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EDITED TRANSCRIPT

NDAQ - Q1 2015 NASDAQ OMX Group Inc Earnings Call

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OVERVIEW:

NDAQ reported 1Q15 revenues of $507m.

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CORPORATE PARTICIPANTS

Ed Ditmire *Macquarie Capital Securities - VP of IR*

Bob Greifeld *NASDAQ OMX Group, Inc. - CEO*

Lee Shavel *NASDAQ OMX Group, Inc. - CFO*

CONFERENCE CALL PARTICIPANTS

Rich Repetto *Sandler O'Neill & Partners - Analyst*

Michael Carrier *Bank of America Merrill Lynch - Analyst*

Brian Bedell *Deutsche Bank - Analyst*

Ken Worthington *JPMorgan - Analyst*

Chris Allen *Evercore ISI - Analyst*

Alex Blostein *Goldman Sachs - Analyst*

Ashley Serrao *Credit Suisse - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the NASDAQ first quarter 2015 results conference call. At this time, all participants are in a listen-only mode.

(Operator Instructions)

I would now like to introduce to your host for today's conference Ed Ditmire, Vice President of Investor Relations. Please go ahead, sir.

Ed Ditmire - *Macquarie Capital Securities - VP of IR*

Good morning, everyone, and thanks for joining us today to discuss NASDAQ's first quarter 2015 earnings results. On the line are Bob Greifeld, our CEO; Lee Shavel, CFO; our Co-Presidents, Adena Friedman and Hans-Ole Jochumsen; Ed Knight, our General Counsel, and other members of the management team.

After prepared remarks, we'll open up to Q&A. The press release and presentation are on our website. We intend to use the website as a means of disclosing material, non-public information, and complying with disclosure obligations under SEC regulation [FD].

I'd like to remind you that certain statements in the presentation and during Q&A may relate to future events and expectations, and as such, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from these projections. Information concerning factors that could cause actual results to differ from forward-looking statements is contained in our press release and periodic reports filed with the SEC. I now will turn the call over to Bob.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

Thank you, Ed. Good morning, everyone, and thank you for joining us today to discuss NASDAQ's first quarter 2015 results. We had a very strong start to our year. Our focus on creating new opportunities for our businesses and our customers was clearly evident, and I am very pleased with

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the overall direction this franchise is headed. The results we delivered during the quarter are the second best in our history, in terms of non-GAAP operating income, net income, and diluted EPS.

This occurred while also including material year-over-year bottom line growth despite elevated FX headwinds. As I pointed out to you on this call before, we have a fundamental view that our performance at this particular point in time in our evolution is merely a starting point for us to build upon. As you look even more closely at the quarter, past the headline financial numbers you will see evidence of that development as we advance our strategic ambitions across the businesses.

Today, I want to focus on three key areas which illustrate the tremendous progress we have made, specifically our financial performance, our strong strategic execution, and the deployment of capital, the results from these. Our financial performance during the quarter was solid and once again demonstrates the benefits of diversity in our model. Our non-GAAP operating margins were at multi-year highs at 46%, a function of improving organic growth in the non-trading segments and continued intense focus on the best method of executing our plans. This more than offset intense FX headwinds, and what I would consider a challenging environment for our trading businesses.

What is even more interesting to me is that when we look across our entire business we continue to see meaningful contributions from each segment as well as an expanding set of opportunities. A big driver in our overall performance was the positive trend we continued to see in our non-transaction business segments. We saw a 3% organic growth during the quarter, continuing an improving trend over the recent periods. While progress is not where we want it to be, we remain focused on delivering for our customers and shareholders while investing in the business and continuing to drive growth across the franchise.

One of the opportunities in front of us right now is in our corporate solutions business. Over the last year, our focus has been on enhancing our products and services and the way we are structured to better serve our customers and meet their needs. We are clearly taking the right steps in positioning this business as a market place leader through the launch of our next-gen platform, which will take place later this year along with a number of other product enhancements across the entire IR, PR, and multimedia offering. This customer-centered framework and focus will give us the ability to develop new enhancements and product introductions and drive growth in the quarters to come.

In addition, we continue to see equally positive momentum across our other non-transaction businesses, including information services which was boosted by the strong performance of Dorsey, Wright, and Associates. Certainly, our core businesses have and will continue to be fundamental to our success. These businesses not only formed the basis of what I referred to as the mother ship, for certainly have and will continue to drive many of the new opportunities for us across the franchise.

During the quarter, both our cash equity, trading, and listings businesses continued to perform well, together rising 7% year-over-year and 15% if you exclude FX. These businesses represent foundational parts of our business that we've successfully levered to expand our product offerings to our customers. Examples include extending our arbitrating platform to equity derivatives and delivering corporate solutions to public and private companies. I believe this significant growth we continue to see in these businesses in recent periods bodes well for other related businesses in the periods to come.

Delving in a little bit deeper, one of the more exciting areas of our business right now is the listing segment, both in terms of recent activity levels, our strong competitive position, and new product enhancements we are making. Last year, we had a record number of IPOs with a 61% market share, and so far this year we are trending to a higher win rate. In the first quarter, NASDAQ again was the market place leader by capturing 66% of all US IPOs.

