



Q2 2024 Results Analyst Call

Friday, 26th July 2024

Euronext Q2 2024 Results Analyst Call

Operator: Hello and welcome to Euronext Quarter Two 2024 Results. My name is Alicia, 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. 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.

I will now hand you over to Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext, joined by Giorgio Modica CFO. Thank you.

Stéphane Boujnah: Good morning, everybody, and thank you for joining us this morning for the Euronext Second 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 the second quarter. Giorgio Modica, the Euronext CFO, will then present the main business and financial highlights of the second quarter of 2024.

As an introduction, I would like to highlight three main points. First, the Euronext diversified business model continues to drive strong top-line growth. We have delivered +12.2% revenue growth in Q2 2024 compared to Q2 2023, and that brings revenue and income to a new record level of €412.9 million. This very good performance was driven by solid growth in non-volume related businesses combined with strong growth in clearing, especially in fixed income.

Second, thanks to continued cost control in an inflationary environment, we increased our adjusted EBITDA by close to +12% year-on-year to €256.8 million, and we grew our adjusted EBITDA margin by +3.5 points to 62.2%.

Third, we are entering the last phase of the Borsa Italiana Group integration. In May, we migrated the MTS Production Data Centre to our Core Data Centre in Bergamo. In July, we have successfully migrated the clearing of Euronext commodity derivatives to Euronext Clearing, and this successful first phase paves the way for our financial derivatives clearing migration, the very final step of our 2024 strategic plan, which will be accomplished and delivered in September 2024.

This last step will complete our integration across our value chain and will deliver on the last remaining targeted synergies to reach €150 million of run-rate EBITDA synergies in relation to the acquisition of the Borsa Italiana Group.

So we were more efficient than anticipated in delivering this integration, and we plan to limit cumulative implementation cost to €130 million by the end of 2024 compared to €160 million announced in 2021.

In Q2 2024, we also pursued a strategic bolt-on acquisition to further diversify Euronext business model. We have closed, as you may have seen it a few weeks ago, the acquisition of Global Rate Set Systems, in short GRSS, positioning Euronext as a leading player now in the calculation and administration of interbank offered rate indices. This acquisition will strengthen the growth of Euronext non-volume related revenues.

Lastly, we have continued to innovate for the benefit of the effectiveness of European capital markets for our clients. In July, we pioneered with the launch of Euronext Wireless Network,

our new microwave service. With this new offering, we became the first exchange in Europe to offer plug-and-play order entry in London via microwave technology to significantly enhance the speed of order transmission and offer unparalleled improvement in latency. Also, our midpoint match initiative focused on dark trading is continuing its ramp up with increasing volumes month after month.

Let me now give you a quick overview of the performance in the second quarter of 2024 on slide four. As mentioned earlier, Euronext reported a very strong second quarter of 2024, posting revenues of +12.2% year-on-year, up to €412.9 million. This growth was supported by three main drivers.

First, non-volume related revenue posted a strong performance overall, notably in listing in Advanced Data Services. We remained for the first – we remain the first listing venue in Europe with 14 listings, representing 40% of European activity. A third of those 14 companies were coming from countries outside of Euronext's footprint. Advanced Data Services were driven by increased demand for fixed-income and electricity trading data.

Second, our Trading revenue grew by +20.7%. This was driven by another record quarter of fixed-income trading revenue growing by 40.7%, fuelled by the ongoing volatility. It was also boosted by positive dynamics in cash, equity trading as well as in diversified trading as commodity derivatives, power and fixed income and forex trading.

Third, Post-Trade, combining clearing and Custody and Settlement revenues, grew by +16.9%. Euronext Clearing performance continued to benefit from the expansion of Euronext Clearing to cash markets across Europe, and dynamic fixed income and commodity clearing activities as well. Euronext Securities also posted a very strong +9.4% increase in revenue this quarter, thanks to growth in custody and issuance.

This translated into non-volume related revenue accounting for 58% of the total Q2 revenues and covering 153% of underlying operating expenses, excluding D&A. As everyone appreciated, the share of non-volume related revenue is slightly lower this quarter year-on-year due to the strong dynamic this quarter of our trading and clearing activities described earlier.

We continued our trademark disciplined approach to cost management. Q2 2024 underlying operational expenses, excluding D&A, reached €156.1 million, and this is in line with the underlying cost guidance of €625 million for the full-year, excluding D&A. Everyone understands that those numbers include OPEX to invest in organic growth projects to be deployed in the second part of the year.

