Euronext Q4 and Full Year 2021 Results

Friday, 11th February 2022

Transcript produced by Global Lingo
London – 020 7870 7100
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Operator: Hello, and welcome to the Euronext Fourth Quarter and Full Year 2021 Results Call. My name is Josh, and I will 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 at the end of the call. This could be done by pressing star one on your telephone keypads to register your question. If you require assistance at any point, please press star zero and should be connected to an operator.

I will now hand you over to your host, Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext. Thank you.

Stéphane Boujnah: Good morning, everybody, and thank you for joining us this morning for Euronext fourth quarter and full year 2021 results conference call and webcast. I am Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext, and I will start with the highlights of this fourth quarter before commenting on our full year performance. Giorgio Modica, Euronext CFO, will then further develop the main business and financial highlights of the fourth quarter.

As you've seen, Euronext reported record revenue in the fourth quarter of 2021, at €370.1 million. This is the highest quarterly revenue we ever disclosed. This strong performance translated into more than 50% growth in both revenues and EBITDA, and an almost 20% increase of adjusted EPS.

During the fourth quarter of 2021, our revenue grew by plus 59.5% or plus €138.1 million from last year. And this significant growth resulted from several drivers. First from very solid organic growth across almost all our businesses. Giorgio will provide you with more details on this performance in a few minutes.

Second from the consolidation of the Borsa Italiana Group activities that contributed for €127.0 million of revenue this quarter. In the fourth quarter of 2021, non-volume-related revenue accounted for 55% of our total revenue and income, slightly up compared to last year, while at the same time our trading business has been growing. So our non-volume-related revenue covered 126% of our operating expenses, excluding D&A. This is an increase compared to 118% last year.

On the cost side, the increase is solely reflecting the consolidated cost of the Borsa Italiana Group, as well as related integration costs, because like-for-like our cost base remains flat compared to Q4 last year. Overall, these numbers translated into plus 64.1% rise in EBITDA to €208.2 million, and representing a 56.3% EBITDA margin, up 1.6 points from last year.

At like-for-like, at constant currencies, we reported EBITDA margin at 57%, up plus 1.8 points from last year. Bottom line, in the fourth quarter, we delivered a plus 19.7% increase in adjusted EPS at €1.31 per share. On a reported basis, net income was up plus 68.7% to €112.7 million.

This reported fourth quarter marks the conclusion of a very strong year 2021 for Euronext. With more than 40% growth in revenue, EBITDA and double-digit increase of adjusted EPS, 2021 was a record year compared to 2020, which was a very good year as well.

In 2021, Euronext recorded a plus 46.9% revenue growth to close to €1.3 billion. We generated plus €414.3 million additional revenue in 2021. Thanks again to the combination of both organic growth, even compared, as I said, to a very strong 2020 year and accounting only for eight months of consolidation of the Borsa Italiana Group. So this is the combination of strong organic growth and combination of the Borsa Italiana Group.

This performance reflects, first, an organic solid performance of our non-volume-related activities. In that respect, I would highlight the strong year of our listing business, posting a plus 8% organic growth, thanks to a record year in primary listing and the development of our corporate services.

For the Advanced Data Services business also reporting robust organic growth, up plus 4%, reflecting growth across all our data and indices products. Second, the Borsa Italiana Group contributed €337.7 million in 2021 for eight months of consolidation. As a result, non-volume-related grew from 50% in 2020 to 55% of our top line in 2021 and these non-volume-related revenues accounted for 131% of our operating costs, excluding D&A.

On the cost side, I'm pleased to announce that we overachieved our 2021 guidance on cost, excluding the impact of the Borsa Italiana Group acquisition. As we consolidated costs from Borsa Italiana Group and Euronext Securities Copenhagen, and as we incurred related integration costs in relation to these two acquisitions, our costs mechanically increased by plus 49.8% compared to last year.

Overall, this translated into an EBITDA of €752.8 million, up plus 44.8%, or plus €232.8 million from 2020. EBITDA margin was slightly down at 58%, reflecting the cost from acquisitions and integrations I just mentioned. In that regard, I'm pleased to share with you that we delivered the first €10.1 million of synergies in 2021.

Lastly, on a like-for-like basis, EBITDA margin was up 0.2 points to 59.7%. Overall, this performance resulted in a plus 17.2% increase in adjusted EPS to €5.35. On a reported basis, net income is up plus 31% to €413.3 million. Consequently and in line with our dividend policy of distributing 50% of reported net income, a dividend of €1.93 per share will be proposed at our upcoming Annual General Meeting in May.