While we continue to see companies from different sectors, we're clearly living in the new age of biotech which is truly exciting. Some of the outstanding brands joining NASDAQ during the quarter included [imbelon]. Also, we had the largest tech IPO by dollars raised in Spark Therapeutics, the best performing US IPO year to date.

As I noted, we continue to attract many of the new companies that represent what I would call the new economy, including those in green energy like SolarEdge Technologies, a $900 million plus company that provides technology components for solar panel installers that also joined NASDAQ

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in the first quarter. What is interesting to me is that many of these companies are truly changing our world as we know it today, and we are excited to play a role in their evolution and development by providing them with a platform to raise capital and to reach their stakeholders.

Turning to our European markets, we have seen some of the strongest activity in that IPO market in decades. For example, NASDAQ Stockholm had its best start since 1965. In the first quarter, the Nordic markets had 18 new listings continuing the new listing momentum we experienced in 2014 when there was 72 new listings, the most since 2000. The pipeline for the remainder of 2015 looks robust with a backlog of filed offerings remaining at very high levels.

When you look at our financial performance during the quarter, I think it is a direct output of the way we execute as a Company. I like to call out a few of the ways our strong execution as a firm continues to drive opportunities for us. Clearly, one of the things I think NASDAQ does particularly well today is how we invest in our future. We do this in a number of ways including through investments that lever the mother ship as well as sound strategic acquisitions.

I am pleased to report that a most recent acquisition, Dorsey Wright, and Associates, in our information services segment which we just closed at the end of January, is off to a tremendous start and moving well ahead of our expectations. The business saw ETP assets licensed to its smart beta indices increase by 37% in the two months since joining NASDAQ and a staggering 48% over the course of the entire first quarter, with further gains in April, a truly remarkable performance. In addition, 100% of the clients of DWA's analytics business were successfully migrated in the acquisition, resulting in zero attrition. We are only just beginning the work to accelerate product development and broaden DWA's partnerships across this business.

We're obviously very encouraged by the strong start to this partnership and the opportunities DWA adds to our portfolio. We're looking forward to seeing this exciting business grow and develop even further in the months to come. Moving on, one of the most visible developments during the quarter was our announcement of the expansion of our global commodities offering in the US energy derivatives space with the NASDAQ Futures Exchange, NFX. We expect to go live with this initiative later this year.

Now, I want to talk a little bit about how we are deepening our client relationships through some of the new product launches during the quarter. With respect to new product launches, we consider it our job to always work from informed perspective of our customer. This means we work to address their needs, but we also have to go one step further and consider areas that they have not yet thought about. Certainly, our next-gen platform in Corporate Solutions business was developed this way, and we are in the final stages of testing. We expect to introduce a beta version of this platform to some of our clients in the coming months.

NASDAQ Private Market is another example of this focus in action. This offering which provides support to private companies as they manage their equity ownership, liquidity needs, and other important functions grew to over 75 companies in the first quarter, truly remarkable for such a new venture. The growth in the first quarter included the addition of Shazam, an innovative UK-based entertainment and technology firm, which joined a diverse client group that also included Magic Leap, Tangoe, Hipmunk, Health Catalyst, and Motley Fool. While in the early stages, NASDAQ Private Market is seeing acceleration in revenue, and I believe in the medium and long term will contribute quite meaningfully to the listing services segment's growth.

We also continue to introduce significant, new product offering in other areas during the quarter such as our new capabilities in electronic fixed income trading platform, eSpeed. Building on the success of the US Treasury bills offering in 2014, we launched late in the first quarter trading in short-shorts, with are short duration Treasury bonds, and are working towards additional 2015 launches in coupon rolls and then off-the-run Treasuries. These products will position us to take advantage of all the opportunities in the current historically calm Treasury markets, but more importantly have the largest possible opportunity if and when the anticipated interest rates move by the Fed take place. We certainly believe that will create trading opportunities and stir volume in a meaningful way.

The path we are on right now is the right one in terms of new products we have in our pipeline, not only in terms of eSpeed, but across all our businesses, and in their ability to continue to deliver meaningful growth to the franchise. Another area where we continue to focus our energies is the US equity market. It's important to note that yesterday was the 10-year anniversary of our announcement of the [internet] deal. This transaction

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remains the thing most important action we took to secure our position in our core businesses and provided the platform for the growth we are witnessing today.

Since our beginning over 40 years ago, we have never stopped dedicating our efforts to increasing the effectiveness and efficiency of markets. As a foundational business and something we've levered to deploy a wide range of products and services to the investment community, our interests lie squarely on ensuring the long-term viability of the highest quality equity marketplaces.

We shared in the excitement around the very successful IPO of NASDAQ listed Virtu Financial recently. In particular, we observed a large number of investors utilizing a multitude of resource sources coming to the reasonable and constructive conclusions about the quality of our regulated markets and the soundness of the business model of those market participants. This was of course in stark contrast to the anxieties that once felt by many about a single person's unresearched opinion. Now when we look at market structure, certainly there are many opinions about what should and should not happen and the desire to improve markets, but at NASDAQ we are focused on action and what we can actually do to effect positive constructive improvements.

