FY 23 Results

Friday, 16th February 2024

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Operator: Good day and welcome to Euronext Full-Year 2023 Results Call, hosted by Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext, joined by Giorgio Modica, CFO. Throughout today's presentation, all participants will be in a listen-only mode. Later, we will conduct a question-and-answer session. You may press star one on your telephone keypad at any time to signal for questions. This meeting is being recorded. At this time, I'd like to hand the call over to Stéphane Boujnah. Please go ahead, sir.

Stéphane Boujnah: Good morning, everybody, and thank you for joining us this morning for the Euronext fourth quarter and full-year 2023 results conference call and webcast. I am Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext, and I will start with the highlights of the fourth quarter 2023, followed by the full-year 2023 performance. Giorgio Modica, the Euronext CFO, will then develop the main business and financial highlights of the fourth quarter of 2023.

As an introduction, I would like to highlight four important points.

First, Euronext is today stronger than ever, thanks to our diversification efforts over the past few years. In 2023, we have delivered revenue growth close to 4% and even close to 8% in Q4. We have also significantly reinforced Euronext leadership position in listing and trading in Europe.

Second, we beat 2023 cost guidance, thanks to cost discipline. Thanks to synergies and some positive one-offs, we continue to deliver ahead of schedule; and despite an inflationary environment that everyone knows, we continue to do better on cost.

Third, we delivered a strong end of the year, with Q4 2023 adjusted EPS growing by +27.9% from last year.

Fourth, we are now present on the entire trading value chain, thanks to the expansion of Euronext Clearing to European equities. This clearing strategic milestone was a critical contribution to the €74 million of cumulative run-rate synergies delivered at the end of 2023. This achievement is above our interim objective of €70 million targeted for the end of 2023. It is also significantly more than the initial objective of run-rate synergies of €60 million that was targeted at the end of '24 as announced in October '20 and in April '21 when we closed the acquisition of the Borsa Italiana Group. So we are perfectly on track to complete the integration of the Borsa Italiana Group and to achieve the upgraded target of €115 million of annual run-rate synergies by the end of 2024.

Lastly, in 2023, we continued our innovation path following the successful opening of the test environment at the end of January 2024. Euronext confirms today the launch of dark, midpoint and sweep functionalities in Q1 2024, hosted in our core data centre in Bergamo.

Let me start with the Q4 performance on slide four.

Euronext reported a strong fourth quarter of '23 posting +7.8% revenue growth year-on-year to €374.1 million. The quarter was marked by strong dynamism of post-trade and non-volume driven activities, together with record performance of fixed income and power trading.

First, post-trade revenues grew significantly, driven by the first positive contribution of the Euronext Clearing expansion to cash instruments and also by a solid growth in our CSD business together with growth in related net treasury income. Second, our trading revenue posted strong growth, supported by the record quarter for fixed income and power trading. This is the proof of the Group's successful diversification. Despite the decreasing equity and derivative volumes, our total trading revenues across asset classes grew by more than 7%. Third, non-volume-related revenue posted a strong performance overall, notably in listing, Advanced Data Services and technology, and this translated into non-volume-related revenue accounting to 60% of the total Q4 revenue and covering 141% of underlying operating expenses excluding D&A.

We continued our disciplined approach to cost control that offset inflationary pressures, and we recorded a positive one-off actual release of €6.3 million. As a consequence, Q4 2023 underlying operational expenses excluding D&A slightly decreased to €157.8 million, down minus 0.9% compared to the cost base of Q4 2022. Overall, we reported a strong growth in adjusted EBITDA of +15.2% to €216.3 million and an adjusted EBITDA margin that increased by 3.7 points to 57.8%. This strong performance combined with a positive interest rate environment for our cash in the bank led to a 27.9% increase in adjusted EPS at €1.42 per share and to an adjusted net income of €148.2 million. On a reported basis, EPS for this fourth quarter also benefited from a capital gain and increased by +34.2% to €1.25.

That brings me to our yearly 2023 performance on slide five.

First, thanks to our diversified business model, we achieved +3.9% increase in revenue and income to reach close to €1.5 billion. This performance was notably supported by our non-volume related activities that are accounting for 60% of total revenue last year. I would like to highlight the strong performance of our fixed income trading business and of our power trading business, that both grew by +15% this year.

Second, we obviously maintained our trademark cost discipline and reported better than expected cost at €610 million, less than 1% over the cost base of last year. This also compares to the revised guidance of €618 million and the initial cost guidance for 2023 provided a year ago, which was €630 million. This good performance on cost despite inflationary pressures resulted from strong cost control and also from positive FX impact and a one-off accruals release.

Consequently, our 2023 adjusted EBITDA grew to €864.7 million, and we delivered an adjusted EBITDA margin at 58.6%. Thanks to the positive interest rate environment, our strong cash position enabled us to fully offset the cost of our debt compared to last year. As a result, and supported by a €53 million capital gain, reported net income increased by 17.3% in 2023 to €513.6 million. Adjusted for non-underlying items, net income was up +5.3% to €584.7 million, representing an adjusted EPS of €5.51.

Consequently, a dividend of €2.48 per share will be proposed at our upcoming annual General Meeting in May. The dividend represents a payout ratio of 50% of reported net income, as set up in our dividend policy. That's €0.26 more than the '22 dividend per share, means an increase in the dividend of +12%. As a reminder, we finalised the announced €200 million share repurchase programme in January '24.

Let me now share the key takeaways of our businesses in 2023.

First, as I said, our non-volume-related activities delivered strong growth in 2023 and accounted for 60% of total revenue. Following the successful migration of our core data centre in Bergamo in 2022, we continue to bear the fruit of this migration, notably with our colocation services.

