Q3 2023 Results

Thursday, 9th November 2023

Transcript produced by Global Lingo
London – 020 7870 7100
www.global-lingo.com

Euronext – Q3 2023 Results

Operator: Hello and welcome to the Euronext third quarter 2023 results. My name is Caroline, and I'll be a coordinator for today's event. Please note, this call is being recorded and for the duration of the call your lines will be on listen-only mode. However, you'll have an 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 questions. If you require assistance at any point, please press star zero and you'll be connected to an operator. I will now hand over the call to your host Stephane Boujnah, Euronext CEO and Chairman Managing Board, Giorgio Modica, Euronext CFO, to begin today's conference. Thank you.

Stephane Boujnah: Good morning everyone and thank you for joining us this morning for the Euronext Third Quarter 2023 Results Conference Call and Webcast. I am Stephane Boujnah, CEO and Chairman of the Managing Board of Euronext, and I will start with the highlights of the third quarter. Giorgio Modica, Euronext CFO, will then further develop the main business and financial highlights of the quarter.

Starting with slide number four, Euronext reported a strong quarter, driven by organic growth in non-volume-related businesses and continued cost discipline. Underlying revenue and income reached €360.2 million, up +2.8% compared Q3 2022 and up +4.1% at constant currencies rate. On a reported basis, revenue was up +19.5% reflecting the positive comparison base linked to the non-underlying loss reported in net treasury income last year in Q3. This robust performance this quarter was notably enabled by continued organic growth from our non-volume-related businesses and these non-volume-related businesses represent now 60% of our total revenue and obviously, the other contributor has been the double-digit growth in fixed income and in power trading. This more than offset the negative currency impacts from the depreciation of the Norwegian kroner against the euro, as well as lower equity and derivative-related activities.

Our revenue was also negatively impacted by the recognition of a small credit note that was not predictable and that explains most of the small delta with market expectations this quarter.

Our underlying operating expenses excluding D&A this quarter were at €146.5 million, down -2.6% compared to Q3 2022. This strong cost performance despite inflation results from continued cost discipline and positive foreign exchange rate impact. Considering the current foreign exchange rate of the Norwegian kroner, we expect the full-year positive impact in 2023 of €12 million from the Norwegian kroner depreciation on our cost base. We therefore expect underlying costs excluding D&A for the full year to be lower than the original guidance of €630 million given in February 2023 because the Norwegian kroner remained depreciated compared to last year.

In this context, adjusted EBITDA in Q3 2023 reached €213.7 million, up +6.9% compared to the adjusted EBITDA of Q3 2022. Our adjusted EBITDA margin reached 59.3%, up +2.3 points compared to Q3 2022. I would like to highlight that the high-interest rate environment enabled us for the first time to generate positive finance income, meaning we earn more from all cash deposit than we pay as interest for our debt.

Reported net income was at €166.5 million, more than doubling year-on-year. This achievement reflects our good operating performance together with the €41.6 million capital gain received this quarter following the disposal of Euronext 11.1% stake in LCH SA, as well as the positive comparison base linked to the one-off loss reported under net treasury income last year in Q3. Adjusted for these two one-off impacts, negative one last year, positive one this year, Euronext's profit grew by +13.2% to €146.5 million. This translated into an adjusted earning per share at €1.38, up +13.7%. On a reported basis, the EPS more than doubled year-on-year to €1.57.

Lastly, net debt to adjusted EBITDA reached 2x at the end of Q3 2023 and our cash flow conversion reached 100.7%. As you can see, our financial health, our balance sheet position, our liquidity position, our cash generation are very good. From a business perspective, this quarter we strengthened our position as the leading cash trading and leasing venue in Europe. Cash trading market share grew to 66.5% on average and revenue capture reached 0.54 bps, well above the two floors we committed to deliver at the beginning of the year on those two metrics.

On the listing sites, we attracted on our market 72% of new European listings this quarter with 23 new listings in Q3, bringing the total number of listings year-to-date to 51 listings – well ahead of our peers in Europe. Notably, the US beauty company Coty, dual-listed on Euronext Paris to expand its exposure to European investors. On the ESG front, we also continue to innovate with the launch of My ESG Profile. We are the first exchange that makes individual ESG data of our issuers available on our Euronext website in a standardised format, uniting more than 60,000 ESG data points from 1,900 listed companies. We also confirm our global leadership in bond listing and in ESG bond listings in Europe.

Moving now to slide five, over the past weeks we successfully delivered several key milestones of our 'Growth for Impact 2024' strategic plan, and we are now well on track to deliver at the end of 2023 our intermediate target of €70 million of cumulative run-rate synergies in relation to the acquisition of Borsa Italiana Group. This is already more than the initial targeted amount of €60 million of synergies that we contemplated in April '21 for the end of '24. We initially contemplated €60 million by the end of '24, and we are going to deliver €70 million by the end of '23.

At the end of Q3 2023, we have delivered €47.6 million of cumulated run-rate annual EBITDA synergies, and we have incurred €95.1 million of cumulated implementation cost since the acquisition of the Borsa Italiana Group in line with our plan. Since September, all Euronext cash markets are operated on a single technology trading platform, Optiq. The completion of these migrations allowed for the decommissioning of the third-party provider that was supplying the technology for Borsa Italiana and will generate related cost synergies as from Q4 2023.

