

The NASDAQ OMX Group, Inc.*Company▲*

NDAQ

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Services Forum*Event Type▲*

Feb. 13, 2013

*Date▲***— PARTICIPANTS****Corporate Participants****Lee Shavel** – Chief Financial Officer & Executive Vice President, Corporate Strategy**Other Participants****Howard H. Chen** – Analyst, Credit Suisse Securities (USA) LLC (Broker)**— MANAGEMENT DISCUSSION SECTION****Howard H. Chen, Analyst, Credit Suisse Securities (USA) LLC (Broker)**

Closing out day two of the Credit Suisse Financial Services Forum, we are pleased to welcome back NASDAQ OMX. Publicly-traded NASDAQ OMX is unquestionably one of the leaders in the global exchange landscape. With its leading technology platform, the company offers trading across multiple asset classes and geographies, holds a dominant position in global listings, and offers technology service to over 70 global exchanges. The efforts have allowed the company to strike a really solid balance of both transaction and fee-based revenue growth and earnings growth, even in times of weaker industry volume trends.

Joining us again this year is Chief Financial Officer, Lee Shavel, who joined NASDAQ OMX almost two years ago now. Under his tenure, Lee has already carried a tremendous amount of operational discipline, overseeing continued capital return efforts and focused investment spending, all which I think we'll discuss today. But before we do that and bring Lee up, let's take some final audience questions of the day.

So, first question, six options, what do you believe is key for share price outperformance for NASDAQ OMX from here? I wrote these several days ago, so in light of recent events, apologies.

Okay, that makes sense actually, so, all right? Second question, while the company's done a great job of diversifying into non-transaction-sensitive businesses, what inning do you believe we're in with respect to the secular growth in trading of U.S. and European equity and equity options trade?

You hit it on the head, great, but a good mix of opinion. Third and last question, why do you believe NASDAQ OMX' valuation trails that of peers? Again, wrote this several days ago.

[audio gap] (2:20 – 2:37) opinion between those two answers. Great, well, thanks so much. And with that, let's bring Lee on up for the presentation. Thanks so much.

Lee Shavel, Chief Financial Officer & Executive Vice President, Corporate Strategy

Thank you very much, Howard, and thanks to everybody. I know it's been a long day, so we'll try to keep this moving along at a brisk pace. So I imagine it's, after going through, I think, with John seven or eight one-on-one sessions, tends to be little draining, so I'll try to bring some of the energy that we got from the questioning today around recent press reports into the discussion here.

So, first, I want to start off – I'm not going to read that, but the NASDAQ OMX transformation is one that I think is not fully understood or fully appreciated by the investment community. The company,

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it's important to note, was initially built around an exchange license, but over the past few years, what we've been able to do is diversify from that transaction-based model into a portfolio of stable growing and recurring revenue businesses.

And the benefits of this transformation are evident when you look at our 2012 results. Our strong cash flow, over \$0.5 billion, was generated primarily by NASDAQ OMX's portfolio of recurring and subscription-based revenues, which now account for 70% of total, and these revenues increased 4% in 2012. Now, we're not thrilled about 4% growth, but in an environment particularly where we had a challenging trading environment, where volumes, depending upon whether you're looking at U.S. cash equities or looking at Nordic equities or derivatives, were down between 10% and 30%, we think is a pretty good result.

Now, notwithstanding that, we still love our transaction-based revenues, as they have tremendous operating leverage, particularly in a recovering volume environment. And while our transaction-based businesses declined 8% in 2012, this was a function of low industry volumes, and generally we were pleased with the revenue capture trends and our market share trends within that business, which are the elements that are really within our control.

However, I would note that in January, and continuing so far into February of this year, we are seeing for the first time in several years some very encouraging signs for our volume-based trading businesses. For U.S. equities, we have seen five consecutive weeks of positive flows in the U.S. equity mutual funds. Our derivatives revenues increased 10% year-over-year in the fourth quarter of 2012, and we experienced continued strong volume so far in 2013.

