

Nasdaq, Inc.

Consolidated Statements of GAAP Income

(all amounts in millions, except for per share amounts)

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	2016	2017	2018	2019
Revenues:														
Equity derivative trading and clearing, net ⁽¹⁾	78	72	68	82	72	72	75	73	94	83	228	259	299	292
Cash equity trading, net ⁽¹⁾	74	71	63	76	69	66	63	65	98	106	255	253	285	263
Fixed income and commodities trading and clearing, net ⁽¹⁾	23	21	19	19	19	16	16	15	17	14	78	78	82	66
Trade management services	75	73	72	72	73	73	72	72	72	73	266	291	292	291
Market Services, net	250	237	222	249	233	227	226	225	281	276	827	881	958	912
Listings Services	72	72	72	74	71	74	74	77	75	74	269	267	290	296
Corporate Solutions	50	48	49	49	50	49	50	52	53	52	172	192	197	200
Corporate Services	122	120	121	123	121	123	124	129	128	126	441	459	487	496
Market Data	100	98	95	97	100	100	102	96	97	101	354	369	390	398
Index	50	50	52	54	54	55	56	57	73	68	149	171	206	223
Investment Data & Analytics	24	27	32	36	39	39	40	41	41	44	37	48	118	158
Information Services	174	175	179	187	193	194	198	194	211	213	540	588	714	779
Market Technology	60	66	68	76	77	79	84	98	81	84	241	247	270	338
Other Revenues	60	17	10	10	10	-	-	-	-	-	227	236	97	10
Total revenues less transaction-based expenses	666	615	600	645	634	623	632	646	701	699	2,276	2,411	2,526	2,535
Operating expenses:														
Compensation and benefits	197	173	164	179	175	169	175	189	195	189	665	670	712	707
Professional and contract services	37	34	33	39	37	30	31	28	27	31	153	153	144	127
Computer operations and data communications	32	30	32	33	33	33	33	35	35	35	111	125	127	133
Occupancy	25	23	23	23	24	24	24	25	25	26	86	94	95	97
General, administrative and other	22	25	28	46	16	40	40	30	61	25	73	82	120	125
Marketing and advertising	9	10	7	11	10	10	8	10	9	4	30	31	37	39
Depreciation and amortization	53	53	53	51	48	48	47	47	48	50	170	188	210	190
Regulatory	8	8	8	8	7	8	8	8	7	7	35	33	32	31
Merger and strategic initiatives	10	(10)	6	14	9	5	10	5	7	4	76	44	21	30
Restructuring charges	-	-	-	-	-	-	30	9	12	13	41	-	-	39
Total operating expenses	393	346	354	404	359	367	406	386	426	384	1,440	1,420	1,498	1,518
Operating income	273	269	246	241	275	256	226	260	275	315	836	991	1,028	1,017
<i>Operating margin</i>	<i>41 %</i>	<i>44 %</i>	<i>41 %</i>	<i>37 %</i>	<i>43 %</i>	<i>41 %</i>	<i>36 %</i>	<i>40 %</i>	<i>39 %</i>	<i>45 %</i>	<i>37 %</i>	<i>41 %</i>	<i>41 %</i>	<i>40 %</i>
Interest income	2	2	3	2	3	3	3	2	2	1	5	7	10	10
Interest expense	(38)	(37)	(38)	(37)	(37)	(31)	(29)	(28)	(26)	(26)	(135)	(143)	(150)	(124)
Gain on sale of investment security	-	-	-	118	-	-	-	-	-	-	-	-	118	-
Net gain on divestiture of businesses	-	41	(8)	-	27	-	-	-	-	-	-	-	33	27
Other income	-	8	-	-	-	1	-	4	5	-	3	2	7	5
Net income from unconsolidated investees	2	5	6	4	45	10	15	14	17	26	2	15	18	84
Asset Impairments	-	-	-	-	-	-	-	-	-	-	(578)	-	-	-
Income before taxes	239	288	209	328	313	239	215	252	273	316	133	872	1,064	1,019
Income tax provision	62	126	46	372	66	65	65	50	70	75	27	143	606	245
Net loss/(gain) attributable to noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to Nasdaq	177	162	163	(44)	247	174	150	202	203	241	106	729	458	774
Effective tax rate	25.9%	43.8%	22.0%	113.4%	21.1%	27.2%	30.2%	19.8%	25.6%	23.7%	20.3%	16.4%	57.0%	24.0%
Earnings per Share:														
Diluted EPS	1.05	0.97	0.97	(0.27)	1.48	1.04	0.90	1.21	1.22	1.45	0.63	4.30	2.73	4.63
Weighted average numbers of common stock shares:														
Diluted shares ²	169.0	167.4	167.3	164.5	167.0	167.0	167.0	166.8	166.8	166.1	168.8	169.6	167.7	167.0
Cash dividends declared per share	0.82	-	0.44	0.44	0.44	0.47	0.47	0.47	0.47	0.49	1.21	1.46	1.70	1.85

(1) Represents revenues less transaction-based expenses.

