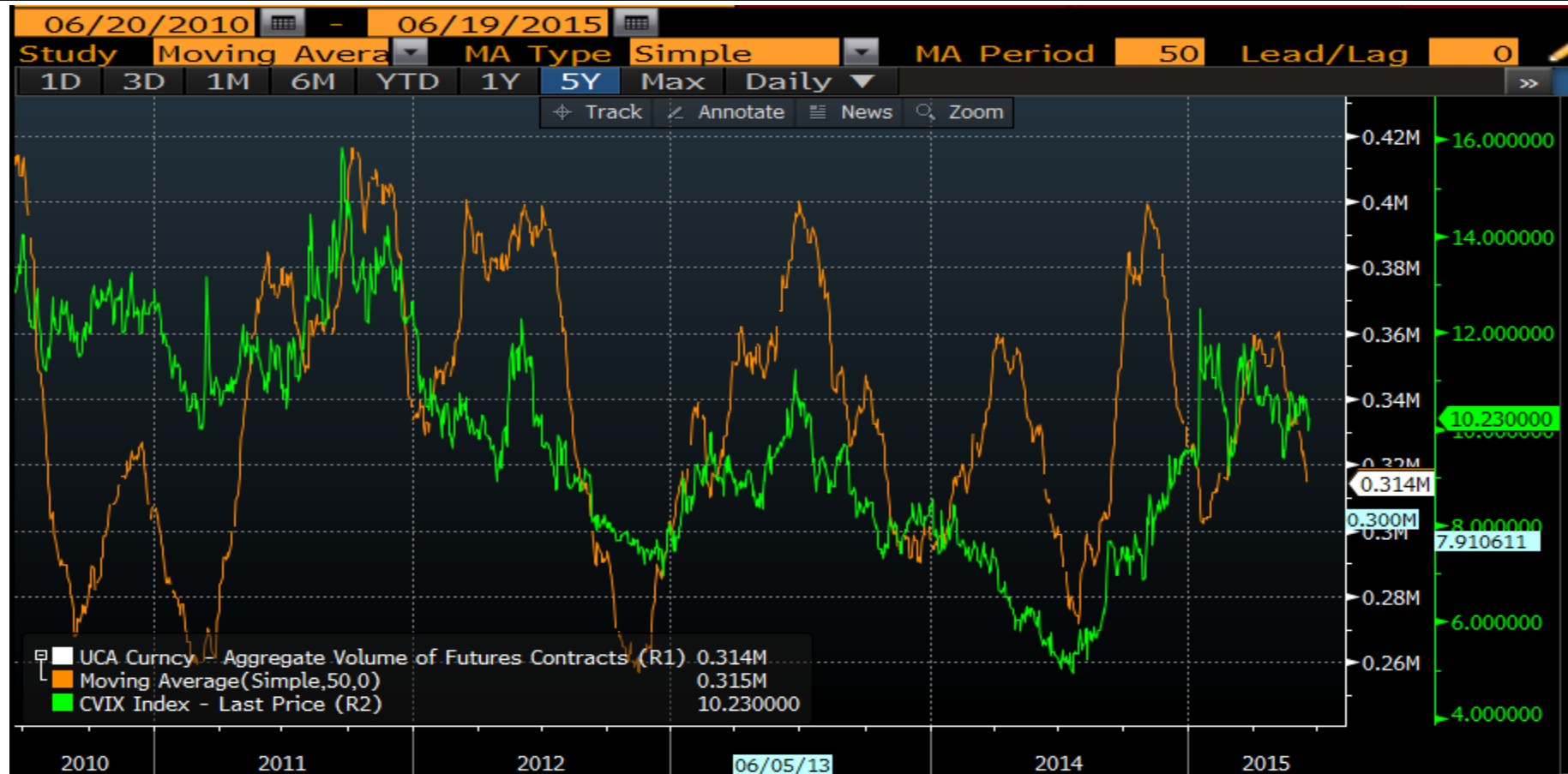
Source: BATS, FactSet

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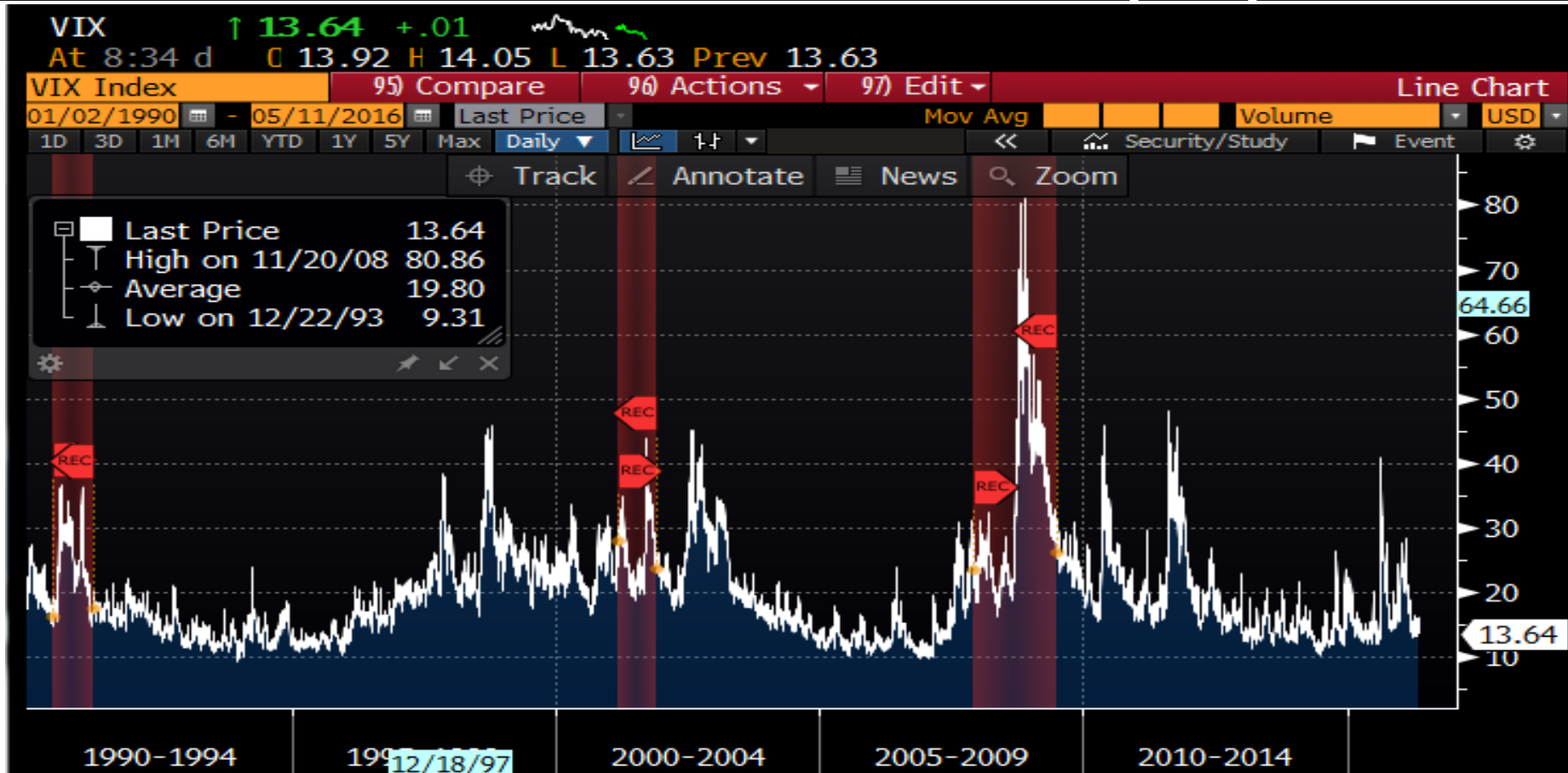
STRONG RELATIONSHIP EXISTS BETWEEN EUROPEAN VOL AND EURO STOCK TRADING



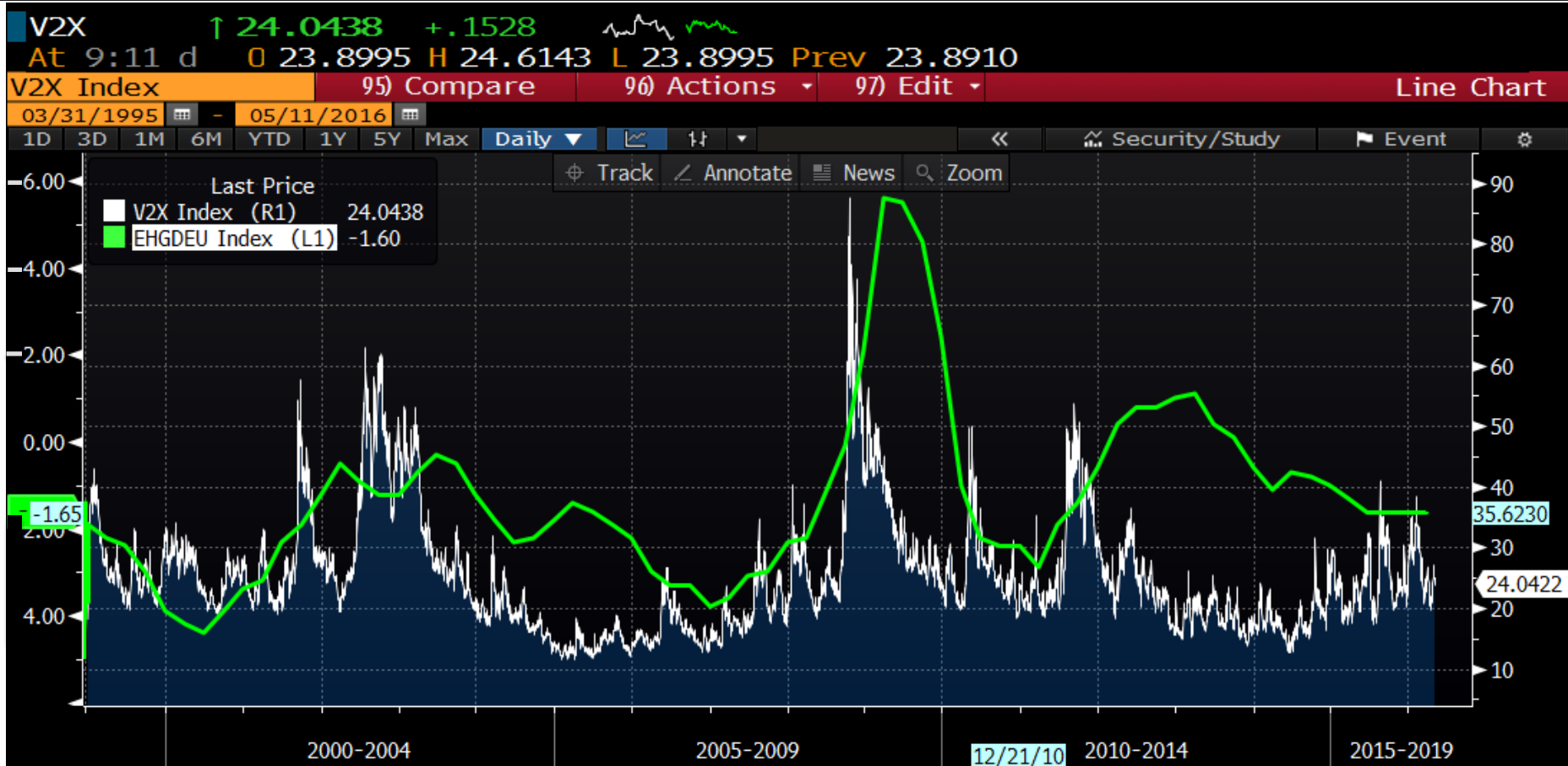
AND DEUTSCHE BANK'S CURRENCY VOLATILITY INDEX DRIVES FX ACTIVITY



PERVERSELY A US RECESSION IS BEST FOR THE BIGGEST DRIVER OF EXCHANGE TRADED ACTIVITY (VOL)