Consequently, our adjusted group EBITDA grew by +18.8% to €256.8 million. Euronext adjusted EBITDA margin increased by 3.5 points to 62.2%, and this strong performance led to a +19% increase in adjusted EPS at €1.59 per share and to an adjusted net income of €165.2 million. On a reported basis, our EPS for the second quarter increased by +21.7% to €1.37.

Our net debt to last 12 months adjusted EBITDA reached 1.8x at the end of June 2024, and this was impacted by the payment of our 2023 dividend of €257.3 million to shareholders and the closing of the acquisition of GRSS.

As I mentioned earlier, we are now entering in the final phase of the Borsa Italiana Group integration and our Growth for Impact 2024 strategic plan. At the end of June 2024, we reached €84.2 million of cumulative run-rate EBITDA synergies out of the targeted €115 million by the end of 2024.

In May, we migrated the MTS Production Data Centre to our Core Data Centre in Bergamo. This strategic move enables customers to access MTS Markets Trading and Data Services through the same facilities as all Euronext trading venues, enhancing efficiencies in European capital markets. And members benefit from reduced latency from the highest safety standards and from the reduction of their carbon footprint thanks to the facilities in Bergamo that is powered by self-produced green energy.

Most importantly, a few days ago we have successfully migrated the clearing of Euronext commodity derivatives to Euronext Clearing, completing the first phase of our derivatives clearing migration. As of today, we only have one single remaining step ahead of us to complete the integration of the Borsa Italiana Group, and this is the expansion of Euronext Clearing to all financial derivatives listed on European markets that will be completed in September 2024. And this will be the final step to achieve the targeted delivery of €115 million of cumulative run-rate EBITDA synergies at the end of 2024. This will contribute to the integration of the European post-trade landscape to the benefit of our clients.

Furthermore, the expansion of our clearing house will unleash new innovation capabilities and strategic organic growth opportunities for our clients, and I'm looking forward to sharing with you those innovation initiatives on our Capital Markets Day on 8th November 2024 in Paris.

Finally, thanks to the efficient management of our integration projects, we now expect the cumulative implementation cost of the Borsa Italiana Group until the end of 2024 to reduce to €130 million, and this is €20 million less than guided in May 2022 and €30 million less than this €150 million announced in 2021. Everyone appreciates that over the past few years, our targeted EBITDA for the integration of Borsa Italiana Group increased from €60 million to €115 million, and over the recent years, the implementation cost to deliver those numbers decreased from €160 million to €130 million.

So, I now give the floor to Giorgio Modica for the review of our second quarter 2024.

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

Total revenue reached €412.9 million, up 12.2% compared to last year, out of which 58% are non-volume related revenues. We reported solid growth in both our non-volume related businesses and trading activities across all asset classes. Fixed income trading continued to be a key contributor to top-line growth.

Let me deep dive into the drivers of this strong performance, starting with listing on slide eight. Listing revenue was €58.4 million, up 5.9%, driven by the strong performance of debt listing and of Euronext Corporate Services. Euronext sustained its leadership in equity listing in Europe with 14 new listings in the second quarter of this year. On the debt side, we reinforced our leadership worldwide with around 57,000 bonds listed on our platform. Euronext Corporate Services continues to deliver a solid growth with revenues of €12.8 million, up 8.8% compared to the same quarter last year.

Slide nine illustrates how Data and Investor Services activity continue to drive growth this quarter. Advanced Data Services reached €60 million of revenues, up 5.4%, driven by the solid demand for fixing-income and power-trading data as well as the continued strong demand from retail. Revenues include one month of consolidation of GRSS, which was acquired the beginning of June.

Investor Services reported €3.3 million in revenues in this quarter of 2024, representing a 17.7% increase compared to the second quarter of 2023, thanks to the successful commercial expansion of the franchise among the global largest investment managers.

On the other hand, Technology Solutions reported €25.4 million of revenues, down 7%, mainly due to the termination of the double-run connectivity revenues following the completion of the migrations of Italian cash and derivative markets to Optiq, creating synergies and efficiency for clients.

Moving now to slide ten. Euronext trading revenues reached €142.7 million this quarter, up 20.7%. As mentioned earlier, this strong growth in our trading revenues was driven by a good performance across almost all asset classes and especially fixed income trading. Cash trading revenue grew 13.8% to €74.2 million, reflecting increased volatility. Cash trading volumes grew 10.7% compared to the same quarter last year. Cash revenue capture averaged 0.53 basis points, despite the average order size remains still very high.

