# Euronext Q1 2022 Results

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**Operator:** Hello, and welcome to the Euronext First Quarter 2022 Results Call. My name is Jess, and I'll be your coordinator for today's event. For the duration of the call, your lines will be on listen-only. However, there will be the opportunity to ask questions. This can be done by pressing star one on your telephone keypad to register your question at any time. If at any point you require assistance, please press star zero and you will be connected to an operator.

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

**Stéphane Boujnah:** Good morning, everybody, and thank you for joining us this morning for Euronext's first quarter 2022 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 the first quarter before handing over to Giorgio Modica, Euronext CFO, who will then further develop the main business and financial highlights of the quarter.

Moving to slide four. Before discussing our first quarter performance, I would like to say a few words on the current situation in Europe. This quarter was marked by the Russian invasion of Ukraine. And while our exposure to Ukraine, Russia, Belarus is negligible, our European roots are the core DNA of the Euronext project. And as the leading pan-European market infrastructure, we remain extremely concerned by this situation.

Clearly, this crisis has generated strong volatility across European markets, yet we have continued to provide fair and transparent markets at all times, and we have demonstrated the resilience of our business model in those circumstances.

We continue to monitor closely the situation, notably with regard to the implementation of the sanctions on Russia and Belarus. However, as I just said, our exposure to the situation is negligible.

Moving now to the presentation of our first quarter results. Euronext reported a very strong performance in the first quarter of 2022, with revenue reaching €395.7 million. This is the highest quarterly revenue we have ever disclosed at Euronext. During the first quarter of 2022, revenue increased by more than 50%. Adjusted EBITDA increased by more than 50%, and adjusted net income increased by more than 50%.

This is not only due to the consolidation of the Borsa Italiana Group. Our results were also up year-on-year on a pro forma basis, in other words, including Borsa Italiana Group as if we were owners of this asset in Q1 2021. On that pro forma basis, Euronext reported +6% growth in first quarter revenue this year and +11.4% growth in adjusted EBITDA.

And this strong performance results from several drivers. On the one hand, both non-volume related revenue and trading activities reported a very strong performance. On the other hand, we benefited from our continued cost discipline combined with the successful ongoing integration of the Borsa Italiana Group and the delivery of the related expected synergies.

On the revenue side, our trading activities were driven by the volatile environment at the end of the first quarter of this year. In the meantime, our non-volume related activities proved also to be resilient. All together, non-volume related revenue accounted for 55% of total revenue and covered 151% of underlying operating expenses, including D&A.

And on the cost side, the reported increase for sure in underlying expenses, excluding D&A, reflects the consolidating cost from the Borsa Italiana Group. But I would like to emphasise that both on a like-for-like basis and on a pro forma basis, the underlying expenses, excluding D&A, were down compared to last year. This is the result of continued tight cost control combined with the successful ongoing integration of the Borsa Italiana Group that is enabling us to deliver on the targeted EBITDA synergies.

Overall, these numbers translated into a plus 11.4% increase in pro forma adjusted EBIDTA to €252.2 million, resulting in an adjusted EBITDA margin of plus 3.1 points to 63.7%. Bottom line, we delivered in the first quarter of 2022 a +7.3% increase in adjusted EPS at €1.54 per share.

On a reported basis, net income was up +46.5% to €143.8 million. Giorgio will further detail this financial performance, but our strong performance in Q1 improved our leverage position. It provides us with additional strategic flexibility as recently recognised by S&P, which confirmed our rating at BBB and improved the outlook from stable to positive.

During this first quarter, we pursued the strong momentum around the delivery of the integration plan and the delivery of synergies in relation to the acquisition of the Borsa Italiana Group, and we pursued the development of the first key migration, the migration of our Core Data Centre, which will occur in just a few weeks.

With regards to the targeted synergies, we have reached €15.2 million of cumulated run-rate EBITDA synergies at the end of this quarter, just 11 months after the closing of the acquisition. Another key achievement is the confirmed go-live of our new green Core Data Centre near Bergamo. Euronext will become the operator of its own Core Data Centre next month.

From 6th June 2022, our new Core Data Centre will be live and unlocking the first batch of identified business development synergies. And this migration will be the first major milestone within our "Growth for Impact 2024" strategic plan that will pave the way for the migration of the Italian cash equities and derivatives markets and to the Optiq trading platform in 2023.