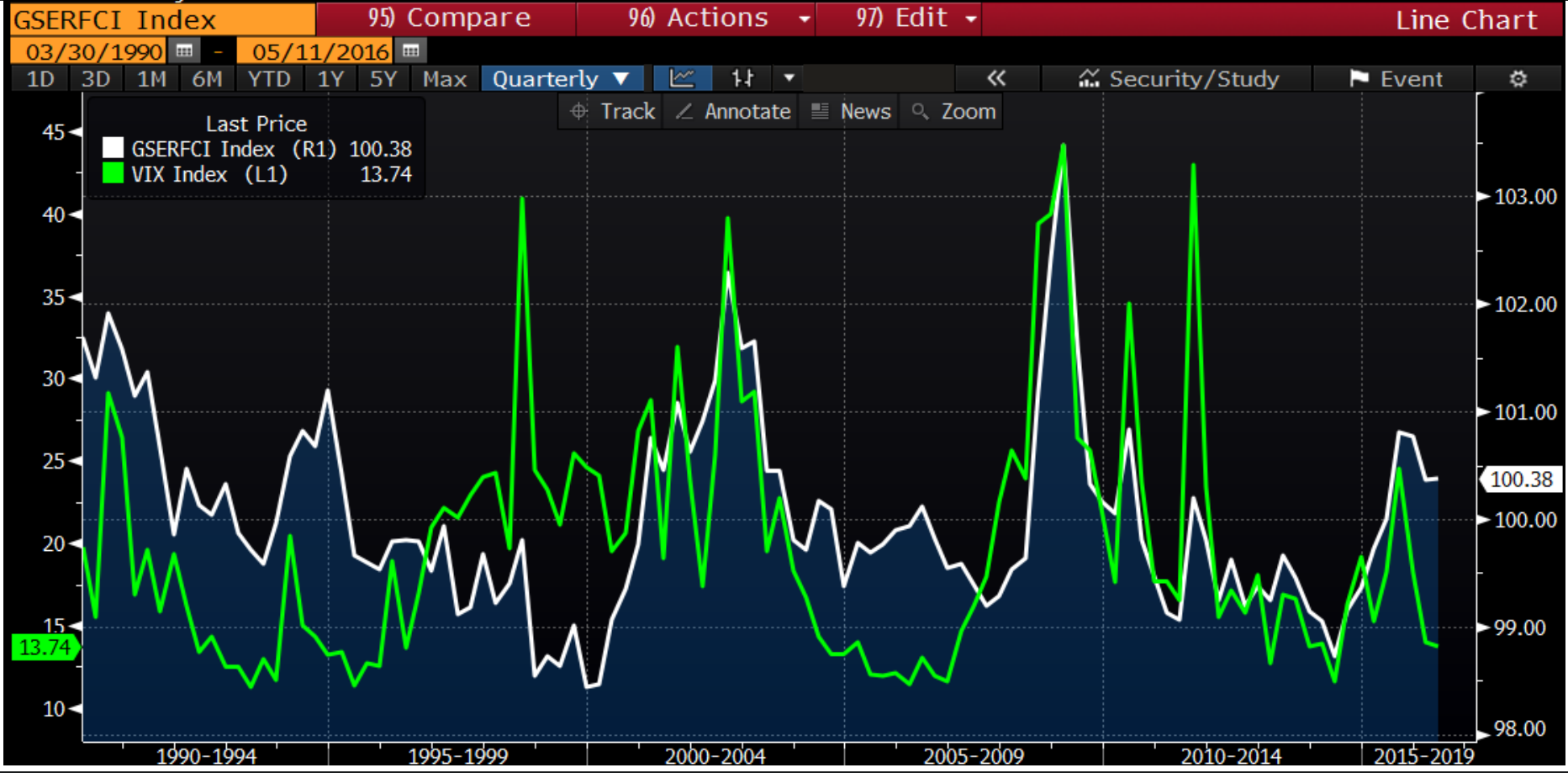
EUROPEAN VOL HAS THE SAME LINEAR RELATIONSHIP WITH ECONOMIC GROWTH



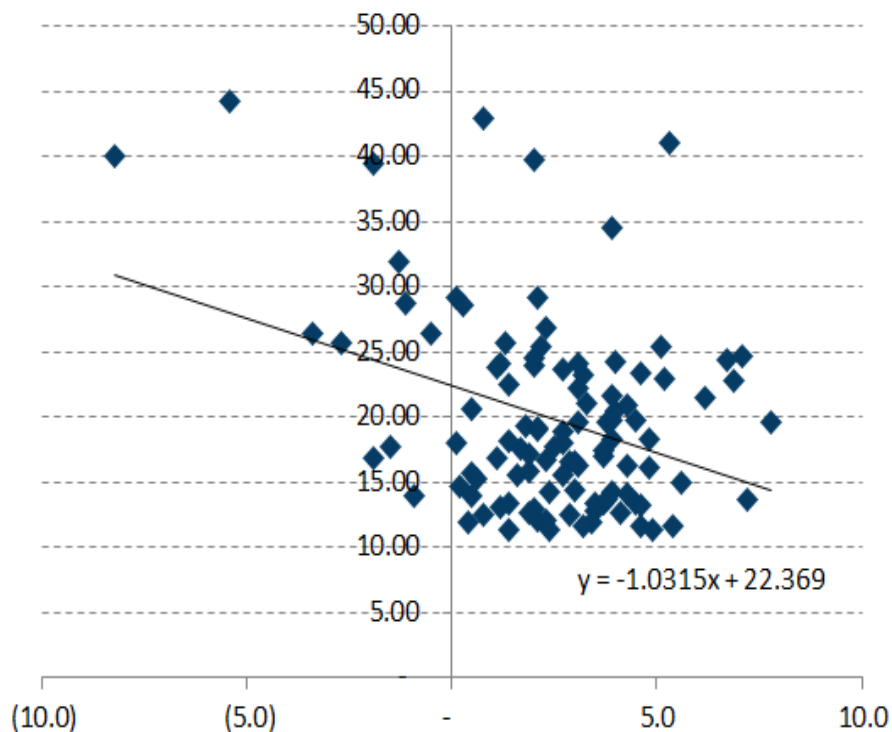
GOLDMAN'S US FINANCIAL CONDITIONS INDEX HAS RISEN INTO RECESSION THE PAST 2 CYCLES



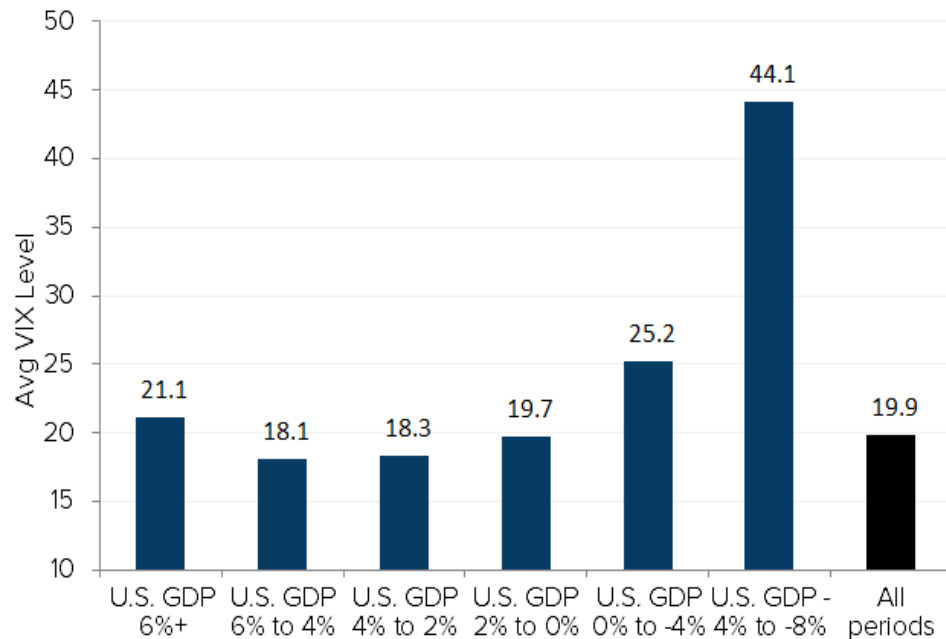
AND RISING (TIGHTENING) GS FINANCIAL CONDITIONS INDEX OVERLAYS TIGHTLY WITH THE VIX



