



Euronext educational session

Cash equity trading

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Thursday 13 October 2022

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Q & A



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AGENDA

EURONEXT



Euronext business model

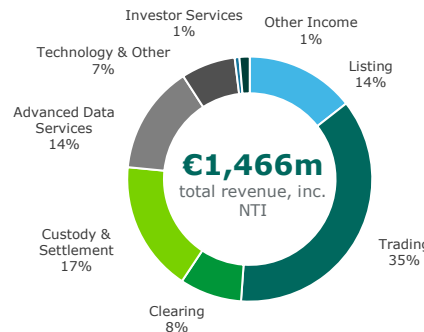
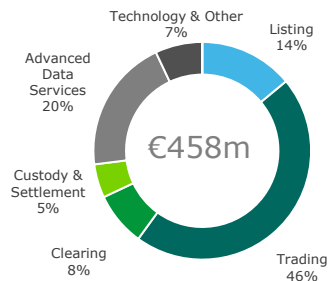


Diversified and improved revenue profile

2014 revenue

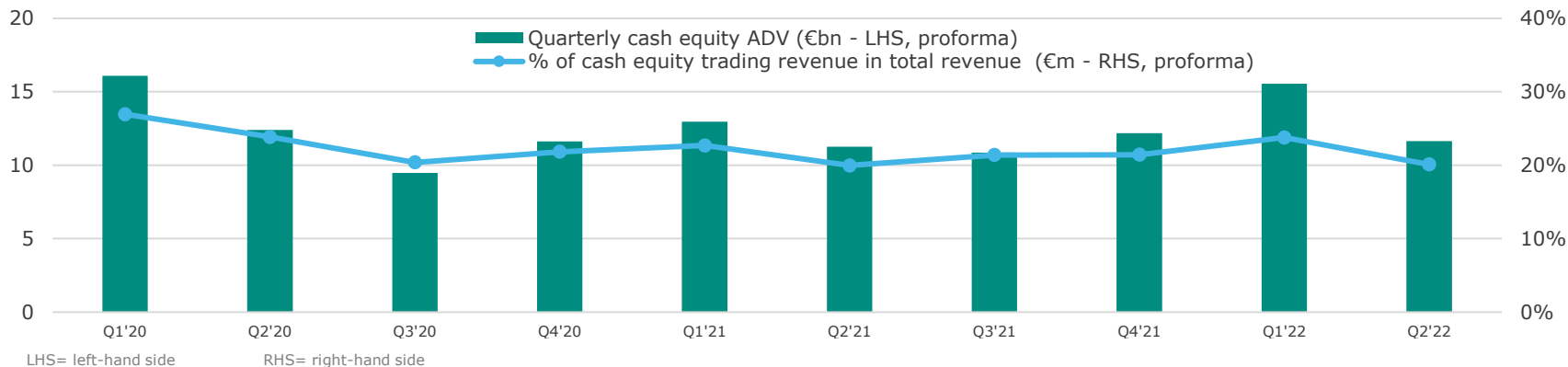
2021 pro forma revenue and income

Non-volume related revenue
~44%



Non-volume related revenue
55%

- Cash equity trading 21%
- Fixed income trading 7%
- Derivatives trading 4%
- FX 2%
- Power trading 2%



Euronext: an operating model, highly scalable and well positioned to capture value even in a challenging environment

Activities with no correlation to trading volumes nor equity market levels

Advanced Data Services

Corporate Services

Investor Services

Euronext Technology Solutions

Net treasury income

Activities not correlated to equity trading volumes

Derivatives trading

Derivative clearing, exc. NTI⁽¹⁾

Fixed income trading

FX trading

Power trading

Equity listing

Equity admission fees deferred (IFRS 15)

Debt, ETFs and funds listing

Activities correlated to equity market levels

Equity Listing

Annual fees → Capped, price increased in 2022

Euronext Securities

Assets under custody → c. 2/3 of assets under custody are fixed income securities, with fees based on nominal value

Cash equity trading dynamics



Drivers of Euronext cash trading business

Cash trading revenue

=

Volumes

×

Market share
vs. MTFs

×

Yield



€17.3bn

average daily traded volumes on European markets where Euronext operates in Q2 2022