Cash equity market share averaged 66%. Derivative trading revenue increased 6.6% to €13.9 million in the second quarter of 2024, reflecting higher financial derivative volumes with ADV up 10.8%, and the continued very strong performance of commodity derivative volumes up 40.2% versus last year. Average revenue capture on derivative trading reached €0.32 per lot, affected by a higher share of equity future in the volume mix. Lastly, FX trading grew 28.7%, €7.9 million of revenues in the second quarter of 2024, supported by the favourable volatility environment.

Continuing the review of our trading activity, I'm now moving on slide 11. Fixed Income trading grew 40.7% and reached another record at €35.6 million in the second quarter of 2024. Our Fixed Income franchise continued to be supported by the favourable interest rate environment and good market volatility. It was especially driven by the strong performance of MTS Cash with ADV up 67.7% year-on-year to €36.3 billion. MTS Repo recorded €449 billion of term-adjusted ADV.

Power trading revenue grew to €11.1 million in the second quarter of 2024, up 30.1% compared to the same quarter last year. This record performance was mainly driven by our intraday market, with ADV up 91.3%.

I now conclude the business review with our Post-Trade activity on slide 12. Clearing revenue was up 33.2% to €39.2 million, reflecting the increased activity in equity clearing following the expansion of Euronext Clearing to the cash market in Belgium, France, Ireland, the Netherlands and Portugal, and higher clearing revenues from the dynamic commodities of fixed income activity. Net treasury income amounted to €13.8 million in the second quarter of 2024, stable level compared to the same quarter last year. Lastly, revenue from Custody & Settlement and other Post-Trade activity reached €69.7 million. This is a 9.4% increase year-on-year, reflecting growing assets under custody which reached more than €7 trillion and a dynamic issuance activity and higher settlement activity. On a like-for-like basis and at

current currencies, Custody, Settlement and other Post-Trade activity revenue was up 9.3% compared to the second quarter of 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 18.8% to €256.8 million, mainly thanks to an increase of €43.8 million of revenues at constant perimeter, offset only by €3.7 million of additional cost. The underlying operational expenses, excluding depreciation and amortisation, increased 2.7% compared to the second quarter of 2023, reflecting continued cost discipline. This translated into an adjusted EBITDA margin of 62.2%, up 3.5 points compared to the second quarter of 2023. Non-underlying costs for the quarter were €6.9 million.

I would like to take this opportunity as well to confirm our 2024 guidance for underlying costs, excluding D&A, at €625 million.

Moving now to net income on slide 15. Adjusted net income this quarter was strongly up at €165.2 million, which represents an increase of 15.6% compared to the second quarter of 2022 and despite the sale of our stake in LCH in the third quarter of 2023. This reflects the strong EBITDA growth in this second quarter of 2024 and the continued high interest rate environment which led to an increase in net financing income of €5.3 million.

Depreciation and amortisation were €47.9 million, 13.7% higher than in the second quarter of 2023, due to the completion of many migration projects and the related start of the amortisation of CAPEX linked to those projects. Income tax for the second quarter of 2022 was €55.7 million. This translated into an effective tax rate of 27% for the quarter. Minority interests were up due to the excellent financial performance of Nord Pool and MTS. As a result, reported net income increased 18.2% to €141.7 million, and adjusted EPS basic was up 19% in the second quarter of 2024 at €1.59 per share.

I now conclude with some consideration on cash flow and leverage. In the second quarter of 2024, Euronext reported a net cash flow from operation activity of €111.5 million compared to €139 million in the second quarter of 2023, reflecting the movements in working capital related to Nord Pool and Euronext Clearing CCP activities which accounted for -€41.1 million this quarter. Excluding the impact on working capital from Euronext Clearing and Nord Pool CCP activities, net cash flow from operation activity accounted for 61% of EBITDA in the second quarter of 2024. Net debt to adjusted and reported EBITDA was at 1.8x at the end of the quarter, impacted by the payments of the dividend and the acquisition of GRSS, as mentioned by Stéphane.

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

Stéphane Boujnah: Thank you, Giorgio. As you have seen, Q2 2024 clearly demonstrated that the benefits of our diversification strategy are coming through, translating into double-digit growth in revenue, double-digit growth in EBITDA, double-digit growth in EPS, boosted by non-volume related and diversified trading and post-trade activity. 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 are advancing in the exploration of strategic opportunities, which I'm looking forward to take a deep dive into at our Investors Day on 8th November 2024 in Paris.