The third and final phase of the trading platform migration is for derivative instruments and is planned for the first quarter of 2024. We have also marked the first step in the expansion of Euronext Clearing to all Euronext markets. Since Monday this week, Euronext Clearing is positioned as the default CCP for Euronext Brussels cash markets and the other Euronext markets will follow later this month as planned, delivering additional revenue synergies this year. We paved the way for the expansion of Euronext Clearing for the clearing of derivatives on all Euronext markets, which will be completed in Q3 2024 and this migration will contribute meaningfully to the targeted €115 million of cumulative run-rate EBITDA synergies that we committed to deliver by the end of '24. All in all, we are very well on track for the delivery of the €115 million of cumulative run-rate annual synergies by the end of '24. The large part of the remaining synergies will be delivered through the expansion of Euronext Clearing for derivative markets in Q3 '24.

I'm glad to announce that the European Union has appointed MTS as a recognised interdealer platform for the implementation of electronic market making on EU issued debt instruments. You may know that the European Union next-gen programme is issuing approximately €750 billion of new sovereign debt instruments. So the fact that MTS is now a recognised interdealer platform for the implementation of electronic market making for these instruments is a successful result of our cross-selling efforts since the integration of MTS within Euronext two years ago. This is another very tangible evidence of the revenue generation created by the integration of MTS within the European project of Euronext.

Early November, we have launched very successfully this new market where traded volumes and dealer participation have been very dynamic and already these EU programmes represent the third-largest volumes on MTS after Italy and Spain.

I now hand over to Giorgio Modica for the review of our third quarter 2023 performance.

Giorgio Modica: Thank you, Stephane, and good morning, everyone. Let's now have a look at the performance of this third quarter of 2023. I'm now on slide seven.

As already mentioned, total revenue this quarter reached €360.2 million. This is up +19.5% compared to last year's reported revenue, +2.8% compared to last year's underlying revenue, and +4.1% like-for-like. 60% of our revenue is non-volume-related, highlighting the success of our diversification strategy. Our diversified business model delivered a solid quarter, driven by organic growth in our non-volume-related businesses and by double-digit trading revenue growth in fixed income and power trading. I will come back to that in a minute. In addition, transitional revenue was negatively impacted by a non-recurring credit note.

Turning now to the next slide, slide eight, I will now start with the financial review of our non-volume-related activities, which continued to drive growth also this quarter. Technology Solutions reported €27.4 million of revenues, up +5.5%, thanks to the continued benefit from the internalisation of our collocation services. Advanced Data Services reached €55.5 million of revenue, up +4.7%, driven by the growth in our market data as well as the continuous strong performance of the data solution business. As a reminder, Q3 always sees a seasonal softer summer period for non-professional users. Investor Services reported €3 million in revenue in the third quarter of 2023, representing a +20.4% increase compared to the same quarter last year. This results from the continued commercial expansion of the franchise across the largest global investment manager.

Slide nine, listing revenue was €54.6 million, up +3.4% like-for-like, reflecting a resilient quarter for listing and follow-on activities and the continued strong growth of our corporate service SaaS offering. Reported revenue was up +1.1%, reflecting the impact of the weak NOK on our Norwegian activities. Euronext demonstrated once again its leadership position in listing in Europe, recording 72% of the new European equity listing this quarter with 23 listings in the third quarter and this brings the total year-to-date listing at 54. On the debt side, we reached for the first time over 54,000 bonds listed on our market, while we also strengthened our leadership position in ESG bond listing as well as our global position for debt listing.

Euronext Corporate Services continued to deliver a solid performance with revenue growing to €10.6 million this quarter, up +12.5% compared to the third quarter of 2022, resulting from a strong performance of the SaaS offering. Lastly, we continue to innovate with the launch of My ESG Profile as Stephane highlighted earlier, and we are the first exchange to provide such data.

Moving now to trading on slide ten. As I mentioned earlier, Euronext trading revenue was €118.3 million, benefiting from Euronext diversified trading activity. Cash trading revenue was €64.4 million, down -4.4% year-on-year, reflecting a low volatility environment for equity trading. In this challenging environment, we confirm our strong value proposition and competitive position in cash trading. Cash revenue capture average 0.54 basis point, despite the average order size still at a very high level. This is above the targeted floor of 0.52 basis points and demonstrates the benefits from the integration of Borsa Italiana cash equity markets to Optiq.

Cash equity market share averaged 66.5% this quarter, yet again above the floor of 63%. Derivative trading revenue decreased -3.9% to €13.4 million this quarter due to lower financial derivatives volumes with ADV down -2.0%, partially offset by the stronger performance of commodity derivatives with volumes up +14.7% versus last year. Average revenue capture on derivative trading was €0.34 per lot. Lastly, FX trading reported €6.4 million of revenue this quarter, down -11.4% despite higher traded volumes, and this is the result as well of the US depreciation and an unfavourable mix of volumes.