67.1%

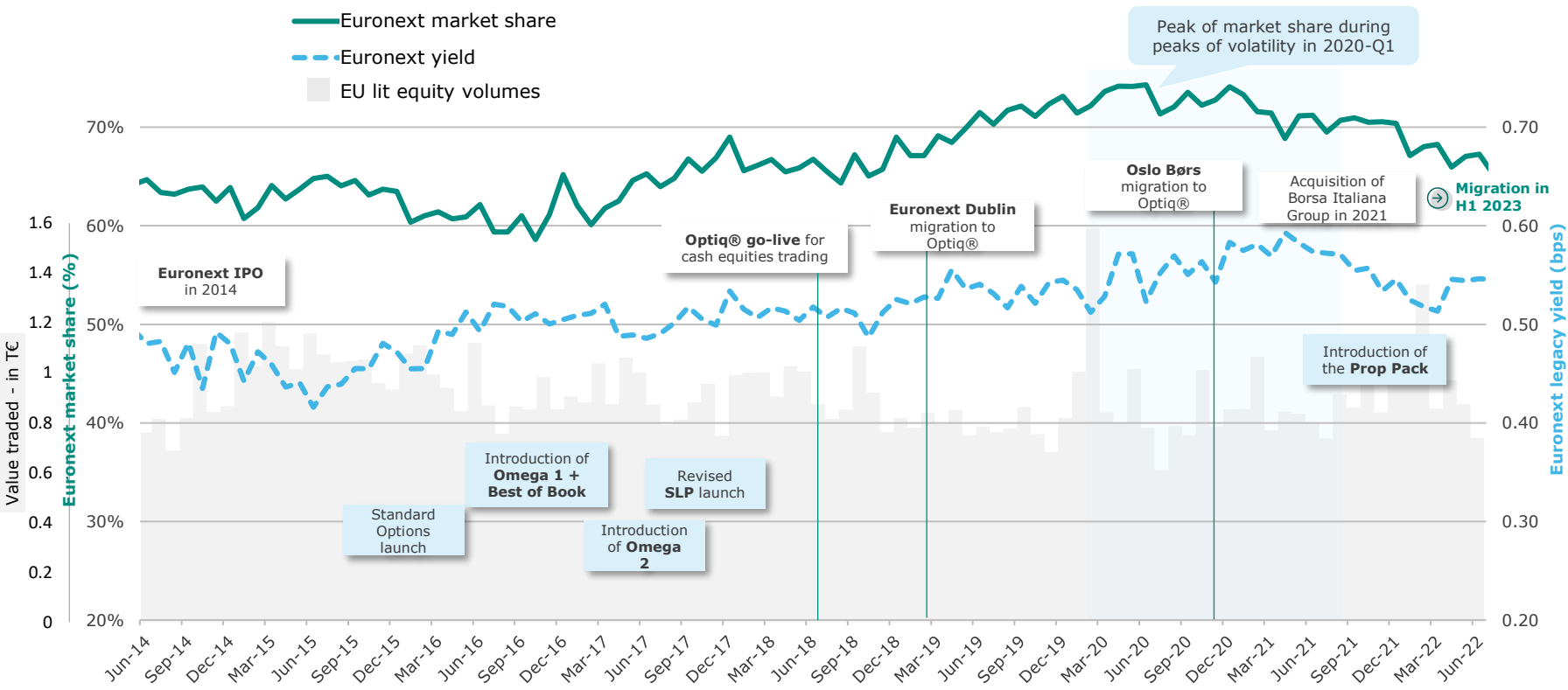
average market share on cash trading over Q2 2022



0.51bps

average cash trading yield over Q2 2022 (including Borsa Italiana dilutive impact)

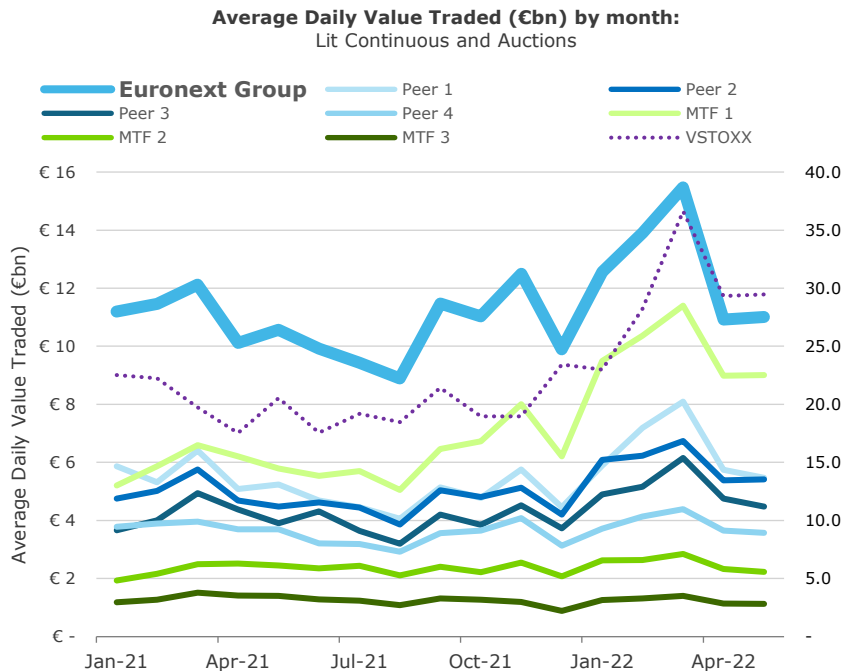
Cash trading market share and revenue capture



