Euronext Q1 2024 Results

Wednesday, 15th May 2024

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Operator: Hello, and welcome to the Euronext Q1 2024 Results Call. My name is Laura, and I will be your coordinator for today's event. Please note, this call is being recorded, and for the duration of the call, your lines will be on listen-only mode. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero and you will be connected to an operator.

Today, we have Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext, joined by Giorgio Modica, CFO, as our presenters. I will now hand you over to your host, Stéphane Boujnah to begin today's conference. Thank you.

Stéphane Boujnah: Good morning, everyone and thank you for joining us this morning for the Euronext first quarter 2024 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 this quarter. Giorgio Modica, Euronext's CFO will then develop the main business and financial highlights of the first quarter of 2024.

As an introduction, I would like to highlight three main points.

First, Euronext has demonstrated its capabilities to deliver strong growth, thanks to its diversified business model. We have delivered +8.0% revenue growth in Q1 2024, bringing revenue and income to a record level of €401.9 million. This good performance was driven by solid growth in non-volume related businesses, record performances in fixed income and power trading as well as the benefits of our successful expansion of Euronext Clearing to Euronext's European cash markets in November 2023.

Second, thanks to our continued cost control and some positive one-offs, we reduced significantly our underlying expenses by -2% year-on-year to €150.7 million despite inflation that affected all of us. And we reached, therefore, an adjusted EBITDA margin of 62.5%.

Third, we are definitely on track to complete the integration of the Borsa Italiana Group. We completed the migration of Italian derivatives to Euronext proprietary trading platform, Optiq, in March. The last step of the integration will be delivered in Q3 '24 in a few weeks time when we migrate all Euronext financial derivatives and commodities listed on our European markets to Euronext clearing to complete our presence on the entire trading value chain.

Thanks to our continued progress with the delivery of the Borsa Italiana Group integration, we delivered €79 million of cumulative run rate synergies at the end of 2024. So we are perfectly on track to achieve our Growth for Impact 2024 target of €115 million of annual run rate synergies by the end of this year, just three years after this transformational acquisition was completed.

Since the beginning of the year, we have continued to innovate for the benefit of the attractiveness of European capital markets and for the benefit of our clients. Euronext successfully launched dark midpoint and sweep functionalities in Q1'24, hosted in our core Data Centre in Bergamo. These new functionalities are critical in continuing to provide the highest liquidity to all our trading members. And we have rolled out a harmonised corporate action services across CSDs in order to tackle post-trade fragmentation in Europe.

Lastly, we have strengthened and diversified our data index franchise with the announced acquisition of Global Rate Set Systems, GRSS, a leading and highly respected provider of services to benchmark administrators. GRSS is a mission-critical service provider to the benchmark administrators that produce three of Europe's critical interest rate benchmarks; EURIBOR, STIBOR and NIBOR. Together with the GRSS teams, we aim to reinforce significantly the positioning of GRSS in order to become the global tool provider in the contributed data and indices space, leveraging on Euronext's global leadership and recognition.

Let me give you a quick overview of the performance of the first quarter of 2024 on slide 4.

Euronext reported a very strong first quarter of 2024 posting revenue growth of +8% year-on-year, up to €401.9 million. The quarter was marked by strong dynamism in post-trade and non-volume rates driven activities together with a record performance of fixed income and power trading.

First, post-trade revenues saw double-digit growth. Euronext Clearing's performance was driven by the first full quarter of contribution from its expansion to European cash instruments as well as very dynamic commodities clearing activity. Euronext Securities posted a strong +6% increase in revenue this quarter, thanks to the growth in insurance and custody services.

Second, our trading revenues posted strong growth, supported by record quarter for fixed income and power trading. This is the proof of the Group's successful diversification. Despite lower equity and derivative volumes, our total trading revenues grew by over 7%.

Third, non-volume-related revenue posted a strong performance overall, notably in Listing and Advanced Data Services. We remained this quarter again, the leading listing venue in Europe. We also observe in the second quarter so far, a very encouraging dynamic of our listing activity with two large IPOs in April, Planisware and CVC Capital.

This translated into non-volume-related revenue accounting for 58% of the total Q1 revenue and covering 155% of underlying operating expenses, excluding D&A.

We continued our trademark disciplined approach to cost control. Combined with a positive one-off accrual release, Q1 2024 underlying operational expenses, excluding D&A, decreased slightly to €150.7 million, down -2% compared to our cost base of the first quarter 2023, and all that despite inflationary pressure.