And this is not just a U.S. trend. In the Nordics, in January, the value of equity shares traded on our markets increased year-over-year, the first time we've seen positive growth in a while, and our European options and fixed income volumes also turned positive year-over-year in January.

So I think this certainly does reflect what seem to be the early stages – and I would just caution you – the early stages of returning appetite for risk assets. And we can't say if these trends will continue, but certainly they're the most encouraging trends that we've seen over time. And I also think if you step back and look at what's driving some of this, we also see stronger trends in terms of consumer financial behavior.

Consumers are spending more. They are borrowing more. Credit card balances are beginning to increase. And housing prices are beginning to improve as well, clearly signaling a sign that buying activity is picking up, and that naturally also has a consequent psychological impact or wealth impact in terms of investors' minds. So we think that's all very promising.

Now, at the heart of NASDAQ OMX is our technology. Our technology capabilities for trading, in our view, are unmatched. And we have the technological infrastructure to support our highly profitable data, index, and access services businesses. We also utilize this technology to help other exchanges and financial companies build their infrastructure and to power corporate solutions suites of products for public and private companies around the world.

Cost efficiency, as many of you know, is also something that is part of our culture. As we have often said, we view all fixed costs as being variable over the long term, and if we come to the conclusion that we face a weak revenue environment, we are going to look for additional opportunities to manage our cost base. And in 2012, when we put our cost reduction plan in place, we were able to generate annualized cost savings of over \$50 million through a very focused exercise to address our cost structure.

Now, all of this adds up to, in our view, a very strong record of cash flow generation. And since 2009, NASDAQ has generated approximately \$2 billion in free cash flow, which we have used to repurchase 1.2 billion of our own shares; to initiate our dividend, currently at a 1.6% dividend yield,

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slightly down recently; to reduce our debt by over \$0.5 billion; and to acquire a number of attractive assets. And all of this has been guided by a return on invested capital discipline that we have put in place to make certain that we are very methodical about generating the optimal returns on capital for our shareholders.

Now, taking a look at this slide, the dark blue portion of the pie chart represents the transaction volume sensitive businesses, and these businesses, our cash equities and derivatives businesses, accounted for 30% of our revenues in 2012. So as you can see, 70% of our revenues come from businesses that are primarily recurring and subscription-based.

On slide five, let's focus on our global market data business. This business had revenues of \$344 million in 2012, which represents 21% of our total net revenues. This is an extremely high margin business, and it has grown in each of the past three years and was up 3% in 2012 despite industry headwinds. Global market data revenues are very clearly recurring in nature. I think a lot of people assume that they are volume based. They're not. And they consist of three basic subscription streams.

The first revenue stream is the U.S. tape plan. Here we operate as the securities information processor for NASDAQ listed stocks known as Tape C, and we're responsible for the collection and dissemination of the best bid, offer and last sale information, and we sell this to market participants and to data distributors, who then provide the information to their subscribers. After deducting costs, we distribute the tape revenues to the respective plan participants, including the other exchanges and the NASDAQ Stock Market, and we also get a share of NYSE-listed Tape A and Tape B revenues for the volumes that trade through our systems.

This revenue stream declined since 2008 as a consequence of reduced subscriptions with lower Wall Street head count and higher TRF market share from internalization and dark pools, and our own efforts in promoting our NASDAQ Basic product as an alternative to the tape revenue business. Now, this business has grown from \$109 million in revenues in 2008 to \$150 million in 2012. And what I'm speaking of, just to avoid confusion, is our proprietary U.S. market data as separate from our tape revenues.

Market professionals use this information to really drive most of their trading decisions on, and we've been able to sell our quote and trade information to over 2,000 data distributors, who in turn obtain subscriptions for this information, and this includes market depth, index values, mutual fund valuation, order imbalance, and other analytical data.

Just to give you a feel for some of the products in our proprietary data, they include things like NASDAQ TotalView, which is our flagship market depth quote product, and this shows the depth of market in a particular stock across stocks and market makers, and this service is sold for a monthly fee per terminal. Level 2 information, which is slightly more limited than TotalView, is also sold on a subscription basis. UltraFeed is a product that is an aggregation of U.S. equities, options, and futures data feeds that is put into one easy-to-read and digestible format.