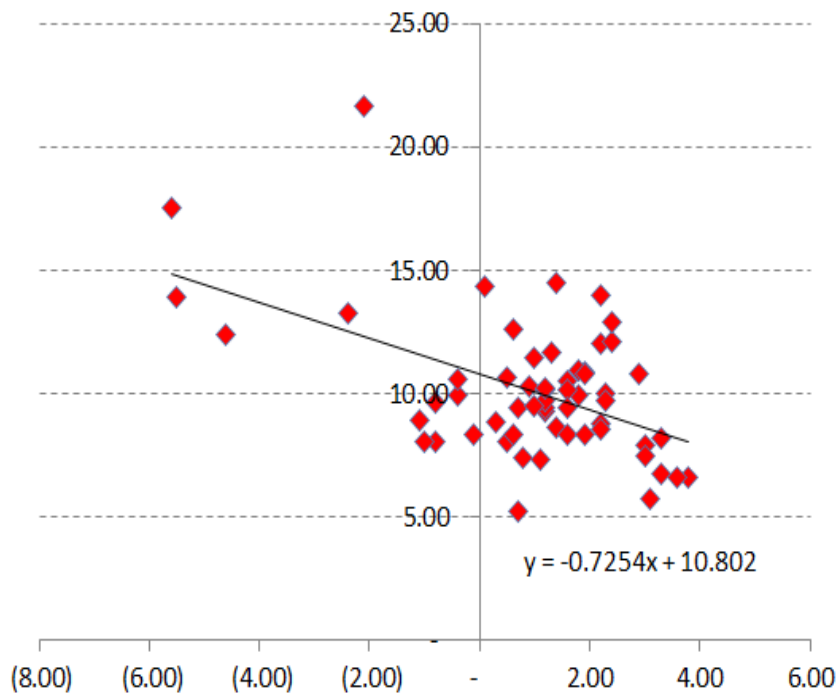
THE NEGATIVE LINEAR RELATIONSHIP BETWEEN VIX AND U.S. GDP IS STRONG



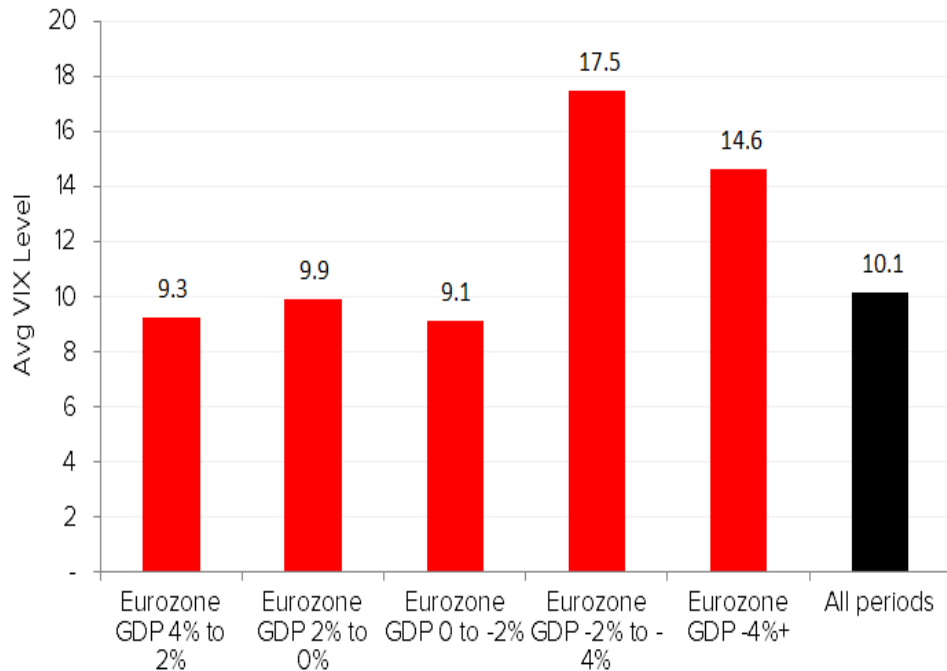
AVG VIX LEVEL BY QUARTERLY U.S. GDP



WITH A SIMILAR OUTCOME FOR EUROPEAN VARIABLES

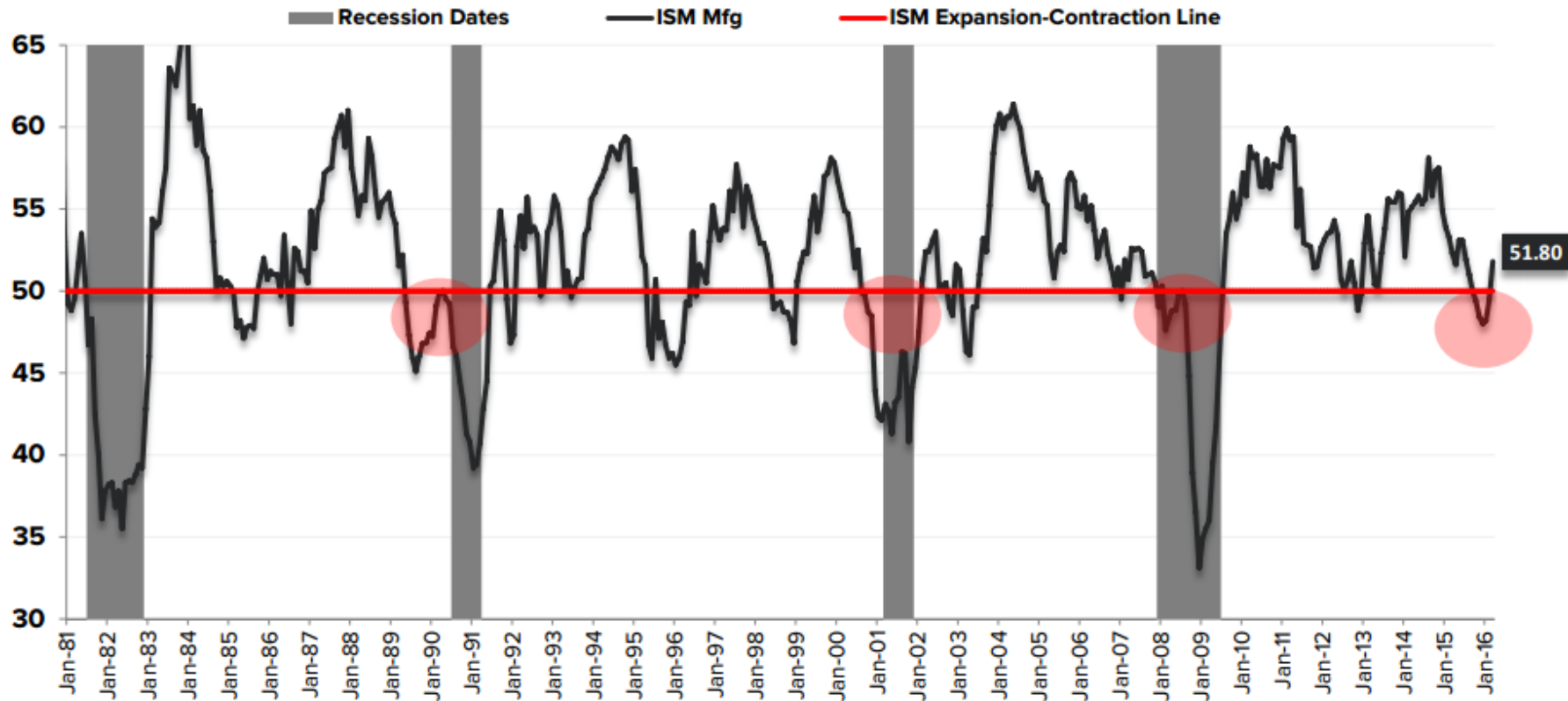


AVG VIX LEVEL BY QUARTERLY EUROPEAN GDP



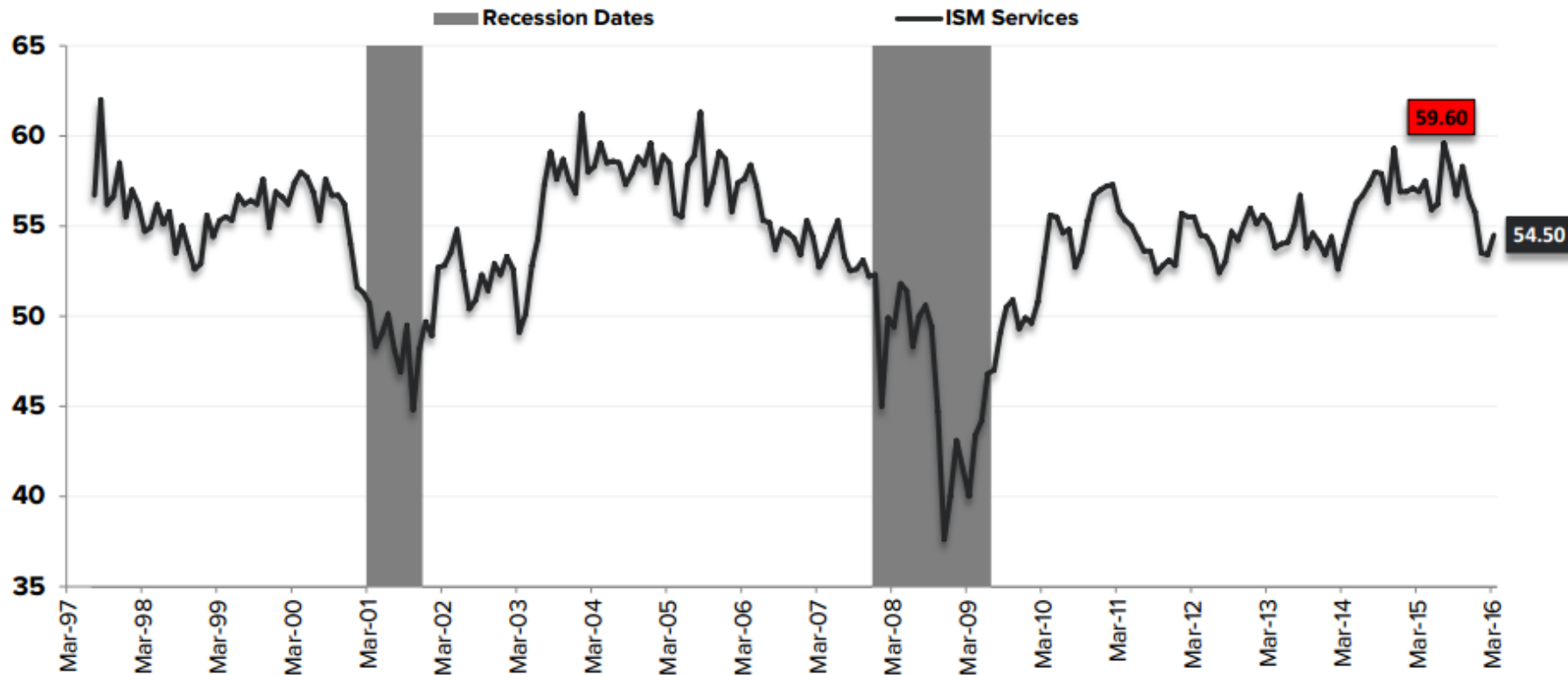
LATE CYCLE MEANS GETTING CLOSER TO THE CLIFF AND CLOSER TO HIGHER SUSTAINED VOL

ISM Manufacturing



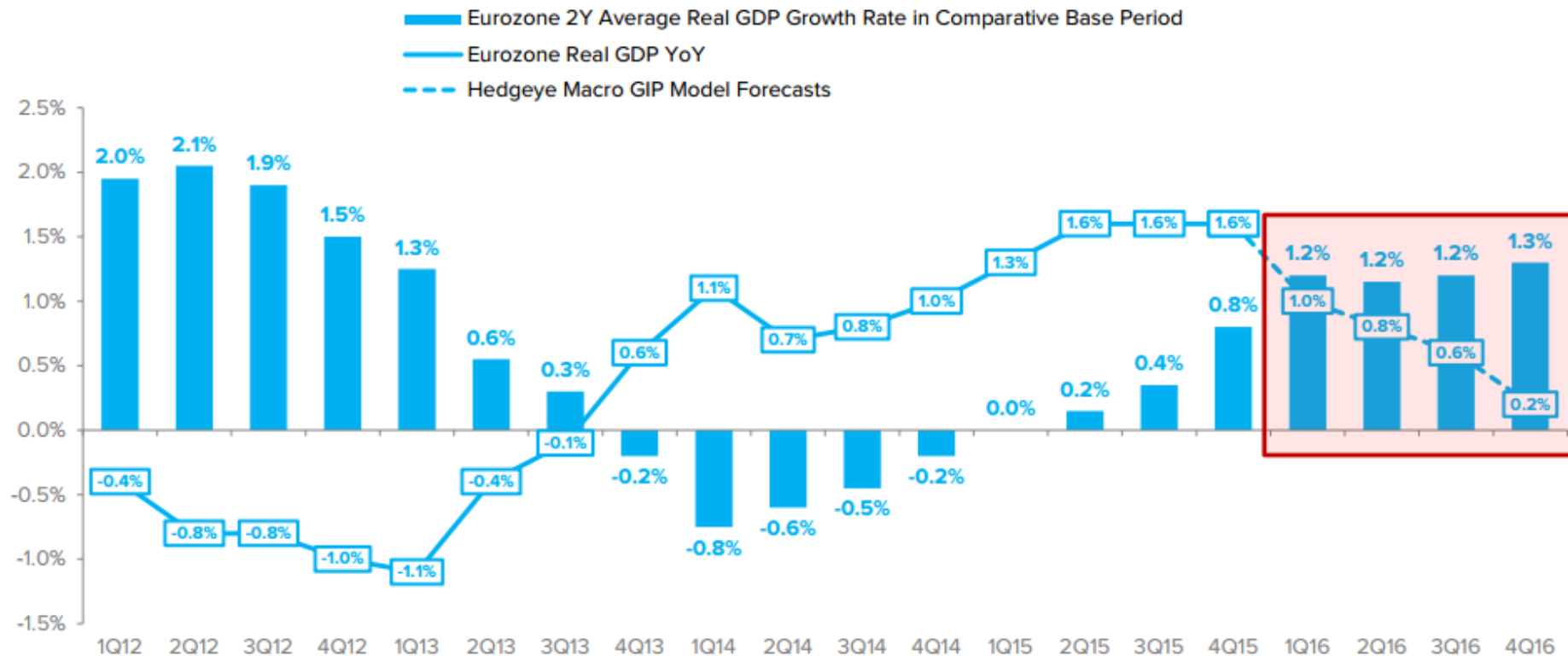
LATE CYCLE MEANS GETTING CLOSER TO THE CLIFF AND CLOSER TO HIGHER SUSTAINED VOL

ISM Services



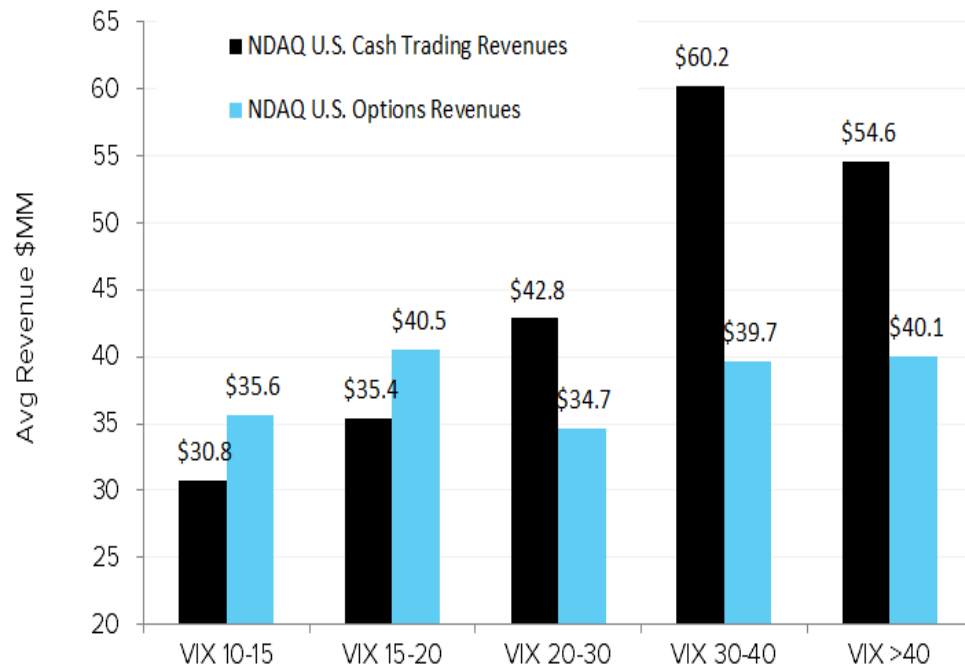
LATE CYCLE MEANS GETTING CLOSER TO THE CLIFF AND CLOSER TO HIGHER SUSTAINED VOL

WILL THE CONFLUENCE OF NIRP, QE AND FORWARD GUIDANCE OFFSET THE EUROZONE'S TOUGHEST GDP COMPARES IN FOUR YEARS, ALLOWING THE EUROZONE ECONOMY TO MAINTAIN PEAK GROWTH RATES IN THE PROCESS? WE DOUBT IT.

