



**Event: Euronext Conference Call**

**Date: 27.03.2018**

**Speakers: Stéphane Boujnah, Deirdre Summers and Giorgio Modica**

**Call Duration: 17:12**

**Operator:** Welcome to the Euronext Conference Call, following the completion of the Irish Stock Exchange acquisition. I will now hand over to Mr Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext. Sir, please go ahead.

**Stéphane Boujnah:** Good morning everyone, and apologies for this short delay. We are in Dublin this morning and with me are Deirdre Summers and Giorgio Modica.

I'm very pleased to be with you on this day in which we announce the closing of the acquisition of the Irish Stock Exchange, which we achieved in just four months. And I just want to congratulate here all of the teams involved, and all of the constituencies involved in Dublin among the regulatory community who have made that possible.

This is clearly a great day in the history of Euronext, because this is the first time since our IPO that we expand the federal model and some press comments this morning were mentioning that it has been very long since any combination of exchanges happened in Europe.

It shows, clearly, the ability of Euronext to welcome independent European exchanges when they are willing to consider a consolidation move. And this acquisition clearly strengthens our mission to power Pan-European capital markets to finance a real economy. So, the Irish Stock Exchange joining Euronext shows also the confidence of Ireland in the European project, and what I believe is the trust it has to fuel its riches.

As from today, the Irish Stock Exchange will also operate as the Euronext Dublin and Ireland becomes one of the six core countries of the Euronext federal model, alongside the Netherlands, Belgium, Portugal, France and the UK.

I'm pleased to announce the Deidre Summers is to be appointed Chief Executive Officer of Euronext Dublin and will join soon the managing board of Euronext N.V., pending regulatory approval, with group-level responsibilities to develop the Irish market and the centre of excellence in listings of debts and funds and ETFs, again subject to regulatory approvals and votes of the Euronext group shareholders.

We are very glad to demonstrate that our federal model is becoming more and more relevant and from an industrial point of view, obviously, expanding the federal model to countries such as Ireland is obvious. We operate on technologies, soon to become the Optiq platform that we can easily expand through other exchanges. We have a balanced governance which offers all united in diversity models, offers a real space for independent exchanges to contribute to the governance of the group and a strong record of excellence and cost efficiencies.

But also, it clearly makes perfect sense from an economic and macro perspective, because Euronext operates the largest pool of liquidity in Europe. We have more than 1,300 equity issuers. We have a market share of more than 65% in equity trading in a highly-competitive environment. We have a strong derivatives franchise and a stable and sustainable clearing environment for the next ten years.

So with this transaction, I believe that the combined group is going to become a really very large and powerful player for debt instruments. Clearly, it's already the largest centre for debt and funds listing in the world, with more than 37,000 listed bonds and 5,600 funds. And it is also positioned now as a major player in ETFs, with 1,050 listing in the EFT world, paving the way for, clearly, value creation for all our shareholders and stakeholders.

So, we have a strong future growth planned for the combined group. The four-month period of closing has been extremely useful to get to know each other to better prepare for the future, in order to be ready for the implementation of this transition today. I am absolutely certain that the combination of Euronext Dublin teams – the combination of those teams, which are absolutely excellent and energetic

with the current Euronext team, which has already proven successful in developing debt, fund and ETFs listing business for so many years will create a leading platform in this field.

As you know, the debt market is highly fragmented and Euronext, as a leading player in Europe, really wants to connect European markets in debt and fund listings and ETFs and simplify access and trading to drive sustainable growth. To achieve this, Deidre Summers will manage different teams across the different locations all over the group, mainly in London, Paris and Amsterdam, but also Brussels and Lisbon, and the main mission of the centre of excellence under the leadership of Deidre will be to connect the European debt markets.

Clearly Euronext Dublin brings its expertise in debt listings, but we have also corporate bonds initiatives with a new MTF platform called Synapse to improve the liquidity of European bonds tradings, and we are really building our client tractions. The idea here is to really propose to issuers a simpler way to issue a bond on all markets with easier access to the market and to provide for trading members improved liquidity in bonds trading. I believe that the potential of this platform is very important, and we know that this business is planned – will be reinforced by Euronext Dublin.

As for ETF, we want to become the European ETF listing venue of choice for investors globally, providing an easy single-entry point in Europe, leveraging the strong position, again, of Euronext Dublin and especially its international position. We will also launch organically an MTF for ETF as part of our Agility for Growth strategy. And again, this project will be enhanced by the synergies with the Euronext Dublin teams.

So I want to emphasise that this combination, beyond the debt world, is going to benefit significantly Irish listed companies on the equity front. They will have access to our corporate services to improve their investors relationship management or Tech SME initiatives, dedicated to expand all franchise on tech listing all over Europe, will be combined with the existing programme in Dublin which is a pretty successful way in order to strengthen together the ecosystem around this very promising market.

And clearly, we are extremely excited with this deal. The Irish Stock Exchange has delivered strong results in 2017, with €32.3 million revenue and a 31.9% EBITDA margin. It's a great performance, but as announced last November, we expect to deliver €6 million of pre-tax run-rate synergies to be fully delivered by 2020. We clearly will leverage on the Euronext capabilities inside the group by connecting Euronext Dublin as soon as possible to our new state-of-the-art proprietary platform, Optiq, and by aggregating market data of Euronext Dublin on our platform.