Overall, we reported a strong growth in adjusted EBITDA of +15% to €251.3 million and an adjusted EBITDA margin that increased by 3.8 points to 62.5%.

This strong performance, combined with the continued positive interest rate environment for cash in the bank led to a +15% increase in adjusted EPS at €1.58 per share, and it also led to an adjusted net income of €164.2 million.

On a reported basis, EPS for this first quarter also benefited from the positive comparison base related to the provision of the €36 million termination fee of the clearing agreement that we paid in Q1 2023. Consequently, reported EPS increased by +49.1% to €1.35.

Lastly, we continued to deleverage massively, reaching 1.6x Net Debt to last 12 months adjusted EBITDA at the end of March 2024. This compares to 3.2x at the completion of the Borsa Italiana Group acquisition in April 2021.

Our ongoing deleverage impact has been praised by S&P, who upgraded us to BBB+ positive outlook in April.

As I mentioned earlier, we are now entering the final phase of our 2024 strategic plan and the Borsa Italiana Group integration with only one step ahead of us to complete this integration journey.

In March 2024, we successfully migrated Italian derivatives trading operations to Optiq. This migration was the last in the ambitious integration plan of Italian cash and derivatives markets and to the Euronext single trading platform. And it was completed less than three years after the acquisition of the Borsa Italiana Group completed in April 2021. This success contributed to the synergies delivered this quarter, and we reached €79 million of cumulative run rate EBITDA synergies at the end of Q1’24.

You have understood that we are well on track and on schedule to deliver the last step of our Growth for Impact 2024 strategic plan. The expansion of Euronext Clearing to all financial and commodity derivatives listed on our Euronext markets in the third quarter of 2024 will be the final step to achieve the targeted delivery of €115 million of cumulative EBITDA synergies at the end of 2024.

Furthermore, the expansion of our clearing house will unlock a new set of strategic organic growth opportunities for us, which I'm looking forward to share with you on our Capital Markets Day on 8th November 2024 in Paris.

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

Giorgio Modica: Thank you, Stéphane, and good morning everyone. Let us now have a look at the strong performance of the first quarter of 2024. I'm now on slide 7.

As already mentioned by Stéphane, total revenue this quarter reached €401.9 million, up +8% compared to last year and 8.5% at constant currency. This quarter, there is no change in scope impact and the full performance is organic.

Non-volume-related share of revenue remains high at 58%, highlighting the success of our diversification, and despite the record quarter for some of our trading businesses like fixed income and power trading. Our diversified businesses delivered strong growth in this first part of the year with a record top line.

Let me deep dive into the drivers of this excellent performance, starting with listing on slide 8. Listing revenue was €57.7 million, up +5.5% driven by the increased volume of equity and debt activity versus last year and the good performance of Euronext Corporate Services. Euronext confirmed its leadership in equity listing in Europe and debt listing worldwide.

On the equity side, in Q1 2024, Euronext welcomed 10 listings. Furthermore, we observed an encouraging dynamic in this first part of the second quarter with two large IPOw in April, Planisware and CVC Capital.

On the debt side, we reached, for the first time, 57,000 bonds listed on our markets while we also strengthened our leading position on ESG bond listing.

Euronext Corporate Services continued to deliver a solid performance with revenue growing to €12 million in this Q1 2024, up +12.5% compared to the first quarter of 2023, resulting from the strong performance of the SaaS offering.

Slide 9 illustrates how data and investor services activity continued to drive growth this quarter.

Advanced Data Services reached €59.4 million of revenue, up +5.5%, driven by the increased demand for non-professional usage and solid demand for fixed income and power trading data.

Investor Services reported €3.1 million revenue in the first quarter of 2024, representing a +17.4% increase compared to the Q1 2023, resulting from a continued commercial expansion cementing the franchise among the largest global investment managers.

On the other hand, Technology Solutions reported €26.7 million of revenues, down -3.3%, due to the reduction of logical access revenue following the completion of the migration of Borsa Italiana cash and derivative market to Optiq. In other words, our clients benefited from the savings of connecting to only one system.

Moving to trading on slide 10.

Euronext trading revenues at €138.4 million, up +7.4% from the €128.9 million in the first quarter of 2023, not only shows the benefit of the diversification of Euronext trading activity, but it also showed the resilience of our cash trading model in a low-volume environment.

Cash trading revenue was €70.6 million, down -1.6% versus the first quarter of 2023. It reflects lower trading volumes by -9.2%, primarily offset by improved average fees. Cash revenue capture averaged 0.54 basis points despite the average order size remaining very high. It demonstrates the benefit of the new fees schemes implemented in Italy following the migration of Borsa Italiana cash equity markets to Optiq. Cash equity market share averaged a healthy 64.6%.