In 2023, we further scaled up our technology solutions activity that grew close to 10% in 2023. Our Advanced Data Services business also reported strong performance, with revenue up +6%. This results from good performance across the data products offerings and also solid demand for data activity products.

Our post-trade franchise delivered a robust year.

First, our Custody and Settlement business grew +5.5% like-for-like at constant currency. This was driven by growing assets under custody, improved revenue capture and continued expansion of the services business. On a reported basis, this activity was impacted by negative forex impact from the Norwegian kroner.

Second, our clearing revenues were stable despite declining equity and derivatives. This results from two factors. First and foremost, our clearing flows are diversified. As a result, the strong fixed income clearing and commodities clearing activities partially offset the lower equity and financial derivatives clearing. Then, and what is to me probably the most important, we managed to capture additional business at Euronext Clearing following its expansion to all Euronext cash markets. Since 27th November, Euronext Clearing is the preferred CCP for six European cash markets.

Last, net treasury income increased by +6% compared to 2022 underlying net treasury income, primarily reflecting higher collateral health.

As you would have understood, we are now a European top-ranking post-trade infrastructure operator. Once again, we remain also the leading listing venue in Europe for equity, attracting 64 new equity listings in 2023. We also consolidated our position as the leading listing venue for debt worldwide, now being the home of over 55,000 bonds. Our Corporate Services franchise continued to post double-digit growth, demonstrating the successful expansion of our software-as-a-service offering. Lastly, our trading franchise was resilient despite the lower volatility environment for equities. Indeed, while cash trading and derivatives trading volumes were down by over -10%, total trading revenues only decreased by -4.7%. This is again the demonstration of our more diversified business model.

In 2023, our fixed income trading business reported a record year with double-digit growth in all asset classes, resulting in revenue up +15.6%. In addition, our power trading business also posted a record year with the revenue up +14.5%, primarily supported by intraday power market where volumes doubled compared to 2022. As I said, 2023 demonstrates a critical result of Euronext's diversification. We delivered solid growth even in an environment not favourable to equity.

Clearly, 2023 saw the continuation of the Euronext transformation, and we made good progress in our integration process and synergy delivery. In 2023, we delivered on several strategic milestones that were absolutely critical for us to achieve our transformation in 2024.

First, on the trading side, we successfully completed for the fourth time since our IPO in 2014, the migration of cash equity markets to a single technology trading platform, Optiq. The migration of Italian cash markets to Optiq did create benefits for trading members, with a material improvement of the Italian market quality. This milestone paved the way for the migration of Italian derivatives trading to Optiq in the coming weeks.

Second, we made very good progress to further strengthen our post-trade business. In November 2023, we took an important step towards the European expansion of Euronext Clearing, expanding its offering on schedule to the cash market in Belgium, France, Ireland, the Netherlands and Portugal. Euronext Clearing now clears equity, ETFs, structure products, warrants and bonds across six Euronext markets including Italy. This migration materially contributed to the synergies delivered over 2023, but also paved the way for the migration of listed financial and commodity derivatives in Q3 2024. Such good progress on integration means we were able to reach €74 million of run-rate cumulated EBITDA synergy at the end of 2023. This is above the €70 million target expected for the end of '23, and already much more than the €60 million targeted for the end of '24 initially announced in October '20 and in April '21, when we closed the acquisition of the Borsa Italiana Group.

Looking forward, the migration of Borsa Italiana's derivatives to Optiq and the expansion of Euronext Clearing to Euronext listed derivatives by Q3 '24 will complete our presence on the entire trading value chain. It will position Euronext ideally to capture future growth opportunities across Europe. The completion of these two critical projects will materially contribute to reaching our revised objective of €115 million of run-rate cumulative EBITDA synergies by the end of '24.

I now give the floor to Giorgio Monica for the review of our fourth quarter 2024.

Giorgio Modica: Thank you, Stéphane, and good morning, everyone.

Let us now have a look at the strong performance of this fourth quarter of 2023.

I'm now on slide nine.

As mentioned already, total revenue this quarter reached €374.1 million, up +7.8% compared to last year and +9.1% at constant currency. 60% of our revenue is non-volume-related, highlighting the success of our diversification path. Those strong results were notably driven by the record performance in fixed income and power trading, the solid contribution of our non-volume-related businesses and the incremental equity clearing business captured by Euronext, since the widening of its offering across the Euronext markets on 27th November 2023.

In addition, Q4 2023 revenue and income reflects an increase in net treasury income year-on-year, as the NTI in the fourth quarter of last year was still impacted by the run-off of the investment portfolio at Euronext Clearing.

I will now start the business review, and I'm now on slide ten.

Listing revenue was €56.2 million, up 6.9%, like-for-like and at constant currencies, reflecting the good quarter of the listing and follow-on activities and the continuing strong growth of our corporate service SaaS offering. Reported revenue was up 5%, reflecting the negative impact of the NOK on the results of our Norwegian activities when reported in euros. Euronext demonstrated once again its leadership in equity listing in Europe with 64 total listing in 2023.

On the debt side, we reinforced our global leadership in listing with over 55,000 bonds listed on our market, and we also strengthened our leading position in ESG bond listing. Euronext

Corporate Services, as mentioned, continued to deliver a solid performance with revenue growing to €12.3 million this quarter, up 28.8% compared to the fourth quarter of 2022, resulting from the strong progression of our SaaS offering.

I'm now on slide 11.

Other non-volume related activity continued to grow this quarter:

Advanced Data Services reached €56.1 million of revenue, up 3%, driven by the strong performance across the data product offering and the solid demand for analytic products.Technology Solutions reported €27.6 million of revenue, up 2.6%, thanks to the continued benefit from the internalisation of our colocation services and the good performance of market connectivity services.