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

Questions and Answers

Operator: Thank you. As a reminder, if you would like to ask a question or make a contribution on today's call, please press star one on your telephone keypad. To withdraw your question, please press star two. We'll take now take the first question from Hubert Lam from Bank of America. Your line is open now.

Hubert Lam (Bank of America Merrill Lynch): Hi, good morning. Thanks for taking my questions. I've got three of them, please. Firstly, on costs, it seems like you are on track in the first half of the year to beat your cost guidance for the year. Why are you maintaining your guidance now? Should we expect a step-up in the costs in the second half?

Second question is on NTI. How should we think about this line going forward, as I think it should be benefiting from the clearing of migration revenues? Just wondering how we should forecast this NTI line.

And lastly, just on potential for further bolt-on acquisitions, you acquired GRSS in Advanced Data Services. Just wondering if you see any other potential interesting opportunities that you're looking for within data services that you could possibly pursue? Thank you.

Stéphane Boujnah: Thank you for your questions. I'll take the questions on M&A, and Giorgio will address your questions on cost and NTI.

M&A is a tool, the objective is to accelerate growth and to accelerate diversification. Therefore, we are in a permanent monitoring of bolt-on acquisitions that can contribute to those two objectives: more growth, more diversification of our revenues. In this context, we have permanent dialogues and analysis of assets similar or bigger than the GRSS deal, obviously, with always the same discipline about capital allocation, which is that we deploy Euronext capital when we are sufficiently confident that the return on capital employed after year three and five post-synergies is above the worth of the company.

Over to you, Giorgio.

Giorgio Modica: Yes. With respect to the cost, the reason why we maintain the €625 million is because, as we have highlighted, at the end of last year, we had a €10 million envelope which is dedicated to growth projects, and we will use that envelope mostly in the second part of the year. So if you combine the current trajectory of costs plus the envelope, we are around the cost guidance.

With respect to NTI, I would separate the impact in Q3 this year and after Q3 this year. For the next quarter, for this quarter, you should not expect any major change in our P&L. There will be changes, but marginal. After that, you will observe a shift, i.e. the net treasury income will increase of around €4-5 million, whereas the revenues from clearing will reduce similarly by the same amount. The reason for that is that today in our clearing revenues there is a component linked to the retrocession of NTI that we received from LCH SA.

So, to make a long story short, there is going to be, starting from the fourth quarter this year, a shift between clearing revenues and NTI. Clearly, we will make a little bit more than

what is the current level of retrocession, but this is a small amount and included in the €115 million of synergies that we have already shared with the market.

Hubert Lam: Great, thank you.

Operator: We'll take now the next question from Enrico Bolzoni from JP Morgan. Your line is open now.

Enrico Bolzoni (JP Morgan): Thank you. Good morning, and thanks for taking my question. So the first one again is on clearing. There was a lot of conversation, when you said you were going to migrate clearing, about the proportion of volumes that you would have been able to migrate on your clearing premises. Clearly, you printed a strong set of numbers today. Can you give us an update in terms of what proportion of the volumes that were previously being cleared on LCH you managed to retain? Is there more to come, so we could see a further increase there? So that's my first question.

My second question is again on NTI. Just one clarification there. So my understanding is that at the moment you are passing on to customer quite a big amount of the margin that is generated partially because of pricing power. So I just wanted to understand if once you will have completed the migration of clearing, not only you expect to have greater volumes that clearly will increase the NTI, but also in a way, you expect to have greater pricing power that will allow you to retain a higher proportion of the interest rate that you generate.

And then finally, just one update on the microwave technology, which clearly sounds quite exciting. Can you just give us some colour in terms of how unique is to have this plug-and-play feature, and can you give us an indication of the size of the addressable market in terms of what is the potential revenue pool out there by rolling out this technology? Thank you.

Stéphane Boujnah: Thank you. So, Nicolas Rivard will answer your question on the innovations that we have launched on the microwave technology offering. And Anthony Attia will answer your questions on the clearing migration, market share development and NTI revenue generation prospects. And Giorgio will complement that part of the revenue generation in relation to NTI.

Nicolas?

Nicolas Rivard: Yes. Thank you, Stéphane. Thank you for your question. So, on the microwave technology, it's a technology which has been around for a number of years now, but used mostly by certain specific participants. What we have done with this partnership with McKay Brothers is to allow this technology to be widely accessible to brokers. It is unique, because it brings London closer to Bergamo by almost four milliseconds, which seems a small amount, but actually, this is almost dividing by two the latency between London and Bergamo. And why it is important? Because it allows brokers to be more efficient when they interact with our market.