Continuing with our trading activity on slide 11, fixed income trading revenue grew +18.7% to €25.4 million this quarter, reflecting the strong performance of MTS Cash, MTS Repo and the increased traction of Euronext fixed income retail franchise. Our fixed income franchise continued to be supported by the favourable interest rate environment and good market volatility. For the third quarter of 2023, MTS Cash recorded €21.3 billion of average daily volume. This is +38.1% and MTS Repo recorded €410.2 billion of term-adjusted ADV. As Stephane has highlighted, MTS has been nominated by the EU as a recognised interdealer platform for the implementation of electronic market making on EU issued debt instruments. We launched that market on the first November this year.

Our power trading revenue grew to €8.6 million this quarter. This is up +10.0% compared to the same quarter last year, driven by the very strong intraday volumes and improved revenue capture partially offset by lower day-ahead volumes and also impacted by the NOK depreciation as we discussed.

I would like to conclude the business review on slide 12 with our post trade activities. Clearing revenue was up +1.6% to €29.5 million this quarter, benefiting from the stronger bond and commodity clearing activity, compensating the softer equity clearing environment. Non-volume-related clearing revenue accounted for €8 million of the total clearing revenue this quarter. The net treasury income reached €13.7 million this quarter, compared to a negative -€38.1 million last year. I remind you that last year in the third quarter 2022, we proceeded with a partial disposal of Euronext Clearing investment portfolio which led to a non-underlying loss of €49 million recorded in NTI.

As Stephane announced, at the end of October, Euronext Clearing introduced the new VAR-based margin methodology for equity, ETF and financial derivative markets which creates efficiency for our clearing members. This mechanically decreases the default fund contribution.

Consequently, during the next three quarter until the expansion of our CCP to Euronext-listed derivatives, we expect NTI to be, for a short period of time, slightly lower than the current level at circa €12 million per quarter should the market condition remain the same. From the completion of the existing expansion of Euronext Clearing in the third quarter of 2024 onwards, the NTI is expected to increase back again, thanks to the addition of the listed derivative flows. Just to be clear, we expect that in the fiscal year 2024 the NTI will be higher than the NTI in the fiscal year 2023. Again, should everything remain the same, so the drop is expected to be temporary.

Lastly, revenue from custody settlement and other posted activity was €58.9 million. This is a +6.5% increase like-for-like reflecting the increased revenue capture, new services and higher asset under custody partially offset by slightly lower settlement activity. As a reminder, Q3 is usually impacted by seasonality in a negative fashion. On a reported basis, revenue increased +3.1%, again impacted by the NOK.

Moving on, and I'm now on slide 14, with the financial review for the quarter, starting with the EBITDA bridge. Euronext adjusted EBITDA for the quarter was up +6.9% to €213.7 million, resulting from higher revenue in our non-volume-related activities combined with the continued cost discipline and the positive foreign exchange rate impact on expenses. This translated into an adjusted EBITDA margin of 59.3%. Considering the current foreign exchange rate of the NOK, we also expect a full year positive impact of €12 million on our cost base from the NOK depreciation. Consequently, Euronext expects its underlying cost excluding D&A, to be lower than its current 2023 cost guidance at €630 million. Non-underlying costs for the quarter were €7.1 million, primarily in relation to the ongoing work related to the clearing expansion, the Optiq migration and in general, the Borsa Italiana integration.

Moving now to net income on slide 15, adjusted net income this quarter is strongly up at €146.5 million, resulting notably from the higher net financing income resulting for the higher interest rate income from cash and cash equivalents. As Stephane highlighted, this is the first time we are earning more from our cash deposits than we pay at interest for our debt. Then we have a materially higher result from equity investment and this reflects the €41.6 million capital gain arising from the disposal, our stake in LCH SA and the dividend received from Euroclear. Lastly, income tax for the third quarter 2023 was €48.4 million. This translated into an effective tax rate of 22% for the quarter. As a result, reported net income more than doubled, as Stephane again highlighted earlier, to €166.5 million. Adjusted EPS basic was up +13.7% at €1.38 per share.

To conclude with cash flow generation and leverage, as you can see, our balance sheet position is very solid as well as our cash flow generation. In the third quarter this year, Euronext reported a net cash flow from operating activity of €174.5 million compared to €318.1 million the same quarter last year, reflecting lower change in working capital. Excluding the impact on working capital from Euronext Clearing and Nord Pool CCP activities, net cash flow from operation accounted for 100.7% of EBITDA in the third quarter this year. Net debt to adjusted EBITDA was just at 2.0x at the end of the quarter and 2.2x on reported EBITDA.

With this, this concludes my presentation, and I would like to give back the floor to Stephane.

Stephane Boujnah: Thank you, Giorgio. As you understand, overall, this quarter demonstrated the robustness of our diversified model, and we have strong confidence in our growth prospects and capacity to control cost over the next months. Second, for 2023, costs are expected to be lower than our initial guidance resulting from the positive impact of the Norwegian kroner depreciation. And third, in the next quarters, we will deliver two major milestones of our 'Growth for Impact 2024' project plan, which will contribute very significantly to the €115 million synergies that we will achieve by the end of '24. Euronext will have by the end of '24 meaningful presence on the entire capital market value chain, ideally positioned now to generate further organic growth throughout this integrated value chain.