Investor services reported €3 million revenue in the fourth quarter of 2023, representing a 15.7% increase compared to the same quarter last year, thanks to the continued commercial expansion of our franchise across the largest global investment managers.

Moving now to trading on slide 12. As I mentioned earlier, Euronext solid trading revenues at €124.5 million clearly benefits from the diversification of our trading activities. Cash trading volumes were down 4.1% in the fourth quarter 2023 compared to the same quarter last year. However, due to Euronext's strong management of cash trading fees and market share, revenue was only down 1.6%. Revenue capture averaged 0.53 basis point over the quarter above the floor indicated for 2023, post-migration of Borsa Italiana markets to Optiq, and despite the average size of orders remaining elevated.

Cash equity market share averaged 65.2%. Here again, well above the floor of at least 63% set for 2023.

Derivative trading revenue decreased by -4.4% to €12.8 million in Q4 2023 due to lower financial derivative volume with ADV down -8%, partially offset by the strong performance of the commodity derivatives with volumes up +27.2% versus last year. Average revenue capture on derivative trading reached €0.34 per lot.

Lastly, an uptick in volatility drove FX trading volume up +18.8% this quarter. Like-for-like and at constant currencies, FX trading revenue was up +4.8%. Revenue remained stable on a reported basis at €6.7 million this quarter, as the growing volumes were offset by the depreciation of the US dollar and an unfavourable volume mix with more disclosed activity.

Continued with our trading activities, on slide 13.

Fixed income trading reported another record quarter. Revenue grew +38% to €30.6 million. In detail:

-MTS cash ADV reached €27.7 billion, up close to 80% year-on-year. This reflects continued market volatility as well the contribution of MTS EU. The market launch in November 2023 contributed around €1 billion of daily trading volumes.

-MTS repo term adjusted ADV (TAADV) was €469.1 billion, up 18.2% compared to the fourth quarter of 2022.

-Euronext fixed income retail franchise also continued to perform extremely well, with volumes up 27.9% to €1.5 billion.

Despite the FX headwind from the NOK depreciation, power trading revenue grew to a new record of €10.4 million, up +16.9% compared to the fourth quarter of 2022. This performance reflects all-time high intraday volumes and solid day ahead volumes. On a like-for-like basis and at constant currency, revenue was up +30.8%.

I would like now to conclude this business review with our post-trade activity, and I'm now on slide 14.

Q4 2023 clearing revenue grew by +11.5% to €32.3 million. As mentioned earlier, we have expanded Euronext Clearing offering to Euronext Brussels on 6th November 2023, and to Euronext cash market in France, Ireland, the Netherlands and Portugal on 27th November 2023.

This quarter, we have generated for the first time revenues for the clearing of cash instruments on those markets through our CCP. In addition, bond clearing activity continued to be dynamic. This more than offset lower revenue received from LCH SA for the clearing of our derivative products. Non-volume-related clearing revenue accounted for €9.2 million of the total clearing revenues in the fourth quarter of 2023.
Net treasury income amounted to €11.7 million. It is close to three times the amount it was in the fourth quarter of 2022. That was, as I explained, negatively impacted by the run-off of the investment portfolio of Euronext Clearing, and it is in line with what I have communicated last quarter as a new level of NTI until the delivery migration of clearing is going to be delivered.
As a reminder, following the introduction of the VaR-based margin methodology in October 2023, which creates efficiencies for our clearing members, we expect around €12 million NTI per quarter should the collateral level remain stable for the first two quarters at the level similar to the one we had in the fourth quarter of 2023.From the completion of the expansion of Euronext Clearing in Q3 2024 onwards, the NTI is expected to increase due to the addition of listed derivative flows.

Lastly, revenue from commodity settlement and other post-trade activity was €62.3 million this quarter. This represents 8.9% increase compared to Q4 2022 at current constant currencies. These results are underpinning by growing asset under custody which last quarter were at about €6.7 trillion, higher settlement activity and a strong performance of the services offering. On a reported basis, revenue increased 4.6%, once again impacted by the weak NOK.

I'm now on slide 16, on the cost guidance for next year.

In 2023, we had a positive impact, as Stéphane highlighted, of €11.4 million from the NOK depreciation on our cost base. In addition, underlying expenses were positively impacted by a one-off accruals release of €6.3 million. In 2023, Euronext reported €610 million of underlying expenses, excluding D&A, compared to initial guidance of €630 million.

In 2024, Euronext will continue to be very disciplined on cost. We expect that savings and synergies will offset inflation and 2023 cost ramp up. As a result, Euronext expect its 2024 underlying expenses, excluding D&A, to be around €625 million, below the initial guidance for last year, including around €10 million to finance growth projects and excluding potential impact from FX over the year.

I'm now on slide 17.

Adjusted EBITDA for the quarter was up +15.2% to €216.3 million, resulting from higher revenues and the positive impact of the one-off releases and FX on the costs. This translated into an adjusted EBITDA margin of 57.8% in the fourth quarter of 2023. Non-underlying costs for the quarter were €15.5 million, primarily linked to the delivery of cost synergies in Q4 and to the ongoing work related to the clearing expansion and the last phase of the Borsa Italiana derivative markets migration to Optiq.

Moving to net income on slide 18.

Adjusted net income last quarter was strongly up +25.3% to €148.2 million, resulting notably from, as we discussed:

- higher EBITDA, thanks to the strong performance of our businesses and well-contained cost base;
- higher net financing income resulting from higher interest income from our cash and cash equivalents. This is the second quarter we were earning more cash from our deposit than we paid as interest on our debt;higher result from equity investments, reflecting the €11.4 million capital gain arising from the disposal of our stake in Tokeny and the dividend received from Sicovam.