One example is with the access fee program we launched this past February. We started with customers who indicated they are primarily trading in the dark because of the high cost of access, or take fees. Others were concerned that significant liquidity rebates might negatively affect market quality. We started with a pilot group of 14 stocks to reduce the market access fee to $0.05 per 100 shares with the liquidity rebate lowered to $0.04 per 100 shares. These fees had maximums set of $0.30 by the SEC as part of Reg NMS about a decade ago, and have remained that way since.

That said, after initial review of early data the experiment has revealed adverse changes in liquidity provisioning and at the same time no meaningful compensation changes in liquidity taking orders, but to me that is not the point. So far, the experiment seems to be showing that costs are not the only factor in driving the increase in dark trading, while it's also producing the kind of data that can lead to full analysis on any impact of market quality. These are early days, but we're hopeful the data will lead to more discussion and eventually to action to ensure our markets remain the envy of the world.

In addition to the strong progress we've made in many areas which I have highlighted, certainly our focus on our use of capital has also been a significant factor in our success. We have always maintained that the reward of running our business as well give us the ability to do more things such as make investments in our future, like our expansion into energy futures market and others, as well as giving us the ability to make a sound use of our other capital deployment options for our shareholders, whether through share buybacks, dividend, or selective acquisitions.

During the first quarter, we executed on attractive deployment opportunities in all channels, including $30 million of stock repurchases, bringing the total to $208 million over the four quarters since we restarted the program in the second quarter of 2014. We invested in new initiatives including the meaningful groundwork laid for the launch of NFX, and we completed the acquisition of Dorsey Wright, which as I mentioned, is already exceeding our expectations. Clearly, we're using all channels to great effect.

In addition, today the Company is announcing a two-thirds increase in the dividend to $0.25 per quarter. Is that true, Lee? Two-thirds increase in dividend to $0.25 per quarter from $0.15. This reflects the financial progress we made as a Company, including both growth and diversification gains that we expect we will improve upon, as well as our commitment to maximize returns to shareholders, not only through the effective execution on our strategy and our relentless focus on efficiency, but also through careful and considered use of all available capital deployment options. We have the confidence we're pulling all the right levers, and we're well-positioned to continue to deliver for our customers and shareholders.

As I've said, we've accomplished many things during the quarter and continue to execute well. When you look at NASDAQ today versus just a few years ago, we're doing more for our customers on many levels than ever before. It's an incredibly exciting time to be here at NASDAQ. With that, I will turn the call over to Lee.

Lee Shavel - *NASDAQ OMX Group, Inc. - CFO*

Thanks, Bob, and good morning. The following comments will focus on our non-GAAP results. Reconciliations of GAAP to non-GAAP results can be found in the attachments to our press release and in the presentation that's available on our website at IR. NASDAQ.com.

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I want to start off as I did last quarter by highlighted the impact the stronger dollar had on our results this quarter as it obscures in many cases solid organic growth that we saw the business. Revenues of $507 million were reduced by $29 million from the prior-year quarter, as a result of the stronger dollar, and excluding FX and acquisition impacts, were up slightly with improving organic growth in non-trading segments offset by some contraction in market services, largely the results of lower volumes. Operating expenses were down $18 million due to FX, but even eliminating this impact, we were able to reduce expenses organically by $7 million or 2% from the prior year. These combined contributed to operating income growth of 5%, excluding the impact of FX and would've produced $0.04 higher non-GAAP EPS.

In order to provide greater understanding of these effects on the business units, we continue to provide a schedule of FX impact on the revenues of each business unit on page 15 of the presentation. I'll start by reviewing first quarter revenue performance relative to the prior-year quarter as shown on page 3 of the presentation. The 4% or $22 million decline in reported revenue of $507 million consisted of, firstly, organic growth in the non-trading segments of $9 million or 3% from growth in listings, information services, and market technology, and $4 million in revenues from the Dorsey Wright acquisition, offset by $15 million due to the impact of FX, for a net $2 million decrease in reported revenues.

Secondly, an organic contraction in market services net revenues of $6 million or 3%, the result of lower US equity options and [FIC] revenues against significantly higher cash equity trading revenue, coupled with a $14 million FX headwind for a net $6 million reported decline. If we moved to page 4 in the presentation, we show how organic growth breaks down historically between the non-transaction information services, technology solutions, and listing services segments, which had 3% organic growth this quarter, up from the prior quarter, and the volume sensitive market services segment at negative 3% for the quarter. On the bottom of this page, we reiterate our views on the medium-term organic growth outlook for the non-transactional segments. As I've said in the past, these views were meant to reflect multi-year cross cycle periods, and actual growth in shorter periods can be above or below these ranges.

I'm now going to go over some highlights within each of our reporting segments. All comparisons will be made to the prior-year period unless otherwise noted. In information services on page 5, we saw a $6 million or 5% operational gain partially offset by $4 million of FX headwinds for a $2 million net increase in reported revenues, while the operating margin remained relatively steady at 74%. Within information services, data products had unchanged revenues as growth in NASDAQ basic revenues and the inclusion of Dorsey Wright revenues was partially offset by a $3 million decline in audit collections and a negative $4 million impact from FX.