(2) Due to the net loss for the quarter ended December 31, 2018, the diluted earnings (loss) per share calculation excludes 3.2 million of employee stock awards as they were anti-dilutive.

Nasdaq, Inc.

Consolidated Statements of Non-GAAP Income

(all amounts in millions, except for per share amounts)

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	2016	2017	2018	2019
Revenues:														
Equity derivative trading and clearing, net ⁽¹⁾	78	72	68	82	72	72	75	73	94	83	228	259	299	292
Cash equity trading, net ⁽¹⁾	74	71	63	76	69	66	63	65	98	106	255	253	285	263
Fixed income and commodities trading and clearing, net ⁽¹⁾	23	21	19	19	19	16	16	15	17	14	78	78	82	66
Trade management services	75	73	72	72	73	73	72	72	72	73	266	291	292	291
Market Services, net	250	237	222	249	233	227	226	225	281	276	827	881	958	912
Listings Services	72	72	72	74	71	74	74	77	75	74	269	267	290	296
Corporate Solutions	50	48	49	49	50	49	50	52	53	52	172	192	197	200
Corporate Services	122	120	121	123	121	123	124	129	128	126	441	459	487	496
Market Data	100	98	95	97	100	100	102	96	97	101	354	369	390	398
Index	50	50	52	54	54	55	56	57	73	68	149	171	206	223
Investment Data & Analytics	24	27	32	36	39	39	40	41	41	44	37	48	118	158
Information Services	174	175	179	187	193	194	198	194	211	213	540	588	714	779
Market Technology	60	66	68	76	77	79	84	98	81	84	241	247	270	338
Other Revenues	60	17	10	10	10	-	-	-	-	-	227	236	97	10
Total Revenues less transaction based expenses	666	615	600	645	634	623	632	646	701	699	2,276	2,411	2,526	2,535
Operating expenses:														
Compensation and benefits	197	173	164	179	175	169	175	189	195	188	653	670	712	707
Professional and contract services	37	34	31	35	32	33	30	27	27	31	153	153	138	121
Computer operations and data communications	32	30	32	33	33	33	33	35	35	36	111	125	127	133
Occupancy	24	23	23	23	24	24	24	23	24	24	87	92	94	95
General, administrative and other	22	22	20	16	19	23	17	22	16	14	73	72	80	81
Marketing and advertising	9	10	7	11	10	10	8	10	9	4	30	31	37	39
Depreciation and amortization	24	25	26	25	22	22	22	21	23	23	88	96	100	88
Regulatory	8	8	8	8	7	8	8	8	7	7	29	32	32	31
Total operating expenses	353	325	311	330	322	322	317	335	336	327	1,224	1,271	1,320	1,295
Operating income	313	290	289	315	312	301	315	311	365	372	1,052	1,140	1,206	1,240
<i>Operating margin</i>	47 %	47 %	48 %	49 %	49 %	48 %	50 %	48 %	52 %	53 %	46%	47%	48%	49%
Net interest income (expense)	(36)	(35)	(35)	(35)	(34)	(28)	(26)	(26)	(24)	(25)	(130)	(136)	(140)	(114)
Other income	-	8	-	-	-	1	-	-	-	-	3	2	7	-
Net income from unconsolidated investees	-	1	1	(1)	-	1	-	-	1	1	1	2	2	2
Income before taxes	277	264	255	279	278	275	289	285	342	348	926	1,008	1,075	1,128
Income tax provision	70	70	66	72	74	72	77	70	91	92	313	338	278	293
Net income attributable to Nasdaq	207	194	189	207	204	203	212	215	251	256	613	670	797	835
Effective tax rate	25.3 %	26.5 %	25.9 %	25.8 %	26.6 %	26.2 %	26.6 %	24.6 %	26.6 %	26.4 %	33.8%	33.5%	25.9%	26.0%
Earnings per Share:														
Diluted EPS	1.22	1.16	1.13	1.24	1.22	1.22	1.27	1.29	1.50	1.54	3.63	3.95	4.75	5.00
Weighted average numbers of common stock shares:														
Diluted shares	169.0	167.4	167.3	167.1	167.0	167.0	167.0	166.8	166.8	166.1	168.8	169.6	167.7	167.0

(1) Represents revenues less transaction-based expenses.

Nasdaq, Inc.

