Euronext Analyst Conference Call

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London – 020 7870 7100
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Operator: Hello, and welcome to the Euronext Conference Call regarding the acquisition of Borsa Italiana Group. My name is Courtney, and I'll be your coordinator for today's event. Please note that this conference 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. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any time, please press star zero, and you will be connected to an operator.

And I will now hand you over to your host, Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext, to begin today's conference. Thank you.

Stéphane Boujnah: Good morning, everyone, and thank you for joining us this morning on short notice. I am Stéphane Boujnah, the CEO and Chairman of the Managing Board of Euronext. And today with me is Giorgio Modica, the Euronext CFO.

As you've seen, Euronext announced this morning something which is quite a turning point in the history of our company with the acquisition of the Borsa Italiana Group and the creation of what is the leading pan-European market infrastructure.

I will start today's presentation with a brief overview of the transaction, then Giorgio will introduce the Borsa Italiana Group business and the details about how this combination will create the leading pan-European market infrastructure. I will then highlight the governance evolutions resulting from this proposed combination and how the Italian ecosystem is expected to significantly benefit from it.

Lastly, I will detail the expected timeline of the proposed combination before opening the floor for Q&A.

Starting on slide four. The combination of Euronext and Borsa Italiana will create the leading pan-European market infrastructure, powered by what is unique to Euronext, which is the largest single liquidity pool. This combination will accelerate the path towards properly integrated capital markets union in Europe. We will become the backbone of the capital markets union in Europe.

The combined Group will have a very well diversified business mix covering the full exchange value chain. The combined Group will become the leading pan-European venue for equity, primary and secondary markets. And the combined Group will offer a full post-trade value chain with the addition of a multi-asset clearinghouse, CC&G, and a significant CSD that will more than double the volumes of our assets under custody.

Lastly, this acquisition will enhance the Euronext strategic prospect while ideally positioning it to benefit from the changing environment. We will translate this new acquisition into new opportunities for further geographical expansion, business diversification, product innovation to provide superior value for local and global clients.

Moving to slide five. From a financial perspective, the proposed combination will provide compelling value to our shareholders. The combined Group will cross the €1 billion revenue market and will provide a healthy EBITDA margin profile even prior to any synergies. Based on 2019 financials, the combined Group would have generated €1.3 billion of revenues and a 55% EBITDA margin.

As at the end of June 2020 on the last 12 months basis, the combined Group would have generated €1.4 billion of revenues at a 58% EBITDA margin. But in addition to this current size and profitability, the combination is expected to deliver €60 million of run-rate synergies by the third year after completion through €45 million of expected cost synergies and €15 million of expected revenue synergies.

We expect to incur €100 million of restructuring cost to deliver these cost synergies. All in all, this combination is expected to result in an immediate accretion on adjusted EPS before any synergies and a double-digit EPS accretion on EPS post synergies in year three.

Moving to slide six for the key elements of the structure of the deal. Euronext is to acquire 100% of London Stock Exchange Group Holdings Italia S.p.A., the holding company which is the holding company of the Borsa Italiana Group for a cash consideration of €4.3 billion. The transaction will be paid in cash and is expected to be financed through a mix of existing cash, new debt and newly issued shares, including a product placement with CDP Equity and Intesa Sanpaolo, two Italian cornerstone investors.

This structure will allow Euronext to maintain its capital allocation policy to preserve its financial health and maintain our investment-grade profile. In the meantime, the financing has already been fully secured through bridge loan facilities fully underwritten by a group of banks.

Moving to slide seven to conclude this overview with a focus on governance. The Euronext two-tier federal governance model is perfectly fit for such a combination. Italy will be the largest contributor to the revenue of the enlarged Group, and the governance will evolve accordingly to reflect this new reality. Therefore, Italian representatives will be present at every level of the governance of the Group.

CDP Equity and Intesa Sanpaolo, with whom we are partnering for this deal with the strong support of Fabrizio Palermo, the CEO of CDP, and Pierpaolo Di Stefano, the CEO of CDP Equity, will join Euronext Group's reference shareholders that share Euronext long-term view for European capital markets.

At Board levels, at the Supervisory Board level, two Italian representatives will join the Supervisory Board of Euronext and the independent Italian Supervisory Board Member will become the Chair of the Supervisory Board. At the Managing Board level, the CEO of Borsa Italiana will join the Managing Board, and the CEO of MTS will join the Extended Managing Board. So all the governance changes are done within the pre-existing framework of federal governance.