Lastly, income tax for the fourth quarter of 2023 was €40 million. This translated into an effective tax rate of 22.6% for the quarter, positively impacted by tax exempted gains like the capital gain I just mentioned. As a result, reported net income increased by +31.5% to €130.6 million and adjusted EPS basic was up +27.9%, at €1.42 per share.

To conclude with cash flow generation and leverage, as you can see from the slide, our balance sheet position is very solid as well our cash flow generation. In the fourth quarter of 2023, Euronext reported a net cash flow from operating activities of €194.5 million compared to a negative cash flow of €147.1 million in the fourth quarter of 2022, reflecting the movement in working capital related to Nord Pool and Euronext Clearing CCP activities.

Excluding the impact on working capital from Euronext Clearing and Nord Pool CCP activities, net cash flow from operating activities accounted for 87.4% of EBITDA in the fourth quarter of 2023. We continued to deleverage this quarter despite the buyback that we just concluded. Net debt to adjusted EBITDA was at 1.9x at the end of the quarter and 2.0x on a reported EBITDA basis.

This concludes my presentation, and with this, I would like now to give the floor back to Stéphane.

Stéphane Boujnah: Thank you very much, Giorgio. As you have seen and as you have heard, 2023 was definitely a pivotal year for Euronext.

First, our diversification journey is now paying off, as we are posting growth driven by non-volume and diversified activities.
Second, we maintain a consistent trademark cost discipline despite an inflationary environment.
Third, we delivered several key projects of the Borsa Italiana Group integration, enabling us to complete the value chain and to be on track to achieve all 2024 targets and synergies.
So, as we celebrate this year, the tenth anniversary of our IPO that took place in June 2014, I'm looking forward to deep dive into the opportunities that this transformation will offer for Euronext at our Investors Day that we will hold in November 2024 in Paris.

Thank you for your attention. We are now ready to take your questions, together with Giorgio Modica and Anthony Attia, the Global Head of Derivatives and Post-Trade operations, and also Nicolas Rivard, Global Head of Cash Equity and Data Services.

Questions and Answers

Operator: Thank you, sir. As a reminder, to ask a question, please signal by pressing star one. And our first question comes from Enrico Bolzoni from JP Morgan. Please go ahead.

Enrico Bolzoni (JP Morgan): Hi, good morning. Thanks for taking my question. So a couple on fixed income and the opportunity there. Clearly, you had a strong number in Q4. Can you just provide some extra colour in terms how you think this line can evolve in the future, what are the key opportunities ? And partially related to that, once you will have the clearing of derivative in place, do you plan to step-up also when it comes to launching new derivative products for fixed income, or the focus is going to be primarily for equities ? And related to that, my understanding is that at the moment there's a lack of, for example, derivative products for the European bonds and European bonds. So I was wondering whether you can comment on whether your combined capabilities, MTS and derivative, can potentially create some opportunity there. So this is my first question.

And then the second question I wanted to ask is on capital distribution and use of your capital. Clearly, you're delivering. And I appreciate you're going to have a Capital Market Day, but can you give us some colour in terms of what are you thinking now in terms of increasing the payout or special buybacks or use of capital ? And a general comment on what do you see from an M&A standpoint, what do you see out there, if there are opportunities, would be helpful. Thank you.

Stéphane Boujnah: Thank you. On the fixed income business, MTS had its best year ever in 2023, driven by all sort of developments in the interest rate environment and the related consequences in the govies segment. But what is impressive is that we are making progress in accelerating the Europeanization of the MTS strategy, which for years was trying to penetrate further debt management offices beyond Italy and Spain. And the mobilisation of all the resources of Euronext is paying off with those debt management offices.

The most visible part of the efficiency of those commercial efforts is the fact that MTS was appointed by the European Commission at the end of '23 as the platform, the electronic platform for the secondary trading of the next-generation EU bond programme, which, as you know, is going to reach, at its peak, €750 billion of issuance. So we are confident in the growth of the MTS business. We are supporting the commercial efforts of MTS across Europe, and the MTS platform and solutions relevance is getting traction with what is today one of the largest issuers in the continent, which is the European Commission.

As far as the development of derivatives offering related to the development of clearing operations, this is definitely part of the roadmap. But we are not going to comment anything that is not a solution that is available to clients before it is available to clients. So that's the whole point of having an Investor Day in November '24, to be very explicit on this point.

On the capital allocation, I'll give the floor to Giorgio Modica. But again, the big picture is that we have a consistent dividend policy. We have done a one-off share buyback. We are going to work hard on developing a new strategic plan and to a large extent, the capital innovation policy will be an output of the capital requirements for organic growth and for M&A developments as they will be decided by the end of this year. But Giorgio, feel free to add colour and flavour around this capital allocation.

Giorgio Modica: Stéphane, I believe you said it all. Last year, in total, we distributed between the dividend and the buyback around €440 million. Clearly, this level is not sustainable. As Stéphane mentioned, the buyback last year is one-off. So for this year, what you should expect is the application of our policy that until the next Investor Day is going to remain a dividend payout of 50% of reported earnings. Then what will happen, as we commented before the Investor Day, we will engage with our stakeholders and shareholders to see whether the same policy that was applied in this plan is going to be suitable for the next plan. But as far as 2024 is concerned, we will apply the current policy.

Enrico Bolzoni: Thanks.

Operator: Thank you. We'll now move to our next question from Hubert Lam from Bank of America.