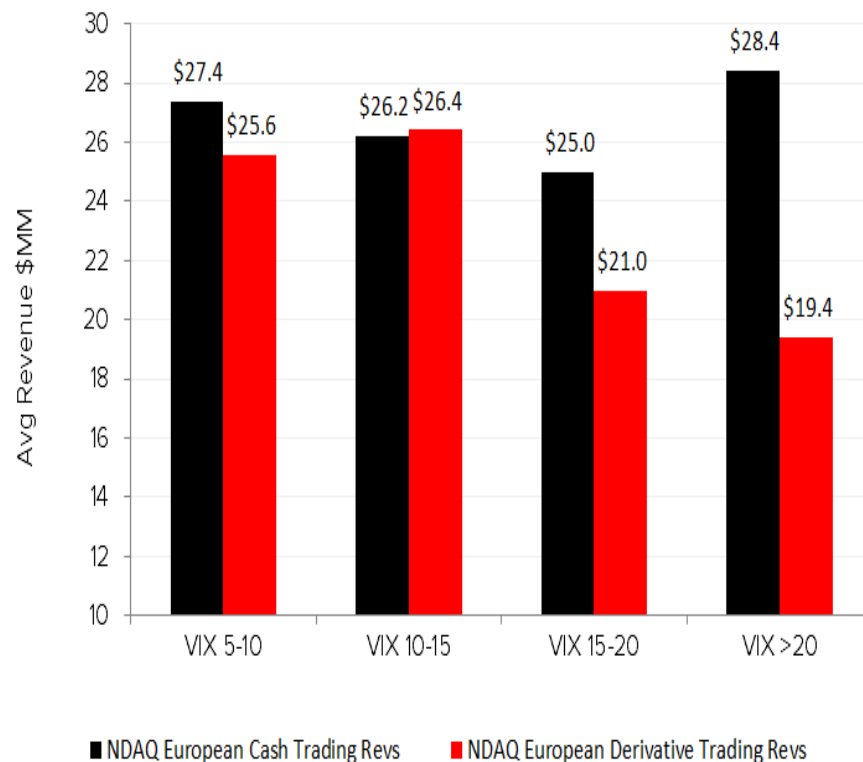


AND THE \$64,000 QUESTION OF DOES HIGHER VOL TURN INTO REVENUE ON BOTH SIDES OF THE POND?

AVG QUARTERLY REVENUE BY VIX LEVEL 2007-2013



AVG QUARTERLY REVENUE BY VIX LEVEL 2007-2013

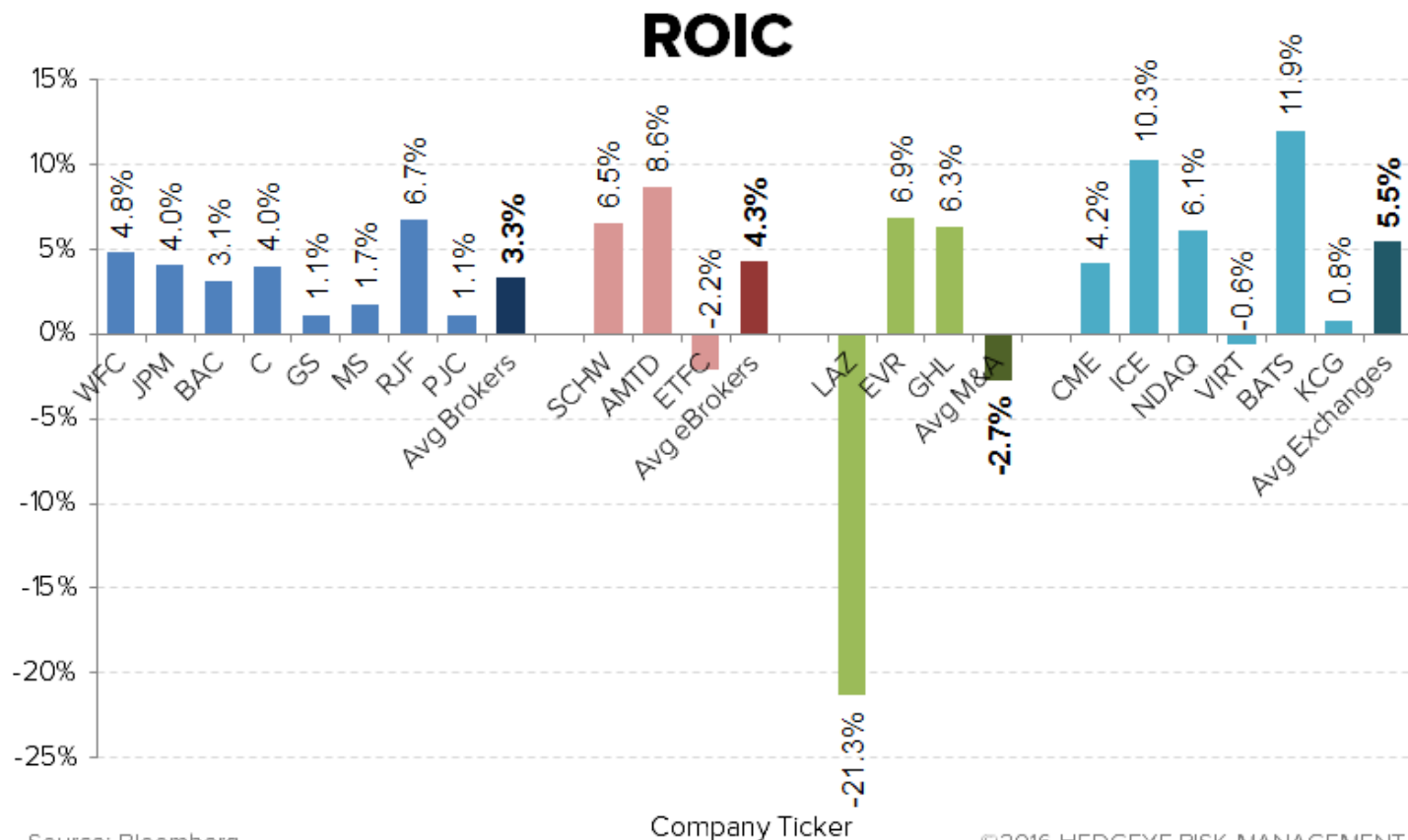


CORPORATE SPREADS OVER TREASURY ALWAYS RISE INTO RECESSIONS PRESSURING CORPORATE LIQUIDITY

Barclays US Corporate High Yield Yield To Worst



HOWEVER EXCHANGES ARE STRONG, SELF FUNDING COMPANIES AND CAN RIDE OUT A STORM

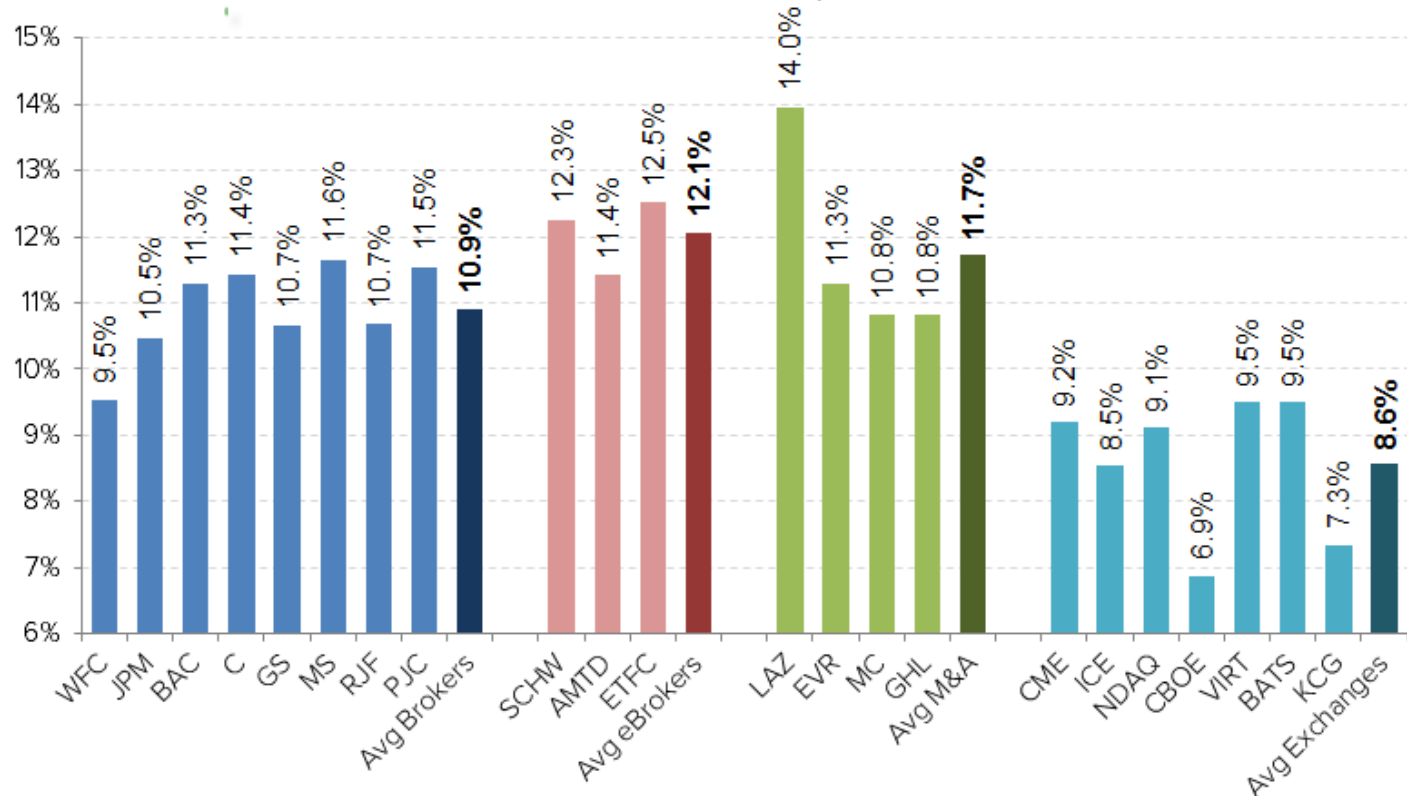


Source: Bloomberg

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WHICH RESULTS IN AN ADVANTAGE IN LOWER COST OF CAPITAL FOR THE INDUSTRY

COST OF EQUITY



Source: Bloomberg

Company Ticker

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IN A STACK UP OF COST OF EQUITY CAPITAL, BATS SITS BETWEEN CME AND WFC