Moving to slide nine, a brief introduction to the Borsa Italiana Group. Borsa Italiana is the leading market infrastructure of a G7 country, of the third-largest economy in Europe. But it has also a set of strong and diversified assets. It is a core exchange infrastructure that covers the full financial value chain because it operates, as I mentioned, regulated markets but it also operates the leading bond trading platform in Europe with a significant presence across European markets: MTS; CC&G, which is a very strong multi-asset clearinghouse with pan-European capabilities; and Monte Titoli, a large CSD with more asset under custody than Euronext CSDs currently, all together with Interbolsa in Portugal, VPS in Norway and VP Securities in Copenhagen.

And if we move to the following slide, it's clear that the Group has a healthy financial profile. In 2019, it reported €464 million of revenue with a strong contribution from post-trade activities and fixed-income trading. It also reported €264 million of EBITDA growing at a 10% CAGR since 2017.

Now moving to slide 12. I would like to further detail how the proposed combination will create the leading pan-European market infrastructure. First, it will further expand Euronext footprint into Italy, as I said, a G7 country and the third-largest economy in Europe. Second, the combination will significantly further diversified Euronext's business mix with new business lines, representing around 18% of the combined Group revenues.

In particular, the combination will have significant bond trading capabilities to Euronext with the acquisition of the leading European government bonds trading venue, MTS. It will also complete the post-trade value chain of Euronext with the acquisition of a multi-asset clearinghouse like CC&G and it will mark a step forward towards Euronext's CSD ambition with the acquisition of a new CSD, a large CSD, Monte Titoli.

If you move to the following slide, it's clear that the combined Group will become the leading equity listing and trading venue in Europe powered by single liquidity pool enabled by a single order book and empowered by a single technology platform. And the proposed combination will significantly benefit to market participants because of the mutual reinforcement of trading capabilities, the expansion of pan-European market data offerings and the roll out across all our markets, including tomorrow Borsa Italiana, of our state-of-the-art proprietary trading technology Optiq that will be deployed to Italy cash equity and derivatives markets.

Lastly, the proposed combination will generate, as I indicated earlier, further values to our shareholders as we expect to deliver a total of €60 million of run-rate synergies in year three and that will translate, as I indicated earlier, in a double-digit accretion post synergies in year three.

If you move to the following page, you will see that – I mean, it is very important to emphasise the significant impact of the proposed combination on the revenue profile of Euronext. The Group continues to expand its geographical footprint in continental Europe. The combination does balance our revenue mix and alsodoes balance our footprint as Italy will become the largest contributor to the combined Group with a contribution, representing approximately 34% of the top line of the Group.

Moving to the following page, you can see that the combined Group will also benefit from a significantly diversified business mix. The businesses mix will be more balanced. It will further reinforce Euronext's positioning in particular in non-volume-driven activities. And it will offer additional asset classes for trading to its clients with the significant addition of fixed-income products.

This will also translate into an increased contribution from post-trade activities and further enhance trading capabilities.

So I now hand over to Giorgio Modica, the Euronext CFO, to present to you in detail the businesses of the Borsa Italiana Group.

Giorgio Modica: Thank you, Stéphane, and good morning, everyone. I'm now starting with the slide 16 for a more detailed overview of the Borsa Italiana Group activities starting with secondary markets, excluding MTS, as we will cover that later in the deck.

Borsa Italiana serves a vibrant ecosystem composed of liquidity providers, banks, brokers and a strong and sophisticated retail clientele. Borsa Italiana is the leading regulated exchange in Italy. With 80% market share and ADV of €2.5 billion on cash equity trading it is a go-to venue for equity listing and trading in Italy for Italian SMEs and international blue chips. Borsa Italiana through IDEM is the fourth European derivatives venue and covers a full range of Italian equity index in single stock derivatives.

Borsa Italiana also operates some of the larger retail focus markets in Europe across multiple asset classes as ETFs, securitised derivatives, warrants and certificates and is the leading European venue for retail fixed-income trading.

Moving to slide 17. Borsa Italiana equity markets benefit from a strong listing franchise that serves with Euronext the ambition to finance the real economy through dedicated programmes and equity markets with a specific focus on SMEs. In addition, Borsa Italiana through ELITE offers a unique global market platform and community for private companies and broad SMEs to raise funds through alternative financing options.

We are convinced that the combination of Euronext and Borsa Italiana listing franchises will be the pan-European leading platform for capital raising enabled by a pan-European financing pool.

