Stable Financial Results of GPW Group in a Difficult Market Environment

PRESS RELEASE

- Net profit at PLN 119.3 million in 2019
- EBITDA at PLN 193.2 million
- Sales revenue at PLN 336.1 million
- Operating expenses up by 4.2% to PLN 181.1 million
- Cost/income ratio (C/I) at 53.9% in 2019
- Dividend payment at PLN 133.5 million in 2019 (PLN 3.18 per share)

The GPW Group generated sales revenue at PLN 336.1 million, a net profit of PLN 119.3 million, and EBITDA at PLN 193.2 million in 2019. Operating expenses stood at PLN 181.0 million and the cost/income ratio (C/I) was 53.9% in 2019.

The GPW Group generated sales revenue at PLN 80.3 million, a net profit of PLN 11.2 million, and EBITDA of PLN 41.2 million in Q4 2019. Operating expenses stood at PLN 47.4 million.

“Throughout 2019, we were focusing on the goals of the strategy #GPW2022. We can see the first results, which are positive and strengthen the foundations of our further growth. We are developing strategic initiatives and working with market participants in active pursuit of the Capital Market Development Strategy. In the face of the coronavirus pandemic, we have activated and continue to comply with emergency work procedures ensuring the safety of GPW Group employees, the stability of regulated markets, uninterrupted access of investors to current news and the opportunity to make informed investment decisions, as well as liquidity for issuers,” said Marek Dietl, President of the GPW Management Board.

The year 2019 brought major challenges on the financial markets in Poland and Europe. Meanwhile, the GPW Group continued to grow. In 2019, the GPW Group reported record-high volume of trade in electricity at 228.9 TWh, representing an increase of 1.3% year on year. The volume of trade in gas increased by 2.0% year on year and was record-high at 146.1 TWh. The sale of information services continued to grow dynamically, as reflected in the revenue from information services which increased by 7% year on year to PLN 47.9 million.

The value of trade in shares on the electronic order book on GPW dropped by 6.3% year on year in 2019. Seven companies were newly listed on the Main Market (including five transfers from NewConnect) and 15 companies were newly listed on NewConnect.

It is GPW’s top priority to create shareholder value. This objective is pursued among others by regular distribution of profits to the shareholders. GPW paid dividends at PLN 3.18 per share in August 2019. The dividend yield was 8.2% as at the dividend record date.

Implementation of the strategy #GPW2022

GPW’s key successes in 2019 include the launch of technology projects, including the development of a proprietary trading platform and the development of the GPW Data system which will provide new solutions for market data. In 2019, GPW opened a crowdfunding programme addressed to brokers engaged in crowdfunding and crowdinvesting as a first step in the development of a Private Market. GPW initiated an Analytical Support Programme and a technology support programme for brokers in 2019. The GPW Growth Academy, introduced in 2019, supports the development of small and mid-sized enterprises.
GPW continued to expand its product offer in 2019. In collaboration with market partners, GPW introduced new ETFs, structured products, and the WIG-ESG index which addresses the growing needs of investors for companies which integrate sustainable development criteria in their growth. In pursuit of international initiatives, GPW and partners launched the CEE Plus index. In early March 2020, according to plan, the GPW Group started the pilot project of the Agricultural and Food Commodity Market (RTRS) operated by TGE. The first market member, Dom Maklerski BOŚ, acts as an intermediary in the conclusion and clearing of trade in wheat.

“The GPW Group’s development strategy for the years 2018-2020 focuses on broad application of new technology and the implementation of innovative solutions on our markets, resulting in diversification of revenue. The GPW Group’s revenue from information services was record-high at nearly PLN 50 million in 2019. Most of the revenue was earned from foreign clients, which demonstrates the huge potential of information and its smart management. Our active presence in the technology sector lays a foundation for further increase in revenue from information services and the development of new business lines,” said Marek Dietl.