Index licensing and servicing grew revenues 9%, due principally to the inclusion of Dorsey Wright revenues, and secondarily to higher fees related to certain structured products. Core revenues from exchange-traded products licensed to NASDAQ indices were unchanged as increases in assets under management were offset by pricing mix, in particular a lower balance in the [QQQs]. Growth in assets under management in exchange-traded products licensed to NASDAQ indexes rose 12% to $105 billion of the end of the quarter, primarily due to organic growth, and secondarily due to acquired Dorsey Wright assets under management.

In technology solutions as shown on page 6, we saw $3 million or 2% operational decline in revenues which compounded with $7 million in FX headwinds, resulted in a $10 million reported decline. However, the operating margin rose to 11% from 9% in the prior period, and operating income was unchanged, excluding FX due to fully offsetting operational expense reductions of $3 million. Market technology revenues fell 5% or $3 million, due primarily to negative FX impact of $5 million more than offsetting organic growth, in particular, in the SMARTS surveillance and BWise risk products.

New order intake was $40 million in the first quarter, a bit of a breather after a record $194 million in the fourth quarter of 2014, but the period end backlog finished at a new all-time record of $728 million which bodes well for continued, strong organic revenue growth in the periods ahead. Please note that certain pre-trade risk product revenues previously included in the access broker services have been recast as part of technology solutions with all prior-period figures restated.

Corporate solutions revenue fell 9% or $7 million year-over-year, reflecting declines in certain investor relations and multimedia product revenues as we continue the product transitions and enhancements intended to enhance the product offering and eliminate redundant platforms, as well as $2 million in negative FX impact, partially offset by higher governance revenues. Organic growth was material in the Directors Desk governance products, where we saw 18% growth in a Directors Desk users and in our GlobeNewswire distribution business. The number of press releases

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published rose 11%, but broadly across our offerings, we continue to face elevated competitive challenges as we advance the integration and upgrade of our key product platforms.

We remain confident that as we complete the integration and upgrades to the corporate solutions offerings, especially when the phased launch of our next-gen investor relations platform is complete which is expected in late 2015, we will have a suite of solutions for corporate executives that sets a new higher bar for the industry and an organization fully aligned to support growth over the longer term. While the segment operating margin of 11% was a material improvement compared to the prior-year period, its unexpected decline from the seasonably higher fourth quarter 2014 level which is influenced by seasonally high change order requests in our market technology business. Looking forward, we continue to target significant year-over-year improvement in the technology solutions margin in 2015 as we work diligently to realize our substantially higher medium-term profitability goals.

Moving to listing services on page 7, we saw a $10 million or 17% operational increase in revenues driven by pricing changes and an increased issuer base, partially offset by $4 million of FX headwind, resulting in a 10% reported increase in revenues. Operating margin of 44% was up 6 points from the prior year. The US issuer base has 4% more US companies at the end of the quarter compared to the prior-year period, while in the Nordics, the account is 6% higher with a 21% higher local currency market capitalization.

In market services on page 8, we saw a $6 million or 3% operational decrease in net revenues which was compounded by $14 million negative FX impact, resulting in a reported revenue decline of 10%. Operating margin, however, rose to 54% from 50% in the prior period due to both lower quarter expenses and reduced is spending at NLX. Excluding the impact of FX, market services operating income would have risen $1 million despite the revenue decline.

Equity derivatives trading and clearing net revenues fell $10 million due to lower US equity options industry volumes and average capture, and a $3 million impact of FX, partially offset by organic growth in Nordic equity derivative revenues. Cash equities trading net revenues rose $2 million as higher US cash equity average capture and increased Nordic industry volumes were partially offset by $6 million in FX headwinds. Fixed-income, currency, and commodities trading and clearing net revenues fell $11 million from the prior year with principally volume driven declines in most [FIC] product categories, $3 million in foreign exchange headwinds, and the scheduled end of revenues associated with an eSpeed technology license customer. In access and broker services, revenues were down $1 million at $59 million with organic growth offset by $2 million in FX impact.

Turning to pages 9 and 14 to review the income statement and expenses, non-GAAP operating expenses decreased by $7 million or 2% on an operational basis, plus $18 million in FX impact resulting in a $25 million or 8% reported decline. A significant portion of the operational decline was due to a restructuring initiative which will deliver $17 million to $19 million in annualized savings, which I will go into more detail in just a moment. Non-GAAP operating income in the first quarter of 2015 rose 6% on an operational basis, but was mostly offset by foreign exchange, resulting in a 1% increase. Non-GAAP operating margin came in at 46%, up 2 points from the prior-year period.

Net interest expense was $27 million in the first quarter, a decrease of $1 million versus the prior-year mainly due to the favorable impact of foreign exchange on our euro-denominated debt. The non-GAAP effective tax rate for the first quarter was 34% in the middle of our 2015 33% to 35% effective tax rate guidance range. Non-GAAP net income was $138 million or $0.80 per diluted share, compared to $136 million or $0.78 per diluted share in the first quarter of 2014. The $0.02 increase in our non-GAAP EPS represents core organic EPS growth of $0.05 operationally, and $0.01 due to acquisitions, partially offset by the $0.04 impact of changes in foreign exchange rates.

There were an unusual number in scale of non-GAAP items of this quarter's results, and I'd like to take a moment to give some detail around these. The items fall in four broad categories. First, we had $150 million in restructuring charges. The largest of these at $119 million was related to the recent business decision to rebrand NASDAQ OMX as NASDAQ. This charge is simply the non-cash write-off of the OMX trade name, booked at the time of acquisition in 2008, and does not reflect any deterioration in the financial performance or the value of the assets.