Moving to slide 18. I would like to remind everyone that liquidity is the basic component of financial markets and a predictable source of value. The proposed combination will connect the Italian financial ecosystem to the largest liquidity pool for cash trading in Europe. Italian issuers and investors will benefit from a single liquidity pool enabled by a single order book and powered by a single technology platform, Optiq.

This will create a unique gateway to all Euronext equity markets for its more than 1,100 companies with a total market capitalisation of €4.4 trillion in average daily volume of €12 billion. In addition, it will provide the financial ecosystem with visibility, market and cost-efficiency.

Slide 19 shows you in a more graphical way how this proposed combination will scale up Euronext to create the leading equity listing and trading venue in Europe. Together, the combined Group will be positioned in Europe as the largest cash equity trading venue, the first equity capital raising place, the largest pool of listed companies by market capitalisation and the second largest venue for ETF trading.

Moving to slide 20. I would like to conclude on trading activities with a few words on MTS. With the acquisition of Borsa Italiana, Euronext also acquires MTS, the leading European fixed-income trading platform. MTS offers trading in cash bonds and repo, with separate markets for dealer-to-dealer, dealer-to-customer and all-to-all segments. Combined with the leading position of Euronext Dublin in bond listing, MTS will leapfrog Euronext's fixed-income franchise. This transaction will establish Euronext as the leading venue for both bond listing and trading and will significantly diversify the current trading revenue mix of the Group.

Let's move now to post-trade on slide 21 and let's start with clearing. After more than a decade, the acquisition of Borsa Italiana will allow Euronext to fully own and operate a multi asset-class clearinghouse, CC&G. This major step will allow to cover the full post-trade value chain and will open new opportunities, in particular, the possibility to capture larger parts of the trading value chain, to deliver new products and enhance client service. In short, the strategic flexibility of Euronext will increase significantly.

Continuing on post-trade on slide 22, with a focus on custodian settlements, the proposed combination will also mark a significant step forward in our ambition of building the Euronext of CSDs. With the acquisition of Borsa Italiana, Euronext will add Monte Titoli, the Italian CSD, to its post-trade assets, more than doubling its asset under custody and strengthening its network of CSD links across Europe.

Once again, let me try to highlight in a more graphical way the benefit of the combination, and let's move to slide 23. As you can see, Euronext and Borsa Italiana's value proposition are not only synergetic in listing, cash trading and CSD but also complementary in fixed-income trading and clearing. This transaction will allow Euronext to cover the full value chain.

The combined Group will be positioned as the leading one-stop-shop player for market infrastructure services in Europe fully integrated along the value chain.

Moving to slide 24, I would like to highlight that Borsa Italiana and Euronext not only share a common vision for the European capital markets. They also share a common ambition of accelerating transition towards sustainable growth with strong environmental, social and governance culture and products. The combined entity will continue and even deepen both ESG bond franchises, including blue bonds, support ESG-focused indices initiatives and roll out ESG corporate services.

The combined Group will pursue a dual ambition, drive investment in innovative sustainable product and services while inspiring and promoting tangible, sustainable practices.

Let's move now to the next slide to comment on the significant synergy potential identified for the combined Group, slide 25. We expect to extract a total of €60 million of run-rate synergies in year three from the combined Group. Those synergies will consist of €45 million of run-rate cost synergies, primarily resulting from, number one, the roll out of our Optiq trading platform to Borsa Italiana cash and derivative markets. Number two, additional technology synergies through enhanced cooperation between our CSD business. And number three, leveraging combined Group capabilities, processes and systems.

In addition, €15 million of run-rate synergies will arise from the deeper liquidity pool and larger investor base benefitting to the combined cash, ETF trading and listing franchise, the rollout of corporate services in Italy and growth opportunities for market data activities.

These expected synergies will contribute to the continued improvement of the combined EBITDA margin. Lastly, we expect some restructuring costs amounting to €100 million to deliver the synergies.

To conclude my presentation, let's move to slide 26 with the financial structure of the deal. The total cash consideration for 100% of the holding company of Borsa Italiana Group is €4.3 billion, excluding the customary closing adjustments reflecting the capital generation of the company since June'20 to completion. This consideration will be financed through a mix of existing available cash for €0.3 billion, new debt issuance for €1.8 billion through the issuance of long-term debt securities, a private placement with CDP Equity and Intesa Sanpaolo for €0.7 billion to occur at completion of the transaction and the rights offering for €1.7 billion.

I would like to insist on the following. The financing is secured via a fully underwritten bridge loan facility. We do not expect any change in the Group dividend policy following the transaction, and we remain committed to maintain an investment-grade profile expected to be BBB.