Derivative trading decreased by -10.9% to €13.4 million in Q1 2024, due to lower financial derivative volumes with ADV down -12.6%, partially offset by stronger performance of commodity derivatives with volume up +34.3% versus last year. Average revenue capture on derivatives trading reached €0.33 per lot.

Lastly, FX trading grew +12.7% to €7.1 million of revenues in Q1 2024, up +12.7%, mostly supported by growing volume, slightly offset by a negative volume mix impact.

Continuing with trading on slide 11.

Fixed income trading revenue grew +34.5% and reached another record quarter at €35.2 million, reflecting strong performance of MTS Cash, MTS Repo and the increased traction of the Euronext fixed income retail franchise.

Our fixed income franchise continued to be supported by an economic environment favouring money markets, sustained sovereign issuance activity and supportive volatility.

For the first quarter of 2024, MTS Cash recorded €34.7 billion of ADV and MTS Repo reached €492 billion of term adjusted ADV. MTS EU continued to post encouraging results.

Power Trading revenue grew to €12.2 million in the first quarter of 2024, up +23.7% compared to the first quarter of 2023. This record performance was driven by another all-time high intraday volume and a solid year-on-year day ahead trading activity.

I conclude this business review on slide 12. Clearing revenue was up +23.1% to €37 million this quarter, reflecting the increased equity clearing volumes following the expansion of Euronext Clearing to the cash trading market in Belgium, France, Ireland and the Netherlands and Portugal in the fourth quarter of 2023 and high clearing revenues from the dynamic commodity activity.

Non-volume-related clearing revenue accounted for €11.1 million, and the total clearing revenues in the Q1 2024 reached €37 million.

Net treasury income amounted to €11.7 million in the first quarter of 2024, representing a +57% increase from Q1 2023. As a reminder, Q1 2023 NTI was still impacted by the runoff of the Euronext clearing investment portfolio.

Lastly, revenue from custody settlement and other post-trade activity reached €67.8 million this quarter. This is a +6% increase, reflecting a dynamic issuance activity, the good performance of new services and higher assets under custody. On a like-for-like basis, custody settlement and other post-trade revenue was up +7.1% compared to the Q1 2023.

Moving on with the financial review of the quarter, starting with the EBITDA bridge on slide 14.

Euronext adjusted EBITDA for the quarter was up +15% to €251.3 million.

This translated into an EBITDA adjusted margin of 62.5% this quarter, up +3.8 points compared to the first quarter of 2023.

Non-underlying costs for the quarter were €8.7 million, primarily in relation to the ongoing work related to the clearing expansion and the Optiq migration. As a reminder, in the first quarter of 2023, we provisioned €36 million fee for the termination of the clearing agreement with LCH SA, which has been paid this quarter in Q1 2024.

The underlying operational expenses, excluding D&A, decreased -2%, reflecting continued cost discipline in an inflationary environment and the release of some cost and provision totalling around €3.5 million. As you can imagine, it's too early now to discuss about changing the cost guidance for 2024, that remains as announced with the results of 2024 at €625 million.

Moving to net income on slide 15.

Adjusted net income this quarter is strongly up at €164.2 million, which represents an increase of +11.7% compared to Q1 2023.

As you can see, I will not comment on the increase of the net financing income as this is obviously reflecting an increased yield on our cash balance. You see as well that we have a decrease from equity investment, and this is mainly linked to the fact that we will not receive the one-off dividend from Sicovam that we received last year. We will receive it in Q4 this year. And we don't benefit anymore from the results of associate link to LCH SA that was disposed last year.

Lastly, net income tax for the first quarter of 2024 was €54.7 million. This translated into an effective tax rate of 26.9% for the quarter. Minority interest were as well higher due to the very good performance of Nord Pool and MTS.

As a result, reported net income increased +44.8% to €139.7 million, and adjusted EPS basic was up +15% in the first quarter of 2024 at €1.58 per share.

To conclude with the cash flow generation and leverage, I'm now on slide 16. As you can see, our balance sheet position is very solid as well as cash flow generation. S&P recognised our consistent deleverage process and upgraded Euronext to BBB+ positive outlook in April 2024.

In Q1 2024, Euronext reported a net cash flow from operation activities of €184.6 million compared to €318.2 million in the first quarter of 2023. The latter reflected the strong positive movement in net working capital related to Nord Pool and the Euronext clearing CCP activity.