And I would like to thank our teams and to thank the teams of our clients for this successful migration project that will benefit more broadly the whole financial ecosystem and that will help all our clients reduce their carbon footprint.

As a result of our progress in the integration of the Borsa Italiana Group and as a result of a continued cost control in the first quarter, we are today very pleased to upgrade our 2022 cost guidance, expecting €10 million less of underlying cost and €10 million less of implementation cost. This translates into expected underlying costs for 2022 of €612 million, down from the €622 million previously announced in February this year.

In addition, we now expect €150 million of non-recurring implementation cost by 2024, down from €160 million initially announced in November 2021.

Moving to the next slide, allow me to highlight some recent developments in our ESG strategy. As you know, we believe that Euronext must play a critical role to promote the transition of companies to more sustainable business models. We also continued to advance on the different pillars of our "Fit for 1.5 degrees" commitment during this first quarter of 2022.

We pursued the development of our ESG offering as we continue to strengthen the ESG franchise of our national flagship indices. We have welcomed additional issuers of sustainability-linked bonds on our market. Alongside the enhancement of our ESG offering, we continued to act as partner of choice for all clients, publishing our "Guide for ESG reporting - target 1.5 degrees" and co-founding the Sustainable Trading initiative to support our clients in their ESG journey.

From internal Euronext corporate perspective, we also started to deliver on our own ambitious ESG commitment. As I mentioned before, the migration of our new Core Data Centre near Bergamo will represent a massive milestone towards our "Fit for 1.5 degrees" commitment.

Furthermore, we continue to empower our people, for example, by launching for the third year in a row our 10 shares for all employees programme, as well as training our employees on climate issues. But for the past few years already, 100% of the Euronext employees are shareholders in Euronext.

Lastly, as you may see in our Universal Registration Document, we have disclosed our first set of targets in line with the Science-Based Target initiative. These targets notably include an expected reduction by at least 42% of our Scope 1 and Scope 2 carbon emissions by 2030 compared to 2020, as well as a reduction of at least 42.6% of our Scope 3 travel and carbon emissions by 2030 compared to 2019. The assessment to further reduce our emissions is being finalised, and we will be able to publish our final targets by June 2022.

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

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

In the first quarter of 2022, Euronext consolidated revenue income grew 6% pro forma for the acquisition of the Borsa Italiana Group. On a reported basis, revenue and income grew 58.8% to €395.7 million, representing an increase of €146.6 million. These strong results were driven by the growth of both non-volume related activities and trading and the integration of the Borsa Italiana Group.

On a like-for-like basis and at current currencies, i.e., mainly excluding Borsa Italiana consolidation that started in the first quarter of 2021, Euronext consolidated revenue was up 6.9% compared to the first quarter of 2021. We recorded good performance across different business lines. Trading revenue increased to €150.8 million, up 9.9% pro forma and 57.2% on a reported basis, resulting from strong trading activity across all asset classes and products.

Post-trade revenue increased 3.1% pro forma and 51.7% on a reported basis to €95.8 million, driven by the continued strong activity. Clearing revenue profited from the highly volatile environment while custody and settlement revenue was stable.

Advanced Data Services revenue increased 3.4% pro forma and 43.9% on a reported basis to €52.6 million due to a solid core data business performance. Listing revenue grew 12.4% pro forma and 42.9% on a reported basis to €55.4 million. The listing activity was resilient and Euronext confirmed its position as the leading venue for equity and ETF listings in Europe and for bond listings worldwide.

In terms of revenue mix, in the first quarter of 2022, non-volume revenue accounted for 55% of total Group revenue versus 58% pro forma in the first quarter 2021, as a result of the increasing relevance of our non-volume related revenue in our business mix even during periods of high trading activity. I would like to highlight that to better reflect the segmentation of our revenue mix between volume-related and non-volume related revenues from this quarter, we included within our non-volume related revenue part of the revenue of clearing, such as the net treasury income and membership fees.

Lastly, non-volume related revenues covered 151% of our underlying operating cost, excluding D&A, compared to 147% pro forma last year.

