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# Orc Group Q3 2011 Report

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Thomas Bill, CEO

Anders Berg, CFO



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# ORC | Agenda

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- Introduction to Orc Group
- Q3 in brief
  - > Orc
  - > CameronTec
  - > Neonet
- Financials
- Outlook

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# ORC | Vision

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The leading provider of  
technology and services  
for the global financial  
industry



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# ORC | The Orc Group

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**Orc  
Group**



**Orc**



**Neonet**



**CameronTec**

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# ORC | Orc Group: Located in major financial centers


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**~380**  
employees

**EMEA:**  
Amsterdam  
Frankfurt  
London  
Milan  
Moscow  
Paris  
Stockholm

**Americas:**  
Chicago  
New York  
New Jersey

**Asia Pacific:**  
Hong Kong  
Sydney  
Tokyo






**600+** customer sites in more than **25** countries worldwide including leading banks, trading and market-making firms, exchanges, brokerage houses, institutional investors and hedge funds.

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# ORC | Orc Group: Diversified and financially sound

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 <b>Orc</b>	 <b>Neonet Securities</b>	 <b>CameronTec</b>
<p>~65% of revenue</p> <p>Solid platform – stable, reliable, visible</p> <p>Recurring revenue model through licensing &amp; hosting</p>	<p>~25% of revenue</p> <p>Creates leverage</p> <p>Transaction service fee</p>	<p>~10% of revenue</p> <p>Solid platform – stable, reliable, visible</p> <p>Recurring revenue model through licensing</p>

*Publicly traded on the Stockholm Stock Exchange since 2000*

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# ORC | Orc Group: Well positioned for growth

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- Increased use of listed derivatives and new asset classes
  - > Increased requirements for integrated equities and derivatives solutions.
- New segments open up. Buy-Side need cross asset class trading solutions previously only used by the Sell-Side
- The combination of manual and automated trading in one product is extremely important
- Continued market fragmentation
  - > Increased importance of Smart Order Routing and Exec. Algorithms
  - > Driving firms to outsource market access
- Brokers looking for best of breed technology as a competitive differentiator
  - > Increased demand for DMA and Sponsored Access solutions
  - > Offering advanced trading applications to clients to attract flow
- Increased demand for Managed Services
  - > Reduces operational risk as dependencies on key personnel disappears
  - > Faster time to market at a lower cost with economies of scale

## Orc Trading

- Market Making
- Volatility Trading
- High Frequency Trading

## Orc Brokerage

- Sponsored Market Access
- Direct Market Access



## Delivery Models

- Deployed Software
- Managed Services



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# ORC | 100+ market connections worldwide

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## ORC | CameronTec

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- CameronFIX, the financial industry's most widely utilized FIX infrastructure and connectivity solution
- CameronFIX is universally regarded as the reference standard for reliable, mature FIX engine applications
- CameronFIX is the only long-established FIX engine that delivers continuous, compelling version upgrades
- CameronTec provides worldwide sales and reliable support from its regional offices



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## ORC | Neonet Securities

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- Comprehensive transaction services with smart functionality such as trading algorithms and smart order routing
- Can offer market leading solutions from Orc
- Offers trading on 30+ markets in US and Europe
- Trading desk in Stockholm serving all customers
- Trade via the trading desks, Neonet Trader, Orc Trader or virtually any trading application supporting the FIX protocol
- Integrated settlement services





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# ORC | Orc Group, Q3 2011

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## ORC | Q3 2011 results

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- Revenue SEK 227 (previous Q: 230)m
  - > System Revenue 170 (169)m
  - > Transaction Revenue 51 (54)m
  - > Other Revenue 6 (7)m
- EBIT SEK 17 (32)m
  - > Non recurring costs SEK 13 (1)m
- EBIT margin 7% (14%)
  - > EBIT margin excluding Non recurring costs 13% (14%)
  - > Orc EBIT margin 28%
  - > CameronTec EBIT margin 39%
  - > Neonet EBIT margin -33%
- ACV
  - > End Q3 2011: SEK 682m (SEK +14m from Q2 2011)
    - With Q2 FX rates SEK +1m
  - > End Q3 2010: SEK 692m (SEK -10m Y-o-Y)