NASDAQ Basic, this service offers the Best Bid and Offer, last sale information, and subscribers can access 99.8% of the U.S. tape plan data for almost a third of the price. We now have over 90,000 users for NASDAQ Basic, which has generated substantial savings for many of our broker-dealer clients. We are currently pricing to gain share, but once we achieve a larger subscriber base, we believe that we will be able to take some beneficial pricing actions.

And a variety of other products, including the Global Index product, NASDAQ Market Replay, which is effectively a TIVO for the market, enabling asset managers to back-test strategies; Data Store, the Mutual Fund Quotation Service; MatchView; and Global Access. We have a demonstrated ability to find new uses for market data and to package this data for different customer segments.

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We also offer European market data products and services, and the European data products had revenues of \$77 million in 2012.

In December of 2011 we acquired the business of RapiData, or event-driven analytics, which is a leading provider of machine-readable economic news and analytics to trading firms and financial institutions. And this service is utilized by algorithmic traders, but we believe we can leverage this technology to bring new products and innovations to other markets and to other countries.

Slide six shows our access and broker services business. This business had revenues of \$257 million in 2012, or 16% of our total, and has grown at a 14% cumulative annual growth rate since 2008. Access services is another high-margin business and is primarily subscription-based. We provide technology products to our broker-dealers and other market participants that enable them to access our marketplaces. We had a 6% increase in revenues in 2012.

Access services includes products such as co-location, where a market participant can choose to place their servers in our data centers, which provides them the highest level of speed and lowest latency in executing their orders. And our Carteret, New Jersey data center is leased from Verizon. It is a state-of-the-art facility offering the fastest connectivity with 10 and now 40 gigabyte-per-second connections, and these connections offer significant reduction in round-trip latency and increase bandwidth.

We made a conscious decision to utilize a third-party provider, Verizon, to host our data center. This gives us a cost advantage and the ability to adapt to changing technology with a lower and variable infrastructure cost. In addition, utilizing a third-party provider increases our system scalability without sacrificing performance or reliability. Our marketplaces can be accessed via a number of different protocols, for which we charge subscription fees.

NASDAQ receives revenues for managing, in addition, the Trade Reporting Facility, or TRF, and this is where non-lit markets report execution prices and volumes. We also offer the NASDAQ Workstation, an Internet browser-based interface that allows market participants to view market data and enter orders, quotes, and trade reports.

In December of 2010, NASDAQ acquired FTEN, a leading provider of pre-trade, real-time risk management solutions for the financial securities market, and this trade risk compliance business was developed for broker-dealers and allows an institution to subject any trade execution to a compliance check to make certain the trade is consistent with the overall risk parameters and authorizations for that trade.

And then finally I'd also like to highlight an access services product that we think is going to be a very important part of the services that we provide, and it's our FinQloud initiative that is a partnership with Amazon.com, where we are proving a cloud-based solution for our broker-dealers to store and retain their trade and reporting data on a much more cost-efficient basis than utilizing their own internal resources; as well as our recent microwave initiative, which provides improvement in latency over short distances relative to fiber-optic connections.

Now I'd like to spend a little bit of time talking about our global listing business. This business had 2012 revenues of \$318 million, and increased 3% in 2012, and accounts for 19% of NASDAQ OMX's revenues. NASDAQ OMX operates as the listing venue for approximately 3,300 companies around the globe, with well-known brand names including Apple, Google, and Amazon.

Our initial listing fees have been pressured over the past few years, mainly a function of simply the lower number of companies filing for IPOs, and we are seeing some encouraging signs, however, as the pipeline for companies has recently started to improve. In the U.S., we are optimistic that the JOBS Act will make it easier for companies to go public. And some companies have been delaying

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going public because of the heavy regulatory requirements here in the U.S., so we're excited to be able to see a somewhat improved environment on that front.