Excluding the impact on working capital from Euronext Clearing and Nord Pool CCP activities, net cash flow from operation activity accounted for 68.6% of EBITDA in the first quarter of 2024 or €184.6 million. The reduction versus Q1 2023 is explained by the payment of the €36 million termination fee to LCH SA. Net debt to adjusted EBITDA was at 1.6x at the end of the quarter and 1.7x on the reported EBITDA basis.

And with this, I would like to give back the floor to Stéphane.

Stéphane Boujnah: Thank you, Giorgio.

Q1 2024 clearly demonstrated that the benefits of our diversification strategy are coming through. And they translate into high single-digit growth, boosted by non-volume-related and diversified trading activities. Now that the integration phase is coming to an end, our efforts are focused on innovation for the benefit of the attractiveness of Euronext and European capital markets.

We maintain our trademark cost discipline in an inflationary environment. And we continue to deliver on the key projects of the Borsa Italiana Group integration to enable us to complete the value chain and to be on track to achieve all 2024 targets and synergies.

Meanwhile, we are advancing, and that's probably the most important dimension of our agenda for the next few months, we're advancing with the exploration of strategic opportunities, which I'm looking forward to share with you during our Investor Day on 8th November 2024 in Paris.

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

Questions and Answers

Operator: Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. Thank you.

We'll now take our first question from Bruce Hamilton of Morgan Stanley. Your line is open. Please go ahead.

Bruce Hamilton (Morgan Stanley): Hi. Thank you for taking my questions. Congratulations on the quarter.

On the synergy delivery, obviously, you did say, well on track. I think the cost or the payment to LCH is about €35 million, which is basically give or take the gap between the 79 million and the €115 million. So should we assume that really there is a much revenue synergy for clearing derivatives baked into that run rate number and the residuals is all costs, or am I thinking about that incorrectly?

And then secondly, on the cash trading business. So that's a pretty good print given that ADV was down -10% in Q1 and Q2 so far is running positive, which is also helpful. On the average yield though, it sounds as though 0.54 bps is despite larger order sizes. So in a normalised environment, should we be thinking sort of cash yield well above the sort of 0.52 minimum that you've talked about in the past? Thank you.

Stéphane Boujnah: So Giorgio will answer your question on the synergies and Nicolas Rivard will take a view on the ADV.

Giorgio Modica: When it comes to the synergies, you are correct, we will reach €35 million run-rate savings for the termination of derivative clearing arrangement of LCH SA and it's very tempting to do the €79 million plus €35 million. Reality is that there are a number of plus and minuses that you would need to count to get to the actual number of synergies. And still, as you can imagine, we aim to reach and exceed the objective.

So, it is difficult now to comment on whether this is the only element. Just to give you one element, at the moment, we have some double run cost for our clearing activity that after the termination will move from non-underlying to underlying. And so, this is going to be a reduction.

So we are very confident to make the €115 million. On the other side, the €35 million is not the only element that will play in the bridge.

Nicolas Rivard: And thank you for your question on the cash trading. And mathematically, your reasoning is correct. I just want to point out some important elements. At the end of the Q1'23, as mentioned by Giorgio and made on this call, we did the migration of Borsa Italiana to Optiq. And in this situation, we adapted the fees scheme of Borsa Italiana to the Euronext fee scheme and we optimise our revenue capture.

So the yield difference between Q1 '24 and Q1 '23, is to a large extent, not only, but to a large extent, explained by the migration of Borsa Italiana to Optiq.

Now, when it comes to the yield, there are a number of different elements in the yield. On the positive side, if I may say, for the yield, but not for the volume. When the volumes are low, the yield is higher. So, you should not necessarily consider that the yield in a higher volume environment is going to remain at this level or to go up.

Secondly, as you mentioned, the order size remains very high and it's very difficult to predict where it's going to go. And in this environment, the yield is negatively impacted. However, we did in April this year, a change in fees schemes of our main fees scheme for large brokers, whereby we are less dependent to order size than we were before. So, it's obviously a positive if the order size are continuing to grow, but also if the order size is going down, then it will be less impactful for Euronext.

And lastly, there is also another dynamic, is the relative market share of the different participants, which is fluctuating from one capture to another. Bottom line in conclusion, I think we should not over engineer the change of yields moving forward depending on the average executed order size.

Bruce Hamilton: Got it. Very helpful. Thank you.

Operator: Thank you. And we'll now move on to our next question from Arnaud Giblat of BNP Paribas Exane. Your line is open. Please go ahead.