Hubert Lam (Bank of America Merrill Lynch): Hi, good morning. Thank you for taking my questions. I've got three of them. Firstly, can you talk about the revenue outlook for 2024 ? I think if you look at the cost guidance you've given for this year implies at least about €1.6 billion of revenues. What's driving the growth for this year, and where do you see the upside, and where do you see the pressures ? That's the first question.

The second question is around cost. You're planning for additional €10 million investment cost. Can you elaborate where it's going to and the expected payback for that ? And lastly, again, on the cost guidance, what FX rates are you basing your expense guidance on ? Is it the spot FX at the end of last year ? I'm just wondering if the NOK continues to appreciate, could this be a headwind for your cost guidance ? Thank you.

Stéphane Boujnah: Giorgio will take your three questions on the revenue outlook for 2024, on the cost base targeted for 2024, and on the forex rate assumptions.

Giorgio Modica: Yeah, absolutely. So the first element that I would like to highlight is that we are not going to give you a target for revenue for 2024. However, we can help you to get a better understanding. And another element that I would like to confirm is our target in terms of CAGR EBITDA, that will remain between 5% and 6% as announced at the Investor Day.

So, in your bridge, there are two elements between the revenue of this year and the revenue of next year that you should take into consideration. The first one are price increases. So, last year, we told the market that on average, we would have increased prices on non-volume-related activity, accounting 60% of our revenues, with an increase averaging 5%. We have delivered the price increase that we anticipate last year, as announced. For 2024, we expect an average increase of price of around 3% on our non-volume-related activities. So this is a first element of the bridge.

The second element is that you have seen a very small portion of the revenues coming from the clearing of equities. And for next year, you should expect a number which is around

€20 million. So those are elements that will contribute to bridge the gap between this year and next year. I cannot add more elements on that.

On the cost, so this is something on which I would like to spend a bit of time because I'm sure that many of you will have questions, and I would like to explain a little bit the bridge between the cost of 2023 and the cost of 2024.

So the first element that I would like to highlight is that if you look at our cost, it has slightly increased throughout the year. And the reason is simple, because we are adapting Euronext to manage a larger business through the integration of CC&G and the migrations on clearing, the expansion of the service of Euronext Clearing. So, therefore, when we make the comparison between '22 and '23 and '24, I think if you, to a certain extent, annualize Q4, you will get to a very different number than the full year. So this is the first element.

So how do you make the bridge ? The first element, the correct starting point for the bridge should be €216.3 million, which is the actual cost base underlying, adjusted for this exceptional release of €6.3 million, which happened in the last quarter. Then for next year, there are going to be several impacts. The first one is, you can see today that we have around €35 million of clearing cost, and those costs are relating to the clearing derivative contract that we have in LCH SA. And so in those contracts, this contract is going to be terminated at the very beginning of the third quarter of 2024.

So for the bridge, you will need to consider 50% of that. So a number which is in between €15 million and €17.5 million P&L impact, which is important for the target for next year, whereas on a run-rate basis, this would be the €35 million. So this is important to highlight. In the P&L of next year, you will have not the full run-rate synergies.

The second element that you would need to take into consideration is on the one side, the impact of the synergies delivered in four quarters over the next year and further synergies that we will be delivering next year. And if you take all this number together, those should be sufficient to offset an inflation that we estimate of around 3% of our cost base. So around €19-20 million. And as we said, we add €10 million of new investments.

So, to summarise the different elements, we have a net increase of less than €10 million from €216 million to €225 million, and this is able to offset an inflation of around €20 million, an additional investment of €10 million through the delivery of P&L synergies of around €25 million.

And then the last question. Sorry, I was forgetting the last part of your question. In the guidance, what we have used is an average rate for the fourth quarter of the year, which is consistent with our budget assumptions.

And sorry, just to complete because you were hinting, what happens if the NOK gets stronger ? Yes, our cost base are going to be higher, this is a fact, but our revenue are going to be even higher. So last year, we lost more than €10 million of EBITDA due to the NOK. And therefore, a strengthening of the NOK might have a negative impact on the €625 million, but a positive impact on overall EBITDA growth in euros.

Hubert Lam: Thank you.

Operator: We'll now take our next question from Bruce Hamilton from Morgan Stanley. Please go ahead.

Bruce Hamilton (Morgan Stanley): Hi there. Morning. I was actually going to ask about costs, but you've given a very complete answer there. So, a couple of smaller questions. One on the cash market share and pricing. Obviously, you gave us what Q3 looked like – Q4 rather looked like, which was encouraging. You haven't given us a guide for 2024, so should we assume you're still pretty confident of being above 0.52 bps and above 63% ? That's the first question.

Second one, just on the sale of Tokeny. Does that signal that you don't really see any potential link to tokenisation and trading of digital assets, or was it just the wrong sort of asset to achieve your goals there ?

And then finally, in terms of AI, are there any kind of use cases you're working on to drive efficiency across the organisation, and is that part of the kind of synergies to offset inflation, or is it sort of longer-dated ? Thank you.

Stéphane Boujnah: I'll take the questions on AI and on Tokeny, and Giorgio Modica will answer the question on market share, on cash equity trading.

On AI, we are embarking a comprehensive 360 review of every single cost centre and every single revenue generation centre to identify potential use cases that can accelerate or expand the origination of new products or the penetration of new clients, and also to impact significantly our cost base. This is work-in-progress. It's a comprehensive exercise which requires a careful approach of segregating what is buzzwords and what is real transformational processes. And that's ongoing. Again, the final cut will be shared on the Investor Day in November '24 because the reality, when you look at AI for real, and when you go beyond superficial, generative AI used by the general public, the proper analysis of what it takes to make it happen for real, and what are the total economics of the use cases in terms of cost reduction and revenue expansion is more differentiated than many people think. So that's the process we are embarked into. So I'm not going to entertain you with slogans or punchlines about change of paradigm, etc. We are working hard to see how we can transform the company from here with these new tools.