We also receive annual listing fees and fees for the listing of additional shares, and we've done a good job competing for transfers over the last five years and in 2012. Companies with \$136 billion of market cap have switched to the NASDAQ, and this list includes Kraft Foods, which was the first-ever Dow component to switch; Texas Instruments; Analog Devices; Western Digital; and Goodyear.

The segment also includes our Corporate Solutions business, which just had an incredible finish to 2012. We saw broad-based growth in demand from our corporate clients, which we hope is indicative of companies feeling better about investing in their future. Some areas that showed particularly strong year-over-year growth in the fourth quarter included a 31% year-over-year increase in the number of news releases that were processed on our GlobeNewswire service, an 11% increase in the number of our surveillance clients, and Directors Desk continues its rapid growth, with a 49% increase in new clients. And this growth translated into year-over-year organic growth in the business of 25% in the fourth quarter.

And we're also pleased that our recent acquisition of BWISE in 2012, and enterprise risk management business, finished out the year, and while this business benefited from a one-month accounting catch-up, we also had strong performance for our enterprise governance risk management and compliance software in products and services.

Now, another exciting driver that many of you are aware of for Corporate Solutions is our recent announcement of the acquisition of the Investor Relations, Public Relations, and Multimedia Solutions businesses of Thomson Reuters. Through this acquisition, we're going to accelerate our strategy and create one of the premier suites of products and services for public and private companies in our industry. We'll bring the assets, the talent, and technology together to continue to deliver a strong customer-centric value proposition to over 7,000 new clients in over 60 countries, which is truly an amazing opportunity.

The transaction is currently under review by regulators, and we expect it to close in the first half of this year. Once completed, it's expected to be accretive to earnings within the first 12 months, excluding transaction-related costs, and is expected to generate attractive returns on capital. And this acquisition, I would note, we expect to bring our recurring revenues to 75% of the total of our revenues.

Moving on to market technology, as many of you know, we are the world's leading technology solutions provider and partner to other exchanges, clearing organizations, and central securities depositories. NASDAQ OMX's solutions are utilized in over 70 markets in over 50 countries around the world, with clients including the Australian Stock Exchange, the Bolsa de Valores de Colombia, The Egypt Stock Exchange, Hong Kong Exchanges and Clearing, the SIX Swiss Exchange, Singapore Exchanges, Tokyo Commodity Exchange, Osaka Securities Exchange, SBI Japannext, and many others.

And the heart of our market technology business is our existing trading technology platform, with our signature offerings, Genium INET and X-stream INET, incorporating the same core INET technology that powers the NASDAQ Stock Market. This segment also includes our SMARTS business, and this is the leading technology provider of surveillance solutions to exchanges, regulators, and brokers. We completed our acquisition of SMARTS for \$77 million in 2010, and the acquisition diversifies our market technology business into the broker surveillance and compliance market, and it's an acquisition that has performed exceptionally well for NASDAQ.

The segment had revenues of \$184 million in 2012, and we had a very strong finish to the year for new business wins, with over \$90 million in new orders increasing our pipeline. Significant new

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wins include a marketplace for higher contract with TOM, The Order Machine, the Dutch cash equity and equity derivatives trading venue; Bursa Malaysia, which is an X-stream INET implementation; NBI Rwanda for X-stream trading and clearing.

And we continue to experience particularly strong demand for our SMARTS Broker product. We're particularly pleased to be selected by the UK FSA as their surveillance software provider within their marketplace. So, as a result of these wins, we exited the year with a backlog of \$546 million, up over \$90 million compared to where we started the year, so we feel very good about our prospects within this business.

On the Global Index front, this is where we develop and license NASDAQ OMX branded indexes for associated derivative and financial products, and it represents 3% of our total revenues, and this business increased 10% in 2012. The majority of these revenues are license fees for our trademark indices like the QQQs, which I'm sure many of you are familiar with. The license typically represents an annual basis-point fee on the underlying assets. As we grow our index segment, most of the incremental revenues fall directly to the bottom line, so growth has a disproportionately positive impact on our earnings. We can compete at a relatively low price point and still with an extremely attractive margin.