Moving to the next slide for listing. I am on slide 10. Listing revenue was €55.4 million, an increase of 12.4% on a pro forma basis and 42.9% on a reported basis compared to the first quarter of 2021. To better understand this trend, I would like to highlight that according to the principles of IFRS 15, admission revenues are recognised over a period of time, which for Euronext mostly ranges between three and five years. As a result, in the first quarter of 2022, we benefited from the exceptional listing activity of 2021, offsetting a softer IPO environment this quarter.

In detail, during the first quarter of 2022, Euronext was able to confirm its leading position in Europe for primary equity listing, counting 22 new listings, despite the recent headwinds to the listing activity. Euronext also recorded the three largest IPO in Europe in terms of money raised and continues to demonstrate its attractivity as a SPAC hub.

In the first quarter of 2022, €2.2 billion was raised on Euronext primary market, which represents 73% of the total money raised on primary markets all over Europe. As far as secondary issues are concerned, €2.6 billion were raised in the first quarter of 2022. The deal pipeline remains strong, but market conditions have worsened, with several issues postponing the execution of the deals. If current market condition persists, next quarter might not be as strong as the first quarter.

Moving to ETF. Once again, we confirm in the first quarter of 2022 our position as the number one listing venue for ETF with 3,679 ETFs listed at the end of March 2022. Euronext also reinforced its position as the leading venue for bond listing worldwide with over 52,000 bonds listed across all Euronext markets and continued to grow its ESG bond listing franchise.

In the first quarter of 2022, €320.5 billion in debt was raised on Euronext markets. Overall, this brings us to a total of €325.2 billion raised in equity and debt on Euronext markets in the first quarter of 2022.

Lastly, Euronext corporate services reported a record quarter in terms of revenues at €10.5 million. The +15.7% increase year on year results from a strong performance across services and increasing commercial traction in Italy. Like-for-like, listing and corporate services revenues increased 12.5% compared to the first quarter of last year.

In summary, this quarter demonstrates the strength of our equity and debt listing businesses in highly volatile market conditions.

Let's move to our trading business next on slide 11, and start with cash trading. On a pro forma basis, including Borsa Italiana, ADV increased 19.8% to €15.5 billion, representing the second strongest quarter ever recorded on Euronext equity markets after the first quarter of 2020 at the beginning of the COVID-19 pandemic.

Average revenue capture over the quarter was at 0.47 basis points and the market share averaged 68.1%, including Borsa Italiana. This level of average fee is impacted by the dilution coming from the consolidation of Borsa Italiana and the normalisation of market behaviours and the average size of orders. Excluding Borsa Italiana, the average fee remains above 0.50

basis points. Cash trading revenues increased 11.1% pro forma and 35.7% on a reported basis to €94 million.

Moving on to derivatives trading. Derivatives trading revenue was up 9.3% pro forma and 37.5% on a reported basis to €16.1 million in this quarter. Pro forma average daily volumes on financial derivatives was up 6.1% from the first quarter of 2021, reflecting the high volatility environment for equity derivatives. Commodities reported another record quarter while average daily volumes were up 6.1% compared to an already strong quarter in the first quarter of 2021. The average revenue captured over the quarter for derivatives trading was €0.30 per lot.

Lastly, fixed income trading reported revenue up €24.4 million, primarily resulting from the consolidation of MTS. On a pro forma basis, fixed income revenue increased 4.7%. In the first quarter of 2022, MTS cash generated €16.9 million of revenues and MTS repo generated €5.2 million in revenue.

Repo trading saw a strong traction this quarter with terms adjusted ADV up 25% to €347.9 million. MTS cash maintained a robust performance in market dominated by raising interest rates with ADV volumes down only 1.6% versus the exceptional Q1 2021 to €22.7 billion.

Let's continue with trading on slide 12, and let's start with the FX business. The first quarter of 2022 was the second best quarter ever for Euronext FX after the first quarter of 2020, both in terms of revenue and average daily volumes, thanks to the positive impact of volatility.

Euronext reported average spot FX trading volumes of $24.5 billion in the first quarter of 2022, up 14.4% compared to the first quarter of 2021. Spot FX trading revenues increased 18% compared to the first quarter of 2021 at €7.2 million. Power trading reported €9.1 million in revenue this quarter, a solid growth of 8.4% compared to the first quarter of 2021 as a result of a larger footprint in Central Europe and a solid performance in the UK and in the Nordics.