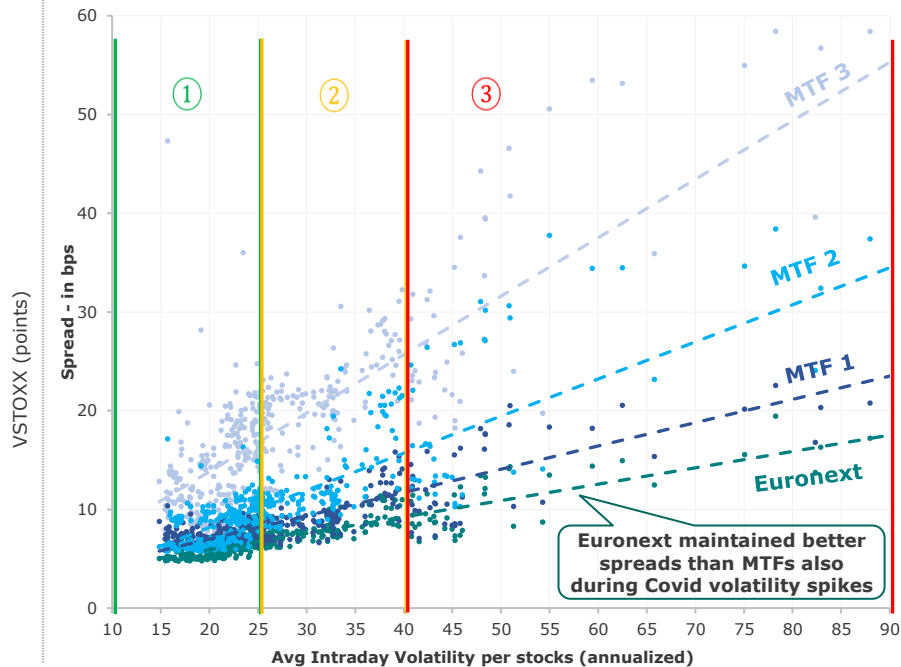
| Note: Market share values refer to continuous and auctions combined vs. MTFs. Historical values are indicative as taken from different data providers and referring to different perimeter. Sources: TAG until Dec-2018 including Amsterdam, Brussels, Lisbon, Paris; LiquidMetrics from Jan-2019 adding Dublin and Oslo; QuantHouse from Jan-2020 adding Milan. Yield refers to Euronext Legacy and equities only
 | Source for EU lit equity volumes: FESE Statistics

Euronext as a safe haven during volatile times

During recent volatility in 2022, primary exchanges captured **relatively more volumes**



Euronext displayed **superior market quality** than MTFs also back in 2020-2021 volatility