One factor that will enhance our competitiveness is our newly launched index engine. This index engine is a server that updates and calculates the value of the indices. And based on our INET technology, this gives us superior processing capability and enhances our ability to innovate and compete, so this will improve our competitive positioning in the index space as we move forward.

Moving on to the equities business, here we have consciously sought to innovate and create pricing structures where market participants have been motivated to a greater degree by bringing volume to markets which represent opportunities for them to create profitable trading advantages. And to that end, we have innovated away from the NASDAQ Classic market, which was a price/time priority, maker-taker pricing model, to creating NASDAQ BX, which is still price/time, but a taker-maker pricing model, which incents institutions that want to move more volume and size, and then someone to take liquidity as opposed to providing it.

In European equities, we have been able to successfully hold on to a decent market share, again due to our ability to bring improved cost structure and better technology to the marketplace. The Nordics continue to outperform the rest of Europe from an economic perspective, and as I mentioned, we're seeing some encouraging signs for volumes for both our U.S. and European equity businesses.

Moving on to derivatives, following our acquisition in 2008 of PhilEx [The Philadelphia Stock Exchange], we have been able to significantly increase our volume and market share. And while this, as with the cash equities business, remains a very competitive marketplace, it's one that we believe continues to hold very good long-term prospects for growth for NASDAQ OMX. And I would note, in the fourth quarter of 2012, we had double-digit growth in our U.S. derivatives business, a function of increased revenue capture and increasing market share.

Our European derivatives business is more integrated, as we also provide clearing and settlement in that market. European derivatives cover also a wider variety of asset classes, including fixed income and commodities. And as European markets continue to open up under MiFID [Markets in Financial Instruments Directive] and EMIR [European Market Infrastructure Regulation] regulations, we are preparing for and anticipating greater competition within these markets, and we continue to introduce new products and expand the members that participate within the Nordic markets, growing our derivatives trading and clearing businesses.

So that wraps up our discussion of the businesses, and now let's take a brief look at our financial performance before we get to questions. So, as many of you know, we have a very strong track

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record in growing free cash flow over the past few years. This has been a function of organic growth of our business, investments in our new initiatives, and the acquisitions that we've made with a very strict discipline.

As the chart shows, we've generated approximately \$2 billion in free cash flow over the past four years, and our deployment of that includes \$1.2 billion for our share repurchase program, over \$0.5 billion for net repayment of debt, and we've utilized \$320 million for acquisitions, including FTEN and the SMARTS acquisition in 2010, Glide in 2011, and NOS and Bwise more recently.

So, turning to more recent performance on slide 13, here we are showing the quarterly performance of overall U.S. volumes and our revenue and non-GAAP EPS results over the past two years. As you can see on the upper left, clearly, U.S. volumes have been bouncing around, and in the fourth quarter of 2012 started to improve. This improvement continued into 2013, where it is still early days, but certainly the trend gives us some reason for optimism.

Despite the volatility of these volumes – and you can see it varied from a high of 8.5 billion shares a day if we're looking just U.S. average daily trading volume, to 6 billion shares a day in the third quarter of 2012 – what I hope you see is really remarkable stability in both our revenue line and our non-GAAP diluted EPS, focusing on our operating results. And I think this is really the essence we think the value proposition has been within NASDAQ.

Despite that volatility, the consistency is of course driven by the stability of our market data revenues, our listing services, access services, and all of the other subscription and recurring revenue businesses. And you can see that stability in our EPS performance, where, apart from an exceptional third quarter of 2011 where we had \$0.67 EPS, it's generally been in the \$0.62 to \$0.64-per-share basis.

And I think if there's one, I think, misunderstanding, certainly we recognize in the U.S. cash equities, U.S. options, these are very competitive businesses, and we are subject to volume volatility, but it's a relatively small portion of our business. And there are other competitors that have very strong market franchises, and I think the perception is that those stronger competitive positions deserve higher multiples, but you can't escape the fact that there still is substantial volume sensitivity and risk associated with those earnings, as demonstrated by their results and the volatility of their earnings performance. We have substantially reduced that exposure and are able to deliver a much more consistent and stable EPS and cash flow performance.