Now I hand back the floor to Stéphane Boujnah.

Stéphane Boujnah: Moving to page 28 to walk you through details about the changes in governance that will result from the proposed combination. First of all, the Euronext federal model is perfectly fit, prepared, ready to support such combination and to accommodate the consequential adjustments in the governance, because the Borsa Italiana Group is a natural addition to a federal model.

So within the combined Group, within the existing federal governance, the following will happen. First, CDP Equity and Intesa Sanpaolo, the two Italian cornerstone investors, will join the Euronext reference shareholders. As such, CDP is becoming one of the top three largest shareholders of Euronext will becomea member of the Supervisory Board, that will join the Supervisory Board as a representative of one of the top three largest shareholders.

In addition, an independent member of the Supervisory Board will join the Group. And that gentleman or that lady will become the Chair of the Supervisory Board. But just like any other country within Euronext, Italy will have an independent member at the Supervisory Board. The only new dimension is that that person will join the Group as Chair. So that's for the Supervisory Board.

For the Managing Board, the CEO of Borsa Italiana, like any other CEO of any Euronext country, will join the Managing Board of Euronext, and the CEO of MTS will join, what we call, the Extended Managing Board that gathers in addition to the Managing Board members the leaders of the key functions, central functions – central support functions and the largest businesses of Euronext. So the CEO of MTS will join the Extended Managing Board at Group level as the leader of our fixed-income trading ambition.

From a regulatory perspective, CONSOB, the Italian financial Supervisory Authority will be invited to join the Euronext College of Regulators. So they will continue their job to supervise and oversight – oversee the Borsa Italiana Group, but at the same time, they will be part of the Group level supervision of the combined Group at European level. And as you know, our College of Regulators operate with a rotating chair, so approximately every three years for six months, the supervision of Euronext at Group level will be done from Rome and Milan in the context of the rotating chair just as for the current semester, the Central Bank of Ireland is in charge of the Chair of the College of Regulators.

Moving to the following page, I'd like to detail the timing of the transaction. And I would like to highlight also the significant benefits of this combination for the whole Italian ecosystem.

So on page 30, first it's clear that the Italian issuers will access the largest liquidity pool in Europe. And that will raise their profile to new investors pool across Europe, and they will also benefit for enhanced corporate services through the combination of the strong corporate services developed by Euronext over the past five years with a very profound and deep offer of corporate services developed by Borsa Italiana.

Second, the Italian investors will benefit from increased liquidity across seven national equity markets, gathering over 1,800 issuers. Third, Italian trading members and market makers will access the largest liquidity pool in Europe, enabled by a single order book and then powered by a single state-of-the-art technology platform across all the Euronext market.

Fourth on the following page, thanks to the Euronext federal model, Borsa Italiana will preserve its identity in the combined Group while playing a key role in the future strategy and governance because our model is all about being united in diversity. And from a regulatory perspective concept, as I indicated earlier, CONSOB will continue to supervise Borsa Italiana at the local level, but will have the opportunity to join the Euronext College of Regulators.

Fifth, Borsa Italiana employees will have access to further career development opportunities within the combined Group. I mean, the quality of the talent within Borsa Italiana is amazing, and I'm sure the combined entity would provide them with opportunities to develop within Europe, within the DNA of what focus on Europe is all about; opportunities that for them to grow and develop. And the local expertise, especially in fixed income, in clearing, will be empowered by the local centre of excellence for fixed income and the Group leadership for clearing activities to be developed in Italy.

Lastly, the Italian capital markets ecosystem will benefit from – will have an enhanced representation within the combined Group with, as I said earlier, Italian representatives at every level of the governance of the company so that Italian stakeholders can feel at home when they join Euronext.

Moving to slide 33 for the next steps, please note that this timeline is indicative and but in terms of the next milestone, we are convening an Extraordinary General Meeting on 20th November to approve the proposed transaction, to approve the private placements with CDP Equity and Intesa Sanpaolo and to approve the rights issue.

We expect to complete the regulatory approvals and the competition reviews by the end of Q2 2021 at the latest, when we expect to close the transaction and to complete the private placement and rights offer.

Regarding the closing conditions, the completion of the proposed combination is depending on Euronext and London Stock Exchange Group general meetings to approve the proposed combination; several regulatory approvals in Italy, UK, US, Belgium and France; a declaration of non-objections from the Euronext College of Regulators; anti-trust clearance in Germany and the outcome of the European Commission's review of the London Stock Exchange Group acquisition of Refinitiv and that transaction closing in accordance with its terms.