This offering is unique for three reasons. The first one is that we democratise this. Typically, when you want to use a microwave network, you need to buy a large chunk of bandwidth. The barrier to entry, or the ticket to entry is pretty high. We basically split the bandwidth into small pieces to allow brokers to get access easily to this technology. Second, we did the IT development with McKay Brothers to allow it to be plug-and-play, which means you can use it as any connectivity to route your orders, so you don't have to do internal IT to use this

complex technology. And thirdly, it's 100% fully redundant because it's completely seamless from the client, but in reality, we have a backup, a total backup with fibre, and all orders are transmitted twice on microwave and on fibre. So it's a very unique proposition. We already, as you have seen in the press release, two clients connected, Goldman Sachs and Morgan Stanley. We have other clients interested. And the target of clients are clearly brokers that are operating from London and are trading on Euronext.

Anthony Attia: Good morning, this is Anthony speaking. Thank you for your question on clearing. Let me clarify a few elements. Our clearing house, Euronext Clearing, clears three different asset classes. One is cash equity; the second one is listed derivatives, including the commodity futures that we have migrated recently from LCH SA; and the third one is fixed income with Italian repo clearing.

The competition with other CCPs for flow mainly happens on cash equity clearing. And for this, the migration was successfully performed last year in October and November. And through a very attractive value proposition on clearing fees and the risk model, settlement fees and client support, we have managed to retain a very, very strong market share from Euronext cash equity trade.

On the listed derivatives, the clearinghouse captures 100% of the flows coming from Euronext markets that have migrated on our CCP. And to grow this business in the clearinghouse, we need to grow the volumes and the set of products coming from the market. And as Stéphane explained earlier, we will leverage the clearing house migration to boost innovation and launch new products. And this is going to be detailed and announced in our strategic plan announcement in November.

Giorgio Modica: With respect to NTI, I want to highlight a few elements. The first one is that at the moment, our investment policy is extremely conservative. And that was appreciated by S&P, that some quarters ago when we changed the policy reduced the negative notch in our rating, as you might remember. So pretty much 100% of the collateral is invested at – with ECB.

Now going forward, and in the short term, our objective is to optimise collateral for clients and have our business growing. So, I'm not sure that the pricing power is going to be the first ambition to grow that business. We would rather attract more volumes and indirectly increase the NTI, rather than increasing the NTI through capturing higher margin from clients.

Operator: We'll take the next question from Johann Thormann from HSBC. Your line is open now.

Johannes Thormann (HSBC): Good morning, everybody. Three questions from my side, please. First of all, we saw nice revenue momentum in power trading. How, and will you benefit from the failed EEX-Nasdaq deal, or do you even see chances to get into talks with Nasdaq?

Secondly, yes, on the strong clearing revenues, if I look at the numbers, it seems to be mainly driven by LCH-related businesses and not by Euronext businesses, which is actually seasonally down. Can you elaborate more how you want to capture this momentum seen at LCH, when you migrate some of the business from LCH to Euronext?

And last but not least, net debt to EBITDA level is nicely below 2x. If you don't use – if it's decreasing, and you don't use the free space for M&A, when do you see room for the next share buyback? Thank you.

Stéphane Boujnah: I'll take the last question and the first question, and Giorgio will clarify the questions on the nature of the on the clearing revenues. On the capital allocation policy, we are very clear. Capital allocation is an output of investment decisions. Investment decisions are a combination of organic growth ambitions that need to be funded by CAPEX and OPEX and organic M&A acquisitions that can contribute to the acceleration of growth and diversification.

We are in the process of building a new strategic plan. This new strategic plan will be focused mainly on organic growth and will be presented to you at the beginning of November, for sure. Considering the very strong profile of our cash flow generation now that the company is massively diversified with a double diversification, diversification of our trading revenues and diversification away of trading revenues, we will revisit our policy in terms of returning capital to shareholders, because the company is different from what it used to be, and the ambitions will be different from what they used to be in terms of growth and expansion.

So you should expect this particular issue where the share buyback is just one component of a much broader capital allocation ambition, you should expect this issue to be clarified very precisely at the Investor Day on 8th November.