Arnaud Giblat (BNP Paribas Exane): Yeah. Good morning. I've got three questions, please. Clearly, you had quite some strength at MTS. I'm just wondering how much of the volume surge is linked to the increase in BTP issuance, specifically there? And if maybe you could give a bit of colour whether the activity is mostly primary or secondary?

Secondly, I'm wondering on the deleveraging. You've done some progress there of 1.6x net debt to EBITDA. How are you thinking about capital management? Is there share buyback eventually or other form of capital return? Could that come back on the table?

And my third question is on custody and settlement. I'm just wondering if you could give us a bit more colour in terms of what the split in revenues looks like between custody and settlement ? Is it a typical three quarters custody, one quarter settlement ? Thank you.

Stéphane Boujnah: Okay. So I'll take your question on capital allocation. Giorgio will provide you some flavours on the dynamic on the MTS business and particularly in relation to BTP issuance. And Antony will cover your question on the structure of custody and settlement dynamics.

Capital allocation is the output of a series of decisions related to growth and profitability. And what we are going to do is to build a strategic plan for the three years to come to decide within our governance, the financial requirements and the allocation of resources needed to fund the enablers of growth and performance for the Group. And we will decide accordingly, as a consequence, what's the best way to allocate capital. By default in the absence of any clear new decision, we intend to continue by default as of today, with the current dividend policy.

And when it comes to share buyback, again, it's not appropriate to make any decision on share buyback now, as we have not finalised what would be our investment needs for the years to come. So more on this topic on our Investor Day on 8th November 2024.

Over to you, Giorgio.

Giorgio Modica: Yeah. When it comes to your question on MTS, so the first element, Italian government bonds remain a large portion of the volume, which are traded on MTS, even though other sovereigns are traded everyday on MTS, but the lion's share remains Italian government bonds.

The relationship between primary issuance and secondary activity is very linked. New bonds tend to be traded more than old bonds to a certain extent. So answering your question, the revenues are mostly linked to the secondary activity. However, the positive dynamic of issuance triggers a positive impact on the secondary market.

However, the market remains very dynamic because as the volume grows, then the spread between bid and ask gets tighter and tighter and the cost of getting in and out lowers, and this triggers further activity. So this is the dynamic we are seeing at the moment. So good primary issuance is a driver, but it is not the main driver of this performance.

Anthony Attia: Thank you, Giorgio. Thank you, Stéphane. On the custody and settlement revenue numbers. So in Q1, as you know, we were up +8.1% on the assets under custody, which is a good progression. And the total number was €67.8 million of revenues. We don't provide the exact breakdown following the different activities between custody and settlement but I can give you some indications. In the €67.8 million of revenues, we have around €60 million that are coming from the core CSD activity in opposition to the added value services.

And you can split the evolution between around 50% on the assets under custody, one quarter on the issuance and one quarter on settlement. Thank you.

Arnaud Giblat: That’s helpful. Thank you very much.

Operator: Thank you. And we'll now take our next question from Hubert Lam of Bank of America. Your line is open. Please go ahead.

Hubert Lam (Bank of America): Hi. Good morning. Thank you for taking my questions. I've got three of them. Firstly, on your deal for GRSS, can you talk a bit more about the deal, how many revenues it will add, and how you expect to grow the business further?

The second question is on costs. I know Giorgio is not changing the year-end guidance as of now. But obviously, in Q1, you're tracking well below your target. Can you just let us know if there's any investment expense that you have for the rest of the year or seasonality that can drive the costs closer to your target ?

And lastly, you've had strong growth in both the advanced data services and custody, which you mentioned. Can you talk about the sustainability and the strength in both of these segments going forward ? Thank you.

Stéphane Boujnah: Okay. So I'll let Giorgio cover your question on cost and the sustainability of growth on the two growing segments you have mentioned. And Anthony, who runs our derivatives and post trade business, will share with you the rationale and the prospect of the integration of GRSS, although we do not disclose numbers at this stage.

Anthony Attia: Thank you, Stéphane. So as Stephane explained earlier, GRSS is a key provider of benchmark indices across the world, including the EURIBOR. So, for us, it's a strategic acquisition that comes to reinforce and complement our existing index franchise. Our index franchise, as you know, was built on historical indices, such as the CAC 40 in France or the AEX in the Netherlands.

It's been growing over the past few years with bespoke white labelling indices that are used in particular by buy side and the sell side on ESG topics. So we have developed that very strongly. GRSS is coming as a third pillar to provide us with contributed indices capabilities. And so, that's a key cornerstone of the development of our index franchise.