So lastly, some additional comments on the upcoming Extraordinary General Meeting. The Managing Board and the Supervisory Board of Euronext has unanimously approved the transaction as they consider it to be in the best interests of Euronext, its shareholders and the other stakeholders. And therefore, ask the shareholders vote in favour of the resolutions tabled at the Extraordinary General Meeting.

Also, the reference shareholders of Euronext support the proposed combination and have each signed an irrevocable undertaking to vote in favour of the resolutions tabled at the Extraordinary General Meeting.

Thank you for your attention. You have on page 35, a summary of the key features of the transaction. And Giorgio Modica and myself are now available for your questions.

Questions and Answers

Operator: Thank you. So if you would like to ask a question on today's call, please press star one on your telephone keypad. Please ensure your line is unmuted locally and you will be advised when to ask your question. That was star one on your telephone keypad.

Okay, we do have some questions coming through. Our first question comes in from the line of Mike Werner calling from UBS. Mike, please go ahead.

Mike Werner (UBS): Thank you very much. Congrats on the announcement this morning. Two quick questions. One, with regards to CC&G, the clearinghouse. You indicate that you expect this to be a key pillar of Euronext's enlarged post-trade strategy. Currently, you do utilise LCH as a clearinghouse for your cash equities and your derivative positions. And I know on the derivatives side, you have a contract with them until 2028. You know, is this something where we can see that clearing being migrated in-house to CC&G upon – within a couple of years post this transaction? And I guess more specifically, is there a break clause or a break fee to the LCH clearing contract?

And then second, hopefully, more simple. On the cost side with regards to the synergies, how should we think about the realisation of those synergies over the three-year period? Do you expect them to be front-end loaded, back-end loaded? Do you expect to be end over the three years? Thank you.

Stéphane Boujnah: Okay. On the CC&G situation, we are in agreement with LCH SA and LCH for the clearing of Euronext close until the end of 2027. When this contract was signed in August '17, we indicated that there were active windows possible, but clearly, in the future – the role of CC&G within the combined entity for the Italian market will be reaffirmed, secured and strengthened.

The possibility of migrating flows to CC&G will be something we will analyse in consideration of all the relevant factors, the technology investment that might be required to make that migration possible, the capital requirements that might be imposed by regulators to change the scale and the size of CC&G.

All the implications including nuances that could apply to the various asset classes that are cleared today within LCH SA and within CC&G. So that will be the way we will be approaching that possible evolution in the coming years. And as you have clearly indicated, we have a deadline, which is the end of '27. Clearly, irrespective of this possible migration of flows, I want to insist on the strategic value for Euronext of being in a position if this deal is completed to have within its portfolio a multi-asset sizeable clearinghouse because as you know, it was one of the historical strategic witness of Euronext, which was a legacy of the past beyond the exchange of any decent size without its own integrated clearing capabilities. So this change in terms of strategic assets of the Group is very important.

On the synergies, now we don't comment the details of the synergies and the phasing of the synergies, but I want to indicate and also reiterate that most of the cost synergies will be driven by technology changes driven by the replacement of the existing Millennium IT/LSE technology by the state-of-the-art Optiq Euronext technology that was released in 2019. And that we are confident that we can generate significant revenue synergies by rolling out and scaling at the European level some initiatives that have been developed within some Borsa Italiana products and where there is a clear acceleration factor in joining a Group that has strong operations in France, Portugal, Belgium, Netherlands, Ireland and Norway.

Mike Werner: Excellent. Thank you very much.

Operator: The next question comes in from the line of Haley Tam calling from Credit Suisse. Haley, please go ahead.

Haley Tam (Credit Suisse): Good morning, gentlemen. Thank you very much for the opportunity to ask questions. Can I have two, please? Firstly, just a follow-up on the cost synergies on slide 25. You do say that it's 8% of the combined cost base, but clearly, it's a much larger proportion I think 23% of the Borsa Italiana cost base at the moment. Just to help us think about that, could you perhaps give us some colour on how much of the existing Borsa Italiana cost base is actually technology costs I think it's €200 million cost base at the moment? And second question, hopefully very simple one. Are there any terms at the bridge loan facility that you can share with us in terms of the cost and the duration, etc.? Thank you.

Giorgio Modica: So let me take the question on the cost synergies. Yes, you are absolutely right. A few things that I would like to clarify on synergies. The first one is that as we discussed in the previous question, we believe that we're going potentially to have a strategic advantage out of the ownership of a clearinghouse. However, those advantages – potential benefits are not factored into the numbers that we have shared with you.