Now, I did also want to just touch on expense guidance because I think there are a number of steps that we want people to understand. And we start with our original core expense guidance in 2012 was midpoint of \$925 million, and as a result of our success in our cost reduction plan, we were able to achieve 2012 actual expenses of \$855 million. Now, looking at our comparable core expenses in 2013, we're setting an initial range of \$850 million to \$870 million.

Now, that does include about \$6 million to \$7 million of expenses from GIFT projects that we invested in that achieved their earnings hurdles and their return hurdles, that are now self-sustaining, and so we're moving those businesses out of the GIFT program into our core business. And so that contributes some of the expense growth, but it's a reclassification, not an expansion in that growth, and obviously that expense growth is also driving revenue growth for those initiatives.

Now, in addition, we need to make an adjustment because foreign currencies have strengthened. That increases our U.S. dollar expenses by about \$10 million relative to last year. And we're now incorporating the full impact of our 2012 acquisitions of \$50 million. So our new core expense base of \$910 million to \$930 million is important to understand relative to our core expenses in 2012, essentially flat, and the low end of it is below where we were in 2012, as we certainly expect and hope to be able to find continued synergies within the business.

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And then finally, in new initiatives, we're targeting \$50 million to \$60 million for investments in new initiatives, including projects like NLX, which many of you are familiar with. But it's important to note that there are two portions of this. One portion relates to existing projects that have been improved, and continued spending really relies on those initiatives continuing to meet the performance hurdles and milestones that we've set for those projects, and to the extent that they don't meet those hurdles, then we won't be spending that money. And then there is a portion of expense in there for projects to be requested that will depend upon the returns on capital hurdles and earnings hurdles for each of those projects coming down the pike.

So finally, in summary, hopefully you've seen we've been leveraging our exchange license to build what we think is a very attractive portfolio of sustainable, recurring, scalable, and profitable businesses, that a substantial portion of our revenues are subscription based, and we have an equity and derivatives business that stands to benefit from very strong operating leverage if trading volumes continue to resume their growth trajectory.

We are committed to the cost leadership, which we think is a strategic imperative in our business, and we continue to expect to have a very strong history of very strong cash flow generation for our business and remain committed to returning that capital to shareholders if we don't believe that we're able to generate attractive returns on that capital, either internally through acquisitions or through share our repurchases.

So thanks for your patience after the end of a long day, and I'll be happy to take questions.

Howard H. Chen, Analyst, Credit Suisse Securities (USA) LLC (Broker)

Great. We'll get a microphone around. If you've got a question, please raise your hand. But maybe I'll kick it off, Lee. Lee, you've had a busy few days fielding investor questions on press reports that NASDAQ OMX and Carlyle were in discussions to take your company private. So I'd just turn the question to you. What's your board and management team's appetite to take the company private?

Lee Shavel, Chief Financial Officer & Executive Vice President, Corporate Strategy

Well, Howard, I have to say that as a matter of policy, we can't comment on rumors or speculation. I would say further that the board and the management team have a very clear fiduciary responsibility to consider any transaction that we believe offers significant value for our shareholders relative to what we think we can accomplish on our own. And I would encourage people to familiarize themselves with the quality and the credibility of many of our board members and their professional expertise in this. And we certainly are very aligned with shareholders in terms of senior management's ownership of the stock.

Finally, I would say I think, given what I've just talked about in terms of what we see as the value of our business, the stability of it, and the recurring nature of the business, we would be disappointed if the private equity community didn't from time to time see an opportunity in us as an undervalued company and express interest. So we certainly think that when that happens, that's a validation of our proposition as an investment for everyone here.