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## ORC | Q3 in brief Orc APAC

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- ACV USD 20.1 (-1.1)m
  - > Note: Contracts transferred to EMEA and Americas
- A slightly weaker quarter for APAC
- Smaller customers seem to struggle and decision processes are prolonged with international players who are more impacted by global economy.
- Five new customers, Global Banks, Local Banks and Trading Firms
- Continued interest from Brokers who expand their Orc connectivity offering
- Orc completed certification as Foreign ISV by NSE (National Stock Exchange of India)
- Launch of Orc Market Maker planned in Q4
- Good pipeline for the rest of the year

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## ORC | Q3 in brief Orc EMEA

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- ACV EUR 41.7 (+0.1)m
  - > Note: Contracts transferred from APAC
- A slightly weaker quarter than Q2
- Largest deal of the quarter with East European Broker
- Euro zone issues and global market difficulty causing prolonged uncertainty in market. Many projects delayed or cancelled
- Large changes in the Nordic markets
- Customer profitability very uneven. Some HFT-firms are doing well where some Market Making-firms have had difficult times making money.
- Competitors under pressure, Orc seen as the safe choice
- Strong segments: Market Making of Warrants, Structured Products, Hosted solutions
- Weak segments: Arbitrage, Market Making Equity and Index options

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## ORC | Q3 in brief Orc Americas

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- ACV USD 14.6 (+0.4)m
  - > Note: Contracts transferred from APAC
- Poor market conditions prevail in Americas
  - > Economy is weak and will remain so in 2011
  - > Massive Regulatory Reform is in-process and continues to create uncertainty
- Signs of improvements for Orc in Americas.
  - > Now 7 customers in Brazil
  - > 10 New customers in Americas
  - > 7 of 10 new customers taken with new Orc Market Maker
  - > 2 Orc Managed Services customers
- Orc Market Maker strongest product in USA and pipeline building nicely in Q4
- Orc Hosted pipeline building nicely in Q4

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## ORC | Q3 in brief CameronTec

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- ACV USD 10.5 (+0.3)m
- Another strong quarter for CameronTec, Could have been even better but several deals slipped into Q4 (Not lost!)
- Several larger deals in EMEA, the biggest with a global bank
- CameronTec continues to win new accounts as well as re-negotiating old contracts
- All regions performing well with EMEA at the top this Q.
- Main focus for Fix technology from Tier-1 but starting to pick up interest from Tier-2 (Large market).
- Very healthy pipeline for Q4

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## ORC | Neonet

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- Transaction Revenues SEK 51 (Q2 2011 SEK 54)
- Transaction margin 32%
- Very weak volumes
- Joacim Wiklander new CEO
- New Jersey office closed, restructuring cost of 7 MSEK  
> 13 MSEK in annual savings from Q1 2012
- Neonet is undergoing a major transformation from a general Agency Broker to a technology based execution specialist for the Sell-Side

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# ORC | Neonet - An Execution Service Provider

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Providing the sell side with a cost-effective trading service, addressing an increasingly complex trading landscape.

## ■ Flexible

- > Fully managed service to execute in own memberships, Neonet's memberships or any combination thereof
- > Accessible over FIX and most order routing networks and order management systems

## ■ Transparent

- > Cost+ pricing removing potential conflicts of interest
- > 3<sup>rd</sup> party analytics to measure execution quality

## ■ Independent

- > No proprietary trading or other competing services
- > No internal matching, only regulated market access