Thank you for your attention, and I'm happy with Giorgio and a few other colleagues to take your questions now.

Questions and Answers

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take the first question from line Kyle Voigt from KBW. The line is open now. Please go ahead.

Kyle Voigt (KBW): Hi, good morning. Maybe two questions for me. First, just in terms of the equities clearing rollout in the fourth quarter, Should we consider the run-rate revenue from that to be approximately equal to the difference between the promised run-rate synergies by year-end and the €48 million already delivered ? Roughly speaking, is there an implied €20-25 million of run-rate revenues from equity clearing, and what factors could potentially contribute to an upside to that figure ? And then second question is on expenses. Just if we annualise the first nine months of the year, we derive at something like just over €600 million of expenses for the full year. So, I guess, is that the right way to think about full-year expenses at this point, or will there be elevated expenses in 4Q specifically around the clearing migration or other investments? Thank you.

Stephane Boujnah: Giorgio is going to address the two questions, the first one on synergies and the second one on expenses.

Giorgio Modica: Yeah, so let me start with the first one on run-rate synergies. One element, so just a reminder, out of the €115 million, €45 million of synergies are going to come from the migration of clearing. We did not provide a split. What I can confirm now is that most of the gap between the synergies reached so far, the €48 million and the €70 million target by the end of the year, is going to be represented by the run-rate synergies on the equity clearing. But this is not going to be the only component because we are expecting to keep reducing cost as a result of additional steps in the integration of Borsa Italiana. So short version of the answer is that most part of the gap is going to be the run-rate synergies on equity cleaning, but not all of that. And in terms of potential upside, the potential upside to that is delivering more synergies, and we will try to do that as we do every quarter.

When it comes to your second question, here we wanted to highlight one very factual element that is that Euronext has around NOK €1 billion expenses in our P&L and this translates into we expect to translate into saving related to currency of around €12 million, which will mechanically reduce our expenses for the year, as we said. So we expect to have reported cost for the end of the year lower than the €630 million. This is the guidance that we wish to share so far. Clearly in the fourth quarter, it is going to be a project quarter. So not necessarily the expenses are going to be in line with previous quarters. And I want to highlight as well that usually – and you can look at previous quarters, there is a seasonal component where the third quarter has lower costs. So, on average, we have a fourth quarter cost above the level of the third quarter.

So again, to sum it all up, this is the guidance we gave to the market. As always, we will try to be as efficient as possible on cost for the first fourth quarter as well. But again, it would not be correct to extrapolate from the previous three quarter the exact cost for the fourth quarter.

Kyle Voigt: Great. Thank you.

Operator: Thank you. We will take the next question from line Hubert Lam from Bank of America. The line is up now. Please go ahead.

Hubert Lam (Bank of America Merrill Lynch): Hi, good morning. Thank you for taking my questions. I've got two of them. Firstly, in the revenue capture went up to 0.54 basis points. Can you talk about the outlook for this going forward, and also the impact from the higher revenue yield on market share? It seems that both the yield and the share were higher. Secondly, if you can talk a bit more about the MTS for market making of EU debt instruments, which Stephane mentioned. I know it's still early, but can you just talk about your outlook for growth on it and also how you plan on capturing liquidity? Thank you.

Stephane Boujnah: So I'll take the question on MTS and Giorgio will address your question on the market share on equity trading. MTS is an amazing platform for secondary trading of govies. It grew from a very strong and powerful solutions for Italian govies towards other OECD countries. It's very active on the Spanish market and for months we tried to explain to the European Commission the benefits of creating an electronic secondary trading platform, with all the benefits in terms of transparency. Initially, the Commission wanted to use the sort of traditional primary dealer club system. Over time, they realised that with the size of the issuance, with the necessity to be careful on spreads, that an MTS type of solution was the right solution for them, and they have decided to appoint MTS as the relevant electronic platform for that purpose. And that has started to operate only on 1st November. I mean, it's definitely a Q4 event, not a Q3 event. But we wanted to share that with you because what we are seeing for the past few days is a very rapid and dynamic development of operations of liquidity. What I said earlier in qualitative terms is, I think, striking. Today the EU business or the EU bonds trading on Euronext and on the electronic – on MTS platform is the third-largest pool of assets after Italian debt and Spanish debt. So we are very enthusiastic because it's a perfect fit for a perfectly identified problem within the European Commission, and I think it's a very promising development.

Giorgio, on revenue capture.

Giorgio Modica: Absolutely. Absolutely. So, two elements in this respect. There are many variables, as you now know, which impacted the revenue capture. And here there are, to a certain extent, a number of offsetting items. So just a few of them. The first element is that we want to highlight that the average size of order remains particularly elevated, although we have seen a slight decrease of average size of order. So in absolute terms, this is a negative, but this negative impact has reduced slightly, I would say. And the other element that has always been positively geared with respect to the revenue capture is the volume. Unfortunately, the volumes this quarter are low given to the weaker market condition and the seasonal impact of the summer break. So all in all, these two factors lead to the increase of the revenue capture to the 0.54. So again, to summarise, we have slightly better average size, although they remain significantly higher than they were some years ago. This is on the negative side. On the positive side, what we have is the reduction of the volumes which trigger an increase average revenue capture.