Giorgio Modica: Yeah. When it comes to your question on costs, I'm trying to give you some heads up towards with the bridge. The underlying cost for the quarter is around €151 million. Then, as I said, with some releases of around €3.5 million. Then another element that you should consider as well is that the annual review process in Euronext that takes place in March, which means that in the first quarter, you don't have the impact of salary increases that will touch more the other quarters. And with that, you might add another couple of million euros.

And so, you see that with only these adjustments, you get closer to the run rate, which is implied in our target. Then clearly, and you would be correct, there are a number of savings that still we need to deliver especially the termination of the LCH contract, €35 million run rate, €17.5 million P&L, but to offset that, there are going to be a number of items. First, we highlighted last year that our willingness to invest €10 million in organic growth.

And then my final remark is that in the non-underlying costs, there are some double run costs. For example, at the moment, we're running two different cost base, one for the LCH contract and another one to run Euronext Clearing. Progressively when we will terminate the LCH contract, those non-underlying costs will become underlying, and this will contribute as well to any increase of the underlying costs.

So what I'm trying to say is that, you can see with that the adjustment I mentioned we would be around €157 million and the €17 million of P&L savings on the LCH contract will be largely offset by investment of growth and movement of cost from non-underlying to underlying. So this is the bridge to get to the €625 million.

Absolutely. And then when it comes to the sustainability of growth in the growth of market data, as we have always said, there is an element of yearly price adjustment. And this element is going to remain for the rest of the year. Then we will need to see the dynamic of, as usual, of the growth of clients and demand for advanced data services. But again, the key driver for the year is going to be mainly the price adjustment.

And when it comes to the sustainability of custody and settlement revenues, here we have seen a positive dynamic so far in the asset under custody. So we remain positive in this aspect.

Then clearly, what we have posted in the first quarter is a very strong growth rate. But again, we remain positive that the growth is going to be such to allow us to deliver the ambition of 2024.

Hubert Lam: Great. Thank you very much.

Operator: Thank you. And we'll now take our next question from Ian White of Autonomous Research. Your line is open. Please go ahead.

Ian White (Autonomous Research): Hi there. Thanks for taking my questions. Actually, two follow-ups in similar areas. On GRSS, just to be sort of clear, I guess I'm trying to understand sort of why it is useful for you to enter the value chain for sort of benchmark administration for benchmarks I believe are all provided by your competitors, things like your EURIBOR and STIBOR. So can you just help us understand a little bit more about the rationale there? Do you intend to compete, for example, in providing interest rate benchmarks or fixed income indices? Or am I sort of misunderstanding the sort of the rationale for the deal?

And just secondly, on Advanced Data Services, can you just call out how much of the growth year-over-year was driven by sort of growth that might be linked to activity? The release talks about non-professional usage and fixed income and power data versus sort of recurring demand or the price effect that you just mentioned, please? Those are my two questions. Thank you.

Stéphane Boujnah: So Anthony is going to provide complementary comments on GRSS business model and fit with the Euronext strategy. And Nicolas Rivard is going to answer your questions on the ADS business.

Anthony Attia: Thank you, Stéphane. Thank you for your question. Look, GRSS is to be seen as a building block and the capability acquisition to complement our existing index franchise. There are several angles to the answer to your question. But looking first at the value chain, as you know, indices are part of an ecosystem linking with ETF structured product listed derivatives. And this value chain is being unlocked also by our CCP expansion.

And so, we will discuss about how we leverage on these new capabilities and this value chain in the presentation of the new strategic plan in November, but it gives you a flavour of the exploration that we are doing right now, as Stéphane mentioned earlier.

The other angle is to look at the index business from a critical mass perspective. And as I explained, it's acquiring contributed indices, capabilities will help us scaling up our index franchise in the future.

Nicolas Rivard: Thank you, Antony, and thank you for your question on Advance Data Services. So we don't provide quantitative split of the revenue in drivers in the different sub businesses or depending on the growth drivers. But let me give you a bit of a qualitative comment.

The Advance Data Service business is composed of real-time market data for all asset classes traded on Euronext being equity, equity derivatives, fixed income MTS power derivatives. And this is by far the largest contributor to ADS top line. And on top of this business line, we have a non-real-time market data revenue, which are composed of a number of analytic products.

The dynamic on the real-time market data is the following.

We have, first, as mentioned by Giorgio, driver number one is the change of prices at the beginning of the year. This is a classical yearly review linked to inflation mainly.

And the second element is the positive development on volume for retail investors. We are very proud in Q1 '24 to have more than 4.3 million retail investors using Euronext data to trade on Euronext market, which is a record high.