Non-GAAP reconciliations

(\$s in millions, except for per share amounts)

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	2016	2017	2018	2019
U.S. GAAP operating expenses	393	346	354	404	359	367	406	386	426	384	1,440	1,420	1,498	1,518
Non-GAAP adjustments:														
Amortization expense of acquired intangible assets	(28)	(28)	(27)	(26)	(26)	(26)	(25)	(25)	(25)	(26)	(82)	(92)	(109)	(101)
Merger and strategic initiatives	(10)	10	(6)	(14)	(9)	(5)	(10)	(5)	(7)	(4)	(76)	(44)	(21)	(30)
Charitable donations	-	-	-	-	-	-	-	-	(5)	(12)	-	-	-	-
Clearing default	-	-	(8)	(23)	-	-	-	-	-	-	-	-	(31)	-
Executive compensation	-	-	-	-	-	-	-	-	-	-	(12)	-	-	-
Restructuring charges	-	-	-	-	-	-	(30)	(9)	(12)	(13)	(41)	-	-	(39)
Regulatory matters	-	-	-	-	-	-	-	-	-	-	(6)	-	-	-
Extinguishment of debt	-	-	-	-	-	(11)	-	-	(36)	-	-	(10)	-	(11)
Provision for notes receivable	-	-	-	-	-	-	(20)	-	-	-	-	-	-	(20)
Other	(2)	(3)	(2)	(11)	(2)	(3)	(4)	(12)	(5)	(2)	1	(3)	(17)	(22)
Total operating expense non-GAAP adjustments	(40)	(21)	(43)	(74)	(37)	(45)	(89)	(51)	(90)	(57)	(216)	(149)	(178)	(223)
Non-GAAP operating expenses	353	325	311	330	322	322	317	335	336	327	1,224	1,271	1,320	1,295
U.S. GAAP operating income	273	269	246	241	275	256	226	260	275	315	836	991	1,028	1,017
Non-GAAP adjustments	40	21	43	74	37	45	89	51	90	57	216	149	178	223
Non-GAAP operating income	313	290	289	315	312	301	315	311	365	372	1,052	1,140	1,206	1,240
Depreciation and amortization of tangibles	24	25	26	25	22	22	22	21	23	23	88	96	100	88
EBITDA	337	315	315	340	334	323	337	332	388	395	1,140	1,236	1,306	1,328
GAAP net income (loss)	177	162	163	(44)	247	174	150	202	203	241	106	729	458	774
Operating income Non-GAAP adjustments	40	21	43	74	37	45	89	51	90	57	216	149	178	223
Non-operating Gain Non-GAAP adjustments:														
Net income from unconsolidated investees	(2)	(4)	(5)	(5)	(45)	(9)	(15)	(14)	(16)	(25)	(1)	(13)	(16)	(82)
Net (gain)/loss on divestiture of businesses	-	(41)	8	-	(27)	-	-	-	-	-	-	-	(33)	(27)
Gain on the sale of investment security	-	-	-	(118)	-	-	-	-	-	-	-	-	(118)	-
Asset impairments	-	-	-	-	-	-	-	-	-	-	578	-	-	-
Other	-	-	-	-	-	-	-	(4)	(5)	-	-	-	-	(5)
Total non-operating Non-GAAP adjustments	(2)	(45)	3	(123)	(72)	(9)	(15)	(18)	(21)	(25)	577	(13)	(167)	(114)
Total non-GAAP pre-tax adjustments	38	(24)	46	(49)	(35)	36	74	33	69	32	793	136	11	109
Total non-GAAP adjustments to tax provision	(8)	56	(20)	300	(8)	(7)	(12)	(20)	(21)	(17)	(286)	(195)	328	(48)
Total non-GAAP adjustments, net of tax	30	32	26	251	(43)	29	62	13	48	15	507	(59)	339	61
Non-GAAP net income	207	194	189	207	204	203	212	215	251	256	613	670	797	835
GAAP effective tax rate	25.9 %	43.8 %	22.0 %	113.4 %	21.1 %	27.2 %	30.2 %	19.8 %	25.6 %	23.7 %	20.3 %	16.4 %	57.0 %	24.0 %
Impact of non-GAAP adjustments on effective tax rate	(0.6)%	(17.3)%	3.9 %	(87.6)%	5.5 %	(1.0)%	(3.6)%	4.8 %	1.0 %	2.7 %	13.5 %	17.1 %	(31.1)%	2.0 %
Non-GAAP effective tax rate	25.3 %	26.5 %	25.9 %	25.8 %	26.6 %	26.2 %	26.6 %	24.6 %	26.6 %	26.4 %	33.8 %	33.5 %	25.9 %	26.0 %
Average Diluted Shares Outstanding	169.0	167.4	167.3	167.1	167.0	167.0	167.0	166.8	166.8	166.1	168.8	169.6	167.7	167.0
GAAP diluted EPS¹	1.05	0.97	0.97	(0.27)	1.48	1.04	0.90	1.21	1.22	1.45	0.63	4.30	2.73	4.63
Non-GAAP diluted EPS	1.22	1.16	1.13	1.24	1.22	1.22	1.27	1.29	1.50	1.54	3.63	3.95	4.75	5.00

1- Due to the net loss for the quarter ended December 31, 2018 the diluted earnings (loss) per share calculation excludes 3.2 million of employee stock awards as they were anti-dilutive.