Hubert Lam: Thank you.

Operator: Thank you. We will take the next question from line Bruce Hamilton from Morgan Stanley. The line is open now. Please go ahead.

Bruce Hamilton (Morgan Stanley): Hi, Morning, and thanks for taking my questions. Firstly, just on slide five, looking at the sort of €45 million delta in synergies between '24 and '23, I assume the vast majority of that would relate to the derivatives clearing. And could you help us think about how much of that is the kind of cost save versus revenues, or is it much more tilted to the latter? That will be helpful. Secondly, on the sort of MTS internationalisation point, can you give us a sense of what the market share looks like at the moment on a sort of pan-European basis and where you think that might go to and where you see your sort of edge versus, say, key competitors? And then final point on the encouraging sort of improvement in cash volumes and margins. I think there's a tendency when volumes are seasonally soft that a bit more volume moves to the primary exchange. So, have you seen that sort of market share sustain through Q4? Has there been a bit of slippage? Thank you.

Stephane Boujnah: So, on MTS, it's far too early to give you any credible number on market share because we have started operating this market less than five working days ago. But what we can tell you in qualitative terms is that we have been positively surprised by the onboarding of clients and their volumes that are amazing. What in the market share requires a total understanding of what's going on in the market. So it's far too early to doubt. I'll let Giorgio comment on the synergies. I think the point was covered in the previous question, but maybe it's an opportunity for Giorgio to elaborate and to answer your question on volumes.

Giorgio Modica: Yeah. So let me be clearer. When it comes to the equity clearing migration, we are only talking about revenue synergies because this is a line of business that we never consolidated in our P&L. That was in the P&L of our former provider, LCH SA. So that element is only revenue synergies. Then if your question is with respect to the delta between where we are now at synergies at €48 million and €70 million, whether the bulk is going to be increased revenues or reduced cost, the answer to that is the bulk is going to be increased revenues and not reduced cost.

Bruce Hamilton: Sorry, no. The question was actually on the delta between the '24 synergy run-rate of €115 million and the '23 at €70 million. That I presume is almost entirely driven by the derivatives clearing. And I was trying to understand how much of that would be sort of revenues and how much of that would be costs? If I've understood that, that is the bulk of that €45 million.

Giorgio Modica: Yes. So in this respect, on a run-rate basis, then we get into the next year. So during the next year, what is going to happen? The most important element is going to be the derivative clearing migration. Now, conversely, to what I just said, we have already the clearing revenues of our derivative franchise within our P&L. But we have, as well as you see, a line which is the retro session we give to LCH SA for the derivative cleaning arrangement, which is worth around €35 million per year. Now, that part is going to disappear next year, and this is going to be partially offset by clearly the ramp up of activities that we would have to put in place to serve our client base. So for next year, not to be too precise, but I would say it's going to be either 50-50 or slightly more cost than revenues.

Bruce Hamilton: Great. Thank you. And on the market share in cash in Q4, is that the same?

Giorgio Modica: Yeah, absolutely. So when it comes to Q4, what we see is a volatility of market share with some reduction that is not to be over interpreted. This is the usual inter-quarter volatility. We're confident that we will be still able to deliver the objective that we set at the beginning of the year. So we have seen a slight fluctuation. We are seeing now a recovery, but nothing that should be over interpreted and then that concerns us.

Bruce Hamilton: Got it. Thanks very much.

Operator: Thank you. We will take the next question from line Greg Simpson from BNB Paribas. The lighting is open now. Please go ahead.

Gregory Simpson (Exane BNP Paribas): Hi, good morning. Yeah, three questions from my side. Firstly, on Advanced Data Services, growth slowed a little bit this quarter to 5%. I think you mentioned some factors, like summer and some one-offs. So, should we be expecting that to re-accelerate in coming quarters back towards that 7%, 8%, 9%, 10%, it was in Q1, Q2? That would be the first question. Second one is on Corporate Services growing double-digit. Can you help kind of frame the runway for growth here? What proportion of Euronext-listed companies are kind of paying clients in this region? And then, thirdly, on finance income. If I compare the finance income and your kind of cost on your debt, it maybe implies like a 1% or 2.5% interest rate on your average cash. Is that kind of about right? And is the kind of Q3 finance income a sustainable level? Thank you.

Stephane Boujnah: Giorgio will address your three questions on Data Services, on Corporate Services and on the cost of debt.

Giorgio Modica: So, with respect to your first question, a few things to highlight. So, clearly, the non-professional users have slightly reduced during the summer break. We have seen after that a positive trend, but it's too early to conclude on the quarter. So, I cannot give you a specific target for Q4. And the reason why I'm focusing on Q4 is that, as you know that we revise our pricing on market data on a yearly basis. So starting from the first quarter next year, we are going to have, and for next year, we will have a new pricing that will include an element of adjustment that will drive market data revenues up regardless to a certain extent on the number of users. So, to summarise, next quarter now, the trend is positive, but it's too early to conclude on the quarter on the number of terminals. So, I cannot guide you further. For next year, you should take into consideration as well the yearly adjustment on pricing.