‘21 has been a strong year, and ‘22 is a year of transformational projects for Euronext. As I just mentioned, we delivered €10.1 million of run-rate synergies at the end of 2021, only eight months after the completion of the acquisition. As a reminder, we are committed to deliver €100 million of run-rate synergies by 2024.

Please note that the synergies we delivered over the past – over the eight months of 2021 after the completion of the transaction - are delivered before any contribution from the identified business development opportunities that we are pursuing in relation to the acquisition of the Borsa Italiana Group.

To deliver these synergies, we incurred a total of €27.6 million of the implementation cost combined between operating costs and exceptional costs. As you can see on this timeline, our three major projects are underway. Yet their delivery will be phased over the duration of the plan, starting with the migration of our new Core Data Centre in Italy near Bergamo, which will happen in June this year.

We also confirmed the expected timeline for the migration of the Italian cash equities and the derivative markets to Optiq for 2023, as well as the expansion of Euronext clearing services to all Euronext markets by ‘23 and ‘24.

Moving to the next slide, I would like to share with you the latest development on our ESG strategy. We believe that capital markets can and must empower sustainable growth. We see it as our role to promote the evolution of companies to more sustainable business models and to help them addressing the transformation of the investment community.

As the leading index provider in Europe, we are continuously taking steps to accelerate the transition to a sustainable economy. This is why we announced yesterday the upcoming launch of the AEX ESG index in Amsterdam. This new ESG index is a new milestone in our ambition to offer investors and ESG version of our national flagship indices. After the successful launch of the CAC 40 ESG in France and the MIB ESG in Italy in the past few months, we are now launching this new development in the Netherlands.

All three indices allow investors to finance high impact projects and companies in line with the UN Global Compact principles. All in all, we've launched more than 20 new ESG indices in ‘21 and we are now offering a wider range of products to investors, including climate benchmarks, biodiversity or water and social criteria based indices. These developments are very concrete results of our Fit for 1.5 degree ESG strategy, of which two other important milestones will occur in ‘22.

The first one will be the completion of the migration of a Core Data Centre to a fully green facility near Bergamo I’ve just mentioned. The second one is the release or the detailed announcement of our Science-based detailed targets in the coming months for carbon footprint reduction.

In 2021, we confirmed our position as the leading European market infrastructure, thanks to the Borsa Italiana Group joining Euronext in April 2021, and benefiting from post-Brexit conditions. Today, Euronext is the largest equity listing venue in Europe, combining the strength and dynamism of its seven exchanges across Europe, united by its unique single liquidity pool. And therefore, we welcomed 25% of European equity trading activity in 2021 on Euronext markets.

Out of the 212 new equity listings this year, half of them were from Tech companies. This reflects the booming environment for Tech and innovation-driven companies in Europe. As the leading listing venue, it is the mission of Euronext to support their financing needs and to accompany these companies on their growth journey.

This is why we recently announced the launch of our new comprehensive service offering for Tech companies, including our new segment dedicated to Tech named Tech Leaders. Tech companies will have access to a wide range of services, including pre-IPO programmes and post-listing services, as well as to this unique dedicated segment.

With this segment, we further strengthened Euronext’s leading position for the equity listing of European Tech companies as we enhanced visibility, attractivity and credibility of our value propositions to both issuers, tech issuers and investors, tech investors.

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

Giorgio Modica: Thank you, Stéphane, and good morning, everyone. I am now on slide 10.

In the fourth quarter of 2021, Euronext consolidated revenue and income reached €370.1 million, the highest revenue quarter ever for our company, representing an increase of €138.1 million or 59.5%. These results were primarily driven by the consolidation of the Borsa Italiana

Group and a strong performance of non-volume-related business and clearing. On a like-for-like basis and at constant currencies, Euronext consolidated revenue was up 4.3% versus the fourth quarter of 2020.

Moving now to the different business lines. Trading revenues increased to €132.3 million, up 50.4%, thanks to the consolidation of Borsa Italiana and MTS trading activity, as well as the organic performance of the business with good volume and revenue capture in our trading activities.

Post-trade revenue, including net treasury income, increased 81.2% to €103.8 million, primarily as a result of the consolidation of Euronext Securities Milan and Euronext Clearing, previously known as Monte Titoli and CC&G.

Advanced Data Services revenue increased to €50.7 million, up 50.1%, benefitting from the consolidation of Borsa Italiana data activity and dynamic index activity and a solid performance of the core business.

The listing revenue grew 35.8% to €51.9 million, thanks to the consolidation of Borsa Italiana and the continued momentum in equity listing.

In terms of revenue mix, fourth quarter 2021, non-volume-related revenue accounted for 55% of total Group revenue versus 54% in the fourth quarter of 2020, reflecting the increased diversification in our revenue mix.