On the power trading dynamic, yes, Nord Pool is growing and expanding very quickly. The top-line growth – the top-line of Nord Pool grew by 30% quarter-to-quarter. And this growth is very impressive through organic development across Europe, beyond the Nordic region. We are monitoring, very closely, the decision, the consequences of the decisions of Deutsche Börse and Nasdaq to put an end to their discussion, to the deal they have contemplated. This has some – this creates some opportunities for Nord Pool and for Euronext power businesses more broadly. We are monitoring that and exploring how we can offer solutions to clients are appropriate or commensurate with their needs in this sector. So definitely a decision that will have consequences for all of us.

On the clearing revenues, Giorgio?

Giorgio Modica: Yes, absolutely. Let me try to clarify that in two steps. So the first one, as Anthony said, we have now – and what you see in the second quarter, is the expansion of the equity clearing to pretty much all Euronext markets. But as far as derivatives are concerned, we will access 100% of the clearing when clients decides to trade with us, because there is no open access for derivatives. So we do not anticipate any leakage.

Then, when it comes to the reasoning why you see the portion from LCH SA increasing, this is very simple. We have highlighted the exceptional performance of our commodities. Now, commodities are a rich product in trading, but even richer on clearing. So it is clear that with an increase of 40% of the volume traded and cleared, then the revenues in LCH – because still in the second quarter, the clearing of commodity was done at LCH SA, benefits from that. Having said that, as you know, we have already migrated the commodities. So to a certain extent, that part is already done. And the next one is going to be completed in the second quarter of – in the third quarter of 2024.

So, to summarise, we don't anticipate any leakage and the reason why of the over-performance of LCH SA is simply linked to the over-performance of commodity in the derivative mix.

Johannes Thormann: Thank you.

Operator: We'll take now the next question from Benjamin Goy from Deutsche Bank. Your line is open now.

Benjamin Goy (Deutsche Bank): Yes. Hi, good morning, Benjamin Goy, Deutsche Bank. Two questions, please. One on clearing again. And you paid €35 million clearing expenses last year. So how does that change going forward once you have insourced everything?

And then just the second one on this €10 million growth envelope, could you remind us what are your criteria for return on investment, which areas you will boost in particular, and about payback period on that? Thank you.

Stéphane Boujnah: So, Giorgio will take those two questions. Could you be more explicit on your first question to make sure that we understood?

Giorgio Modica: It's clearing expenses.

Benjamin Goy: So the €35 million clearing expenses which you're paying to LCH, so, I'm wondering how this changes once you insource it.

Stéphane Boujnah: Very clear. Okay.

Giorgio Modica: So let me take that question. So today we have a formula which is as follows. We pay a fixed fee to LCH SA for their clearing activity, plus a percentage of revenues. So it is clear, then, the reason why you see clearing expenses going up is because the overall revenues from clearing are going up. So it's simple application of a formula with a fixed component and a variable component based on revenues. Then going forward, that number will disappear because there is not going to be any more retrocession and the clearing costs are going to be the Euronext cost. You would have to split by nature. So you will have salary costs and everything else. But that specific line, we will not have it anymore.

With respect to the envelope of €10 million, the answer is very simple. We are aiming to grow non-volume related activity, mostly related to services. And this is not linked again to additional cost of our BAU, but more to the expansion mostly of our service activity. And this is in line with what we have announced last year. We will focus more on that in the second part of the year as the migrations are really about to be over very quickly.

Benjamin Goy: Understood. Thank you.

Operator: We'll take now the next question from Gregory Simpson from BNP Paribas. Your line is open now.

Gregory Simpson (Exane BNP Paribas): Hi, good morning. Yes, three questions. The first is in cash equity clearing. It looks like the clearing revenue per trade is about half the level it was before the migration. I'm wondering if there's the potential to increase that revenue yield over time, now you've got the volumes and market share?

The second question is Advanced Data Services revenue growth, like-for-like this was 4%. That's a bit slower than where it was last year. Can you just update on what's the latest with pricing and trends and outlook there?

And lastly, I think you had 66% of Nord Pool and 63% of MTS in terms of ownership. Is there any appetite to increase the ownership given the strong growth in these businesses? Thank you.

Stéphane Boujnah: So I'll take the last question, and Giorgio will address the first two ones on clearing. We have minority partners at MTS and minority partners within Nord Pool for historical reasons. Within MTS, this is a legacy of users, owners, contributors to the MTS business being around the table. And for Nord Pool, this is a legacy of former owners who are clients and partners of Nord Pool. So we have no plans to significantly change the presence of minority shareholders around the table because this is part of the construct of the market architectures for those two asset classes. Here and there, we can increase our stake when there is desire from certain minority investors to leave the equity of the company, as we have done in the past for some minor stakeholders in MTS. But this is not a trend that will fundamentally evolve, and we have no plans and there is no desire of the minority shareholders to leave the company. So it's a part of the success of MTS and a part of the success of Nord Pool is embedded in these strong partnerships with those minority shareholders.