Presentation of the GPW Group’s financial results for Q4 2019 and 2019

Net profit
The net profit of the GPW Group was PLN 11.2 million in Q4 2019 compared to PLN 37.1 million in Q4 2018. The Group’s annual net profit was PLN 119.3 million in 2019, a decrease of 35.0% year on year. The year-on-year decrease of the net profit was due to a lower sales revenue both on the commodity market and on the financial market combined with an increase of operating expenses by 4.2% year on year. The sales revenue decreased by 2.7% quarter on quarter in Q4 2019 while operating expenses increased by 31.2% quarter on quarter. The net profit of 2019 includes provisions of PLN 15.5 million set up against potential VAT payable of the subsidiary IRGiT. The provisions were charged to financial expenses.

FINANCIAL MARKET

Revenue from the financial market
The sales revenue from the financial market stood at PLN 43.6 million in Q4 2019, representing a decrease of 9.3% year on year and a decrease of 6.0% quarter on quarter. The revenue from the financial market contributed 54.4% of the total sales revenue of the GPW Group compared to 56.3% in Q3 2019 and 54.4% in Q4 2018. The annual sales revenue from the financial market was PLN 185.0 million in 2019, a decrease of 3.6% year on year. The sales revenue from the financial market contributed 55.0% of the total sales revenue of the GPW Group in 2019 compared to 55.3% in 2018. The revenue from the financial market includes trading revenue, listing revenue, and revenue from information services. The GPW Group’s revenue was PLN 336.1 million in 2019, a decrease of 3.1% year on year.

Trading revenue on the financial market
The trading revenue on the financial market was PLN 27.1 million in Q4 2019 compared to PLN 30.6 million in Q4 2018 and down by 9.3% quarter on quarter. The annual trading revenue on the financial market was PLN 117.5 million in 2019, a decrease of 5.5% year on year. The year-on-year decrease in the annual revenue on the financial market was mainly driven by the decrease of revenue from trade in shares by -7.1% year on year. The decrease in the revenue from trade in equities and other equity-related instruments was mainly driven by a decrease in the value of trade on the electronic order book on the Main Market by 6.3% year on year. The revenue from block trades decreased by 49.8% year on year, i.e., by PLN 3.8 million in 2019.
Listing revenue
The GPW Group’s listing revenue on the financial market was PLN 4.3 million in Q4 2019 compared to PLN 5.0 million in Q3 2019 and PLN 5.7 million in Q4 2018. The annual listing revenue represented 5.8% of the GPW Group’s total revenue and stood at PLN 19.6 million in 2019 compared to PLN 22.8 million in 2018. The decrease in the listing revenue was mainly driven by a year-on-year decrease in the value of IPOs in 2019 as well as a smaller number of listed companies. The total IPO value on both equity markets was PLN 76 million in 2019 compared to PLN 346 million in 2018. The value of SPOs was PLN 8.2 billion in 2019 compared to PLN 5.3 billion in 2018; however, the 2019 numbers include an IPO worth PLN 7.3 billion. The revenue from listing fees decreased by PLN 2.3 million year on year and stood at PLN 17.5 million in 2019. The revenue from fees for introduction decreased by PLN 2.3 million year on year and compared to PLN 1.5 million in 2018.

Information services
The revenue from information services was record-high at PLN 12.2 million in Q4 2019, representing an increase of 3.5% year on year and an increase of 6.3% quarter on quarter. The annual revenue from information services was also record-high at PLN 47.9 million in 2019, which represents an increase of 7.0% year on year and accounts for 14.3% of the GPW Group’s total sales revenues. Nine new non-display data clients, 9 new processed data clients, and 2 entities which calculate indices based on GPW data were acquired in 2019. The sale of WIBOR data continued to increase fast, as did the number of GPW and TGE data subscribers.

COMMODITY MARKET

Revenue from the commodity market
The sales revenue on the commodity market was PLN 36.0 million in Q4 2019, a decrease of 10.1% year on year and a decrease of 0.2% quarter on quarter. It contributed 44.8% of the Group’s total revenues in Q4 2019. The annual revenue from the commodity market was PLN 149.9 million in 2019, representing a decrease of 2.4% year on year and contributing 44.6% of the Group’s total sales revenues. The revenue from the commodity market includes trading revenue, revenue from operation of the register of certificates of origin, and revenue from clearing.