Lastly, non-volume-related revenues covered 126% of our operating cost, excluding D&A, compared to 118% last year.

Moving to the next slide for listing, slide 11. Listing revenue was €51.9 million in the fourth quarter of 2021, again, an increase of 35.8% compared to the fourth quarter of 2020. It was driven by the momentum in equity and debt listing.

With regard to equity listing, the fourth quarter of 2021 saw the continuation of a strong primary listing activity with 57 new listing on Euronext, including five large cap, notably Autostore Holdings, OVH and Ariston Holdings, 2021's largest cleantech listing, and six SPACs.

Euronext continues to demonstrate its strong value proposition for Tech companies recording most capital raising from deals on Tech and innovation-driven companies. In the fourth quarter of 2021, €6.5 billion was raised on Euronext primary market, which is more than double the amount raised in the fourth quarter of 2020. €6.2 billion were raised in secondary equity issues.

I would like to highlight that for the first fourth quarter in a row, we confirmed our position as the number one listing venue in Europe for equities, ETFs, as well as for debt worldwide. Our debt franchise reported strong results across Euronext markets in the fourth quarter of 2021, driven by favourable market conditions and a continued momentum in ESG bond listing.

In the fourth quarter of 2021, €389.4 billion in debt was raised on Euronext markets. Overall, this brings us to a total of €402.1 raised in equity and debt on Euronext's market in the fourth quarter of 2021.

Lastly, corporate service reported €8.6 million in revenue in the fourth quarter of 2021. This performance is negatively impacted by approximately €1.5 million of one-off revenue recognition adjustment, and lower activity compared to a very intense fourth quarter of 2020.

Let's move now to our trading business on slide 12 and let's start with cash trading. ADV on a proforma basis, including Borsa Italiana, increased 4.7% to €12.2 billion, supported by uncertainty around economic policies and material indices rebalancing during the fourth quarter.

Average revenue capture over the quarter reached 0.49 basis points and the market share was 71.3%, both including Italian cash markets. The consolidation of the cash trading activities of Borsa Italiana coupled with good volumes resulted in cash trading revenue, up 26.5% to €79.3 million.

Now, moving to derivative trading. Derivative trading was up 21.4% to €14.2 million in the fourth quarter of 2021. Pro forma average daily volumes on financial derivatives slightly increased by 0.4%, thanks to higher individual equity derivative volumes offsetting lower volumes for equity index derivatives. Commodity products reported a record quarter with average daily volumes up 14.8%, reflecting the successful commercial expansion undertaken in the past few quarters. The average revenue capture over the fourth quarter for derivative trading was €0.30 per lot.

Moving to fixed income. I remind you that fixed income trading includes the trading activity of MTS, both cash and repo, and the fixed income trading activity of Euronext and Borsa Italiana, such as the MOT and EuroTLX.

Fixed income trading reported revenue at €24.2 million in the fourth quarter of 2021. This is 45 times the amount reported in the fourth quarter of 2020, as a result of the consolidation of the Borsa Italiana Group. In the fourth quarter of 2021, MTS cash generated €17.2 million of revenue and MTS repo generated €4.8 million in revenue.

The strong performance of MTS cash trading activity up 31.7% versus the fourth quarter of 2020 reflects the positive momentum in cash bond trading supported by the steady issuance and support from the ECB and the EU recovery fund activity and a continued risk on attitude from investors. The fourth quarter of 2021 furthermore saw a renewed interest in repo activity with adjusted ADV up 4.9% to €292.0 billion.

Continuing with trading on slide 13. Euronext reported average spot FX trading daily volumes of $19.4 billion in the fourth quarter of 2021, down 3.1% compared to the fourth quarter of 2020, resulting from a less volatile trading environment.

Spot FX trading revenue increased 3.9% to €6.1 million as lower trading volume were more than offset by positive impact of foreign exchange rate over the period. Power trading reported €8.5 million in revenue in the fourth quarter of 2021, a solid double-digit growth of 18.7%, compared to the fourth quarter of 2020, as a result of an increased power trading volumes driven by cold winter in the fourth quarter of 2021.

In the fourth quarter of 2021, average daily day-ahead power traded was 2.76 terawatt hour, and the average daily intraday power traded was 0.08 terawatt hour, up 14.4% compared to the fourth quarter of 2020.

Moving to slide 14, revenue from our post trading activity, including treasury income increased 81.2% to €103.8 million. Clearing revenue was up 73.1% to €30.1 million as a result of the consolidation of Euronext clearing activity, again, formerly known as CC&G, and higher clearing revenue and treasury income received from LCH SA.