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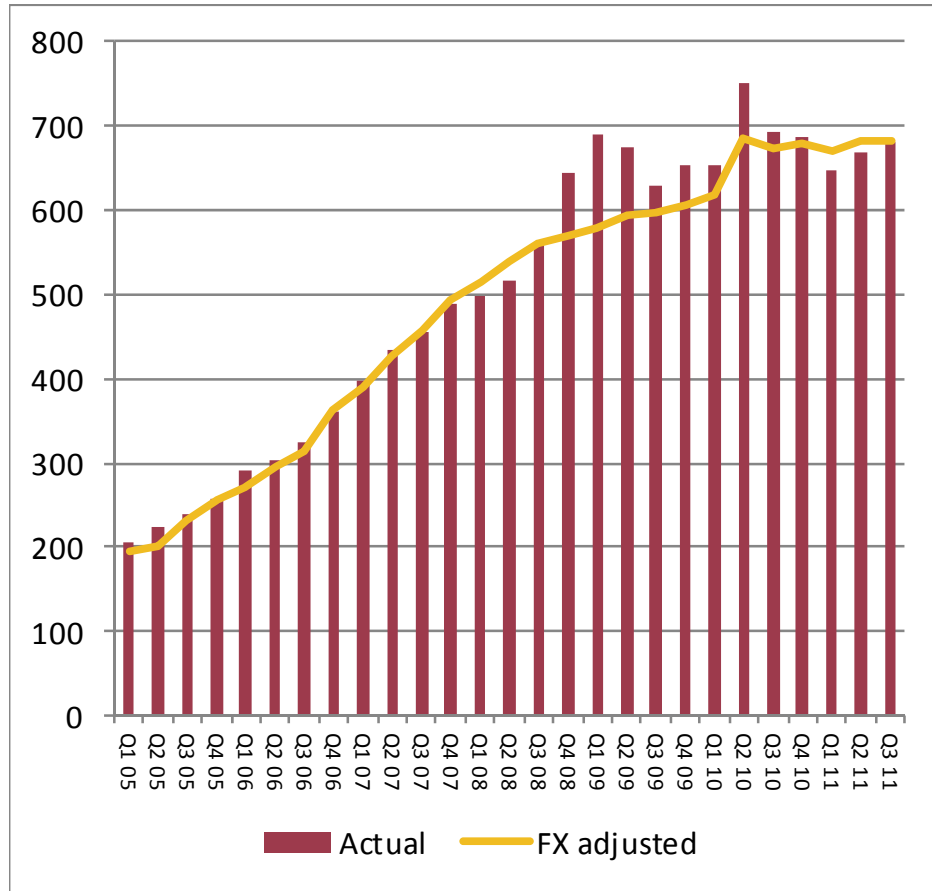
# ORC | Financials

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Anders Berg, CFO  
Orc Group



# ORC | Annualized Contract Value (ACV)



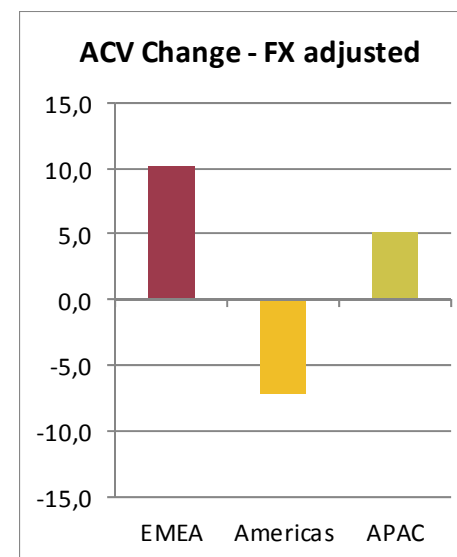
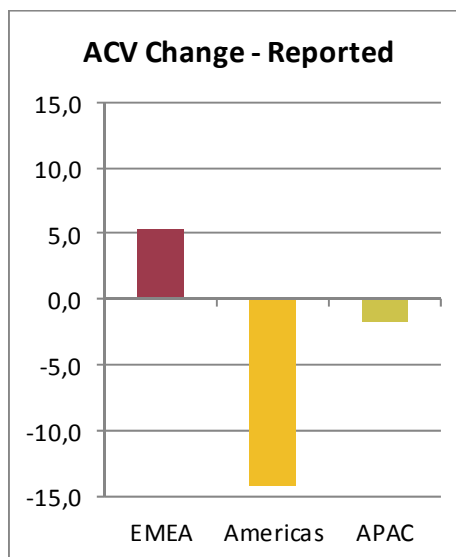
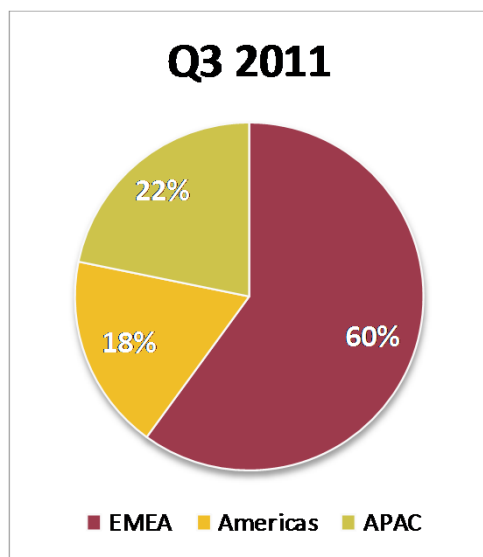
- Recurring system revenue in Orc and CameronTec
- Amounts to SEK 682 m at end of Q3 2011
  - > Contracted revenue for the coming twelve months
  - > Equals 106% on Operating expenses, run rate FY 2011\*
- Down 2% compared to end of Q3 2010
  - > Up 1% FX adjusted\*\*
- Up 2% compared to Q2 2011
  - > Up 0.1% FX adjusted\*\*