On Tokeny, we took a minority investment. We decided to sell our stake and to crystallise a capital gain on that occasion. Not because we have a fundamental different view on tokenisation, but because the allocation of capital to achieve the objective of being part of tokenisation was not necessarily optimal as a minority shareholder into this company. You know, there is sometimes a misconception, which is I invest, hence I learn; I invest; hence I become an expert. When you take a minority stake, sometimes you do learn, sometimes you become an expert, sometimes for all sort of specific situations around the dynamic of the company, you are in a situation where you believe that there are other ways of becoming relevant than just owning a minority stake in a company, tagged here with tokenised assets.

So that's why we have decided, after successful experience, successful interactions, that a suboptimal return on capital employed and a suboptimal return on knowledge acquired for the investment, to take the opportunity of a capital gain and to contribute to the sound, meticulous, disciplined asset rotation that we owe our shareholders when we believe that we can achieve the objectives with less capital allocation.

That's for Tokeny. And then on the market share on cash equity trading, over to you, Giorgio.

Giorgio Modica: Yeah, so let me take the question. The first element we want to highlight is that the objective of Euronext remains always the same, which is top-line maximisation. And one of our jobs is to optimise the mix between the market share and the revenue mix. And the last year, the reason why we put the floor is that there was a sentiment in the market that we were not in control. We wanted to give a very strong signal that we are in control. And I believe that we have over-delivered on the two, giving confidence to the market. But I believe that this phase is over. But there is more to that.

The second element, which is important, is that I believe now is a good moment to share with you the way our market share is built and the reason why in 2024 these might give signals that would need to be interpreted.

So let me try to explain. Our market share is composed as following. On the denominator, you have our volumes, and on the denominator you have the total of the lit markets plus the multilateral dark. So, to a certain extent, our market share of 65% does not really represent our market share on the lit, but our market share on the lit and multilateral dark.

So what we are experiencing and what the market is experiencing at the moment is that given the uncertainty around the new regime that MiFID will implement, so the move from the double cap at 8% to the new cap at 7%, the rules of the implementation are not stringent and defined. And what is happening is that what we are seeing is a significant increase of dark at the expense of the systemic internalisation.

So what is happening to our market share is that what we are seeing is that at the beginning of 2023 there is a mild dilution which is mainly triggered by abnormal volumes on the dark, not again at the expense of the lit, but at the expense of the systemic internaliser which were not themselves part of the dominator of our market share.

So for all these reasons, and as well, for the reason that we are going to be competitive in the dark space for the first time, as Stéphane announced, in the first quarter of this year, so we will be able to strengthen our position on the nominator having as well our unique proposition on dark. We believe that the best way to adapt, be competitive and maximise revenues is have the strategic flexibility to set our objective in order to maximise revenues.

Bruce Hamilton: Very clear. Thank you.

Operator: We will now move to our next question from Arnaud Giblat from BNP Paribas. Please go ahead.

Arnaud Giblat (Exane BNP Paribas): Yeah, good morning. I've got three quick questions, please. Firstly, could I ask about the contribution from cash clearing that started on the 27 November ? How much euro contribution was in the period ? Just trying to figure out what the run-rate could look like.

My second question is, could you expand a bit more about the market share dynamics that are going on at MTS ? I mean, clearly it's been a key source of strength. I'm just wondering if you could put a bit more colour there.

And finally, I'm wondering how pricing discussions are going. I mean, you mentioned 5% price increases in '23, 3% in '24. We're seeing some of the market data peers out there seeing less capacity to increase prices. Is this a source of pushback from your clients ? Thank you.

Stéphane Boujnah: So Arnaud, I will answer your third question and Giorgio will answer your questions on the contribution of cash, clearing revenues and run-rate outlook. And he will answer also your question on the dynamic of the MTS market share.

It's very complicated to make a blended answer to your question on prices. What is real is that, like any properly managed company, we have adjusted some of the prices in areas where prices have not been reviewed for a while. And there has been some contribution to the revenue expansion of last year, and there will be again in '24 a contribution driven by a price increase, because we realise by doing this exercise that we had a pricing power which was higher than initially anticipated. But as you perfectly said, some of these pricing adjustment exercise are applicable, others are not.

The reason I don't want to give you a blended guidance is that the reality is extremely differentiated. We have some software contracts, for example, where you have CPIs, price adjustment closes where there was price adjustments and price increases that were embedded in these products and this business for years. We have other businesses where the proper price adjustment is embedded in the yield and market share management. That's the case of cash equity trading where when you discuss market share and yield, you discuss price increase. You have areas much more discrete, discrete, in English language, as a one-off type of adjustment, like the annual fees of listings. You have some market data contracts with for the real-time dissemination market data contracts, you have price adjustment, but with the significant inertia, with a delay between the reference points of inflation or CPI and the year where it is implemented.

So it's extremely differentiated. What you should know is that in an inflationary environment, we do two things as a company, we are super cautious in cost management, and Giorgio was explicit about that. And you can see the numbers. You can see that our cost base in Q4 was less than 1% above the quote base of one year before, despite inflation. So we are very disciplined. And the other way around, we try to see to what extent we can pass through price increases some of the pressure we have on our cost base to clients, if and when we can extract better value from our offering. And that's not always the case. And as you said, sometimes we are touching the limit, sometimes we are not touching the limit. It's extremely differentiated.

Sorry for not giving you a sort of one-size-fits-all answer, but the diversification of our products, the very increased diversification of the revenues which you have observed in the contribution to our top-line does translate in the diversification of the answer to your question.

Giorgio ?