On a like-for-like basis and at current currencies, clearing revenue was up 6.4%, compared to the fourth quarter of 2020. Net treasury income from Euronext Clearing was for the quarter €12.9 million. Custody, settlement and other post-trade, encompassing the activity of the four CSDs we operate under the Euronext Securities brand, reported strong revenue growth, up 52.3% to €60.7 million.

The strong performance was mainly driven by the consolidation of Euronext Securities Milan, a record €6.5 trillion of assets under custody, and the higher number of retail accounts in our Nordic CSDs.

Moving to slide 15. Advanced Data Service revenue was up 50.1% to €50.7 million in the fourth quarter of 2021, driven by the consolidation of Borsa Italiana data activity, a dynamic index activity and a solid performance of the market data business.

Proceeding now with Investor Services, revenue was up 32.1% to €2.3 million in the fourth quarter of 2021, reflecting the continued traction of the offering.

Lastly on Technology Solutions, revenue more than doubled in the fourth quarter of 2021 to €26.4 million as a result of the consolidation of Borsa Italiana Technology business, increased contribution from Nord Pool technology activities, as well as an increased SFTI/Colocation fees.

Moving now to slide 17 for the financial highlights of the quarter, starting with the EBITDA bridge. Euronext EBITDA for the quarter was up 64.1% to €208.2 million. EBITDA margin increased to 56.3% in the fourth quarter from 54.7% in the fourth quarter of 2020, despite the impact of integration costs.

On a like-for-like basis, the EBITDA margin was at 57.0% this quarter, up 1.8 points and EBITDA increased 7.8%. From a revenue perspective, Q4 revenue at constant perimeter increased €10.1 million compared to the last year, reflecting a mid-single-digit organic growth.

Change of scope contributed €125.0 million of additional revenue, reflecting the Borsa Italiana Group revenue contribution of €127.0 million to the top line, but also the disposal of small businesses in 2021, not contributing to the profitability of the Group.

Looking at cost, operating costs excluding D&A were up 54.0% at €161.8 million as a result of €54.8 million additional costs from change of scope as a result of the consolidation of the Borsa Italiana Group and from integration costs related to the acquisition. Stable cost base on a comparable perimeter, thanks to our continued cost control effort offsetting inflationary trends.

Moving to slide 18 for the net income bridge. Net income increased this quarter, by 67.8% to €112.7 million, resulting from the following elements:

- D&A mechanically increased, mainly impacted by the consolidation of Borsa Italiana D&A and the impact of PPA for around €16 million. Exceptional costs were €3.9 million higher vis-a-vis last year, mainly related to the integration cost of Borsa Italiana Group and a brand impairment linked to the implementation of our new CSD branding strategy. Net financing expense for the fourth quarter of 2021 was €1.8 million higher compared to last year, reflecting the cost of recently issued debt.
- Results from equity investment increased by €3.0 million, reflecting higher dividend received from Sicovam and a stronger contribution of our 11.1% stake in LCH SA versus the fourth quarter of 2020.

Lastly, income tax for the fourth quarter of 2021 was €35.7 million. This translated into an effective tax rate for the quarter of 23.6%, benefitting from higher than expected deductible costs from the PPA.

In 2021, the average effective tax rate was 27.4%. For next year, for 2022, we expect a tax rate in line with the one over 2021. Adjusted for PPA and exceptional items, reported net income was €140.2 million, translating into an adjusted EPS increase of 19.7% to €1.31 per share for the quarter.

Moving to slide 19 for cash flow generation and leverage. Net operating cash flow amounted to €145.6 million. This would translate into a cash flow conversion of around 70%, but excluding the impact of CCP activities, the impact of Nord Pool and Euronext Clearing on change in working capital, 65% of the EBITDA was converted into post-tax operating cash flow.

Our net debt to EBITDA ratio was 2.6 times at the end of the quarter versus 2.8 at the end of the third quarter of 2021. As a reminder, the net debt to EBITDA ratio at the end of 2020 was 3.2 times pro forma for the Borsa Italiana Group acquisition. I would like to highlight that those ratios do not take into account the €160 million Euronext holdings in short-term securities.

Moving to slide 20. We now give a look at the evolution of our liquidity position over the quarter. Our liquidity position remains strong above €1.4 billion, including the undrawn RCF of €600 million.

Finally, and I'm now on slide 21, let's spend some time together on our 2022 cost guidance. Following the Investor Day and during the interaction with you, analysts and investors, we registered an increased demand for adjusted financial metrics to better capture the underlying performance of the business in a time of significant transformation, like the one we are living.

I have discussed it with Stéphane and with our Supervisory Board. And together, we have decided for an evolution of our reporting towards that direction. Starting from the first quarter of 2022, Euronext will provide information about its adjusted cost for non-recurring items, and publish an adjusted EBITDA. We will not do that – we will do that for the aim of providing the market with a better sense of Euronext underlying business performance.