\*) Excluding Transaction cost and Amortization on intangibles from acquisitions

\*\*\*) September 2010 average rates

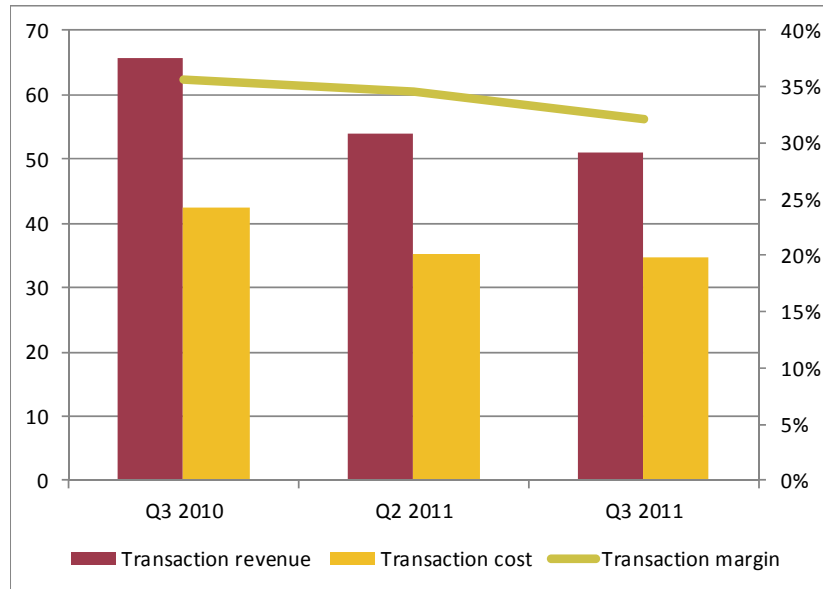
# ORC | Regional ACV

SEK m	Reported				FX adjusted			
	Q3 2011	Q3 2010	Change	%	Q3 2011	Q3 2010	Change	%
EMEA	409,0	403,7	5,3	1%	413,9	403,7	10,2	3%
Americas	124,0	138,2	-14,2	-10%	131,0	138,2	-7,2	-5%
APAC	148,5	150,2	-1,7	-1%	155,4	150,2	5,2	3%
<b>Total</b>	<b>681,5</b>	<b>692,1</b>	<b>-10,6</b>	<b>-2%</b>	<b>700,3</b>	<b>692,1</b>	<b>8,2</b>	<b>1%</b>



# ORC | Neonet

SEK m	Q3 2011	Q2 2011	Change	%	Q3 2010	Change	%
Transaction revenue	51,1	53,9	-2,8	-5%	65,8	-14,7	-22%
Transaction cost	-34,7	-35,3	0,6	-2%	-42,4	7,7	-18%
<i>Transaction net</i>	16,4	18,6	-2,2	-12%	23,4	-7,0	-30%
Transaction margin	32,1%	34,5%	-2,4%		35,6%	-3,5%	



- Trading volumes trend still negative
  - > Volumes in Q3 lower than Q2 2011 and Q3 2010
  
- Margin also down
  - > Low margin customers
  - > High cost trading venues
  - > Lower discounts from venues and banks
  