Giorgio Modica: Yeah. So on the revenues from equity clearing, the amount that we have recorded in our account for the fourth quarter is around €2 million. And you should appreciate the start in November, Brussels at the beginning and the rest of the market at the end. And as I said, what we are expecting for the full year, and you should appreciate that those are the very first days, as I mentioned earlier, is around €20 million.

And then with respect to MTS, the market share, the market share of MTS in its core market, which is the D2D, is extremely elevated. I will not share with you a number, but it’s a market share which is higher than the one we have in our cash business. And the way for us to grow it is actually growing the market, as Stéphane explained, to make it more international. Today, most DMOs in Europe do not use electronic platforms to improve the secondary trading of their sovereign bonds. And so their willingness is to bring more and more activity on the platform. So very significant market share in excess of 70%. And the ambition is to make the electronic market larger while keeping our very high market share.

Stéphane Boujnah: Although I did notice, the cost base of Q4 2023, compared to the cost base of Q4 2022, did not increase by less than 1%; it was reduced by a bit less than 1%. So the cost base of Q4 2023 was down -0.9%. So, but the message is the same. The quality message is the same. We were able over the year, and in particular in Q4, to reduce our cost base at a time where inflation year-on-year was probably across Europe around 4%.

Arnaud Giblat: That's helpful. Thanks very much.

Operator: We will now take our next question from Julian Dobrovolschi from ABN. Please go ahead.

Julian Dobrovolschi (ABN AMRO – ODDO): Hello. Good morning, gentlemen, and thanks for taking my questions. I have two follow-ups on the expansion of the clearing business. The first one is if you can kind of give us a bit more, let's say, understanding on what sort of slippage you're able to see after the expansion of Euronext Clearing to all the cash markets of Euronext, given the fact that you are running an open model over there ? So probably there is a bit of optionality for the clients to decide to either opt-in or opt-out.

And the second one, can you also give us some more colour, how do you think about the pricing for the future clients on derivatives clearing, for example ? So after Q3, how will this compare to the one on the Italian markets, for example ?

Stéphane Boujnah: So on that question, I'll give the floor to Anthony Attia, who is the Head of Derivatives and Post-Trade business.

Anthony Attia: Good morning, and thank you for your questions. I understand that they are focusing on the cash equity clearing in the CCP. So the open access model that we have in Europe are twofold. One, this is one we have at Euronext, is called the preferred CCP model, and the other one is called the interoperable model. With the preferred CCP model, the exchanges pick one CCP of choice, already called a default CCP. And in the case of Euronext, the exchanges, to the exception of Oslo, picked Euronext Clearing as CCP of choice. And so, by default, all the trades will go to the CCP of choice, except if the clearing members pick another CCP. And for the same trade, the other CCP is selected by the buyer and the seller.

So in concreto, there is a stickiness of the flow in the CCP of choice, and we don't expect significant changes in the course of the year. And as Giorgio explained, we've done this migration on the cash equity clearing in November, and we already have the revenues in our P&L today.

On your second question, I understand it was about the evolution of pricing. Again, Giorgio explained that we should expect a total full-year revenue and cash equity clearing around €20 million, with a harmonised pricing that was set up in November last year with a common approach for all Euronext markets, including Italy.

Julian Dobrovolschi: All right, thank you.

Operator: We will now move to our next question from Ian White from Autonomous Research. Please go ahead.

Ian White (Autonomous Research): Hi there. Thanks for taking my questions. Just a few follow-ups from my side, please. Just firstly, on cash equities and market share. If I look at like for like lit market share versus the largest competitor, the data does seem to suggest that in 1Q '24, so far, you've ceded about 100 basis points of market share to the largest lit competitor, and that's about 200 basis points versus 3Q levels. So I'm just trying to understand how to square that with the comments you made earlier regarding reduction in market share being driven by an increase in multilateral dark trading rather than a like-for-like reduction in the lit market share. Basically, do you think the data I'm looking at is incorrect or were your comments referring more to the 4Q period rather than what we're seeing in 1Q ? That would be the first question, please.

Just secondly, can you just clarify, please, that the expectations for the remaining €41 million of run-rate synergies, I think you said earlier that €35 million of clearing costs will be terminated. So, talking just €6 million for the final part of the Optiq migration and derivatives clearing revenues collectively, is that the right interpretation ? Not the complex maths, but have I got the message right there, please ?

And just finally, a follow-up on MTS. Can you just call out for us how much of the – I think it's about 75% year-over-year increase in volumes over the last four months on the cash trading. How much of that has come from the next gen EU-issued debt versus broader progress in the larger bond markets, please ? Thank you.

Stéphane Boujnah: I'll take the question on the run-rate synergies target and Giorgio will answer this one because I think he wants to be more specific on the MTS one.

At this stage, we don't disclose the contribution of the MTS progress made with the next-generation EU because there is an initial period like any of these projects where we don't charge the full amount to the market participant because it's all about building pre-eminent and leading liquidity pool before the competition does. And this is happening. And we will switch to a full pricing of these initiatives in the next few months, and we will be able to answer your question when we have more visibility. What I can tell you is that in terms of volumes, the liquidity has moved massively to MTS for the secondary trading of NextGen EU. I'm confident that the pricing will take place as planned at the run-rate level, but we cannot disclose and create expectations for the moment. But it represents approximately today 4% of the volumes of MTS, and it's growing.

So we see how it can translate into incremental revenues in due course. So I cannot answer your question specifically at this current moment because it's definitely, as you should expect if you want to create liquidity first.

Now, Giorgio, on the run-rate synergies. And then Nicolas Rivard will answer your question on the market share for cash equity trading and will provide you the framework as to how to think about market share.