In practical terms, what will happen starting from the first quarter of 2022 is the following: We will remove the exceptional items line from our financial statements. As you might remember, that line only included a portion of non-recurring cost. This means that from the first quarter of this year, all costs recurring or not will be classified by nature into the respective lines in our P&L.

Then we will provide a detail of all non-recurring costs by nature and we will publish an adjusted EBITDA, excluding those items.

Now looking at 2022, we expect the underlying costs, excluding D&A, to be €622 million for the full year 2022. This compares to annualised fourth quarter 2021 underlying costs of €627 million. In other terms, we expect in a year of transformation and before the impact of the migration of Borsa Italiana to Optiq to generate savings able to more than offset the inflation for 2022.

In addition, Euronext expects to incur around €50 million of non-recurring OpEx and exceptional items in 2022. I would like to highlight that those €50 million are part of the announced €160 million of non-recurring and implementation costs to deliver the "Growth for Impact 2024" strategic plan.

These implementation costs reflect the ongoing work of the Euronext team to deliver the key strategic priorities announced in November 2021, including the migration of our Core Data Centre to Bergamo in Italy, the migration of the Italian cash and derivative market to the Optiq trading platform and the European expansion of Euronext Clearing activities.

Now with this, I conclude my presentation, and I hand over the floor back to Stéphane Boujnah.

Stéphane Boujnah: Thank you, all. The team here, with Giorgio Modica; Anthony Attia, the head of Primary Markets & Post Trade, and myself, are available to answer your question.

Questions and Answers

Operator: Thank you very much. If you would like to ask a question, please press star one on your telephone keypad now please. Please ensure your line is unmuted locally. I'll then speak to individually and then introduce you into the call. Our first question comes from the line of Kyle Voigt from KBW. Please go ahead.

Matt Moon (KBW): Hi, good morning. This is actually Matt Moon on for Kyle Voigt. Thanks for taking my question. I was just wondering if you could potentially walk us through the rate sensitivity of the legacy CC&G NTI line. I know it's smaller line item. But I'm just curious on that front, particularly given that there's been some more increased expectations for rate hikes in the region near-term, just go clearly off a low negative base. So was just curious that what level of rates we should maybe expect the benefit in this line item? And maybe if there's been any change during the investment policy at Euronext in comparison to the legacy ownership of LSE? Thank you.

Giorgio Modica: So let me take that one. So the revenues of CC&G within the clearing line is pretty stable and is not directly impacted by changes in interest rate. I would like to highlight as well. So the way you should look at that is more like a spread in basis point on the basis, on the margins, which are actually contributed to the clearing house. And these spread in basis points tend to be pretty stable across periods in the last several years.

On the other side, when looking at the net treasury income of Euronext Clearing, this is the result of the investment of the cash margin invested in short-term securities. And in this respect, this is a short-term fixed income portfolio, which is impacted by two elements. The first element is again the return of that portfolio. And the second one is clearly potential capital gains on that portfolio.

Now going forward, we anticipate that the result is going to be mainly linked to the performance of the portfolio itself, and we see more limited possibility to cash in capital gain, given the trend of interest rates in the next – expected for the next quarters.

Matt Moon: Thank you.

Operator: Thank you very much. Our next question comes from the line of Andrew Coombs from Citi. Please go ahead.

Andrew Coombs (Citi): Good morning. A couple of questions, please. First, if we could just come back to the costs. Thank you for the new disclosure. I do think you make it easier. But perhaps you could just talk a bit more about underlying cost inflation pressures that you're seeing and any investment projects that you have ongoing outside of the Borsa Italiana integration? That'll be the first question.

Second question is, just can you remind us on any rate sensitivity that you might have within your post-trade business both to dollar and also to euro rates? Thank you.

Giorgio Modica: So, yeah, when it comes to the first question around underlying cost, I would like to highlight a few elements. So the first one is that if you look at our cost for the fourth quarter year-on-year, those are stable as you have seen, but I would like to spend like a few minutes in walking you through the changing cost between the third quarter and the fourth quarter, because this is an important step in my view.

So the first element that I would like to highlight is that the cost of the third quarter are seasonally lower. We have an impact of salary cost of around €4 million, and this is linked to the holiday season.

And you can see this has always been the case since the moment we have published results after the IPO of the company and was the same last year. So if you look at the increase in costs between the third quarter and the fourth quarter, this explains alone one-third of the increase.

Another third of the increase is explained by the increase of consultants that we have hired to execute the projects related to the different migration and integration projects that we have.