- Several new customer wins

# ORC | Segment Report

SEKm	Orc	CameronTec	Neonet	Group items*	Orc Group
<b>Operating revenue</b>	<b>154</b>	<b>18</b>	<b>56</b>		<b>227</b>
Cost of goods sold	-5	-1			-6
Transaction expenses			-35		-35
External expenses	-50	-4	-15		-69
Personnel expenses	-64	-9	-21		-94
Capitalized development expenses	14	2			16
Depreciation and amortization	-9		-3	-15	-28
Foreign exchange differences	4	1			4
<b>OPEX</b>	<b>-110</b>	<b>-11</b>	<b>-74</b>	<b>-15</b>	<b>-211</b>
<b>EBIT</b>	<b>43</b>	<b>7</b>	<b>-18</b>	<b>-15</b>	<b>17</b>
Financial items					
<b>EBT</b>	<b>43</b>	<b>7</b>	<b>-18</b>	<b>-15</b>	<b>17</b>
<b>EBITDA</b>	<b>52</b>	<b>7</b>	<b>-15</b>		<b>45</b>
EBIT Margin	28%	39%	-33%	n/a	7%
EBITDA Margin	34%	40%	-27%	n/a	20%

\*) Group items are: Settlement of disputed receivable, amortization on acquisition related intangibles and financial items

# ORC | Consolidated Income Statement

SEK m	Q3 2011	Q3 2010	Change	%	Comments
System revenue	170	184	-14	-8%	Mainly FX effect
Transaction revenue	51	66	-15	-23%	
Other revenue	6	5	1	20%	
<b>Operating revenue</b>	<b>227</b>	<b>255</b>	<b>-28</b>	<b>-11%</b>	
Cost of goods sold	-6	-8	2	-25%	
Transaction cost	-34	-42	8	-19%	
External expenses	-69	-66	-3	5%	NRI
Personnel costs	-94	-94	0	0%	+Fewer employees, -NRI
Capitalized work	16	15	1	7%	
Depreciation etc	-27	-24	-3	13%	
FX revaluation	4	-19	23	-121%	Rev. of Balance Sheets items, e.g. A/R etc
<b>Operating expenses</b>	<b>-210</b>	<b>-238</b>	<b>28</b>	<b>-12%</b>	
<b>Operating income</b>	<b>17</b>	<b>17</b>	<b>0</b>	<b>0%</b>	
Net financial income	1	1	0	0%	
<b>Income before tax</b>	<b>18</b>	<b>18</b>	<b>0</b>	<b>0%</b>	
Tax	-5	-17	12		
<b>Net income</b>	<b>13</b>	<b>1</b>	<b>12</b>	<b>1200%</b>	
<b>Operating margin</b>	<b>7%</b>	<b>7%</b>	<b>1%</b>		
<b>NRI</b>	<b>-13</b>	<b>-4</b>	<b>-9</b>	n/a	
<b>EBIT excl NRI</b>	<b>30</b>	<b>21</b>	<b>9</b>	n/a	
<b>OPEX margin excl NRI</b>	<b>13%</b>	<b>8%</b>	<b>5%</b>	n/a	

## ORC | Balance Sheet – Q vs Q

SEK million	Sept 30, 2011	June 30, 2011	Change	Comments
Goodwill	1 031	1 031	0	
Other fixed assets	864	856	8	
Current financial assets	127	64	62	
Current receivables	208	212	-4	
Cash and equivalents	166	165	1	Compulsory redemption of Neonet shares SEK -24 m
	<b>2 396</b>	<b>2 328</b>	<b>68</b>	
Equity	1 625	1 607	18	
Long-term liabilities	185	181	4	
Current financial liabilities	85	79	6	
Current liabilities	501	461	40	
	<b>2 396</b>	<b>2 328</b>	<b>68</b>	
Equity/Assets ratio	68%	69%	-1%	

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# ORC | Outlook

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## ORC | Outlook

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- When the Neonet transaction was announced we set the 2012 goal to have an operating margin of at least 20% in a weak market and a 35%+ operating margin in a strong market
- With current FX rates and continued low transaction volumes in Neonet, it is uncertain if we can reach this goal already in 2012

# ORC

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[www.orc-group.com](http://www.orc-group.com)

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