



2018 Results: €19.7 m 2018 ROE: 12.8%

The Board of Directors of ABC arbitrage, led by the Chairman, Dominique Ceolin, met on March 21, 2019 to approve the consolidated financial statements for 2018. Financial highlights for the year were as follows:

	31/12/2018 IFRS	31/12/2017 IFRS
Net revenues	€40.1 m	€38.5 m
Net Income	€19.7 m	€18.3 m
Earnings per share (EPS)	€0.34	€0.32
Return on equity (ROE)	12.8%	11.5%

Business performance

2018 presented once again exacerbated market conditions, specific to the era of central banks. Looking solely at the US volatility index (VIX) which presents an average of 19% between 2005-2007, January reached records of low volatility with an average of 11%, whereas the month of February saw a sudden rise in volatility, averaging 22%, for the same index. This index dropped sharply to very low volatility levels until Q4, when finally market parameters started to resemble the historical averages of the pre-"central bank" era. The M&A universe suffered from an adverse environment resulting from the US geopolitical situation, or the "Trump paradigm", characterised by the US-China trade war and the growth of protectionism. Despite these elements and a time-consuming regulatory environment due to BREXIT, MIFID 2 and EMIR, the Group turned out a respectable gross return of 26% on capital employed.

Dividend policy

In consideration of the negative interest rate environment, which seems likely to last, the Group has been exploring solutions to optimise the use of its cash without slowing its development strategy. Executive management has proposed to the Board of Directors to gradually introduce a quarterly distribution instead of the usual half-yearly distribution. The Board will recommend a dividend of €0.23 per share at the annual shareholders' meeting on June 14, 2019. The payment will be effective during the first fortnight of July. It will also recommend a distribution of €0.10 per share the first week of October and again €0.10 per share the first week of December, both distributions being a return of issuance premiums. If approved, the total distribution for the 2019 calendar year, will amount to €0.43 per share, providing a net yield of 7.1% based on the share price at December 31, 2018. Finally, subject to necessary approvals, the Board of Directors intends to make an interim dividend payment of €0.10 per share out of FY2019 income during the first week of April 2020 to complete the implementation of the quarterly distribution policy.

Outlook

As explained at the last AGM and exposed during H1 2018, these results are below expectations for the "Step Up 2019" plan, yet consistent with exogenous parameters encountered and the Groups know-how. The progress achieved, illustrated by the quality of performance of the Funds managed by the Group's investment management companies, was recognised with the first prize in "Market Neutral & Quantitative Strategies" category during the 2018 "EuroHedge Awards" ceremony.

For 2019, the Group intends to intensify its investment in its historical know-how which has once again demonstrated its excellent performances in context of "lively" markets. The continued development of third-party asset management will also be key in compensating a lasting "calm" market environment. ABC arbitrage believes that everyday it takes a further step in building a structure which responds to its own high expectations whilst respecting its fundamental culture of "capital protection" for its clients and shareholders as demonstrated by the last 24 years of significant results.

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