In the first quarter of 2022, average daily day-ahead power traded was 3.13TWh with a 6.3% increase compared to the same quarter last year and average daily intraday power traded was at 0.08TWh, up 25.9% compared to the first quarter of 2021.

Moving to slide 13. Revenue from our post-trade activity, including net treasury income, increased 72.9% to €109.2 million. Clearing revenue was up 87.2% and 11.2% on a pro forma basis to €31.9 million, as a result of higher clearing revenue, both at Euronext Clearing and LCH SA reflecting higher trading activity. On a like-for-like basis, at current currencies, clearing revenue was up 14.0% compared to the first quarter of 2021.

Net treasury income through CCP business of Euronext Clearing was €13.4 million.

Custody and settlement and post-trade revenue encompassing activity of the four CSDs we operate under the Euronext Securities brand was up 38.6% to €63.9 million on a reported basis. The performance was organically driven by the increased number of accounts in Euronext Securities Oslo and Euronext Securities Copenhagen.

On a pro forma basis, revenue was stable year-on-year. On a like-for-like and at current currencies, custody and settlement and other post-trade revenue slightly decreased 2.5% compared to the first quarter of 2021, mainly related to lower settlement activity versus the first quarter of 2021.

I'm now on slide 14. Advanced Data Services revenue was up 43.9% to €52.6 million. This represents a 3.4% increase on a pro forma basis, compared to the first quarter of 2021, driven by strong performance of our market data business resulting from a higher number of users and sustained growth of the data solution offering.

Investor Services revenue was at €2.2 million this quarter, down on a pro forma basis, driven by a change in scope, up 7.4% on a like-for-like basis.

Lastly, Technology Solutions revenue was up 94.5% compared to Q1 2021 to €23.1 million as a result of the consolidation of Borsa Italiana Group technology business, including Gatelab and X2M. On a pro forma basis, Technology Solutions revenue decreased slightly by 2.9%, mainly due to a seasonal decline in client activity.

Moving to slide 16 for the financial highlights of the quarter. Let's start with the EBITDA bridge. As announced with the last publication, from the first quarter of 2022, we do not have any more a separate line below EBITDA to capture exceptional items. From this quarter, all costs are included by nature in the different lines of our P&L. This means that our EBITDA includes exceptional cost as well. However, we now publish an adjusted EBITDA which corresponds to revenues minus non-underlying cost excluding D&A, which highlights the underlying performance of Euronext.

The definition of non-underlying items includes integration costs, double-run of significant projects, operating exceptional items, amortisation of intangible assets from acquisitions, non-operating exceptional items and tax on the non-underlying items that I just described.

Euronext adjusted EBITDA for the quarter was up 66.8% to €252.2 million. On a pro forma basis, adjusted EBITDA grew 11.4%, demonstrating Euronext’s ability to capture value in a volatile environment and its trademark cost discipline. This result is also impacted by the release of approximately €4.5 million of bonus accruals in the first quarter of 2022.

The adjusted EBITDA margin increased to 63.7% this quarter from 60.7% in the first quarter of 2021. On a like-for-like basis, EBITDA margin was at 64% this quarter, up 2.9 points and adjusted EBITDA increased 12%.

Finally, non-underlying costs, excluding D&A, were €5.5 million and were mostly related to the Borsa Italiana integration, bringing the EBITDA of the Group to €246.7 million.

Moving to slide 17 for the bridge of net income. The net income increased this quarter 46.5% to €143.8 million. On a pro forma basis, net income increased 10.9%, resulting from the following elements: D&A slightly increased €2.5 million, reflecting the impact of the new Data Centre and higher tangible and intangible fixed assets D&A. The result from equity investment decreased €8.6 million as this year this line only reflects the contribution of our 11.1% stake in LCH SA, whereas last year Euronext received a one-off interim dividend from Euroclear.

I would like to highlight that the €20.6 million of non-underlying costs in the bridge are mainly represented by D&A, namely the PPA amortisation of acquisitions.