The remaining $31 million entailed about half of a projected $63 million in total charges expected to be recognized through the second quarter of 2016, related to headcount reductions and job transfers to lower cost locations, as well as facilities related asset impairment and other charges designed to increase efficiency and reduce costs, an action that we expect to result in $17 million to $19 million in annualized expense savings. The second category was $31 million in special legal expenses. NASDAQ has established a loss reserve of $31 million for litigation arising from the

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Facebook IPO in May 2012. The reserve is intended to cover the estimated amount of a settlement of class action litigation, initiated on behalf of investors in Facebook common stock on the date of its IPO.

The reserve would also cover the anticipated cost of reopening NASDAQ's voluntary accommodation program to allow any NASDAQ member that did not file for compensation in 2013 to submit a claim during the second quarter of 2015, subject to the conditions and limitations there were applicable to claims filed in 2013. NASDAQ expects that the reopening of the accommodation program will fully resolve claims by UBS Securities against NASDAQ. NASDAQ further anticipates that some or all of the amounts paid from the loss reserve will be reimbursed by applicable insurance coverage.

The third category would be two roughly offsetting items. We recognized other income of $13 million, related to our share of OCC's income for the year ended December 31, 2014, roughly offset by a $12 million charge due to a ruling on a foreign tax item. Then finally, the fourth categories the exclusion of $15 million of amortization of acquired intangibles in accordance with the change in our non-GAAP reporting methodology we discussed last quarter. I would also note that we only expect around $25 million of pretax cash expenses associated with the total of $195 million in net GAAP charges in the quarter.

If you turn to page 10, we have lowered our 2015 non-GAAP operating expense guidance by 3%, due to both the restructuring effort and the impact of changes in foreign currency rates, since we initiated the guidance in January. Our new 2015 non-GAAP operating expense guidance based on average March 2015 FX rates is $1.085 billion to $1.110 billion, including an unchanged $30 million to $40 million in research and development costs.

Moving on to the balance sheet, please turn to slides 11 and 12. Our gross debt-to-EBITDA leverage ratio was unchanged at 2.3 times from last quarter as a decrease in the book value of foreign denominated debt and increased of trailing 12-month EBITDA offset increased borrowings on the revolver to fund a portion of the Dorsey Wright acquisition. We repurchased $30 million of stock in the first quarter, bringing our repurchases since resuming our buyback program in second quarter of 2014, to $208 million. We've also announced a second increase in our regular dividend, which we are raising to $0.25 per quarter from $0.15 previously, a 67% increase bringing our yield on our current share price above 2%.

This increase in dividend reflects confidence in the stability of the profitability and cash flow of our diverse and growing businesses, our ambition to grow our dividend over time, something that we've communicated since initiating the regular dividend in 2012, our balanced approach in return of capital between dividends and share repurchases, and consideration of peer and broad market yields and payout ratios. This adds a much more significant income dimension to NASDAQ's investment proposition and something that will broaden the Company's investor appeal, while still allowing a very substantial amount of cash flow to be deployed where we see the highest risk adjusted returns for shareholders. Thanks for your time, and I will now turn it back over to Ed.

Ed Ditmire - *Macquarie Capital Securities - VP of IR*

Operator, can you open the line for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Rich Repetto, Sandler O'Neill.

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Rich Repetto - *Sandler O'Neill & Partners - Analyst*

Good morning. I guess my question first, with Lee, there was a lot of expense movements around in the new guidance. When you look at that guidance, it is down $35 million, I think, to $40 million -- the yearly guidance. Can you first tell us what component? You did talk about an FX component and a true cost of savings component. Can you break out, out of that $35 million to $40 million what percentage is what?

Then also, just on expenses, it looks like the margins in Corporate Solutions were aided by 200 to 300 basis points as you moved the re-categorized revenues. I just wanted to make sure that was correct. Is that being incorporated into the goals of the margin targets at Technology Solutions?

Lee Shavel - *NASDAQ OMX Group, Inc. - CFO*

Rich, on the expense guidance, I don't have a precise breakdown for you in terms on the guidance, what is FX and then what is operational. I think that is something that we can provide supplementary to you.

On the Corporate Solutions element, I don't think that the re-categorization had any significant impact on the overall margins. I'm just a little puzzled in terms of what you are seeing on that front, but we can maybe understand that a little more clearly.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

I don't think it's Corporate Solutions. It's really probably trade --

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Rich Repetto - *Sandler O'Neill & Partners - Analyst*

Excuse me. It's Technology Solutions. When we look back at last quarter, it shows 16%. In today's presentation, it was 14%, I believe, when you reported in January.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

That was definitely the movement of TradeGuard. And I'm just guessing, but assume that TradeGuard did dilute the existing margin.

Lee Shavel - *NASDAQ OMX Group, Inc. - CFO*

Rich, I think what it represents, that difference represents the shift from including in the last quarter the amortization of acquisition intangibles; whereas in this quarter, we are now excluding that for our non-GAAP purposes. Our prior-year quarter, as reflected in these numbers, will also reflect that adjustment. I think that is what the difference is, not any shift in the business.