When it comes to Corporate Services, so this line of business has been growing double-digit for a very long time and our ambition is to have that growing farther. And I don't know whether you have other questions on that, but it's difficult for me to be more precise. What I can share with you is that the part of the business which is growing the most is the SaaS service business. And finally, when it comes to the interest we earn on our cash, your 2.5% is not too off. But you should appreciate that this number in the past has progressively went up because we progressively adjust condition of our cash investment throughout the Group. So we have seen a pickup, but at the moment, 2.5% on average is about right.

Gregory Simpson: Thank you.

Operator: Thank you. We will take the next question from line Benjamin Goy from Deutsche Bank. The line is open now. Please go ahead.

Benjamin Goy (Deutsche Bank): Hi, good morning. Two questions, please. The first on M&A and the second on pricing. Your leverage continues to fall, so now at 2x. So you certainly have more firepower. Just interested in your assessment on the market. Has actually the seller's expectation come down, and what are interesting areas for you and whether there are any live discussions at the moment? And the second is, you already alluded to the pricing on the Data Services side. I was just wondering what the pricing outlook or whether it could change and update your pricing outlook for the other non-volume-related businesses going into 2024? Thank you.

Stephane Boujnah: I'll take the first question on M&A and Georgio will take the second one. Euronext continues to be a very strong free cash flow generator. This strong free cash flow generation is driven towards deleveraging the company. And as we have always done it, we monitor very closely whether or not we have opportunities to deploy capital to achieve two strategic objectives. One is to accelerate the top-line growth of the company. And clearly, the bigger we get, the more tangible the assets must be because with the top-line at Group level of €1.5 billion, relevant assets have to move the needle. So, first strategic objective, accelerate the top-line growth of the company. Second strategic objective, diversify the revenue mix to be less dependent on market volatility. As I keep saying, our cash equity trading business represents 18% of the top-line of the Group, and it represents 80% of the questions we get, usually from analysts. So that's quite important for us to make sure that we continue to diversify our top-line.

And what you can see today with a quarter where 60% of our revenues were non-volume-related business, is that we have been able to offset the low volumes on equities and derivatives with non-volume-related businesses. So we have those two objectives. Accelerate the growth of the top-line, diversify the revenues. To the extent we can find opportunities that are relevant to achieve those objectives and that can meet something which is relatively specific to Euronext and which probably sets us in a different world, vis-a-vis some of our peers, and when we can get the confidence that we will generate a return on capital employed of such acquisitions above the WACC of the company after synergies between year three and five, then we will try to analyse that further.

So we do monitor opportunities. I agree with you that there is some form of adjustment of valuations, although one should not be overexcited. I mean, high-quality assets still go to the market with high valuations. The impact on valuation is more on average assets and poor assets, but high-quality assets still go with a high valuation. So yes, we do that, it's not new. We do that with a stronger confidence because the company is more deleveraged than it has ever been since the acquisition of Borsa Italiana. Giorgio?

Giorgio Modica: Yes. On your question on price adjustments for non-volume-related businesses, what I can say is that not necessarily the decision of communication for next year have been all taken. The seasonality of price increases is not the same across all the business. What I can tell you is that on market data, this has been already defined, and we're positioning ourselves into a mid-single-digit, high-single-digit type of range for increase for 2024. For the rest of the businesses, again, as we did last year, we might be more precise in February, but we have not concluded on all the businesses and communicated with all the clients. So, I cannot be more precise than that.

Benjamin Goy: Fair enough. Thank you, much.

Operator: Thank you. We will take the next question from line Enrico Bolzoni from JP Morgan. The line is open now. Please go ahead.

Enrico Bolzoni (JP Morgan): Hi. Good morning. Thanks for taking my question. So, one on technology, actually. Some of your competitors are investing a lot in cloud technology. They're mentioning AI quite a bit. I just wanted to hear your thoughts in terms of what kind of opportunities you see there? Clearly, you're taking a slightly different path with the build of your data centre, but I'd be curious to know if there are opportunities in that space also, maybe in the context of M&A?

And then just a clarification again on the cost for the fourth quarter. If I had to kind of back solve for what sort of cost level I should see in Q4 now to the say, the new guidance, which is going to be, if I understand correctly, a bit below €620 million. Still, we would need to see quite a bit of an uptick, which is maybe slightly higher than what has been seasonally historically in Q4 versus Q3. Just want to understand whether there is scope to do slightly better there.

And then a final one in terms of the new products you plan to launch. Last time when you gave an update, you said that you were thinking about what sort of derivative products you are considering launching next year, once you have the clearing of derivatives as well in-house, is there any update, and have you defined a sort of addressable market in terms of revenue opportunity there? Thank you.

Stephane Boujnah: Let me take the question on technology and the questions on new products launched, and Georgio will take your question on cost.

On technology, you mentioned a few concepts that are very different in terms of nature, scope and impact on business. You mentioned artificial intelligence, you mentioned cloud. So on artificial intelligence, we are deploying a lot of energy, a lot of resources to analyse very carefully what can be the impact of the various artificial intelligence ideas, sometimes solutions, on our cost base and on our revenue generation. It's work in progress. There are a few very basic operational decisions that we have already taken. We have a few promising ideas. Again, it's a development. It's an area where the only way to be efficient is to try a lot and to promise a little. So it's too early to commit to anything. But that's an area where definitely we don't want to waste time because we believe that being wrong is less of a risk than being late.