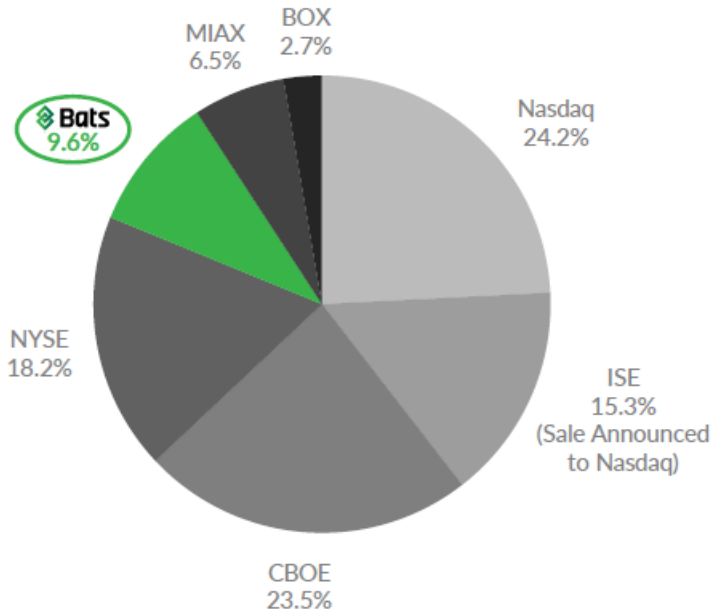
Ticker		Company	Equity Cost	WACC	ROIC	EVA Spread
CBOE US Equity	CBOE	CBOE HOLDINGS INC	6.9%	6.9%	79.1%	72.3%
ICE US Equity	ICE	INTERCONTINENTAL EXCHANGE IN	8.5%	7.2%	10.3%	3.1%
NDAQ US Equity	NDAQ	NASDAQ INC	9.1%	7.7%	6.1%	-1.6%
CME US Equity	CME	CME GROUP INC	9.2%	8.7%	4.2%	-4.5%
BATS US Equity	BATS	BATS GLOBAL MARKETS INC	9.5%	4.2%	11.9%	7.7%
WFC US Equity	WFC	WELLS FARGO & CO	9.5%	4.8%	4.8%	0.0%
JPM US Equity	JPM	JPMORGAN CHASE & CO	10.5%	4.5%	4.0%	-0.5%
GS US Equity	GS	GOLDMAN SACHS GROUP INC	10.7%	2.8%	1.1%	-1.7%
RJF US Equity	RJF	RAYMOND JAMES FINANCIAL INC	10.7%	8.8%	6.7%	-2.0%
MC US Equity	MC	MOELIS & CO - CLASS A	10.8%	10.8%	297.7%	286.9%
GHL US Equity	GHL	GREENHILL & CO INC	10.8%	10.4%	6.3%	-4.1%
BAC US Equity	BAC	BANK OF AMERICA CORP	11.3%	3.4%	3.1%	-0.3%
EVR US Equity	EVR	EVERCORE PARTNERS INC-CL A	11.3%	10.8%	6.9%	-3.9%
AMTD US Equity	AMTD	TD AMERITRADE HOLDING CORP	11.4%	9.3%	8.6%	-0.7%
C US Equity	C	CITIGROUP INC	11.4%	3.8%	4.0%	0.2%
PJC US Equity	PJC	PIPER JAFFRAY COS	11.5%	5.3%	1.1%	-4.2%
MS US Equity	MS	MORGAN STANLEY	11.6%	2.8%	1.7%	-1.1%
SCHW US Equity	SCHW	SCHWAB (CHARLES) CORP	12.3%	10.2%	6.5%	-3.7%
ETFC US Equity	ETFC	E*TRADE FINANCIAL CORP	12.5%	9.2%	-2.2%	-11.4%
LAZ US Equity	LAZ	LAZARD LTD-CL A	14.0%	11.9%	-21.3%	-33.2%

WITH ROIC BEHIND ONLY MC AND CBOE AND 1 OF ONLY 4 COMPANIES IN DOUBLE DIGITS

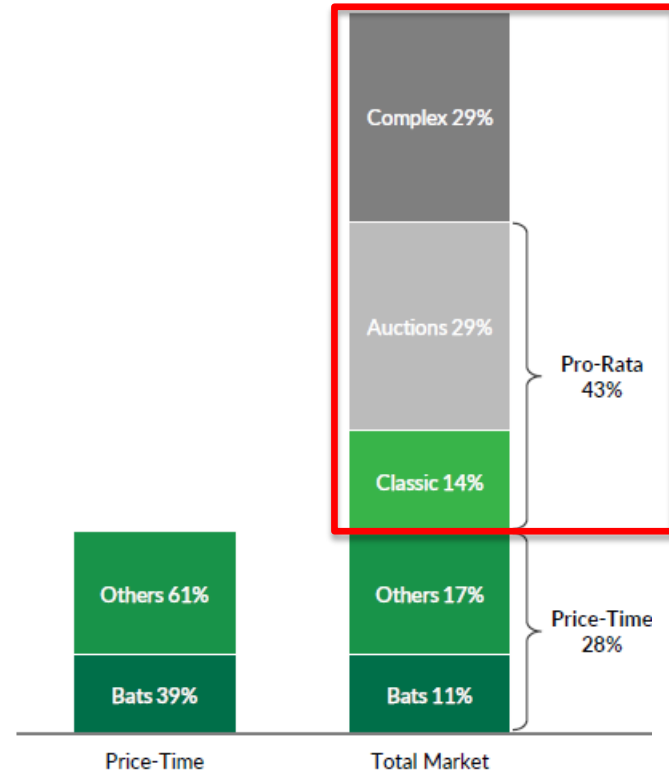
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APPROACHING DOUBLE DIGIT SHARE IN OPTIONS BUT PRO-RATA MARKET STILL OPEN

Market Share by Exchange Group¹

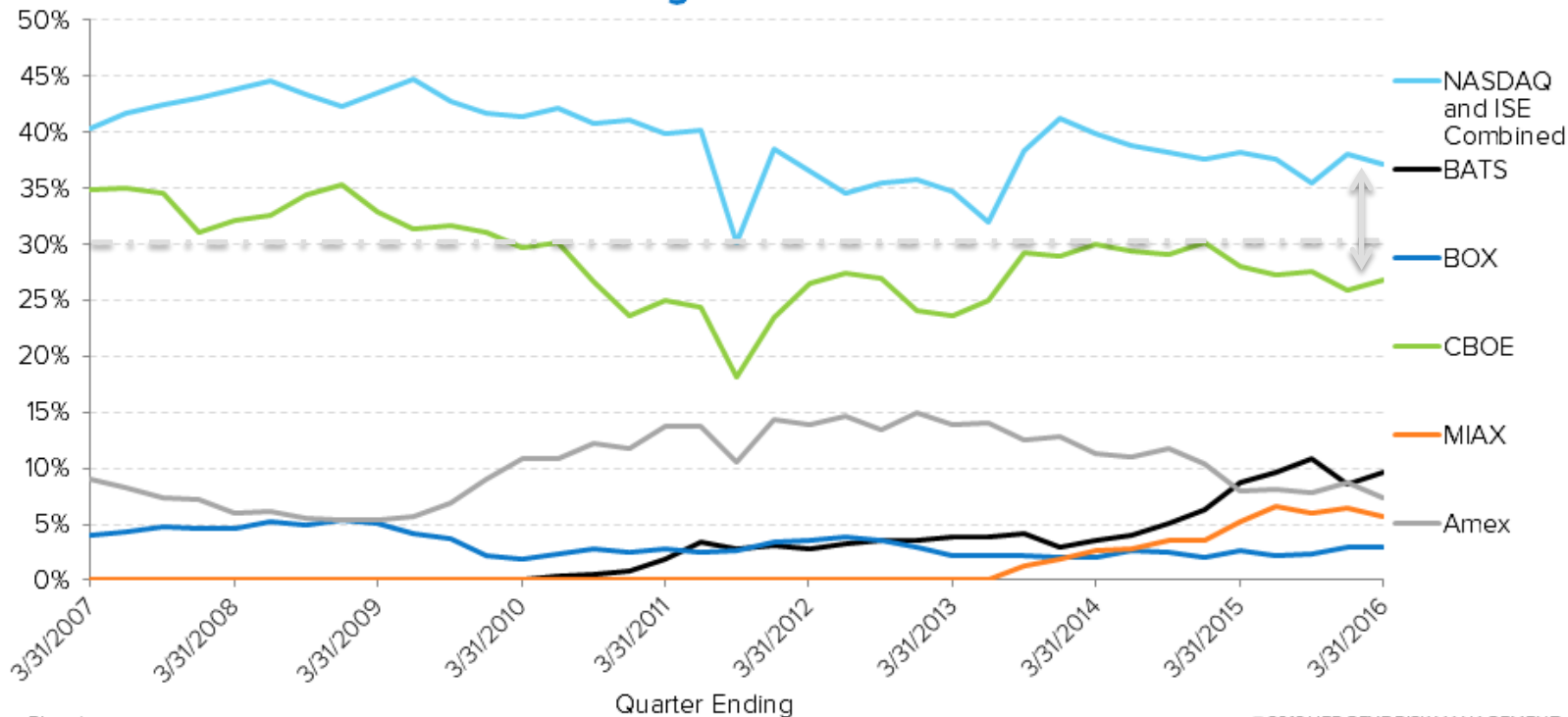


U.S. Options Volume by Product²



HISTORICALLY MARKET SHARE OF OVER 30% HAS BEEN HARD TO DEFEND SO WE SEE NDAQ/ISE CEDING SHARE

EXCHANGE SHARE OF QTRLY US OPTION VOLUME Combining NASDAQ and ISE



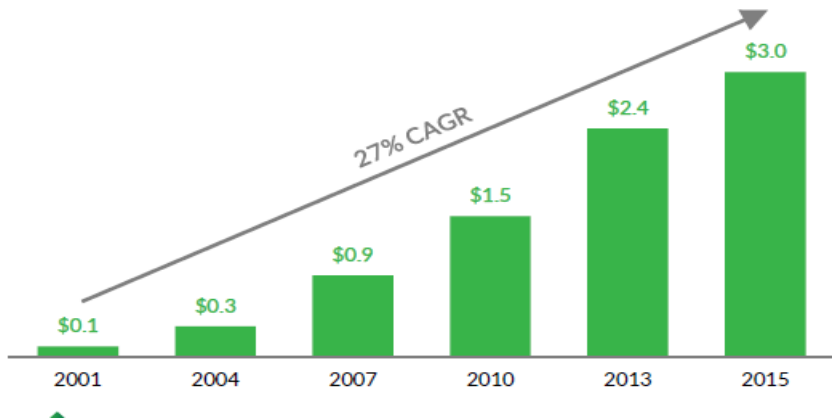
Source: Bloomberg

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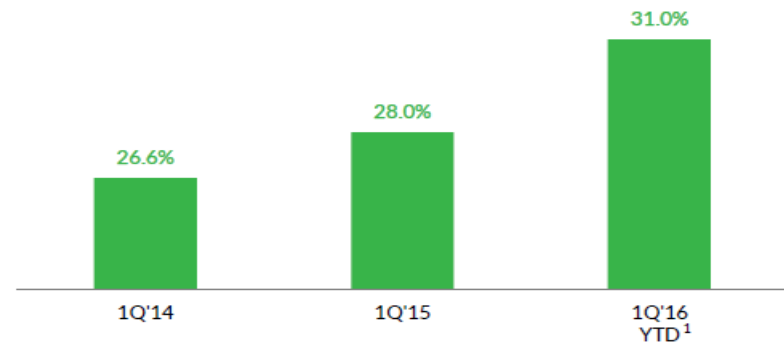
THE COMPANY IS BECOMING AN ETF PLATFORM FOCUSING ON PASSIVE LISTINGS AND ACQUIRING ETF ASSETS

- Equities industry growth driver (only ~10% of Mutual Fund assets)
- Opportunity to increase market share
- Launched innovative listings program
- New listings drive auction volume, market share and net capture
- Acquired ETF.com

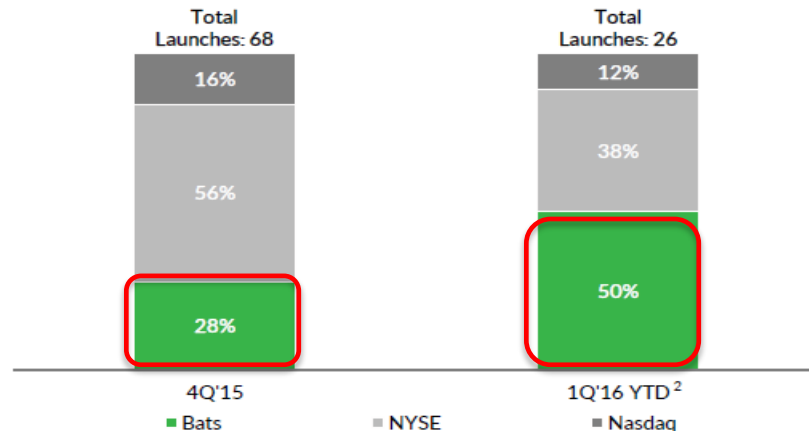
Historical ETF Assets (\$tn)



ETF ADV % of Total U.S. Equities



New ETF Launches



AND INCUMBENT SHARE IS CHUNKY AND RIPE FOR THE PICKING

TOP 10 NYSE LISTED ETFS

Ticker	Fund Name	AUM
SPY	SPDR S&P 500 ETF Trust	182,392,330,372
IVV	iShares Core S&P 500 ETF	71,962,731,400
VTI	Vanguard Total Stock Market Index Fund	59,787,035,318
EFA	iShares MSCI EAFE ETF	58,840,005,840
VOO	Vanguard S&P 500 Index Fund	44,724,672,292
AGG	iShares Core U.S. Aggregate Bond ETF	36,385,794,400
VWO	Vanguard FTSE Emerging Markets ETF	34,978,233,039
GLD	SPDR Gold Trust	34,178,445,200
VNQ	Vanguard REIT Index Fund	32,464,545,186
VEA	Vanguard FTSE Developed Markets ETF	31,751,833,199