And as for the organisation structure, each employee in Dublin will now become part of a transversal European team, like in any other team of the Euronext group, and adjustment to the organisational structure will be discussed within the next few weeks and presented to the team. So, the integration work is starting immediately to make sure we deliver in due course. But really, the idea will be to bring Euronext Dublin margin at the level of the rest of the group by 2020.

We strongly believe in Ireland's future and growth potential with the GDP growth expected at 4.4% in 2018 and 3.1% in 2019. With highly-skilled talents, Ireland is ideally placed to tackle opportunities of the new growth in Europe, and especially opportunities arriving from Brexit.

So, clearly Europe is back. I've said it many times. The GDP growth for the continent is expected to be around 2.3% in 2018, and all the lights are green. The big regulation wave is behind us. Volatility is back to normal. Most of political uncertainties are being solved across Europe. Inflation is not yet there. Interest rates are not rising as much as they do in the US, and valuation multiple are still lower than they are in the US. So, there is a more growth to come especially at the moment with the earnings season across the continent is very good.

So, we want to be a major player in this dynamic environment. We are continuing our efforts in the cost discipline. We continue to focus on our growth initiatives, but expanding our federal model fuels this

growth. We will consolidate Euronext Dublin as of 1<sup>st</sup> April 2018. So, thank you very much, happy to take your questions and Giorgio and Deidre will join me for answers if you want them to contribute.

**Operator:** Ladies and gentlemen, if you wish to ask a question you can dial 0 and 1 on your telephone keypad. The first question comes from Arnaud Giblat, Exane. Sir, please go ahead.

**Arnaud Giblat:** Yeah, good morning. Just one quick question for me. I was wondering if you see any further opportunity to expand the federal model in Europe in cash equity.

**Stéphane Boujnah:** There are independent exchanges in Europe. As the question on cash equities, all of them are in different situation, different size and at a different stage of considering what they think best for the future. One of the very important features of consolidation of exchanges in Europe that you have to respect the identity of the exchanges - who decides to consolidate and you have to respect their timing in terms of decision making of waiting strategic options. So, it's difficult for me to answer precisely your question because if you look at all the landscape, all the players in Europe they're fundamentally different level of decision making process about whether or not they want to consolidate. And unless, they're willing to consolidate there is no point in discussing any consolidation process.

**Arnaud Giblat:** Okay thank you.

**Operator:** Thank you. The next question comes from Mike Werner, UBS. Please go ahead.

**Mike Werner:** Thank you. I had two questions. In terms of what we seen year-to-date in terms of volume growth at ISE, could you just give us a little bit of clarity on that growth rate? And then second in terms of the synergies, is there any indications with regards to the timing of the synergies and ultimately what the cost of those synergies will be for Euronext? Thank you.

**Stéphane Boujnah:** So, Giorgio will answer your question in synergies and Deidre will answer your question about the volumes growth since the beginning of the year.

**Deidre Summers:** So as regards to equity turnover, the volume is up 42% versus the same period in 2017 as regards to numbers of equity deals is up 50%. So, it's been a very active start to the year. Listings are about running is around 15% above last year and we expect that run rate to continue for at the foreseeable future.

**Mike Werner:** Thank you.

**Giorgio Modica:** And for synergies, the target of €6 million is mainly composed by two elements. The first one are the saving related to the Deutsche Börse contract. The second part is related to the efficiency related to the integration and support function. Now, when it comes to the phasing of that we said that synergies are going to be fully phased by 2020 without giving specific phasing of those synergies. And finally to your last question, we expect around €9 million of integration cost to deliver the €6 million run rate savings.

**Mike Werner:** Excellent, thank you very much.

**Operator:** Thank you. The next question comes from Ron Heijdenrijk, ABN Amro. Please go ahead.

**Ron Heijdenrijk:** Good morning all, it's Ron Heijdenrijk, ABN Amro. Just one quick question. On the listing revenues from ISE, could you please split out which are the fixed annual recurring fees and which are the placing fees? Thank you.

**Stéphane Boujnah:** No, we don't report those numbers for the moment.

**Ron Heijdenrijk:** Okay, thank you.

**Operator:** Thank you. And the next question comes from Martin Price, Credit Suisse. Please go ahead.

**Martin Price:** Good morning. Just a quick question for me please. As you've been able to close this acquisition of a regulatory exchange pretty quickly compared to similar transactions. I was just wondering if you could help us understand what key commitments you've given to local regulators to make this possible. Thank you.

**Stéphane Boujnah:** It's a very interesting question. We haven't made any out of the ordinary commitment. And believe me, there is no understatement. It was a very smooth process because it was a very natural deal. It went extremely smoothly with the intense discussions with Central Bank of Ireland that regulates the Irish Stock Exchange. And you have to understand that Dublin is a place where we are not the first international group operating a finance platform.

The Irish regulator is extremely familiar with this type of construct and they had a framework, which was the balance of securing their mandate as regulator and supervisor and being as pragmatic and open and business-friendly as possible. So, there is no thing that in our commitment that are different from what we do in other country, so don't. If your implicit question is about commitment on operating obligations etc., nothing particular outside the framework of applicable laws and regulations.

**Martin Price:** Understood, thanks Stéphane.

**Operator:** Thank you. We currently have no other question. Ladies and gentlemen let me kindly remind you that if you wish to ask a question you need to dial 0 and 1 on your telephone keypad. We have no further question.

**Stéphane Boujnah:** Thank you very much. Have a good day.

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