The second element that I can share is that, as you know, Euronext is a federal model, where – with a high level of centralisation of function, but on the other side the functions are spread across the different part of the Group, which means that to a certain extent we operate slightly differently. So it's very difficult for us in this very moment to comment where exactly the synergies will come from. However, on the other side, we have an experience and data points that make us comfortable in assessing the synergies at Group level, because this is the way we operate the company.

Then with respect to the bridge facility, we cannot disclose the terms. However, I can share with you a few comments. The first one is that the financial conditions I believe are extremely attractive and the second one is that the bridge will allow us suffbicient flexibility to be able to select the right market moment for the rights issue.

Haley Tam: Thank you.

Operator: The next question comes in from the line of Arnaud Giblat calling from Exane. Arnaud, please go ahead.

Arnaud Giblat (Exane): Yeah. Good morning. I've got three questions, please. Firstly a quick housekeeping question on depreciation and amortisation. I'm just wondering how much

D&A we should be factoring in from this deal. On the balance sheet, we see that there are €1.4 billion of intangible. I'm wondering what the nature of the amortisation is and how we should be thinking about that in terms of reinvestment and need to reinvest in software and other things? That's my first question.

Secondly, my second question is ballpark we get – we're estimating that the return on invested capital from this deal is about 5% in year three. I'm wondering how this fits in with your ambition to do deals with a ROIC greater than WACC over three years?

And thirdly, in terms of the potential for taking clearing revenues from LCH, was there any discussion with LCH, or LSE should I say on the contract you have with LCH? Was that – was the terms of the deal revised or is that left untouched? Thank you.

Stéphane Boujnah: I'll take the last question to tell you that the terms of the deal have not been revised. And I'll let Giorgio comment on the two questions on depreciation and return on capital employed.

Giorgio Modica: So with respect to your first question, I cannot give you the breakdown, because clearly, I cannot disclose information which is not already public on a company that we do not own at the moment. However, as you correctly pointed out, the significant intangibles, which are in the balance sheet of the Borsa Italiana Group are linked to the M&A transaction done in the past.

And you shall assume that this translates into a relevant component within the D&A, which is attached to the amortisation of those intangibles. Unfortunately, I cannot comment more.

With respect to your second question; a few comments. The price has been defined with a multicriteria valuation approach using a cost of capital, which is not dissimilar to the one that you are – the analyst community is using. And the second element that I wanted to highlight is that in the plan we released in October '19, we actually increased the period to reach the target from three to five years having in mind that for transactions like this one which are transformational and provide advantage over a longer period constraining ourself for the three-year period would not have been in line with what is required by today's market.

Arnaud Giblat: Great. And did you say transformational deals that you'd be looking out for seven years? Is that what you said?

Giorgio Modica: No, no, what I said is that we extended the period from –

Arnaud Giblat: Extended the period, okay.

Giorgio Modica: – five years. Because usually transformational deals in order to fully deliver the expected benefits take longer.

Arnaud Giblat: Very clear. Thank you very much.

Operator: The next question comes in from the line of Benjamin Goy calling from Deutsche Bank. Benjamin, please go ahead.

Benjamin Goy (Deutsche Bank): Yes. Hi. Good morning, and two questions please from my side. First, you mentioned 3.4 times net debt EBITDA. And then two years later, below three times. Considering your historically strong cash generation, I was just wondering whether you can give some more colour on debt progression because it looks a bit unambitious at first glance. And then secondly, maybe you can help us think about the Group tax rate how it's going to progress and whether we've basically should add the Italian corporate tax rate to the Group and get some new numbers? Thank you.

Giorgio Modica: So a few elements in this respect. So the 3.4 times is computed on the last 12 months EBITDA of the combined Group as of June 2020, which is close to €800 million, when it comes and clearly reflects the financing mix that we discussed.

When it comes to the deleveraging profile, what we commented is that we will be below three times. And for the moment, this is the level that we would like to communicate, and this is in line with our ambition progression to maintain the investment grade that we will hold. When it comes – sorry, what was your last question, the second one?

Benjamin Goy: Yeah. Maybe you can help us think about the tax rate for the Group going forward?

Giorgio Modica: Absolutely. So today, as you know, the Euronext Group is hovering around 27%, 28%. The historic tax rate in the last three years for the Borsa Italiana Group is around 30%, 31%. So considering that the mix is going to be, roughly speaking, two thirds, one third, this should give you a good approximation of the blended tax rate.