Total of All NYSE ETFs: \$ 2,037,486,717,784

TOP 10 NASDAQ LISTED ETFS

Ticker	Fund Name	AUM
QQQ	PowerShares QQQ Trust	35,451,429,300
VCSH	Vanguard Short-Term Corporate Bond Index Fund	12,037,442,961
VCIT	Vanguard Intermediate-Term Corporate Bond Inde:	8,576,824,647
TLT	iShares 20+ Year Treasury Bond ETF	8,262,862,800
IBB	iShares NASDAQ Biotechnology ETF	6,446,328,720
VXUS	Vanguard Total International Stock ETF	5,753,351,093
ACWI	iShares MSCI ACWI ETF	5,521,798,080
SCZ	iShares MSCI EAFE Small-Cap ETF	5,504,253,140
BNDX	Vanguard Total International Bond Index Fund	5,117,021,324
VNQI	Vanguard Global ex-US Real Estate Index Fund	3,437,539,182

Total of All NDAQ ETFs: \$ 151,657,997,485

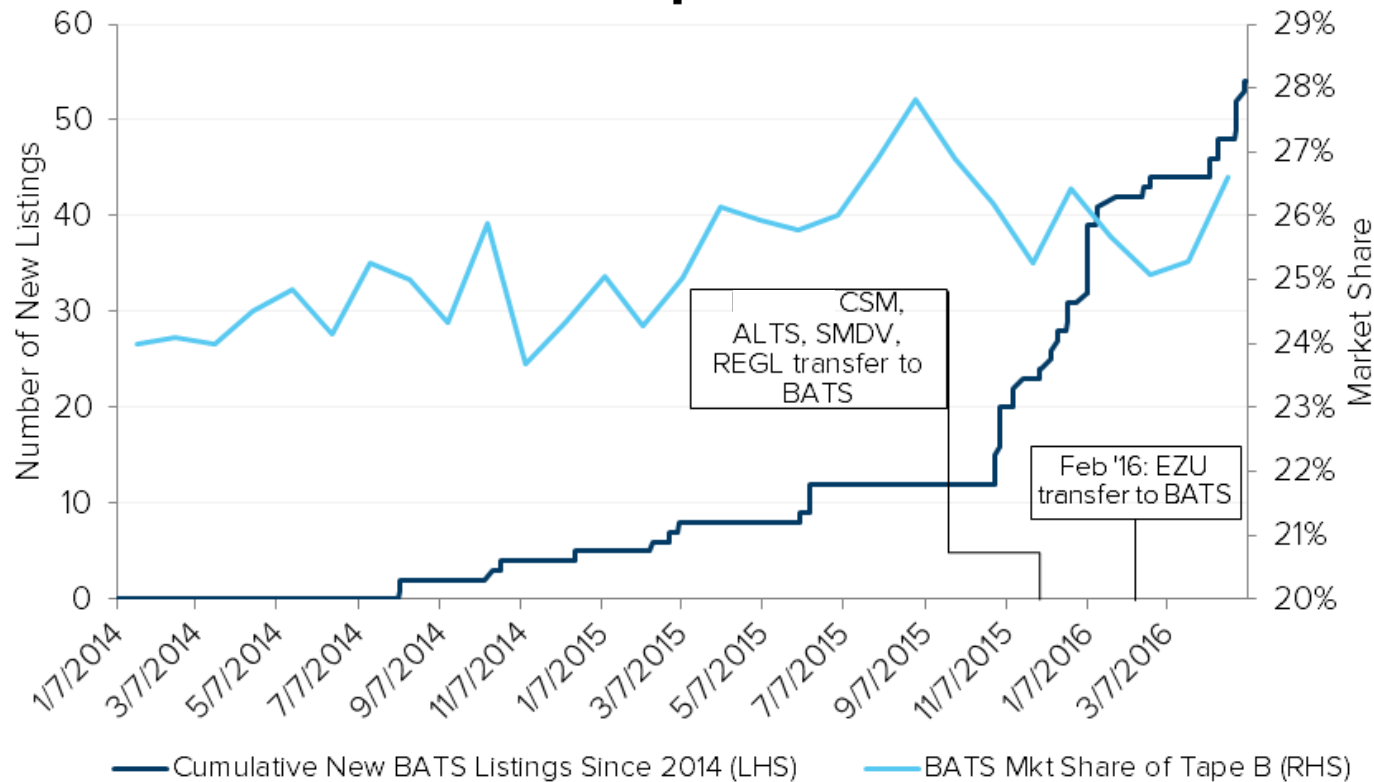
AND DESPITE RECENT WINS THE ETF BUSINESS AT BATS IS QUITE SMALL

BATS Listed ETFs

Ticker	Fund Name	AUM
EZU	iShares MSCI Eurozone ETF	10,980,239,260
INDA	iShares MSCI India ETF	3,523,201,920
NEAR	iShares Short Maturity Bond ETF	2,303,712,200
CSM	ProShares Large Cap Core Plus	388,773,000
PTLC	Pacer Trendpilot 750 ETF	371,280,000
DDWM	WisdomTree Dynamic Currency Hedged	238,739,169
YILD	iShares Morningstar Multi-Asset Income ETF	225,060,825
IAGG	iShares Core International Aggregate Bond ETF	181,099,100
HYXU	iShares International High Yield Bond ETF	175,343,000
PTMC	Pacer Trendpilot 450 ETF	151,137,000
IGHG	ProShares Investment Grade-Interest Rate Hedged	120,846,000
Total of All BATS ETFs:		\$ 19,924,294,224

BUT THE WAY THE LISTINGS BUSINESS IS MONETIZED IN TAPE B TRADING IS GROWING

BATS MARKET SHARE Tape B vs. NEW ETF LISTINGS



Source: BATS

©2016 HEDGEYE RISK MANAGEMENT

GROW ABOUNDS IN THE MODEL BUT OUR BULL CASE WHICH IS NOT HEROIC IS +10% ABOVE CONSENSUS

	U.S. Cash Equities			U.S. Options			European Cash Equities			FX - Hotspot			EPS		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Bull Case													\$ 1.41	\$ 1.63	\$ 1.73
Volume (MM)	7,563	8,607	8,779	17	18	19	\$ 52,139	\$ 58,396	\$ 61,315	\$ 27	\$ 33	\$ 42			
Y-o-Y		14%	2%		5%	10%		12%	5%		20%	27%			
Share	22%	25%	26%	11%	15%	18%	24%	25%	26%	12%	15%	18%			
Y-o-Y		13%	4%		38%	15%		5%	4%		26%	20%			
Capture	\$ 0.021	\$ 0.021	\$ 0.021	\$ 0.051	\$ 0.051	\$ 0.051	\$ 0.148	\$ 0.150	\$ 0.150	\$ 2.93	\$ 3.00	\$ 3.00			
Y-o-Y		2%	0%		0%	0%		1%	0%		2%	0%			
Base Case													\$ 1.41	\$ 1.56	\$ 1.65
Volume	7,563	8,017	8,338	17	18	18	\$ 52,139	\$ 57,353	\$ 57,652	\$ 27	\$ 32	\$ 38			
Y-o-Y		6%	4%		5%	4%		10%	1%		17%	18%			
Share	22%	25%	25%	11%	13%	16%	24%	25%	26%	12%	15%	18%			
Y-o-Y		11%	2%		18%	19%		4%	4%		26%	20%			
Capture	\$ 0.020	\$ 0.020	\$ 0.020	\$ 0.051	\$ 0.051	\$ 0.051	\$ 0.148	\$ 0.150	\$ 0.150	\$ 2.93	\$ 3.00	\$ 3.00			
Y-o-Y		0%	0%		0%	0%		1%	0%		2%	0%			
Bear Case													\$ 1.41	\$ 1.53	\$ 1.57
Volume	7,563	7,790	7,946	17	18	18	\$ 52,139	\$ 56,310	\$ 56,604	\$ 27	\$ 31	\$ 36			
Y-o-Y		3%	2%		5%	4%		8%	1%		14%	15%			
Share	22%	24%	24%	11%	13%	15%	24%	24%	26%	12%	15%	16%			
Y-o-Y		9%	0%		18%	12%		2%	6%		26%	7%			
Capture	\$ 0.015	\$ 0.015	\$ 0.015	\$ 0.051	\$ 0.051	\$ 0.051	\$ 0.148	\$ 0.150	\$ 0.150	\$ 2.80	\$ 2.90	\$ 3.00			
Y-o-Y		0%	0%		0%	0%		1%	0%		4%	3%			

AND CONSENSUS COULDN'T BE MORE AMBIVALENT WITH ESTIMATES THAT ARE TOO LOW IN OUR VIEW

Bats Global Markets Inc		
Consensus Rating		3.00
Buys	10.0%	1
Holds	80.0%	8
Sells	10.0%	1
12M Tgt Px	8/10	27.44
Last Price		25.50
Pricing Currency		USD
Return Potential		7.6%
LTM Return		0.0%

	Ann Date	Per	Per End	C	Reported	Comp	Estimate
Average of Absolute Values							
11)	02/15/2020	FY 19	12/19				1.560
12)	02/15/2019	FY 18	12/18				1.684
13)	02/15/2018	FY 17	12/17				1.483
14)	02/15/2017	FY 16	12/16				1.314
15)	04/04/2016	FY 15	12/15		7.749		
16)	04/04/2016	FY 14	12/14		6.420		
17)	04/04/2016	FY 13	12/13		6.720		
18)	12/16/2015	FY 12	12/12		5.666		

WHEN THERE IS LITTLE GROWTH IN A SECTOR YOU PAY MORE FOR WHAT IS AVAILABLE

SECTOR	SALES GROWTH (% CHG)	EARNINGS GROWTH (% CHG)	#REPORTED
S&P 500 (Aggregate)	-2.4%	-8.7%	450 / 500
Energy	-31.6%	-108.7%	38 / 38
Materials	-8.7%	-15.0%	27 / 27
Industrials	-2.1%	-7.4%	64 / 65
Consumer Discretionary	6.8%	22.7%	60 / 84
Consumer Staples	0.4%	1.6%	30 / 37
Healthcare	9.2%	8.1%	53 / 57
Financials	-1.7%	-14.3%	90 / 90
Information Technology	-2.8%	-8.1%	54 / 68
Telecom	11.2%	16.1%	5 / 5
Utilities	-10.5%	-2.1%	29 / 29

Source: BBG

THE FUTURES EXCHANGES SKEW THE COMPS BUT WE THINK #'S ARE TOO LOW AND MARKET CAP WILL GROW

Ticker		Company	Market Cap (Mn)	2017 P/E	2018 P/E	Forward EV/EBITDA	Dividend Yield
<i>Exchanges</i>							
CME US Equity	CME	CME GROUP INC	\$ 32,205	20.4x	19.4x	12.3x	5.3%
ICE US Equity	ICE	INTERCONTINENTAL EXCHANGE IN	\$ 31,207	16.9x	15.3x	12.2x	1.2%
NDAQ US Equity	NDAQ	NASDAQ INC	\$ 10,559	15.4x	14.3x	9.3x	2.1%
CBOE US Equity	CBOE	CBOE HOLDINGS INC	\$ 5,236	23.7x	21.4x	12.7x	1.4%
BATS US Equity	BATS	BATS GLOBAL MARKETS INC	\$ 2,505	17.7x	15.4x	10.1x	1.2%
Average Exchanges				18.8x	17.2x	11.3x	2.2%

Source: Bloomberg

DEAL ACTIVITY HAS BEEN ACTIVE – NDAQ/ISE

Target	1) International Secu.. ISE US Finance-Other Serv...	Acquirer	2) Nasdaq Inc NDAQ US Px 64.26 Finance-Other Serv...	Seller	3) Deutsche Boerse AG DB1 GR Px 75.255 Finance-Other Serv...	Currency	USD
						Announcement	03/09/16
						Value	1,100.00M

Details	Description
11) Summary	Nasdaq Inc announced that it has entered into an agreement to acquire International Securities Exchange Holdings Inc from Deutsche Boerse AG for USD 1,100.00M. Nasdaq expects the combined organization to realize a minimum of USD 40.00M in annualized expense synergies. The
12) Timeline	
13) Parties	
14) Financing	
15) Advisers	
16) Approvals	
17) Sources/News	
Comps	
18) Deal Comps	

Dates	Timeline
Announcement	
Expected Completion	
Status	
Duration (# Days)	