Howard H. Chen, Analyst, Credit Suisse Securities (USA) LLC (Broker)

And without going into any specific firm or partner or transaction, Lee, on that point of being able to generate incremental and significant value outside of what you all can do on your own, when I think about any company going private, I think about three things: one, could that expose you to growth

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opportunities that you don't have today; two, could there be more financial leverage on your business model; and then three, would your regulator, and in your case, maybe politicians, allow this and this be palatable. So, just hypothetically, can you speak about those three things, exposure to growth opportunities outside of what you wouldn't get yourself; second, financial leverage; and then third, the ability to do this from a regulatory point of view?

Lee Shavel, Chief Financial Officer & Executive Vice President, Corporate Strategy

Sure. So on the first point, I don't think that we believe that if we were a private company – and I speak from the experience of knowledge, I wasn't there at the time, but of knowledge of NASDAQ when it was a private company and had private equity owners, including Silver Lake and Hellman & Friedman, and I don't think that the opportunity was greater at that point. And so I don't think that our public versus private status changes in any material way the business opportunity that we face. It doesn't open up any additional doors for us that aren't available to us as a public company.

With regard to the second point, from a leverage standpoint, clearly, given the strength of our cash flows and the stability of those cash flows, we theoretically have the ability to increase the amount of leverage within our business. We don't believe that that's the appropriate course. We are very committed to maintaining our investment-grade rating. We think that's important from a strategic standpoint and from a perception standpoint. But I don't think that that's something that we believe generates substantial value for our shareholders at this point.

And as it relates to the regulatory question, as I just mentioned, we were a regulated exchange as a private company and were non-investment-grade, and operated at 4x to 4.5x debt-to-EBITDA leverage. I don't believe that the regulatory environment has changed. I think if you were to look at an extreme – a much higher level of leverage, I'd say north of 6x, then I think you might have some questions from regulators. But I don't think that, based upon where you see leveraged buyout transactions occurring from a leverage standpoint generally in the 4x to 6x, that that would be problematic, recognizing that what we're talking about is leverage at the holding company and that the regulated exchange has separate capital requirements and is, to some degree, separate legally from the overall holding company.

One question that has come up that I think is kind of curious is, is there a conflict in an exchange being a public company and being a sponsor of the public markets. And I was – to me, that's kind of a puzzling perspective to have. We believe that our mission is to operate as efficient and as attractive public equity markets as possible for companies that choose to become public.

And we think there are a lot of advantages to being a public company, but we think that any individual company has to make a decision based up upon their circumstances and what their objectives are as to whether it's better to be private or public. And clearly that's been a topic that has been debated in the context of the regulatory environment and Sarbanes Oxley. But we would never presume to say to a company that their decision to be public or private should be driven by whatever NASDAQ chooses to do in their own unique circumstances.

Howard H. Chen, Analyst, Credit Suisse Securities (USA) LLC (Broker)

One last question for you, Lee, you've done – you showed the stability of the cash flow, you've shown – you've put your money where your mouth is in terms of returning that to your shareholders via dividends and share repurchase. With a really nice re-rating and move up of the shares, can we just talk about your appetite to buy back the stock today vis-à-vis organic redeployment and other initiatives?

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Certainly. So we remain absolutely committed to our discipline of returning capital to shareholders if we don't believe that we have the opportunities to generate good returns on deploying that capital either internally within the business or through acquisitions. It's something that, many of you know, we track religiously. We can look at each of our GIFT initiatives, each of our acquisitions, and know what type of returns that we're generating on that business. We also look at the returns that we expect to generate from our share repurchase activity, and continue to believe that we are undervalued relative to what we think we can achieve over the near-term horizon, and expect to continue to utilize share repurchases as a means of returning capital to shareholders, and we believe that's a good return on capital.

Now, we also want to maintain our flexibility to repurchase those shares at attractive prices, and given the volatility in stock prices, want to be thoughtful about how we prosecute that in the current environment.

Howard H. Chen, Analyst, Credit Suisse Securities (USA) LLC (Broker)

That's really clear. Well, please join me in thanking Lee and John and the NASDAQ OMX team for closing us out on day two.

Lee Shavel, Chief Financial Officer & Executive Vice President, Corporate Strategy

Okay, thank you very much.

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