Benjamin Goy: Understood. Thank you.

Operator: The next question comes in from the line of Andrew Coombs calling from Citigroup. Andrew, please go ahead.

Andrew Coombs (Citigroup): Good morning. Three questions from me. Firstly coming back to housekeeping on the numbers. I understand you can't provide detailed financials on a company you don't own yet, but perhaps wording it another way. In the LSE press release, they quoted €200 million PBT number, but that seems to include some intragroup movement. So I think the adjusted numbers will be €182 million for PBT, but perhaps you could just clarify if that's correct?

And then a couple of broader questions. Firstly on credit rating. Any thoughts on what might happen to your credit rating, given the net debt to EBITDA multiple you're moving to and also given the trajectory does this limit the potential for other M&A outside of this deal in the coming two to three years?

And then the final question, return on invested capital. I can see that you don't cite it on anywhere on the presentation. Previously one of the terms you've already set for M&A is to have returns above the weighted average cost of capital. I just want to check if that remains the case, or where do you think the returns here might fall slightly below that? Thank you.

Stéphane Boujnah: So Giorgio will answer your three questions on PBT, on the credit rating and on the ROCE, where we have covered the point to a certain extent in previous replies, but we will focus on your third question as well.

Giorgio Modica: So on the PBT, as you can understand, there are all sorts of elements in between EBITDA, which is the number that we can comment today and the PBT. So I will not get into that discussion because I believe that EBITDA is a parameter that you should focus on in assessing the capacity of the Group to generate income going forward, even though I appreciate it's not easy to do the breakdown of how much of that is going to be intangible and adjusted in the adjusted earnings.

As far as the rating what I can tell you is that, first, the deleveraging profile is going to speed up quickly and you should appreciate that in the first 24 months, we will likely have a number of restructuring costs that we've communicated, as well as some transaction costs. And therefore, clearly, after an initial period, we see the leverage going down significantly and faster than in the previous two years.

But then another element that I would like to highlight is that we believe that we have a buffer to manoeuvre on the current BBB rating. And I believe that if we will be successful in executing the plan, we might see debt improving quickly. So this is the first comment.

When it comes to the question on the return on invested capital, unfortunately, I need to confirm what I just said, but the way we have computed the price is based on a multicriteria valuation, that includes fundamental valuation parameters, which have a market standard cost of capital. Having said that, what I said as well is that our synergies that we announced to the market do not include a number of elements for which we will need to build a better understanding and discussion with the different counterparts, clients, the Italian ecosystem and LSE to see what is the best strategy.

So what I can say is that we see a strategic potential over and above the number that we share with you. And the very last comment again is the bigger and the more transformational is the deal, the longer timeframe it takes to deploy its full potential, and therefore we are confident that the price that was paid is – will allow for value creation.

Andrew Coombs: Thank you.

Operator: The next question comes in from the line of Gurjit Kambo calling from JP Morgan. Please go ahead.

Gurjit Kambo (JP Morgan): Hi. Good morning. Just on the pricing. How should we think about the sort of pricing in Italy versus the other markets of Euronext? And do you see there's a need to normalise pricing across the different markets sort of using a single liquidity pool? So that's the first question.

And then the second one, just on owning a multi-asset clearinghouse now. What sort of opportunities will open up for Euronext you know, perhaps when you pull up development? Thank you.

Stéphane Boujnah: We don't comment on the pricing. And on clearing, I think I made the point a few minutes ago, our ambitions to secure the future of CC&G as a clearinghouse of the Italian market is confirmed and reiterated; our thinking our plans to consider possible migration of flows – of European flows for clearing to CC&G will depend on the assessment of various factors; the technology, capital requirements, the diversity of the asset classes that are currently being cleared with LCH SA and the terms of the existing contractual agreements.

One thing must be clear to all of you, which is that there is no computation of synergies. There is no factoring at this stage of any clearing synergy.

Gurjit Kambo: Okay. And then just on the liquidity pools. If you've got one single liquidity pool running, you know, I guess, the back-end, the pricing on the front-end can be different. Is that correct?

Giorgio Modica: I mean, let me take that one. So one of the key features of our market is clearly the ambition to provide local clients the possibility to be competitive in global markets. And therefore, as you know, our price is segmented and takes into consideration the needs of local markets. So clearly, we do not have specific pricing for specific clients because our price is offered to everyone. However, our segmentation of pricing takes into consideration the needs of local intermediaries.

Gurjit Kambo: Yeah. That's great. Thank you.