Deal Terms	Deal Value	Announced	Current
Nature of Bid			
Percent Owned/Sought	0.00% / 100.00%		
Payment Type	Cash		
Cash Terms (M)	USD 1,100.0000		

Deal Attributes	TTM Deal Multiples	Target	Comp Median
Cross Border, Company Takeover	TV/Revenue	4.11x	1.03x
	TV/EBIT	9.37x	15.79x
	TV/EBITDA	8.99x	5.87x

DEAL ACTIVITY HAS BEEN ACTIVE – DB1/LSE

Target	1) London Stock Exchange Gro. LSE LN Px GBp 2575 Finance-Other Services	Acquirer	2) Deutsche Boerse AG DB1 GR Px EUR 75.35 Finance-Other Services	Currency	GBP ▼
				Announcement	02/23/16
				Transaction Value	9,844.49M

Details
11) Summary
12) Timeline
13) Parties
14) Structure
15) Advisers
16) Approvals
17) Sources/News
Proforma
18) Financials
19) Product Line
Comps
20) Deal Comps
21) Trading Comps
Markets
22) Arbitrage
Quick Links
23) Model MRGC »

Description
On 03/16/2016, Deutsche Boerse AG announced the agreement on the merger of equal with London Stock Exchange Group PLC. On 02/23/2016, the potential merger of the London Stock Exchange Group PLC and Deutsche Boerse was announced. Under the terms of the potential merger, LSE

Dates	
Announcement	02/23/16
Expected Completion	--
Status	Pending
Duration (# Days)	76

Deal Terms	
Nature of Bid	Friendly
Percent Owned/Sought	0.00% / 100.00%
Payment Type	Stock
Stock Terms (Acq Sh/Tgt Sh)	0.4421

Deal Attributes	
Cross Border, Company Takeover	



Deal Value	Announced	Current
Tran Value (M)	9,844.49	9,998.79
Equity Value (M)	9,029.39	9,183.69
Deal Price	--	26.3614
Premium	+11.15%	+2.37%
Net Debt (M)	815.10	815.10
TTM Deal Multiples	Target	Comp Median
TV/Revenue	7.67x	8.10x
TV/EBIT	28.46x	25.14x
TV/EBITDA	18.66x	20.32x

REMAINING SELLING GROUP IS SUBSTANTIAL WITH DEFINED WINDOWS BUT WELL DISCOUNTED IN OUR VIEW

PRINCIPAL AND SELLING STOCKHOLDERS

Name of Beneficial Owner	Shares Beneficially Owned After the Offering	
	Number of Shares of Non- Voting Common Stock	%
All executive officers and directors as a group (16 people)	22,490,295	23.3
BGM Holding, L.P. and Affiliates	16,498,551	17.1
TA XI, L.P., TA Atlantic and Pacific VI, L.P. and TA Investors IV, L.P. ("TA Associates Funds")	16,498,551	17.1
Knight Capital Holdings LLC	13,593,060	14.1
International Securities Exchange Holdings, Inc.	8,993,977	9.3
Credit Suisse NEXT Investors, LLC	5,676,641	5.9
Strategic Investments I, Inc.	5,458,912	5.7
JPMC Strategic Investments II Corporation	3,948,852	4.1
The Goldman Sachs Group, Inc.	3,181,285	3.3
Lime Brokerage Holdings LLC	3,117,332	3.2
Citigroup Financial Products, Inc.	2,986,357	3.1
Instinet Holdings Incorporated	2,635,394	2.7
Citadel Securities Principal Investments LLC	2,310,432	2.4
Bank of America Merrill Lynch and Affiliates	1,560,798	1.6
Karissa Alumbaugh Trust	21,825	*
The Buckley Family Trust	18,915	*
Scot Baldwin	873	*
Phillip Cockrell	648	*
Michael Beaver	—	—
Michael Bellmyer	—	—
Jason A. Forst and Twyla J. Forst Trust	—	—

Source: BATS S-1

SHARES ELIGIBLE FOR FUTURE SALE

Number of Days After the Offering	Date of Eligibility	Number of Shares Eligible for Sale
181	10/13/2016	35,409,552
361	4/11/2017	24,457,696
541	10/8/2017	24,457,944

Source: BATS S-1

VOL IS A WARNING SIGN BUT DJGEX OUTPERFORMS EVEN THE MOST DEFENSIVE PROXIES AND OTHER FINANCIALS

R Value to VIX Daily 2003 to 2015

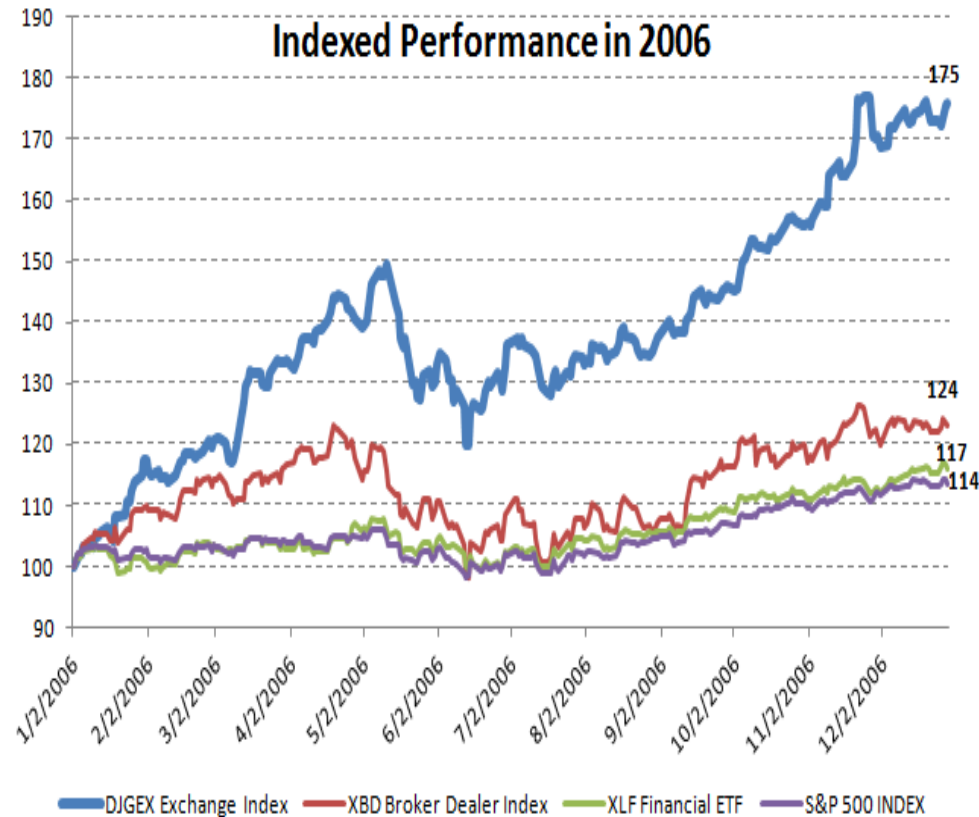
DJGEX - Exchange Index	(0.10)
XLE - Energy Sector SPDR	(0.19)
XLU - Utilities Sector SPDR	(0.27)
XLP - Consumer Staples Sector SPDR	(0.27)
XLV - Health Care Sector SPDR	(0.37)
XLI - Industrials Sector SPDR	(0.45)
XLY - Consumer Discretionary	(0.46)
XBD - AMEX Broker Dealer Index	(0.49)
SPX - S&P 500 Index	(0.50)
XLF - Financials Sector SPDR	(0.55)
SOX - Philadelphia Semiconductor Index	(0.67)

Dow Jones Global Exchanges Index Fact Sheet

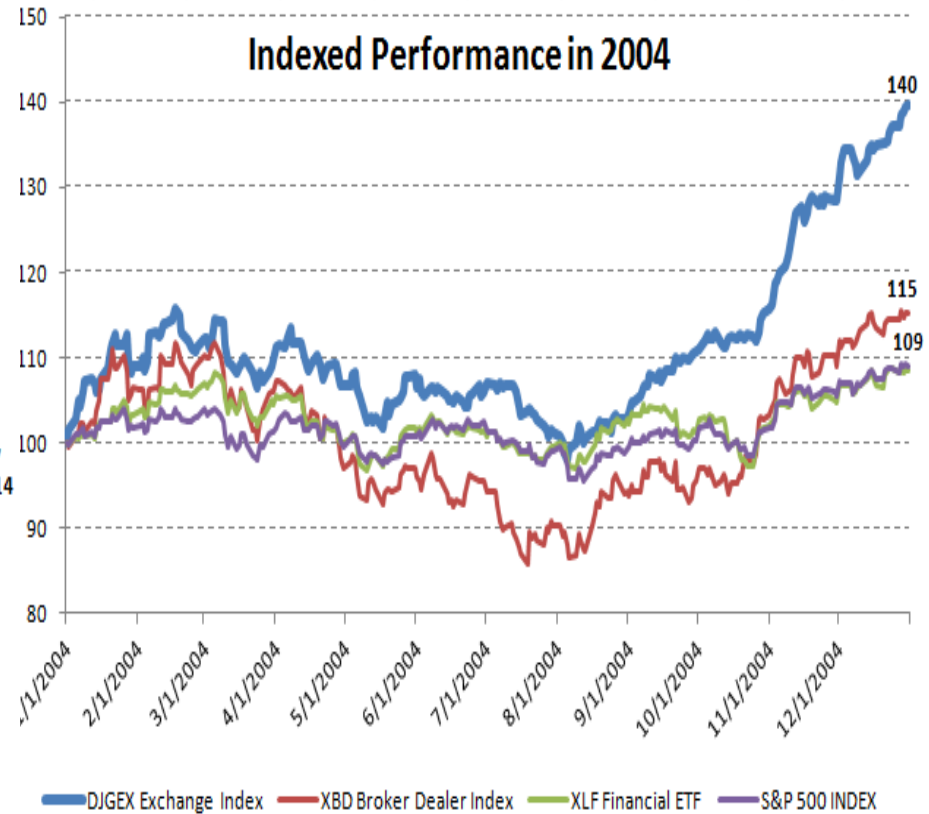
Company	Country	Adjusted Weight (%)
CME Group Inc A	United States	18.97%
Hong Kong Exchanges and Clearing Ltd.	Hong Kong	17.54%
Intercontinental Exchange Inc	United States	17.41%
Deutsche Boerse AG	Germany	9.67%
London Stock Exchange Plc	United Kingdom	7.53%
Japan Exchange Group Inc	Japan	5.25%
BM&F Bovespa S.A.	Brazil	5.18%
Nasdaq Inc	United States	4.32%
CBOE Holdings Inc	United States	3.09%
Singapore Exchange Ltd	Singapore	2.82%