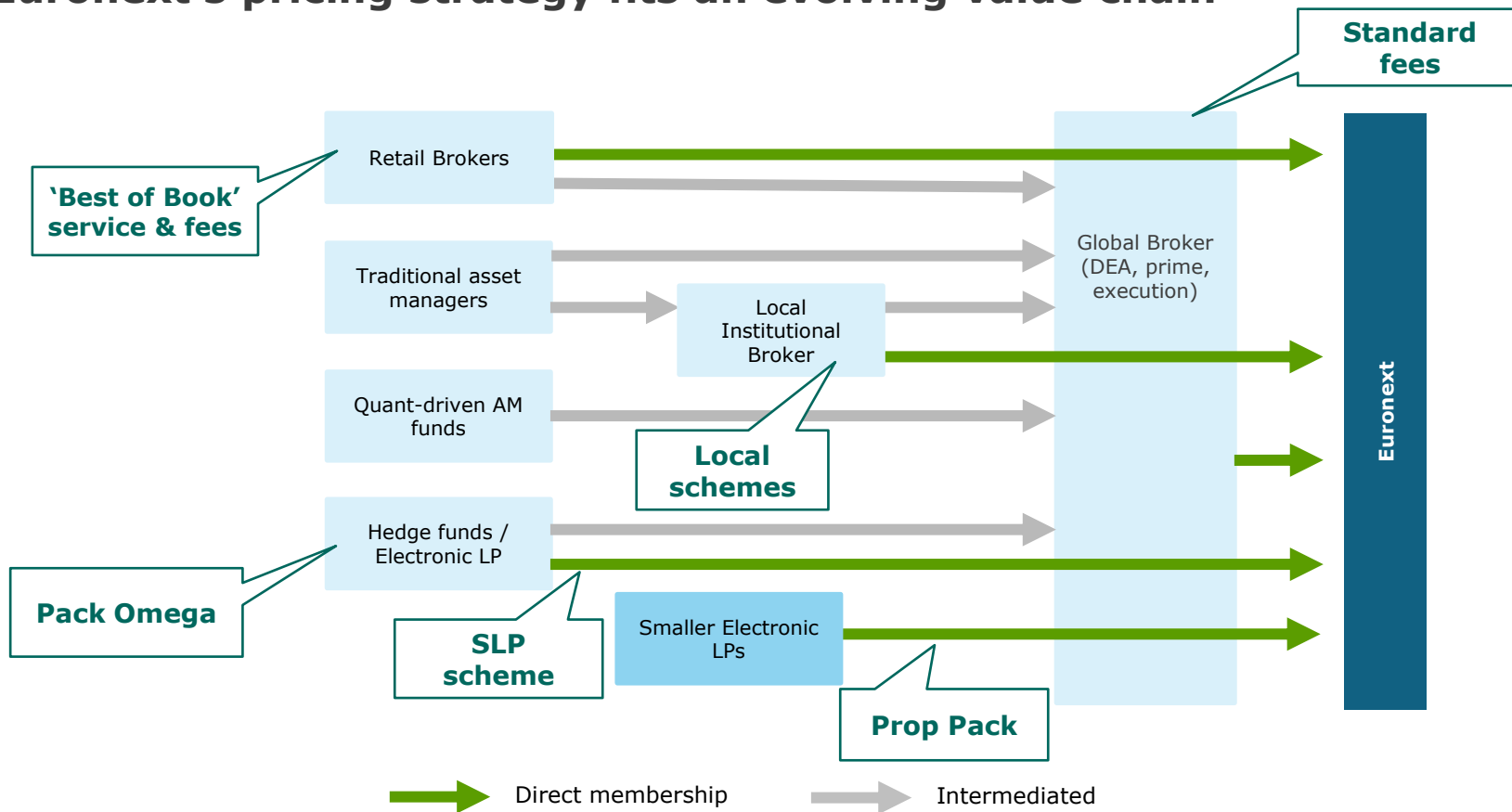


Source: (left) QuantHouse and external websites; Source (right) Euronext market quality analysis based on BMLL Data in 2020-2021, then updated in Q1-2022
 "Peer" refers to other major regulated exchange operators in Europe
 "MTF" refers to multilateral trading facilities in Europe

Euronext has a very efficient segmentation pricing strategy designed for a diversified mix of market participants

Market participant	Fee scheme	Target segment
Global Brokers	Option 1 & 2	Global intermediaries
Local Brokers	Local Fee Champion	Institutional flow from regional banks and brokers
	Best of Book	Retail flow
eLP and quant funds	SLP	Market makers: direct member « eLP » clients
	Omega	Non members: large hedge funds behind global brokers
	Prop Pack	Direct members: proprietary trading firms