The last element that I wanted to highlight, because that might not be obvious, is that in the fourth quarter of 2021 what you see as well are a couple of millions of increased costs related to the type of post-COVID environment. As you might remember in October and November, everyone started traveling and having marketing events, and this is new compared to the previous quarter. And this accounts for around €2 million.

So I believe is important, because you might have an impression of an increase of cost of – in the fourth quarter, but the reality is that things are progressing exactly as expected.

Then the other element that we're highlighting is whether there are initiatives across the Group to deliver saving. And the answer for that is yes. We always look at costs on an holistic basis. And thanks to that, we were able to achieve the €10 million of synergies that we have announced, and I take the opportunity to walk you through the different components of those €10 million.

In there, what you have is, one first element, which is related to Euronext providing to Borsa Italiana cheaper services with respect to what LSE used to do. Another element is related exactly to what you mentioned, optimisation of Euronext organisation leveraging on Borsa Italiana. And therefore, saving from an organisational perspective.

And finally, the last element is that we started reassess every expense in Borsa Italiana, which is aimed at a perimeter, which is not of our interest outside of Europe, and that does not generate a sufficient return on the investment. And thanks to these elements, which do not touch the biggest part of the value upside, which is coming from the integration, we were able to deliver a significant part of the originally announced €45 million of cost synergies.

Then moving to your second question around the sensitivities. Again, our P&L in general is not that sensitive to interest rates. If we look at our liabilities, we have €3.50 billion in debt issued. This is all fixed rate. The only portion that we swapped into variable is only €500 million. That was a very good idea when we started in 2018 and it is already paid off. This is – you can see that in our balance sheet, we have a positive value of the derivative for around €10 million.

When it comes to your more specific question linked to CC&G, again, as I said, this is not a business, which is positively or negatively impacted by interest rates directly. The portion on which there is a sensitivity related, again, as I said, to the fixed income portfolio, on which CC&G or Euronext clearing invests.

And what I can say is that given the upward trends of interest rate, we see going forward, the fewer possibility to cash in and book capital gains out of that portfolio, but apart from that, no major impact from interest rates.

Andrew Coombs: Very clear. Thank you.

Operator: Thank you very much. Our next question comes from the line of Arnaud Giblat from BNP. Please go ahead.

Arnaud Giblat (Exane BNP Paribas): Yeah, good morning. Two questions please. Firstly, can I ask on the tax rate. Can you confirm that the PPA is deductible and therefore that's why you're giving a 27% guidance for 2022; should we think about 27% as a long-term guidance, given that you are going to have PPA going up for a while? And also, I'm curious as to why you don't strip out the tax benefit of PPAs and the exceptionals when calculating adjusted EPS to get to a more homogenous calculation since you are taking out PPA in the first place when calculating adjusted EPS?

And secondly, I was wondering if you could talk a bit about the cash yield, it's at 0.49 basis points. I think on a like-for-like comparable basis, it was at 0.52 in Q2. So 0.03 reduction. Is that down to reduced retail activity? And finally, I was wondering if perhaps you could give us a bit of an update in terms of potential acquisitions, which areas you're currently looking at? Thank you.

Stéphane Boujnah: Absolutely. So, Arnaud, I will answer your last question, and Giorgio will answer your question on the yield and on the PPA. As you have observed, Euronext is deleveraging faster than expected with level of debt to EBITDA of 2.6 compared to 3.2 at the time of the completion of the acquisitions.

So we are over time regaining capital deployment flexibility. What we do is that we monitor very closely any situation which could contribute to diversifying the revenue mix, and the growth profile of Euronext and/or expanding the European federal footprint of Euronext. And this process is ongoing. As we speak, now there is no process, no dialogue, but there are various situations that we are monitoring very closely.

And the purpose of our M&A strategy organisation is to be ready to act decisively when the situation – a situation becomes actionable within the framework of our capital deployment history. But it's clear that we keep a strong interest in any segment which could help us diversifying our revenue mix.

Giorgio Modica: Yeah. Now, with respect to your first question, let me clarify. So what is relevant is between the third and the fourth quarter. So in the third quarter, we have booked a preliminary PPA assessment, which has been now finalised in the fourth quarter.

As a result of this process of assessment, we have now on our books a slightly lower goodwill and higher intangible assets. So this is what creates a deductible cost. It is not the, if you want, the goodwill itself, but is the intangible assets, which are amortised over time that have an impact on our P&L and our tax rates.

On your second question, yes, in the adjustment, we take into consideration, as well the impact of tax. Your third question around the cash basis points, this is something that we have discussed many times and I've shared with you the fact that the yield has been exceptionally high for a very long time. We've guided for a blended tax rate. Blended revenue capture at or slightly below the mark of 0.50 basis point.