Non-GAAP Information

In addition to disclosing results determined in accordance with U.S. GAAP, we have also provided certain non-GAAP results of operations, including, but not limited to, non-GAAP net income attributable to Nasdaq, non-GAAP diluted earnings per share, non-GAAP operating income, and non-GAAP operating expenses, that include certain adjustments or exclude certain charges and gains that are described in the reconciliation table of U.S. GAAP to non-GAAP information provided. Management uses this non-GAAP information internally, along with U.S. GAAP information, in evaluating our performance and in making financial and operational decisions. We believe our presentation of these measures provides investors with greater transparency and supplemental data relating to our financial condition and results of operations. In addition, we believe the presentation of these measures is useful to investors for period-to-period comparisons of our on-going operating performance.

These measures are not in accordance with, or an alternative to, U.S. GAAP, and may be different from non-GAAP measures used by other companies. In addition, other companies, including companies in our industry, may calculate such measures differently, which reduces their usefulness as comparative measures. Investors should not rely on any single financial measure when evaluating our business. This non-GAAP information should be considered as supplemental in nature and is not meant as a substitute for our operating results in accordance with U.S. GAAP. We recommend investors review the U.S. GAAP financial measures included. When viewed in conjunction with our U.S. GAAP results and the accompanying reconciliations, we believe these non-GAAP measures provide greater transparency and a more complete understanding of factors affecting our business than U.S. GAAP measures alone. For further information refer to Nasdaq's filings with the U.S. Securities and Exchange Commission, including its annual reports on Form 10-K and quarterly reports on Form 10-Q, which are available on Nasdaq's investor relations website at ir.nasdaq.com and the SEC's website at www.sec.gov.

We understand that analysts and investors regularly rely on non-GAAP financial measures, such as non-GAAP net income attributable to Nasdaq, non-GAAP diluted earnings per share, non-GAAP operating income and non-GAAP operating expenses to assess operating performance. We use these measures because they highlight trends more clearly in our business that may not otherwise be apparent when relying solely on U.S. GAAP financial measures, since these measures eliminate from our results specific financial items, such as those described below, that have less bearing on our ongoing operating performance. The non-GAAP measures attributable to Nasdaq for the periods presented are calculated by adjusting for the following items:

Amortization expense of acquired intangible assets: We amortize intangible assets acquired in connection with various acquisitions. Intangible asset amortization expense can vary from period to period due to episodic acquisitions completed, rather than from our ongoing business operations.

Merger and strategic initiatives expense: We have pursued various strategic initiatives and completed acquisitions and divestitures in recent years that have resulted in expenses which would not have otherwise been incurred. These expenses generally include integration costs, as well as legal, due diligence and other third party transaction costs and will vary based on the size and frequency of the activities described above.

Restructuring charges: The charges in 2019 and 2020 are associated with our restructuring program initiated in September 2019 with the goal of transitioning certain technology platforms to advance Nasdaq's strategic opportunities as a technology and analytics provider and continuing our re-alignment of certain business areas. The charges in 2016 were associated with our 2015 restructuring plan.

Net income from unconsolidated investees: This primarily represents net income recognized from our equity interest in OCC.

Other significant items include certain other charges or gains, including certain tax items, that are the result of other non-comparable events to measure operating performance. Examples include, in 2016, an asset impairment charge related to the write-off of a trade name from an acquired business, executive compensation related to accelerated expense for equity awards previously granted to the company's former CEO, and charges associated with our 2015 restructuring plan; in 2018 a pre-tax gain on the sale of an equity security, the gain on the sale of our Public Relations Solutions and Digital Media Services businesses and charges associated with the clearing default that occurred in September 2018; in 2019 the gain on the sale of the BWISE enterprise governance, risk and compliance software platform, loss on early extinguishment of debt, provision for notes receivable associated with the funding of technology development for the consolidated audit trail; in 2020, loss on extinguishment of debt and charitable contributions made to the Nasdaq Foundation, COVID-19 response and relief efforts, and social justice charities.

The non-GAAP adjustment to the income tax provision primarily includes the tax impact of each non-GAAP adjustment. In 2017 and 2018, this adjustment also includes the impact of the Tax Cuts and Jobs Act. Beginning in 2017, this adjustment also includes excess tax benefits related to employee share-based compensation.