Rich Repetto - *Sandler O'Neill & Partners - Analyst*

Okay. Then my one follow-up would be on market structure.

Bob, I thought you summarized some of the events that just occurred as far as the market sentiment and a player coming public. I guess my question is, taking that in perspective, but also the results of what you have done in your test on the make or take a model, would you say that you wouldn't be in favor then of reducing cap fees on the make or take? I believe it would negatively impact your market share, and also the liquidity providers were disincented, I guess, is what I heard you say.

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Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

Yes. One is, we don't have any final conclusions. It's a pilot and limited number of stocks, and we need to gather more data. Certainly the data we have here today reveals what we would have guessed. It's a lot easier for those who provide liquidity to stop doing it than others who are accessing liquidity to change their routing table. We're still working on that problem set.

To the extent the results stay very similar, then I think you could reasonably conclude that we wouldn't see any pressing reason to reduce the access fee.

Rich Repetto - *Sandler O'Neill & Partners - Analyst*

Okay. Very helpful. Thank you.

Operator

Thank you.

Our next question comes from Michael Carrier from Bank of America Merrill Lynch.

Your line is now open.

Michael Carrier - *Bank of America Merrill Lynch - Analyst*

Thanks.

First question, just on the non-transaction part of the business, if I look over the past three quarters, it looks like the organic growth is coming in around 2%. It seems like in some businesses, like listings, you have some momentum in pricing power. But there are some things, on the Corporate Solutions and some of the other areas, where there's this phase of repricing. Then I think the initiative is then to start to grow and take market share.

I just want to get a sense. Where are we in that stage of evolution, where we see this maybe lower organic growth as you're going through some of this repricing, to the process or the point that you expect to see some acceleration once you have that behind you?

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

All right. Great question.

One, we certainly agree with you that we are seeing really very strong momentum in the listing business, both here and in Europe. We're also seeing very strong momentum in NASDAQ Private Markets, which is particularly encouraging.

With respect to Corporate Solutions, I would definitely say it's not the time to focus on a given quarter. This year is clearly a year of transition. We're working very hard, and I think quite successfully, in coming forward with a number of different products.

We mentioned next gen in particular; but really as I said in my prepared comments, across the wide range of products we have, there's a significant amount of refresh going on. We are pleased with the progress we have to date. We are pleased with the roadmap we have for 2015. We certainly expect to see an acceleration as these new products come onstream.

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Michael Carrier - *Bank of America Merrill Lynch - Analyst*

Okay. Thanks.

Just maybe one on the expense side, any color that you can give? I know you mentioned it's tough to segment the FX versus the restructuring. But just curious if you have any detail or when you do get that?

Then just on the outlook, the charges tend to be somewhat consistent or ongoing. I just want to get a sense. When you think about the business model, and you think about the level of acquisitions that you do over time, is there an amount of charges/restructurings that you would expect to be consistent or on an ongoing basis versus what would be more one-time in nature?

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

With the first part of your question, we can definitely give you the breakdown. We just don't have it at our fingertips today.

Lee Shavel - *NASDAQ OMX Group, Inc. - CFO*

Actually, I can provide more color.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

Perfect.

Lee Shavel - *NASDAQ OMX Group, Inc. - CFO*

Let me address that quickly. As we described in the restructuring program, we have identified $17 million to $19 million of cost savings, in my early remarks, associated with the restructuring. I think there have been some incremental savings that we've been able to achieve outside of that restructuring amount. I would say roughly in the $20 million category relates to expense savings, and then we have the balance of that difference will reflect the change in FX over that period.

Michael Carrier - *Bank of America Merrill Lynch - Analyst*

Okay. Thanks a lot.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

The second part of your question, I definitely want to make it very clear that we look at this operation on a continuous basis. We always focus on how can we run this business more efficiently and more effectively. The answer you get in one year is always different than the answer you might get in the next year.

When you look at our businesses, independent of any acquisition, you have an organization which will always, from the bottoms up, analyze what we do and always try to make sure we're properly structured for the prospective periods of time. When you have that mindset, we will always be going through some one-time or some level of refinement. We see that as a positive indication that the business is alive, dynamic, and thoughtful in terms of how to run the organization.

We'd like, actually, the number to be bigger. But obviously, as we get more efficient, it becomes that much harder to find ways to do it better. But we remain positive that there are always ways for us to figure out how to run this business more efficiently.

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I think when you think about NASDAQ, you should think about us always saying, what can we do better? We're not going to get hung up on any accounting treatments in light of our ability to improve.

Operator

Brian Bedell, Deutsche Bank.

Brian Bedell - *Deutsche Bank - Analyst*

Good morning.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

How are you doing, Brian?

Brian Bedell - *Deutsche Bank - Analyst*

Good. How are you?

Just a little bit more detail on both the global rebranding initiative, in terms of what you intend to get out of that; and then also in line with that, if you can talk a little bit more detail about the next gen platform? The timing of the changes to that platform, and if there are early revenue contribution targets from doing that.

And then if you could remind us on the operating margin target for the TR Corporate Solutions business and the timing of that.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

Let me start with the first part with respect to the rebranding.