When it comes to what you call cloud, which is basically outsourcing data and applications on data centres of large US-based players, we have a sort of different approach from some of our competitors for two reasons. Number one, we somehow manage cloud services with our colocation services. We have our own operations within our data centre, and we believe that having critical applications like our matching engine hosted in operations that we run is very important, considering what we do. And managing colocation services in a data centre that is a cutting-edge data centre located in Europe is also important, both for operational, industrial and business profile reasons. We do use for certain operations that we consider as not critical some providers that are providing outsourced data centres as long as there are – their facilities are located within the European Union because we don't want to take any risk on data regulation or Cloud Act or these sort of things, and provided that non-critical applications are hosted in those outsourced data centres. So it's a very different approach from yours. It's closer to the approach of ICE, than to the approach of some other players in the US.

On the new product, what I said last quarter was very specific. It's clear that the creation of an integrated value chain is going to be a game-changer for Euronext because having under the same roof our derivatives products and our clearing operations is going to create a new area of opportunities. We are not building Euronext Clearing just for the sake of migrating the cash clearing business that used to be operated by LCH SA and to migrate the derivatives clearing business that used to be operated by LCH SA. This is not a switch of business from one location to the other, from one provider to an internalised provider. This is an initiative, the purpose of which is to build another, a new integrated derivatives and clearing house in Europe.

We are in the process of developing products across new asset classes, across OTC, across all the repos or any area where this integrated value chain can be relevant. But we are at the business development phase. What we commit to deliver are the numbers for 2024 that were announced in our guidance at the beginning of '23, when we upgraded our targets for synergies in relation to the Borsa Italiana acquisition from €100-115 million. So these are the guidance and the expectations we want to create. But what I'm telling you is that we are not going to start working on the growth of the business in '25, '26 and '27 and January the first '25. What we are doing for a few months already, and which is going to be the most intense efforts in the course of '24, is to transform various ideas, plans into projects so that they can be up and running at the latest in '25, and for few of them as soon as H2'24.

Sorry for this long answer, but I wanted to provide you a background to bridge the gap between the reality of what we do within the company on the one hand, and the fact that you need to plug a number in your model on your end.

Giorgio Modica: Yeah, I understand very well your question, and I guess that your colleagues in the call have the same question. So it's simplify, what are going to be the cost in Q4? Before I'm trying to answer that question, I want to highlight one element. You should appreciate that our cost base is not fixed and there are some elements, which are outside the role. Just to name a few, we have clearing expenses that are related to the level of activity. There is the evolution of the exchange rate and there is just to mention one, even the share price of Euronext has an impact on a part of our cost. So having said that, what we have shared with you is the fact that you should shave off €12 million from the €630 million, and this is NOK only. Then, what we have shared with you is that usually, and as you know, as you can check, the fourth quarter expenses are usually higher in the range of 6-7% with respect to the previous quarter. So this gives you, I would say, a fairly narrow range, which is €610-618 million, roughly speaking. And within that range, you would need to make your assumption. It's difficult for me to be more precise than that, and I hope you appreciate that. Thank you.

Enrico Bolzoni: Thanks. Very clear.

Operator: Thank you. We will take the next question from line Ian White from Autonomous Research. The line is open now. Please go ahead.

Ian White (Autonomous): Hi, thanks for doing the presentation. Just two short follow-ups from me, please. First, just on the dark pool. Just wondered if you could provide us with an update on that and any prospect there for when we might start to see that have an impact on trading volumes. And just secondly, I think it was around this time last year, you started to talk about the prospect of inflation-linked price increases related to the developments we'd seen in 2022. Obviously, that feeds into pricing for 2024, but I guess 2023 has been another year where we've had above normal inflation and so should we be thinking about further price increases that might be above usual in 2025 given what we've seen so far this year? If you could help me with that, please, that would be great. Thank you.

Stephane Boujnah: Okay. On the dark initiative, it's technically live, and it will be live to markets and up and running in the course of Q1 next year. The support from clients is very strong, but we don't want to create any expectations at this stage on revenues before the project is really up and running in the course of Q1 '24.

Giorgio Modica: I hope I got your question right. So your question is, what about price increases for 2025?

Ian White: Yes.

Giorgio Modica: If that is your question, the only way it's really what I can highlight to you is that there are certain parts of the business where we have usually seasonal review of prices. And this includes market data and other areas of our activity such as, from time to time, listing and post-trade. But it's really too early. We have not finalised, and we cannot share with you the number for next year. We will do that later on in February. But as far as 2025 is concerned, the only way I can answer is that usually one of the business line we review systematically around midyear is market data.

Ian White: Got it. Thank you.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take the next question from line Mike Werner from UBS. The line is open now. Please go ahead.