Giorgio Modica: Yeah. Then, when it comes to your first question, you're absolutely right. The revenue capture has significantly reduced, but it is in line with our business case. So what has happened is that we brought to Italian clients a significantly more efficient level of fees, more in line with European standards, and that was the plan from the beginning.

So, pretty much before migration, you were seeing the way Euronext Clearing was operating on a purely Italian base. Now, on an international setup, this is the overall level of fees, which is, in line with European market trends. So this is in line with the business case, and we are happy with the current level. So this addresses your first question.

With respect to your second question, here we see the trend of different components. So what you have is a price increase, as you are aware, which happens once per year. And then the second variable is clearly the number of clients and the number of terminals. And here what we see is a bit of a diverging trend, where we see more interest from retail terminals, and we start to see a mild erosion of the professional terminal. This explains why, to a certain extent, even if our price increases were in the mid-single-digit type of increase, then on a like-for-like basis, we are slightly more than 4%.

Gregory Simpson: Thank you.

Operator: We'll take now the next question from Bruce Hamilton from Morgan Stanley. Your line is open now.

Bruce Hamilton (Morgan Stanley): Thanks, and thanks for the presentation. Sorry, another one on the clearing business and costs for the full-year. So to understand, I get that if we annualise the first half and add €10 million, we get €65 million of costs, which makes sense. But shouldn't you get some benefit from those LCH – the cost you're paying to LCH

dropping away, or I know you incur some cost to provide clearing, but wouldn't that still be a net gain in terms of the cost base in the second half?

And then in terms of the treasury income linked to derivatives clearing migration, should – I think the collateral pool's around €10 billion. But shouldn't that drive an increase in NTI? You're saying that that is completely offset by what you're currently getting from LCH that you will no longer receive. So just to clarify, that would be helpful.

And then in terms of the MTS business, obviously very, very strong. Could you maybe help us understand a little bit about any – the impacts of BTP issuance in Italy and how that may fade versus the longer-term opportunity from internationalisation and your ambitions there over the next two, three years? That would be very helpful. Thank you.

Stéphane Boujnah: So I will cover briefly your last question, and Giorgio will answer your question on clearing costs and treasury income.

MTS is growing extremely well, +40% year-on-year, because of the volatility around Italian sovereign bond instruments. And clearly, the Italian related trading is still the most significant part of the MTS business. However, there are two developments that are starting to yield since MTS became part of Euronext.

We have a cross-marketing programme to make MTS closer to the debt management offices of all the countries where Euronext operates and where the focus on the primary dealers approach was more present than the appetite for electronic transplant platform. And some countries where we operate were close to MTS; others were not as close as they are today. In particular, one of the largest issuer of govies in Europe is France, and the quality of the dialogue between MTS and Agence France Tresor has improved significantly. And we are confident that in the context of the development of the French sovereign debt, we will be able to get more deployment of French assets on the MTS platform.

The other development, which is more tangible because it's real now, is the fact that MTS, thanks to the joint effort of the teams at MTS and at Euronext, was appointed as the ECN platform for the secondary trading of next-generation EU bonds, approximately €700-800 billion of European Commission issuance. And this is real, volumes are growing, and we are – we have just started to charge clients at the beginning of July. So you will see in Q3 and Q4 the beginning of the revenue contributions of European sovereign bonds being traded on MTS platform. Volumes are there, and they are growing significantly, but revenues are not yet there, you will see them in the future.

I leave the floor to Giorgio for clearing cost and treasury income.

Giorgio Modica: Yes. So, on the clearing cost, let me try to clarify as much as I can. So, you are right, what is going to happen is that at some point the clearing costs will – as mentioned in our P&L at the moment, will to a certain extent disappear once the derivative clearing arrangement is going to be terminated. However, on the other side, what is going to happen is that a part of the costs which today are accounted as non-underlying linked to what we call the double-run, i.e. the cost of running to platform in parallel, then those costs will go back to underlying costs.

So you will have a positive impact coming from the termination of the LCH contract and a negative impact coming from a shift from non-underlying to underlying cost. Clearly, the net

result is going to be positive and part of the synergies because reported earnings will go up and non-underlying costs will progressively trend to a very small number and potentially to zero. So this is what is going to happen. And taking the consideration – taking into consideration our projection of course for the next two quarters, again we confirm the €625 million.