One is, we're very proud of the way we developed and evolved into a global Company. That integration has been, I think, very successful; when compared with others in this space, somewhat remarkable. What was interesting to me for the last number of years, we've had folks from our European operations saying that we should drop the OMX from our name; that NASDAQ was the good global brand; that it played Europe and Asia; in certain ways, it's stronger outside the US than in the US.

I had resisted after a period of time, but it didn't really make any sense going forward. It is the way our customers think of us. It is the way the public perceives us. It's right for us to then have the official corporate name reflect that reality. That was a decision in the coming.

With respect to Corporate Solutions, as I mentioned in my prepared remarks, we are going to a beta release quite shortly, in the next month or two with selective customers. Obviously, that is not a ready-for-production version, but it shows that we're getting close to that. We expect the first major production release of next gen to be sometime in the third quarter of 2015, and we expect the full release to be available in and around the end of 2015.

As I said, those efforts, we have a great set of people and teams working on it; and we grow increasingly comfortable. The customer feedback has been beyond our expectations.

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Lee Shavel - *NASDAQ OMX Group, Inc. - CFO*

Then on the third part, on the Technology Solutions margin, what we've said is that we do expect to achieve year-over-year improvements on that margin as we successfully integrate the Thomson Reuters integration, reduce the number of platforms. We have a long-term objective of getting the profitability of that business to 20% or higher, but we have not set a specific timeline.

I think we would like to make certain that we've completed the integration and have a clearer view on the success of that before we consider any more precise guidance on timing.

Brian Bedell - *Deutsche Bank - Analyst*

That's great. Then just maybe with one follow-up.

Bob, if you could talk a little bit about the energy platform initiative. How it differs from NLX in structure, and if you could also comment on what you are thinking about NLX in terms of timing -- if you continue to go with that and if it is still a $0.02 drag per quarter?

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

I think that's two follow-on questions, but we'll --

Brian Bedell - *Deutsche Bank - Analyst*

Sorry.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

That's okay, Brian.

Let me start with our energy platform. One, as you saw with the announcement, the broad basis support is quite remarkable. I'd have to say, since the announcement, the number of market participants across the globe who are signing up for it is greater than we could have anticipated. You see a lot broader acceptance of the concept with our energy efforts.

In addition, it's important to recognize that the core group in our energy product has to pay. You might call it pay-for-play, but they have a commitment to the enterprise in terms of real dollars that have to work. Those are two very strong differentials. I also say the FCM community has been particularly receptive to this; and we're getting stronger support, again, than I could have guessed.

With respect to NLX, you had basically NFX learned from NLX. And now NLX is trying to learn from the model that was negotiated with our partners in NFX, and we remain optimistic that we have a future for NLX. We watch it every day. As you highlighted with your number here, we have reduced the operating cost of NLX quite dramatically.

Operator

Due to time, we ask that you please ask one question.

Ken Worthington from JPMorgan.

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Ken Worthington - *JPMorgan - Analyst*

Hello. Thank you. I just missed the cut off.

Can you just talk about the Options business? It looks like recent entrants have been having a reasonable impact on market share, and the incumbents generally seem to be losing. What are the new entrants doing effectively, and is a NASDAQ response required here?

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

The one thing that I would say with respect to the Options business which is outside the normal realm of competitive pressure is that we agree to participate in a further funding of OCC based upon, one, our equity ownership, and the strong push by the regulators to bring a better balance sheet to that operation.

We did that investment. It represented a good return to NASDAQ shareholders. I would have to say that not all customers were wild about that, and some wish that they had had the opportunity to participate. I think certain customers then took that as an opportunity to essentially put us in the penalty box.

It is 100% our responsibility to get back in the good graces with those customers. We're focused on it. We're working on it hard, and we're optimistic going forward.

That being said, the Options market is competitive. We thrive in competitive fields. We have our plans in place. We have respect for the competitors, but know that we come at it with a strong arsenal of customer-centric tools and capabilities.

Operator

Chris Allen, Evercore.

Chris Allen - *Evercore ISI - Analyst*

Good morning, everyone.

I just wanted to ask on the restructuring, what was the thought process that led to the restructuring? What areas was it targeted in, specifically around in terms of headcount reductions? If it was FX driven, why wasn't there consideration around potentially using hedges instead?

Lee Shavel - *NASDAQ OMX Group, Inc. - CFO*

Chris, a couple of answers there.

First, the motivation for the restructuring charges, we're always looking at opportunities to improve our cost structure. I think in particular, given some of the FX headwinds, we felt a higher obligation to take a close look across the businesses. We didn't rule anything out. We really challenged the businesses to find a variety of ways to reduce our costs.

As I mentioned, certainly the headcount reductions reflect in part permanent reductions. But also the acceleration of an initiative that we've had to look to move certain jobs in operations, both market and accounting, to lower-cost areas where we see a significant opportunity. That represents a significant part of the restructuring charge, as well as rationalization of some of our global real estate.

Through acquisitions, we've acquired a number of facilities. And we've been in the process of consolidating those, and have taken some steps to improve efficiencies on that front. I would just describe it as part of our overall discipline here.

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Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

The point I would add is we are very attuned to how we invest our capital and what kind of returns we get. Obviously, share buybacks are important acquisitions -- internal investment.

By far and away, the highest return on invested capital is a restructuring opportunity. If we have the ability to invest to allow us to run more efficiently going forward, that is the best use of capital. We just wish we had more of these opportunities.