Michael Werner (UBS): Thank you very much. Just two follow-ups for me, please. First, when you talked about M&A and the requirements for the ROIC to beat your WACC in years three to five. Just wanted to know what your current WACC that you're using internally is? And then second, you indicated that the bridge between the €48 million of synergies, EBITDA synergy run-rate at the end of Q3 and the €70 million at the end of Q4, more than half of that, I think, or at least most of that gap is coming from cash clearing. Can you tell me what the other portions are? My understanding is that you get to switch off some technology services that were provided to Borsa Italiana now that all of the products have been moved onto Optiq. I was just wondering if that's the case, when that switch was enacted, or if it hasn't been yet, when it might be? Just trying to figure out the cadence of expenses in Q4. Thanks.

Stephane Boujnah: So Giorgio will answer your two questions on the financial criteria for the return on capital employed for capital deployment. And the second questions on the synergies level in Q4. Giorgio?

Giorgio Modica: Yeah, so let me start with that. So, when it comes to the WACC we are using is a high-single-digit number. This is something that we never share for one simple reason, is that it changes from target to target. It depends what the target is and what the activity is. So what I would say is a high-single-digit type of percentage.

When it comes to your second question, and maybe let me clarify for everyone because there were a few questions. The first part is the bridge between the €48 million and the €70 million. Now, in that bridge, there are two elements. One element, which is the main one, so is going to be significantly more than 50%. And this is related to the equity clearing migration. And this is going to be revenue synergies. The reminder, which is your second part of the question, is going to be mainly the beginning of the reduction of the setup we did put in place to deliver the project. So we will have a ramp down of the setup we did put in place to deliver the major project because as you now very well understand, the integration of Borsa Italiana is coming to an end. So this is going to be the cost component for next quarter.

Clearly, as you correctly pointed out, there are certain contracts that are going to be reduced, et cetera, but this will not represent the reduction. It's more the ram down of the project set up. Let me put it this way.

Then for next year, we still have to deliver the migration of derivatives clearing. And here, I would like to clarify that the further gap between the €70 million and €115 million. This is going to be a combination of revenues and cost savings. When it comes to the mix, what I said is that for next year we should expect, broadly speaking, and maybe we'll be more precise in February, the bulk of these €45 million, around 50% or slightly more, to come from cost savings, mainly related to the termination of the clearing derivative contract with LCH SA.

Michael Werner: Thank you for the very detailed answer, I appreciate that. Cheers.

Operator: We will take the next question from line Oliver Carruthers from Goldman Sachs. The line is open now. Please go ahead.

Oliver Carruthers (Goldman Sachs): Hi, good morning. It's Oliver Carruthers from Goldman Sachs. Thank you very much for the presentation. So we had another confirmation from a large-cap issuer this morning that they will be delisting their shares at a European venue and migrating to the US. I appreciate actually listing, and cash trading is a relatively small part of your business model now, but as the largest European listing venue, Stephane, can you share some thoughts and some perspective here as to what you think is driving this trend, if you can call it a trend? And really, where do we go from here? Thank you very much.

Stephane Boujnah: Okay, I'm going to try to be clear. '23 has been a dry year in listing by any standards. We have two trends. One trend and a few visible events. A few visible events are the one you mentioned. The fact that a few companies, mid-sized or large companies from Ireland in particular, have decided to relocate their listings in the US. That's in each case driven by fundamental dynamics of their business. And the fact that in all those cases, the priority for those companies is to be more visible in the US and to be included in the relevant US indices. And we see that in situations where the business of those relevant companies is moving, or the data centre is moving to the US. These things happen. These events are unfortunate. They are not great news. They are not in particular great news for the Irish market. But they have their own logic, and we have to respect and to understand that this is a normal part of business.

There is another trend which is that many companies are ready in Europe to go public and have tried to go public, but are a bit nervous, in particular since the recent geographical developments, which has created uncertainty about what would the aftermarket would look like after IPO. So that's why the interesting thing is that we had several large transactions that have been postponed or cancelled for the moment. That's bad news for '23. But the flip side is that we have an impressive pipeline for the beginning of '24, which consists of all these deals that have been postponed. The reality is that whatever the overall market is, one of the most fascinating developments of the past months is that Euronext is now by far the largest listing venue in Europe. We had 72% in Q3 of the European listings took place in Euronext. We had also US companies seeking a dual listing in Europe, like Coty, which is a €+10 billion type of market cap, deciding to have a dual listing in Paris. We had non-Euronext countries companies listing on Euronext, like Ferrovial in Spain, which is a large Spanish company, deciding to list on Euronext in Amsterdam.

So we see a momentum both ways. Yes, we are concerned about the sort of dry market we had in '23. Yes, I feel that '24 could be better because the depth of the current pipeline and yes, probably the form of prospect of stabilisation of the interest rates rise, which seems to be perceived as getting to some form of plateau, is going to recreate attractiveness of equity market for companies that in any event need to raise equity, or for companies where in any event investors wants to have a proper liquidity event. So I'm reasonably confident.

Oliver Carruthers: Thank you.

Operator: Thank you. There's no further question at this time. I'll hand it back over to you host for closing remarks.

Stephane Boujnah: Well, thank you very much for your time. All the investor relations teams is available to provide you with more granular analysis and details. If you want to reach out to Aurelie, Clement and Judith, and I wish you a very good day.

Operator: – joining today's call, you may now disconnect.