Then when it comes to the NTI, as I said, in the LCH SA part of fees that you see highlighted in our presentation, there is a component linked to the treasury income retrocession. So there is going to be a shift. The shift, as I said then, when you are dealing with numbers which are relatively small, €4-5 million per quarter, this shift is not going to be completely neutral, i.e. we are aiming to earn an additional spread from that, but it's not going to be that material.

So again, I confirm a shift in between €4-5 million from LCH to NTI, potentially with some additional margin upside, but not material increase with respect to the current levels.

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

Operator: We will take now the next question from Hervé Drouet from CIC. Your line is open now.

Hervé Drouet (CIC): Yes. Good morning. Thank you. Three questions as well on my side. First one, with the T+1 settlement coming, do you think it will give you an opportunity to increase your tariff and pricing power with your clients? Is there some leverage there you think you can use in settlement and even potentially clearing? That's the first question.

Second question, regarding competition, within the value chain where you currently are, where do you think, which part could be more challenge in your view in the, let's say, two or three coming years? And what do you think about, in the press there were some articles about potential activities from Cboe, for example in listing, for example, or indices provision?

And finally, in terms of where do you think you will expand further on, I mean, can you confirm it would be more in non-volume related business you are likely to expand, or is it going to be more geographically driven or more within the value chain? Thank you.

Stéphane Boujnah: So, thank you for your question. I'll address the question on competition and the question on diversification focus, and Anthony Attia will address your question on the T+1 settlement implications.

On the competition side, and as you can imagine, the more diversified the business of Euronext is, and the business mix of Euronext is now extremely diversified, the more diverse and multiple the competition question is. Now, to take just one of the examples you have mentioned, on the cash equity trading business, we compete against Cboe, who is an aggressive player in Europe. But the hard fact is that, for the moment, our market share is increasing in cash equity trading, and on listing, the leadership of Euronext is confirmed quarter after quarter. And some people may show press releases and announce intents and ambitions, but when you look at hard facts, the market share of Euronext on cash equity trading is increasing, and the market share of Euronext in listing is increasing. So that's for the competition.

As you have mentioned, clearly, there is a similar dynamic for power trading where the market share of Nord Pool is increasing across Europe. There is a similar dynamic across most of our competitive – most of our segments.

When it comes to diversification, the focus of our non-organic growth of our acquisition ambitions is always the same. On the one hand, we want to capture any opportunity, if and when they become available, to deploy massive synergies by plugging on our single liquidity pool, single order book, single technology platform, other exchanges to add volumes to our single fixed cost base. And if we have an opportunity to do this type of consolidation in Europe, in the core exchange business, we will do it.

For the moment, there is no actionable situation and there is no willing seller of a material exchange in Europe, but we monitor those situations because they change from time to time and sometimes very quickly, as we have observed in 2020, around the Borsa Italiana situation, which was not for sale in January and February, and for which there was a sales process, an auction process, in June and July of the same year. So that's for diversification – so that's for acquisition in the exchange world and that will be mainly focused on Europe.

When it comes to non-exchange business, where the objective is not synergies, but diversification and growth acceleration, we are totally agnostic in terms of geography, and we look every week, every month at assets with decision-making centres in the US, decision-making centres in London. So we will continue to monitor assets in forex, in the advanced data services, in post-trade, in all sorts of areas where we believe that we can be the legitimate owner, and we can – those assets can accelerate our growth or accelerate the diversification of our revenues, whether they are based in Europe or not.

On T+1?

Anthony Attia: Yeah. On T+1, so, as you know, it's a developing situation in Europe. We are working very closely with the market, with our clients and the authorities and the associations, to set up an implementation planning that makes sense and to make sure that everyone is ready. So I think it's a little bit too early to answer your question about whether or not we see value in – and pricing power there. And so we need to see how our clients look at our services. So probably more to come next year on this one.

Hervé Drouet: Okay. Thank you. Thank you for your answers.

Operator: We currently have no further questions, so I will hand you back to Stéphane to conclude today's conference. Thank you.

Stéphane Boujnah: Thank you very much for your time. All the Investor Relations teams at Euronext, Aurelie, Clement, Judith, are available to follow-up on any questions you may have on these Q2 results. On that note, I wish you a very good day.

Operator: Thank you for joining today's call. You may now disconnect.

[END OF TRANSCRIPT]