Now, the key driver of that, there are many, and it's very difficult to single out the impact of each one of those, but what we've seen in general terms is an increase of the average size of the orders that was one of the factors contributing to the increase of the revenue capture. It's true as well, as you said, that we've seen as well a reduction of the retail activity, although the retail activity remains at that level which is higher with respect to what we had before the pandemic.

Arnaud Giblat: Thank you.

Operator: Thank you very much. Our next question comes from the line of Bruce Hamilton from Morgan Stanley. Please go ahead.

Bruce Hamilton (Morgan Stanley): Hi. Morning. Maybe just a couple more on the costs just to check. So on the €622 million guidance, and thanks for that. This includes further synergy delivery to offset inflation. I don't know if you're able to give us what the sort of run-rate synergies assumed in that number of versus the €10 million already in 2021, but that'd be helpful. Plus, any other guide on the phasing of the €45 million, if that's possible?

Secondly, simply on the integration costs. So €50 million of the €160 million comes through the 2022 cost base. Should we expect the majority of the rest comes through '23. So '24 is relatively clean, or is it quite hard to tell?

And then finally, I guess, for your current guidance for 2024, I think the implied cost base is around €585 million. So obviously a bit lower than we are today. So I just wanted to check that that guidance still stands. Thank you.

Giorgio Modica: So let me start from the last point. Yes, and I want to clarify that the trajectory and the numbers that we have shared, the ambition for 2022 is absolutely consistent with the delivery of our 2024 ambition. So yes, I can confirm that the trajectory is exactly the one that we have described during the November Investor Day.

Then with respect to your second question, we had €27 million of one-off cost in 2021. We will have €50 million next year. And it's a fair assumption that 2024 is going to be a rather clean year. So this gives you pretty much all the elements to assess a phasing of the exceptional cost.

Then when it comes to the €622 million, what I can say is that is the following. I will not provide you a rate – a run-rate target for 2022, unfortunately. What I can say on the other side is clearly that you have a base and you can have an idea of what type of inflation 2022 could mean.

The inflation rates across the industry are well-known and we will more than offset that. Even an inflation of 2%, 2.5%, would imply an increase of our cost base, which is significant, between €15 million and €20 million. And we will overcompensate that.

Bruce Hamilton: Brilliant. Thank you.

Operator: Thank you. Our next question comes from Ian White from Autonomous Research. Go ahead.

Ian White (Autonomous Research): Hi. Morning. Thanks for the presentation. Just a couple of follow-ups on costs as well from my side, please. And so to actually go back to a short follow-up to Bruce's question. The guidance that was set out in November, I think gets a sort of cost base at the midpoint, if we're saying 3.5% revenue growth, 5.5% EBITDA growth, cost base of about €574 in 2024. Can you just walk me through please how we might get to a figure in that ballpark from the €622 million in 2022, please? That's question one.

And secondly, can I just clarify, do the integration costs, the total €160 million for Borsa Italiana, does that include any one-time termination speed that might be payable to LCH to discontinue the clearing service, please? Thank you.

Giorgio Modica: Yeah. So let me take the two elements. So let me start from your first question. So what is important to understand, and I appreciate that is not easy, is the concept that the target of €100 million is not a mix between revenue increase and cost reductions, but is an increase in EBITDA, which means that could be a combination of the two elements.

And this is specifically true for the activity that we have today with respect to the data centre and the clearing activity. What I'm trying to say is that if we look at – just to give you a practical example - if we assess the increase of margin that we expect from clearing, which is the largest part of the increase of target from €60 million to €100 million, this is a combination of increased revenues and reduced costs.

So in – to a certain extent - in the €100 million, there is – if you take it in absolute amount - more revenue savings to come as a part of the new set up that we will have for the data centre and the clearing. Then you let me know whether this is clear enough or not, and I can expand.

On your second question, the answer is yes. We are including all the costs related to the implementation of the plan, including the termination fee, the potential termination fee, for LCH SA.

Ian White: Got it. Thank you. That is helpful on question one. I guess just to clarify then, I took the EBITDA margin that was implied by your targets in November was somewhere between sort of 61-65%, maybe something in that ballpark. So we should still be expecting the margin to land in that range presumably for 2024. It might just be a mix of perhaps higher costs, higher revenues and vice versa, relative to my strawman working on the guidance. That's what I'm hearing there if I've got that correct.

Giorgio Modica: So what I can say is that during the Investor Day, we gave a trajectory for the EBITDA and a trajectory of the revenue. And if you deduct one from the other, you would have implicitly the trajectory of costs, and this is implied into the €100 million target. Then if you're asking yourself, how is it possible to get to the level? What I can say is that a part of the business opportunity in doing the business ourselves will translate into further savings that you don’t see today.