WHEREAS REASONABLE MOVEMENTS IN VOL BEGETS OUTPERFORMANCE

AVG. VIX UP +97%

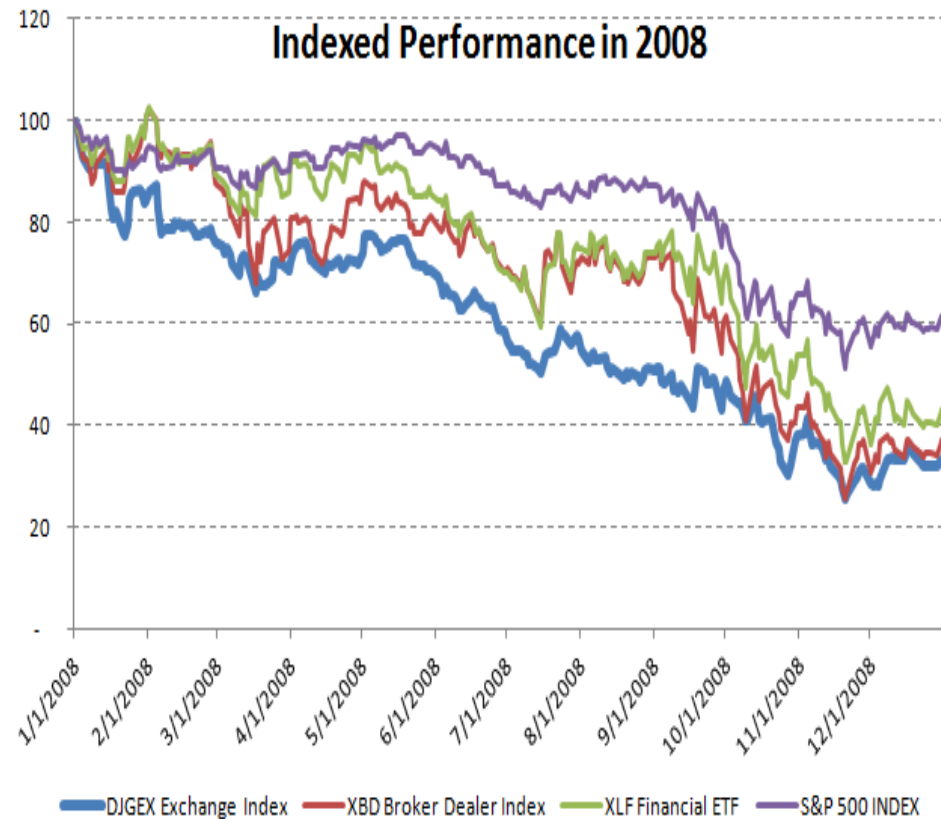


AVG. VIX UP +17%

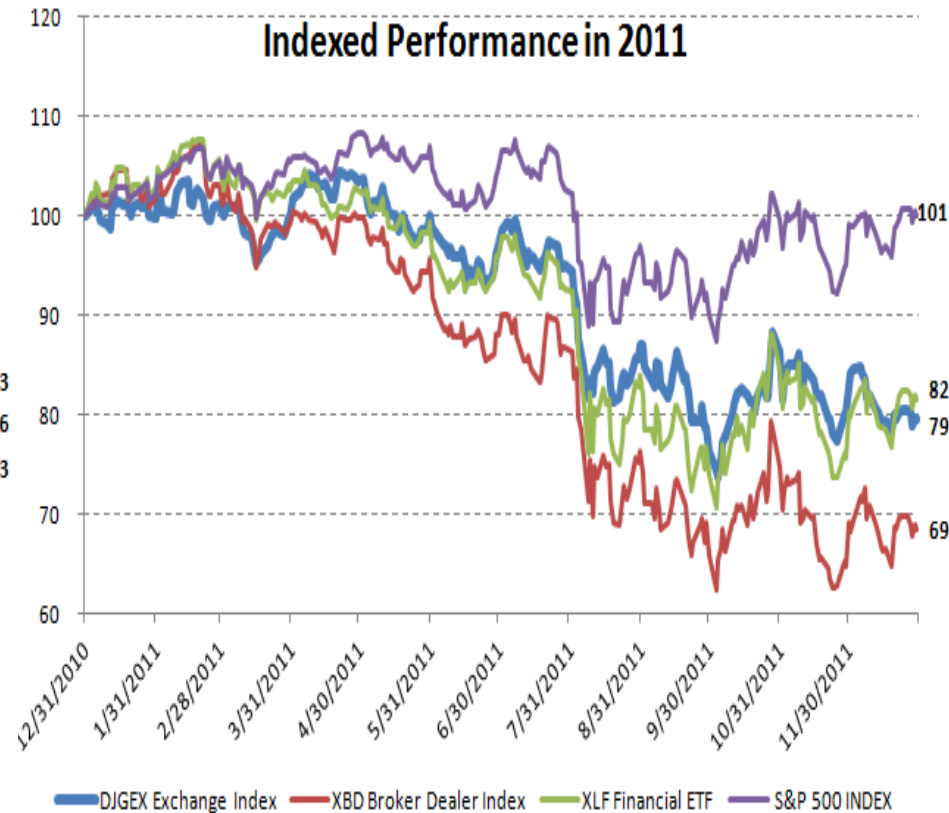


NOT ALL VOL IS NOT GOOD AND VERY HIGH VOLATILITY ENVIRONMENTS SPUR UNDERPERFORMANCE BY THE GROUP

AVG. VIX UP +259%

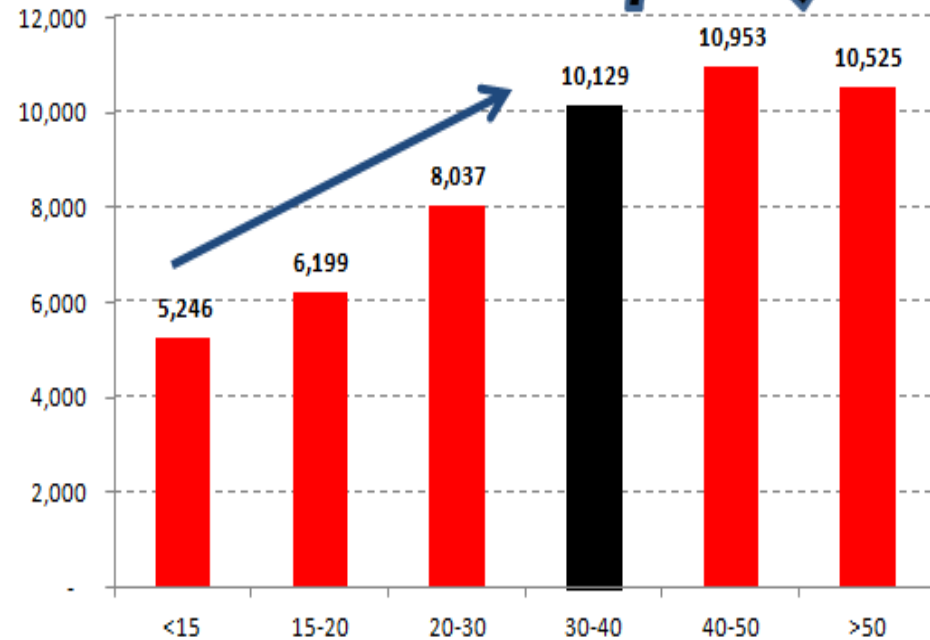


AVG. VIX UP +170%

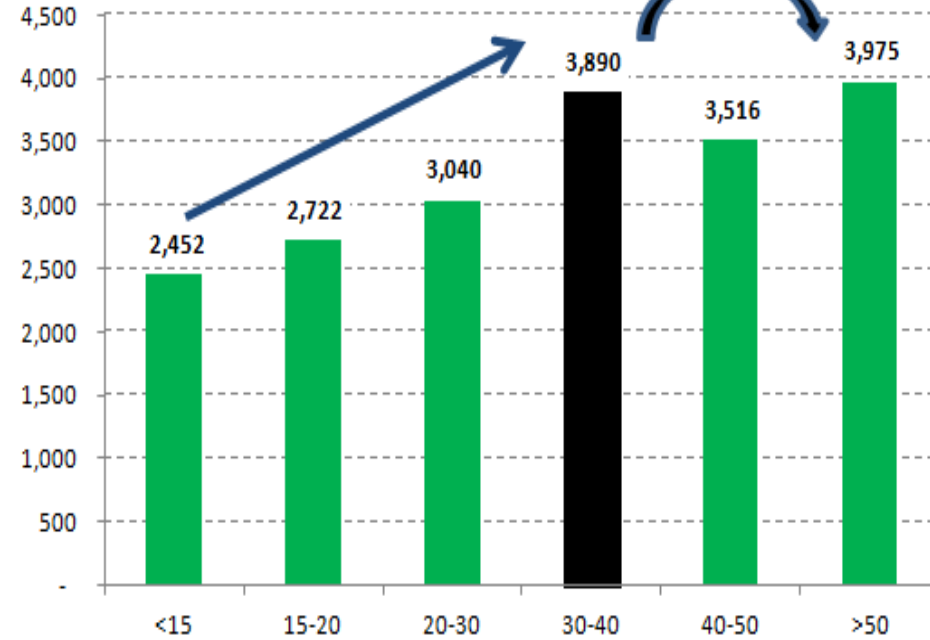


HIGHER LEVELS OF VOLATILITY DRIVE HIGHER ACTIVITY LEVELS BUT GAINS TAPER OFF ABOVE A 40 VIX

U.S. Cash Equity Volume In BB of Shares Per Day Per VIX Level



U.S. Equity Futures Volume In MM of Contracts Per Day Per VIX Level



THE LITTLE ENGINE THAT COULD – A LONG POSITION

1

PERVERSELY RECESSIONS ARE BEST

While investors are in love with growth, counterintuitively recessions or phase transitions from growth to economic declines are boons for the exchange sector. Volatility rises substantially late cycle and the onset of recession is a very profitable time for the sector.

2

MIND YOUR EXPOSURES

Another hallmark of economic declines is the consistent rise of corporate credit spreads over Treasury, however with the highest ROIC in Financials and as a result the lowest cost of capital, the sector can outperform as a self funding sector.

3

NOT BULLISH ENOUGH

We see substantial opportunity for the exchange in U.S. options and U.S. ETFs as the recent merger of Nasdaq and ISE puts market share up for grabs. We are +10% above consensus for next year and think that relative to a Financial sector with negative top line and earnings that investors will pay more for the growth that is available.

LISTING FEES

BATS: Entry Fees

Tier I securities	\$100k with listing application, \$25k of which is nonrefundable
Tier II securities	\$50k, \$25k of which is nonrefundable
ETPs	No application fee

BATS pays ETP providers to list on its exchange. It funds those incentive payments with the trading revenue it receives from trading on those ETPs

NYSE/ICE

Application fee
\$25k fee

Listing fee

First time issuer or issuing preferred stock or warrants

\$0.0032 per share
Additional \$50k for first time issuers

*Additional share fee schedule**

shares ≤ 75m \$0.00480 per share
75m < shares ≤ 300m \$0.00375 per share
shares > 300m \$0.00190 per share

Additional class of common shares (e.g. tracking stock)

\$5k in lieu of the per share schedule

Minimum and maximum for first time issuance

\$125k min
\$250k max
Including the special \$50k charge

Minimum and maximum additional share listing fee

\$10k min
\$500k max

*Initial application covers 30 M shares of common stock within the additional share fee schedule.

NASDAQ: Entry Fees

Nasdaq Global Select Market and Nasdaq Global Market

Total shares

outstanding

Up to 30M

30+ to 50M

50+ to 100M

Over 100M

Entry Fee

\$125k (including \$25k app fee)

\$150k (including \$25k app fee)

\$200k (including \$25k app fee)

\$225k (including \$25k app fee)

Nasdaq Capital Market

Total shares

outstanding

Up to 15M

Over 15M

Entry Fee

\$50k (including \$5k app fee)

\$75k (including \$5k app fee)

ANNUAL FEES

BATS

Tier I securities	\$35k
Tier II securities	\$20k
ETPs	No annual listing fee
	Eligible to receive payments from the exchange based on the consolidated average daily volume ("CADV") for each trading day of the preceding calendar quarter as follows

CADV Range	Annualized Pmt
1M to 3 M shares	\$3 K
3 M+ to 5 M shares	\$10 K
5 M+ to 10 M shares	\$50 K
10M+ to 20 M shares	\$100 K
20 M+ to 35 M shares	\$250 K
Greater than 35 M shares	\$400 K

BATS pays ETP providers to list on its exchange. It funds those incentive payments with the trading revenue it receives from trading on those ETPs

NYSE/ICE

Type of Security	Minimum Fee	Fee Per Share
Primary class of common shares	\$45,000 (\$52,500 as of January 1, 2016)	\$0.001 (\$0.001025 as of January 1, 2016)
Each additional class of common shares (including tracking stock)	\$20,000	\$0.001 (\$0.001025 as of January 1, 2016)
Primary class of preferred stock (if no class of common shares is listed)	\$45,000 (\$52,500 as of January 1, 2016)	\$0.001 (\$0.001025 as of January 1, 2016)
Each additional class of preferred stock (whether primary class is common or preferred stock)	\$5,000	\$0.001 (\$0.001025 as of January 1, 2016)
Each class of warrants	\$5,000	\$0.001 (\$0.001025 as of January 1, 2016)

NASDAQ: All-Inclusive Annual Fee*

Nasdaq Global Select and Global Markets

Total shares outstanding	Annual Fee Domestic and Foreign Issues (excluding American Depositary Share)	Annual Fee American Depositary
Up to 10 M	\$45 K	\$45 K
10+ to 50 M	\$55 K	\$45 K
50+ to 75 M	\$75 K	\$52.5 K
75+ to 100 M	\$100 K	\$75 K
100+ to 125 M	\$125 K	\$75 K
125+ to 150 M	\$135 K	\$75 K
Over 150 M	\$155 K	\$75 K

Nasdaq Capital Market

Total shares outstanding	Annual Fee Domestic and Foreign Issues (excluding American Depositary Share)	Annual Fee American Depositary
Up to 10 M	\$42 K	\$37 K
10+ to 50 M	\$55 K	\$45 K
Over 50 M	\$75 K	\$45 K

*Replacing the combination of annual fees and additional share fees

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