And obviously, the good dynamic on power derivatives trading and MTS trading has a positive element, I would say, it is a driver for real-time market data on those asset classes.

On the non-real-time and quantitative products, we have good development. We continue to have a good pipeline and good traction of our new own product. And we see that it's going to continue moving forward. But again, this is a level to considering the size of the real-time market data business. Thank you.

Ian White: Got it. Thanks.

Operator: Thank you. And we'll now take our next question from Hervé Drouet of CIC. Your line is open. Please go ahead.

Hervé Drouet (CIC): Yes. Thank you. Good morning as well. Two questions on my side.

First one, back on the margins and it's a good momentum on margin. You mentioned some positive one-off. Could you be a bit more specific on that front ? And what was the size of those one-offs ? And what was the drivers of those positive one-off ?

And the second question is, I understand, you've launched commercially platforms of Dark pool recently. I was wondering if you can share to us what impact you will estimate, especially on cash trading. And do you have any target you can share in terms of where you see market share, for instance, for example, for cash trading to evolve for you?

I mean I understand it's currently at 64.6% in Q1. How do you see that evolving over time? Thank you.

Stéphane Boujnah: Giorgio will take your question on margins and one-off releases on affecting our cost base. And Nicolas Rivard will comment on the dynamic of the Dark pool project, which is still at an early stage.

Giorgio Modica: Yeah, absolutely. When it comes to the positive one-off, as I said, the euro amount is around €3.5 million, and this is largely related to the release of a number of small provisions and accruals. I mean, I would just mention two, but it's really the sum of many small items. We have some releases of bad debt provision and some releases of bonus accruals and many others. The sum of these releases is around €3.5 million.

Nicolas Rivard: Thank you, Giorgio, and thank you for your question. You're right. On 8th April, we have launched our Dark offering on Euronext Optiq on Euronext data centre in Bergamo for the client to benefit from the real midpoint price delivered by Optiq by our trading platform.

The launch is obviously early stage, still recent. We are very happy to have a very strong commitment from clients to join the platform. So we have a good number of clients already live, but more importantly, we have a very important number of clients who are getting ready in the user test environment to join the production.

And what also is important is we have a good mix of large brokers, a good mix of also local brokers and a good mix of service providers who are very important because they are the technology provider for local brokers to join this platform. So we are very happy with the pipeline of clients. And in the next couple of months, we should see a good lineup of clients joining the production.

Now, to your question, just to give you a few elements. We see that Dark is now a well-established feature of the European market structure. In Q1 '24, it represented around 9% with up and down of volume on Euronext credit stocks. And this is what we are targeting, right ? So we are not going to provide targets, but this is the market we are looking for. It's going to be, as you mentioned, a positive on the market share because the official market share we provide to you include Dark in the calculation, which we were absent from before 8th April. That's the second point.

And the third point is that thanks to the integration of this Dark offering in our Optiq platform. We have an interesting functionality, which allow brokers to sweep from the Dark to the Lit. So they can first interact with the Dark and then move to Lit. And we were absent from this offering, and this should have a positive effect on our market share.

Hervé Drouet: Thank you.

Operator: Thank you. And we'll now move on to our next question from Tom Mills of Jefferies. Your line is open. Please go ahead.

Thomas Mills (Jefferies): Hi. Good morning. Thanks for taking my question. I just had one on a recent announcement by Cboe confirming that they'll launch a European listings venue by year-end. I appreciate there's not a huge amount of detail on that yet, but it seems like they would allow shares to be traded through any of its markets, including the US potentially adding to liquidity. I guess just given all the noise that's going on around European listed companies at the moment and the tractions that they see in the US market, how compelling competitor do you think that could be?

I guess it's easy to be kind of dismissive around rival listings venues, but it does seem like a more compelling offering than perhaps you've seen in the past. And how would you think about responding to that? Thanks very much.

Stéphane Boujnah: It's very difficult for me to comment on competitor's initiative at this level of headline announcement. What I can tell you is that we welcome competition. We have been developing the company in a very competitive environment. There was a time when London was a very fierce competitor for international listings. Things have evolved. And over the recent years, the dynamic has changed massively because liquidity goes to liquidity and what has happened with the consolidation of Euronext is that we now have a liquidity pool, which is by far with the deepest in Europe with about €10 billion average daily volumes, which is approximately twice the size of the volumes traded on the equity segment in London.

Aggregate market capitalisation of companies listed on Euronext market on the single liquidity pool or the single trading platform, amounting to approximately €7 trillion, which is again more than twice the size of the aggregate market capitalisation of companies listed in London.