Ian White: Okay. That's super. Thanks for your help.

Operator: Thank you. Our next question comes from the line of Johannes Thormann from HSBC. Please go ahead.

Johannes Thormann (HSBC): Good morning. Sorry, just three questions, please. First of all, a follow-up. Could you provide us a breakdown of the collateral for the net treasury income by currency or also by the different volumes?

Secondly, on the cost – on the green data centre and migration in June. How long have you hedged your energy costs for that one? Or do you produce your energy on your own in this data centre?

And last but not least, if you could provide probably some clarity on the dividends on Sicovam and Euroclear you're expecting for 2022 and the contribution from LCH, if you can elaborate a bit on the seasonality from this? Thank you very much.

Giorgio Modica: So a few elements on my side. Let me start with the data centre. So this data centre is green not because it buys green electricity, but because it produces itself green energy with a combination of fully-owned hydro power plants and photovoltaic panels which are built on the roof of the data centre itself. So this is for the first question and we are not hedging. We are auto-producing.

The second element is related to the dividend for next year. I mean, we will need to have the results of Euroclear. So once those company will announce – so for LCH SA, this is going to be an 11.1% share of their net income when this will become available - and for Sicovam and Euroclear, once it’s going to be announced, it’s going to be publicly available. We cannot anticipate those elements.

Then when it comes to your question around the collateral, we provide a breakdown of the element that we collect from our client in terms of margin. This is, I believe, one of the last pages of the press release. And at the moment, this is largely euros, and we don't anticipate to provide the breakdowns because – not because we don't want, but we don't feel that this gives really more insight into the revenue potential from that activity.

Johannes Thormann: Okay. Thank you.

Operator: Thank you very much. Our next question comes from the line of Martin Price from Jefferies. Please go ahead.

Martin Price (Jefferies): Good morning, and thanks for the presentation. Just two questions, if I may? First on post-trade. You reported a strong sequential increase in revenue in Q4. Just wanted to confirm that that was just a function of stronger settlement activity and higher custody assets rather than any one-offs or seasonality in revenue?

And secondly, sorry, I just wanted to come back to the EU consolidated take proposal. I appreciate it's still very early days in the process, but at the Investor Day last year, I think you said that you thought the impact was manageable; I just wonder if you could help us understand in a little bit more detail the revenue you think potentially could be at risk? Thank you.

Stéphane Boujnah: So I will answer briefly your question on consolidated tape. And Anthony Attia, the Head of Primary Markets and Post-Trade, will answer your first question on the revenue mix within the CSD business.

The debate on the consolidated tape is ongoing. We are spending a lot of time with the various constituencies that will have to form their final views on this matter at the European parliament and within the relevant member states of the Council of the European Union. We are confident that a pragmatic manageable solution will be found.

There are still open issues on the scope, the pace, the timing, the framework to operate such a consolidated tape. So for the moment, it's more a concept and ambition more than something framed precisely. So there are a lot of moving pieces in finalising what this consolidated tape, if any, will be in due course.

So it's very difficult for us to form a view on what will be the final regulatory framework that will apply to the real-time data produced by Euronext. That being said, we don't change the comment made at the Investor Day on the basis of the various scenarios we are analysing internally. We believe that the consequences of this new piece of regulation will be manageable.

But again, we are spending a lot of time, of effort, to make sure that these changes are minimising – are minimised in – minimal in terms of impact on our top line. On the CSD?

Anthony Attia: Thank you, Stéphane, and good morning, everyone. So I understand your question was about the drivers of the growth in our CSD businesses. So as we explained in the press release, we have – we enjoy a growth compared to the previous year, and the previous quarter, but it is not only due to the addition of the Euronext Securities Milan, formerly Monte Titoli, CSD in the mix. It's also because we had an increased settlement activity and also a very strong retail account activity in the Nordics. And as you can remember from the previous calls, this segregated account business in our two Nordic CSDs in Copenhagen and Oslo is one of the drivers of that growth.

Giorgio Modica: And I can confirm that there is no one-off component in the fourth quarter revenue. This is fully organic and recurring.

Martin Price: Understood. That's very helpful. Thanks all.

Operator: Thank you very much. Just as a reminder, it is star one if you would like to ask a question. We don't seem to have any further questions in the queue at this moment. So we'll hold just a second to see if more questions come through. Okay. We have no further questions on the line, so I'll hand you back over to the speakers.

Stéphane Boujnah: Thank you very much for your time. Happy to follow up with the team here, and have a good day.

Operator: Thank you very much for joining today's call. You may now disconnect your handsets. Hosts, please stay on the line. Thank you.

[END OF TRANSCRIPT]