I think the team did a great job re-imagining how we could run this place, and obviously we're then reducing our core run rate going forward. We're very happy with that.

Lee Shavel - *NASDAQ OMX Group, Inc. - CFO*

Chris, I think there was a second part to your original question.

Chris Allen - *Evercore ISI - Analyst*

Just whether any of the restructure was driven by FX. It looked that way from the release.

Lee Shavel - *NASDAQ OMX Group, Inc. - CFO*

Not specifically. There's no specific restructuring charge associated with FX. Simply the change in our expense guidance reflects an expectation of a stronger dollar, which reduces our overall expenses. I talked about the breakdown of that change, where approximately $20 million of it is related to cost saves, the balance due to FX.

In terms of hedging, we do hedge our revenues when we recognize them, when we book the receivables. So that we're not exposed to FX exposure on that front. Given the uncertain nature of many of our revenues, particularly on the transactional side or in the market technology business, which involves large contracts and uncertain timing, it is not from our view economically attractive for us to attempt to hedge those. We expect those exposures to even out over time.

Chris Allen - *Evercore ISI - Analyst*

Thank you.

Operator

Alex Blostein from Goldman Sachs.

Alex Blostein - *Goldman Sachs - Analyst*

Great. Good morning, everyone.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

How are we doing, Alex?

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Alex Blostein - *Goldman Sachs - Analyst*

Good.

A quick question for you on FX again. You gave us guidance, which obviously implies some benefit from a weaker krona, I guess, in March versus January for the year. I think the krona was down like 5%, 6% when you look at that March versus January timeframe. Any sense, if you were to look at the revenues for the business, what that total number would look like, if you looked at the same FX impact in March versus January for the full quarter? I'm just trying to get a sense to really match up your guidance on expenses and the lower guidance in expenses because of FX relative to revenues.

Lee Shavel - *NASDAQ OMX Group, Inc. - CFO*

Right. Alex, just to give you some sense around that. And it is important to understand that our primary FX exposure, it's a range of currencies. But it is not predominantly the Swedish krona because our revenues and expenses roughly match. If you look at the enhanced disclosure that we'll be providing in the 10-Q, it will provide a clearer sense of that transactional FX exposure. It really is predominantly a euro exposure.

To give you some sense of that, on a year-over-year basis from a revenue perspective, our revenues were impacted by a negative $29 million year over year. But on the sequential quarter basis, from the fourth quarter to the first quarter, it was a $13 million impact on revenues. Does that give you the answer that you're looking for?

Alex Blostein - *Goldman Sachs - Analyst*

No, I was more looking for the run rate as of March because you guys are using March for the FX, for the expense guidance for the full year, which March was obviously a further headwind. But we can follow-up offline.

Just my follow up, around Corporate Solutions, clearly you mentioned this is still a work in progress for you this year. I'm just wondering where you think the quarterly run rate could bottom out, given the competitive pressures you have seen in the business. It sounded like you thought you were close to the bottom a couple of quarters ago, but that number continues to slip. So I'm curious to see where this could go before we can start thinking about rebuilding that number.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

I think we're near the bottom. And we do expect, as we get further in the year, for that number to have an inflection point.

Alex Blostein - *Goldman Sachs - Analyst*

Got you. Okay. Thanks.

Operator

Ashley Serrao, Credit Suisse.

Ashley Serrao - *Credit Suisse - Analyst*

Good morning.

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A couple of questions just around capital management. I saw you raised the dividend. I just wanted to hear your thoughts on how you're thinking about the dividend longer term and also your current leverage levels as well.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

Let me start with the dividend question.

As I said in my prepared remarks, we look at multiple channels for use of capital. I think it's important for us always to be positioned to execute across those multiple channels. We certainly did that very successfully in the first quarter with both share buybacks and the acquisition of Dorsey, Wright and further investments in internal initiatives. That's what we have to do.

The raising of the dividend is certainly a quite strong positive because it means that we think our business model is strong enough for us to execute across all those channels while increasing the dividend by two-thirds. That is the benefit of the great execution we've had over the last number of quarters.

Lee Shavel - *NASDAQ OMX Group, Inc. - CFO*

Ashley, on the leverage question, as I noted, our total debt or gross debt-to-EBITDA is 2.3 times. That reflects at one level a benefit from the stronger dollar having an impact on our euro-denominated debt. But offset by what I would describe as a temporary increase in debt as we were financing the Dorsey Wright acquisition through our revolver. We expect for that debt to be paid down over the balance of the year. And we would generally continue to target that number in the low 2s as our normal leverage level.

Ashley Serrao - *Credit Suisse - Analyst*

Thanks for taking my questions.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

Great.

Operator

Thank you.

I would now like to turn the call back to CEO Bob Greifeld for any further remarks.

Bob Greifeld - *NASDAQ OMX Group, Inc. - CEO*

Great.

Thanks to everybody for their time this morning.

As I said in my prepared remarks, it was a very strong quarter. We are executing really across a wide range of our businesses, and it is an exciting time to be here at NASDAQ. We certainly have many great prospects going forward. We appreciate your support in this effort.

I look forward to talking with you in very short order. Thank you.

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Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Everyone, have a great day.

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