Giorgio Modica: Thank you very much for the question and it's a question I appreciate. I like squaring things, especially this. Let's square first the run-rate. €30-35 million, on a run-rate basis, is the termination of the LCH SA derivative clearing agreement. And the rest are other optimisations, let's call it this way, the €5-6 million of further optimisations. Then, how does it translate into the €25 million of P&L savings that we will have ? The computation is the following. The €35 million of clearing cost will translate into around €17.5 million of P&L savings. So you would be missing around €7.5 million. This €7.5 million is the P&L impact of the run-rate synergies. You remember we discussed the €6 million that were missing to get to the €41 million on the one side. And you have as well the impact in P&L of the cost savings that we delivered in the fourth quarter this year and will have a full impact on next year. I hope that this does clarify, but if you have a follow-up question, happy to try again.

Ian White: I just want to make sure I understand the run-rate correctly. Sorry, it's just me that's not getting it, but it's €35 million in terms of the remaining €41 million of run-rate that's going to be delivered by the end of 2024. Basically, it's €35 million or so of clearing costs and then just about €6 million of the –

Giorgio Modica: Other cost. Other optimisations is correct.

Ian White: Yes. Okay, that's super. Thanks. That's very clear.

Nicolas Rivard: Yeah. And thank you for your question. I will provide two data points which I think will illustrate our answer, and I think we help you understand the driver behind the market share.

The first one, if you look at the market structure, so, not looking at Euronext market share, but looking at the relative market share of lit market versus dark and SI, there is no change over the last year, which means that the lit market share compared to dark and SI is stable. And I think this is a good illustration of what Giorgio was mentioning, that even though we see the dark volume increasing and the dark market share increasing, we see at the expense of the Systematic Internaliser.

The second data point I want to share with you is regarding the lit market share of Euronext versus competitors. And here again, he said, been pretty stable over the last year. Actually, we are running slightly above last year in term of market share on the lit market on Euronext shares.

Ian White: Just to clarify, the comment on the lit, when you talk about stability up to and including where we are today, or are you talking about to the end of 4Q '23 ? Just because as I said, the data I'm looking at seems to suggest the lit market share has come off in the early part of 2024.

Nicolas Rivard: Up at today or end of January for the latest numbers. But I'm talking about the recent development. Yes.

Ian White: Okay, got it. Thanks very much for your help. Really appreciate it.

Operator: Thank you. We'll now move to our next question from Mike Werner from UBS. Please go ahead.

Michael Werner (UBS): Thank you very much. Just one question for me, and apologies if this was already addressed, but in terms of the dark pool that you announced you'll be launching in Q1 of this year, how should we think about that from a revenue-generating perspective ? I think, the initial pricing was around 0.3 basis points if I'm correct but is this one where similar to what you saw with the EU bonds with an MTS where you offer discounts to participants until you generate a sufficient pool of liquidity and then ramp up the pricing after that, or normalise the pricing after that ? And also, is there any adjacent revenues that you may get from this, say from incremental colocation offerings ? Thank you.

Stéphane Boujnah: So, Giorgio and then Nicolas.

Giorgio Modica: Absolutely. My part of the answer is going to be disappointingly short. Unfortunately, we cannot give you a target, but it's a great occasion to give the floor to Nicolas, that will explain you why we are so excited about that.

Nicolas Rivard: Thank you, Giorgio. Indeed, in end of March this year, we are going to launch our dark offering on all Euronext market. The dark offering will be included in our data centre in Bergamo as part of our Optiq trading system, and therefore will provide to customers a very simple and direct access to dark functionality with absolutely no latency. So we are extremely confident that this value proposition is of interest of clients, which is what we are witnessing as we speak with clients. The clients are lined up in the test environment, which, as mentioned by Stéphane, opened at the end of January. This dark functionality included in our Optiq platform will allow members to, without being too technical, but to sweep from the dark to the lit, which means that sending an order which will first, will go to the dark, and if the order is not executed, will move without any latency to the lit order book. And this value proposition is quite appealing for clients because you're ensuring that you get the best liquidity from our dark pool and then from our liquidity pool on our lit market.

Operator: Thank you. We will now move to our next question from Tom Mills from Jefferies. Please go ahead.

Tom Mills (Jefferies): Hi, good morning. Thanks for taking my question. Sorry, I just wanted to follow up on the cash equity market share question again because it's still slightly confusing to me. Are you saying that the market share in 1Q, if we just sort of take the run-rate today, is likely to be flat versus 4Q '23, or flat versus 1Q '23 when it was 63.8% ? Just because it does seem like there's been quite a significant leg down 1Q '24 today, and I'm just struggling to understand how it's stable based on what you're saying. Thank you.

Nicolas Rivard: So, just let me try to clarify. So, Giorgio mentioned that the way, and probably for historical reasons, the way we publish the market share of Euronext includes at the denominator the dark pools. So the the multilateral facility offering dark functionalities, whereas Euronext does not at the moment offer such system. And Giorgio mentioned that the dark volume in the beginning of the year have increased. And Giorgio mentioned the driver being most probably the uncertainty around the regulatory change of regime of the volume cap. Giorgio also mentioned that this is at the expense mostly, as far as we see, from the Systematic Internaliser.

The other question is with regard to lit market share. So if we remove this effect on the dark volumes, the lit market share that we see is fairly stable in the range of the fluctuation and absolutely not dropping from the beginning of the year.

Operator: Thank you. And it appears there are no further questions in the queue at this time. With this, I'd like to hand the call back over to Stéphane Boujnah for any additional or closing remarks. Over to you, sir.

Stéphane Boujnah: Thank you very much for your time and have a good day.

Operator: Thank you. This concludes today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.

[END OF TRANSCRIPT]