And we have 25% of the shares traded on Europe that are traded on Euronext. And we had last year close to 50% of the IPOs in Europe and definitely more than 90% of the international listings from the rest of Europe or the rest of the world coming to Euronext. So we are in a totally different situation than the one we were in 5 or 10 years ago, and we are in a totally different situation from the one of our competitors, just because in one asset class, which is equity, which is not the focus of many of our competitors, we have been able over the past 10 years to consolidate the market and to make it relevant, attractive and deep.

Now, one of the features of this market is a proper single order book, single technology platform, single liquidity pool. And we do know the difference between secondary trading in a geography and another one and one single order book, which is what we have.

And if some of our competitors claim that they can offer transatlantic liquidity, I must tell you that when Euronext was part of the New York Stock Exchange, it was part of the dream, and it never existed for real.

So I want to be clear, we welcome competition but the full ecosystem and the close relationship between the equity research community, the local brokers, the large global players is, for the moment, created an environment that we see more favourable than the other way around to the growth of our listing business.

And if CVC, a few weeks ago, decided to list on Euronext, that's probably because they had made their numbers and their strategic assessment of the alternatives. So we are very confident about the growth prospects of our listing business and we welcome competition wherever it comes from.

Thomas Mills: Thanks.

Operator: Thank you. And we'll now take our next question from Julian Dobrovolschi of ABN AMRO. Your line is open. Please go ahead.

Julian Dobrovolschi (ABN AMRO): Hello. Good morning, gentlemen, and thanks for taking my question. I have just a follow-up, frankly, and most of the other ones were already explained in detail. But just a follow-up on the fixed income business. I understand this is somewhat linked to the interest rate environment, which is rather elevated at this point in time. But can you please give us a sense of how do you expect this business to develop over the next quarters in 2024 ? Just trying to understand, for example, have you reached a peak in revenue generation in Q1 ? Or is there more upside left to be expected in the next quarters ?

Giorgio Modica: So, I mean, it's a tough question. So what I can say is that clearly, we were already posting a good performance in the fourth quarter last year. This performance is increasing. And as always, giving short-term targets for volumes is always complicated.

What I can share with you is that the team feels that unless there are significant changes in the environment, the type of levels of volumes that we have seen in the last month can be repeated in the following quarters. Then being more precise than that would be difficult or impossible.

Stéphane Boujnah: And maybe one ancillary point. And I cannot provide you numbers, but we can get to your own conclusions. MTS was selected as the electronic platform for the secondary trading of the next generation in new bonds. That will represent the peak, a total volume of €750 billion of issuance. Most of it has already been issued by the EU. And we are seeing good tractions with the platform.

I mean, liquidity on these instruments is moving to MTS. And over time, the monetisation of these volumes is going to start in the course of '24. So I think today, when you look at the assets traded on MTS, you have first Italian govies, then Spanish govies, then next-generation EU instruments. So that's a new area of growth for the platform.

Julian Dobrovolschi: Thank you very much.

Operator: Thank you. And we'll now take our last question from Mike Werner of UBS. Your line is open. Please go ahead.

Mike Werner (UBS): Thank you so much. Two questions for me, please. One, I believe you mentioned this previously. But can you confirm with regards to the timing of the internalisation of your derivatives clearing, and ultimately, when you will stop allocating costs to LCH SA on this ? When will that happen in Q3 ? I believe it's at the beginning of Q3, but from a modelling perspective, is it safe to assume it's done in the very early portion of Q3?

And then second, I think Q1 is the first full quarter where you've been clearing the cash equities for your business. And I was just wondering if we can get a sense of what the market share has been, how much of the total volume executed on your markets have been cleared through Euronext Clearing ? And maybe how that progressed from when this was first introduced in November last year to today. Thank you.

Giorgio Modica: There are two great questions. So when it comes to the timing of the migration, and therefore, stopping paying LCH SA, the best I can tell you is that the contract, the notice period of 18 months, and we have served notice at the beginning of January last year. So, you can do your own computation, but the official timing remains Q3.

Then when it comes to the market share, I cannot comment further. What I can tell you is that we feel that the full market share that was LCH SA now it's fully transferred to us without leaks.

Mike Werner: Thank you. That’s helpful.

Operator: Thank you. There are no further questions in queue. I will now hand it back to Stéphane for closing remarks.

Stéphane Boujnah: Thank you very much for your time. And as always, our CFO, Giorgio Modica, our Head of Investor Relations and the full team, Aurélie Cohen, and all the teams are available to answer your follow-up questions. Have a good day.

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

[END OF TRANSCRIPT]