Euronext's pricing strategy fits an evolving value chain



SLP scheme is key to market quality

Continuity of liquidity

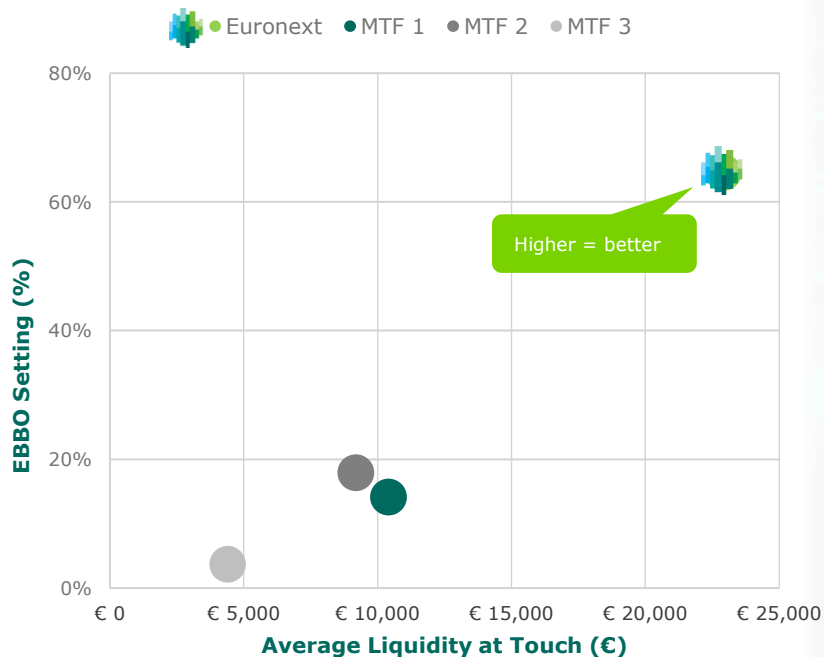
Quality of liquidity

Presence translates into volumes

Tier	Presence Time	Avg Size	BBO Presence	BBO Setting	BBO Setting Lifetime	Maker Market Share	Total Market Share
1	≥ 95%	≥ €5000	≥ 20%	≥ 10%	≥ 20s	≥ 1.5%	≥ 5.0%
2				≥ 5%		≥ 1.2%	≥ 3.5%
3				≥ 0%		≥ 1.0%	≥ 2.0%

Euronext is the point of price formation on its scope

Euronext displays higher **Liquidity at Touch** and higher **EBBO Setting %**



Euronext offers optimum total cost to the end client



Demonstrating best execution



**EURONEXT
QUANTITATIVE RESEARCH**

Better passive posting across Lit venues based on quantitative analysis of Markouts

17 February 2022

Price reversion has become an essential topic for traders seeking to improve their allocation across venues. In this paper, based on public market data using 0.9 million trades, we address specifically three key questions related to Markouts and venue selection.

We first evidence that Markouts increase almost linearly with spreads, and that their main driver is the aggressive trade size expressed as a proportion of the available consolidated liquidity (see Figure 5 p11).

Then, we exhibit that Markouts +1s after an aggressive buy trade at the European Best Offer are +0.4 bps larger for Turquoise and +0.6 bps larger for Cboe Europe compared to Euronext (see Figure 21 p22).

Lastly we show in the same manner that Markouts +100s after an aggressive buy trade at the European Best Offer are +0.4 bps larger for Turquoise and +0.8 bps larger for Cboe Europe compared to Euronext (see Figure 24 p24).

We believe that, for the benefit of investors, better Markouts on Euronext should be reflected in overall passive trade allocations.

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From Better Markouts to Better Passive Execution Prices on Primary Markets compared to MTFs

6 October 2022

In this note we show that the timing of passive trades is directly connected to overall passive execution prices, thereby connecting Markouts and passive execution prices.

We first evidence that the average passive selling price on Euronext is +0.60 bps higher than on Cboe, and +0.56 bps higher than on Turquoise (see Figure 4, p10).

We also show that unfavourable market timing for a passive trade is more likely (+6%) on Cboe and on Turquoise than when considering all venues together. Further, we evidence that favourable market timing is less frequent (-4%) on Cboe and on Turquoise than when considering all venues (see Figure 7, p13).


We recommend that the favourable price improvements seen for passive trading on Primary Markets should be taken into account explicitly by Smart Order Routers.

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**EURONEXT QUANTITATIVE
RESEARCH REPORT**

No free lunch as trading on Equiduct's "Apex" turns out to be more costly than on Euronext's "Best of Book"

13 October 2020

- We have considered all Apex and BoB trades from December 2019 to April 2020 on the same stock universe with similar characteristics, thus regrouping 2.3 million trades on Equiduct and 3.6 million Euronext trades. We then computed the net price improvement on each of these trades using QuantHouse European Best Bid Offer computed at the same microsecond.
- Overall, we found that BoB improvements, net of fees, are outperforming Apex improvements by +1.36 bps using simple averages, and by +2.47 bps when using turnover weighted averages. This clearly demonstrates that the Euronext BoB model outperforms the Equiduct Apex zero fee model (see Figure 7).
- As Apex's reference price model does not enable market makers to improve prices, as in the case for BoB, relative net improvement of BoB versus Apex strongly increases as spreads widen. On spreads larger than 10 bps, BoB's improved quotes outperform the EBBO in 40% of cases (see Figure 12).

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Q & A



Q&A - Speakers



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