Operator: The next question comes in from the line of Martin Price calling from Jefferies. Martin, please go ahead.

Martin Price (Jefferies): Good morning. Just a quick question on MTS. Probably a slightly unfair statement, but it seems like MTS is a business that perhaps hasn't achieved its full potential in recent years. I'd be just interested in your assessment of what you perceive to be its key strengths and weaknesses, and how you think you can accelerate growth within that business? Thank you.

Stéphane Boujnah: Well, I must say that I'm really impressed by what MTS has achieved. It is – it was initiated as a quasi-start-up, which was an agency put in place to secure the liquidity of Italian sovereign bonds. It has transformed into a full-fledged growing business that, A, has diversified its products to multiple sets of investors, retail, institutional and others, multiple products, multiple assets traded on the platform with the other OECD govies now being traded in on MTS. And assets that are also – and sorry, and the strategy to penetrate other European markets in a very dynamic approach.

So one of the things we will do together with them is to accelerate the deployment of their strategy to become more relevant in other European govies. And I'm extremely confident that they can do that because they have been very successful so far and they have found the right recipe to be relevant for the trading of govies, in particular, in an environment if where there is a consensus that either there is an asset class that is going to grow materially in the coming years, this is the world of govies.

I mean, everyone is commenting about monetary stimulus and fiscal stimulus, but fiscal stimulus means more govies. And I think they are ideally positioned in Europe to benefit from the massive inflow of govies. So I'm positive, I would characterise what they have achieved so far as being impressive, but where I agree with you is that there is more upside both within Euronext and also to capture what other people call sometimes in the calls secular growth.

I do not know what the secular adjective means, but I know that there is an opportunity for the coming years in the govies world and that MTS is one of the few platforms that is extremely well-positioned to capture those developments.

Martin Price: Very helpful. Thanks, Stéphane.

Operator: The next question comes in from the line of Bruce Hamilton calling from Morgan Stanley. Bruce, please go ahead.

Bruce Hamilton (Morgan Stanley): Hi there. Morning guys. Most of the questions have been asked really, but I guess just one. On the Borsa Italiana before sort of improvements, where would you see sort of revenue growth versus the 2% to 3% that you currently sort of target as organic growth for the Group? And then kind of so – and then looking beyond the €15 million of revenue synergies where you've talked about some strategic benefits that you simply accrue that aren't bedded into what you've given us is that again mainly on the revenue side, or is there also an opportunity on cost? Clearly, you've got a history of overdelivering on cost synergies in previous deals. So should we see strategic benefits on both cost and revenue side, or is it more revenues? Thanks.

Giorgio Modica: Yeah. So when it comes to the – sorry, what was the first question?

Stéphane Boujnah: Okay. Let me take it. On the synergy side, the situation will be as follows. We are releasing a set of synergy numbers that are – you may describe them as conservative. They are synergies that we have documented both on the cost side and on the revenue side. And as Giorgio said a few minutes ago, on the cost side, those synergies are the transaction synergies, but they will be extracted both from the Italian operations and from the rest of the Group.

And on the revenue side, they are synergies that are based on documented projects and that do not factor some other possibility of generating incremental revenues, including the potential clearing revenue-creating synergies that can be very material.

Giorgio Modica: So on the – on your first question, the 2%, 3% growth rate, what I can comment is a factual data, which in the last – throughout the cycle type of growth for Borsa Italiana was in the mid-single-digit range. And again, clearly, should we apply a similar growth rate in the future, but we are not disclosing a growth rate target. So for the past, it was a mid-single-digit growth. And on top of that, we will need to add the synergies that – as Stéphane commented. What we have presented so far are the things that are only related to the, let's call it, single liquidity pool and cross-selling the more structural integration involving the IT and clearing are not included in that number.

Bruce Hamilton: Thank you.

Operator: Thank you. We have currently no further questions coming in the queue.

Apologies, we have no further questions coming through. So as a final reminder, if you would like to ask a question, please press star one on your telephone keypad now. Okay. And we have no further questions coming through. So I shall turn the call back across to yourself Stéphane for any closing remarks.

Stéphane Boujnah: Thank you very much for your time. Have a good day and happy to continue this dialogue with all of you on this deal that is really transformational for the future of Euronext, and that will definitely change the profile of the revenue mix and the strategic outlook of the company. So thanks a lot for your time this morning.

Operator: Thank you for joining today's call. You may now disconnect your handsets. Hosts, please stay connected and await further instruction.

[END OF TRANSCRIPT]