Trading revenue on the commodity market
The trading revenue on the commodity market stood at PLN 18.3 million in Q4 2019, representing a decrease of 11.9% year on year and 2.5% quarter on quarter. The annual trading revenue on the commodity market was PLN 75.2 million in 2019, representing a decrease of 4.3%. The revenue from trade in electricity was PLN 4.9 million in Q4 2019, a decrease of 13.8% year on year and an increase of 2.8% quarter on quarter. The annual revenue from trade in electricity was PLN 16.3 million, a decrease of 11.2% year on year. The revenue from trade in gas was PLN 12.1 million in 2019, up by 12.3% year on year. The revenue from trade in gas decreased by 1.5% year on year but increased by 5.1% quarter on quarter and stood at PLN 3.4 million in Q4 2019. The revenue from trade in property rights of certificates of origin decreased by 9.6% year on year to PLN 34.2 million in 2019. The revenue from trade in property rights of certificates of origin stood at PLN 6.7 million in Q4 2019, representing a decrease of 22.4% year on year and 11.8% quarter on quarter. The decrease in the revenue from trade in property rights was due to the expiration of cogeneration certificates at the end of 2018 and their total cancellation by 30 June 2019. The Group’s revenue from other fees paid by commodity market participants stood at PLN 12.5 million in 2019 compared to PLN 11.5 million in 2018, i.e., it increased by 8.4% year on year. The amount of other fees paid by commodity market participants depends largely
on the activity of IRGiT Members, in particular the number of transactions. The Exchange Commodity Market had 78 members at the end of 2019 compared to 72 at the end of 2018.

✓ **Operation of the Register of Certificates of Origin**

The revenue from the operation of the Register of Certificates of Origin was PLN 5.1 million in Q4 2019, representing a decrease of 16.8% year on year and a decrease of 18% quarter on quarter. The annual revenue from the operation of the Register of Certificates of Origin was PLN 27.8 million in 2019, a decrease of 3.1% year on year. The decrease in the revenue from the operation of the Register of Certificates of Origin was driven mainly by a decrease of revenue from cogeneration certificates as the scheme was closed down on 30 June 2019.

✓ **Clearing**

The revenue from clearing was PLN 12.4 million in Q4 2019, representing a decrease of 4.6% year on year and an increase of 14.0% quarter on quarter. The Group’s annual revenue from clearing was PLN 46.3 million in 2019, an increase of 0.9% year on year. The year-on-year increase in revenue was driven by rising volumes of trade on the markets operated by TGE.

**Operating expenses**

Operating expenses of the GPW Group stood at PLN 47.4 million in Q4 2019 compared to PLN 42.4 million in Q4 2018, representing an increase of 11.6% year on year and 31.2% quarter on quarter. The annual operating expenses were PLN 181.1 million in 2019 compared to PLN 173.8 million in 2018, an increase of 4.2% year on year. The C/I ratio increased to 53.9% in 2019 from 50.1% in 2018.

✓ The increase of operating expenses in 2019 was mainly driven by an increase of depreciation and amortisation charges by PLN 5.1 million to PLN 36.9 million.
✓ The Group’s salaries and other employee costs increased by 13.1% or PLN 9 million year on year to PLN 77.8 million.
✓ External service charges increased by 8.9% or PLN 3.9 million year on year and stood at PLN 48.5 million.

**Share of profit of entities measured by equity method**

The GPW Group’s share of profit of entities measured by equity method, i.e., the associates KDPW S.A. and CG S.A. and the joint venture PAR S.A., was PLN 1.9 million in Q4 2019 and remained stable year on year. The GPW Group’s annual share of profit was PLN 11.3 million in 2019 compared to PLN 10.6 million in 2018, up by 6.7% year on year. The share of profit of entities measured by equity method was mainly driven by the earnings of KDPW and the end of negative contributions due to the sale of Aquis Exchange. KDPW’s profit attributable to GPW was PLN 11.4 million in 2019 compared to PLN 11.2 million in 2018. The share of loss of PAR was PLN 0.6 million in 2019 compared to PLN 0.2 million in 2018.

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The Warsaw Stock Exchange Group (GPW Group) operates trading platforms for shares, Treasury and corporate bonds, derivatives, electricity and gas, and calculates the benchmarks WIBOR and WIBID. The index agent FTSE Russell classifies the Polish capital market as a Developed Market since 2018. The markets operated by the GPW Group are the biggest in Central and Eastern Europe. For more information, visit www.gpw.pl

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