Lastly, income tax for the first quarter of 2022 was €52 million. This translates into an effective tax rate for the quarter of 26.1%. For 2022, we expect a stable tax rate at around 27%. Adjusted for non-underlying costs, adjusted net income was €164.4 million, translating into an adjusted EPS increase of 7.3% to €1.54 per share this quarter.

I'm now moving to slide 18 for the cash flow generation and leverage. Net operating cash flow amounted to €368.6 million. Excluding the CCP activities impact of Nord Pool and Euronext Clearing on the change in working capital, 84% of our adjusted EBITDA was converted into post-tax operating cash flow.

Our strong cash flow generation capability enables us to significantly deleverage to 2.3 times net debt to EBITDA at the end of this quarter. This compares to 2.6 times at the end of the fourth quarter 2021 and 3.2 times following the closing of the Borsa Italiana acquisition. This improved leverage provides us with additional strategic flexibility as recently recognised by S&P, which confirm our rating at BBB, but improved the outlook from stable to positive.

Moving to slide 19 for the evolution of our liquidity position over the quarter. As illustrated, our liquidity position remains strong above €1.5 billion, including the undrawn RCF, revolving credit facility of €600 million, while excluding the cash currently in transit at Nord Pool.

With this, I would like to give back the floor to Stéphane Boujnah.

**Stéphane Boujnah:** Thank you, Giorgio, and happy to take your questions.

## Questions and Answers

**Operator:** If you would like to ask a question, please press star one on your telephone keypads. Please ensure your line is unmuted locally, as you will be advised when to ask your question. So once again that’s star one if you would like to ask a question. And the first question comes from the line of Mike Werner from UBS. Please go ahead.

**Mike Werner (UBS):** Thank you very much, and thanks for the presentation. Two questions, please. First, on the €4.5 million release of the bonus accrual in Q1. Can you just provide a little bit of colour as to what drove that? Also, whether that's something that is probably considered one-off and non-recurring?

And then secondly, on the Technology Solutions business. You indicated kind of just a lower client activity in Q1. But the Q1 revenue run-rate was about 9% lower than the run rate that we saw in the second half of last year. So I was just wondering, is this something that's maybe seasonal one-off? Is this really client-related and activity-related? Or is this kind of a more appropriate run rate going forward, given the change in the markets? Thank you.

**Giorgio Modica:** Thank you very much for your questions. So starting from the €4.5 million. So this is an adjustment that we had when we had to finalise the decision on variable payment. So this can be considered, in one sense, one-off, because clearly this is something that is going to happen only in the first quarter of 2022.

However, embedded in the number, you see already a lower accrual that will last throughout 2022. So there is a part which is recurring and a part which is one-off. And the €4.5 million specifically, this is the one-off component.

When it comes to the technology solutions, part of our activity is client-related. And what we have seen is a seasonal slowdown in the first quarter that we think is going to be recovered in the next quarters.

**Mike Werner:** Thank you. And just a quick follow-up, please. In terms of the release on the bonus accrual, €4.5 million. Should we assume that accounts for about half of the lower cost guidance, the €10 million in costs that you guide for 2022?

**Giorgio Modica:** I mean, as the cost target is going to be benchmarked against the actual number for 2022, clearly, any decreasing cost in the first quarter is included in that number.

**Mike Werner:** Okay. Thank you very much.

**Operator:** The next question comes from the line of Bruce Hamilton from Morgan Stanley. Please go ahead.

**Bruce Hamilton (Morgan Stanley):** Thanks. Good morning. And thank you for taking my questions. I've got three. Firstly, obviously, you've given us an update on the timeline for the initial recurring revenue synergies linked to the migration of data centre. But could you give us any colour or sort of time frame and potential quantum around the opportunity linked to the internationalisation of MTS? Is that just a sort of gradual process? Or how should we think about that?

Secondly, in terms of the importance of retail activity. Could you give any sense of how much of your cash trading relates to retail and where we are versus history, just to give a sense of any sort of further risk of normalisation and similarly in the post-trade business?

And then finally, in terms of balance sheet flexibility, obviously great that your net debt to EBITDA is coming down quite quickly. Can you remind us what sort of levels the credit rating agents are now comfortable with? I assume that may have gone up a little bit in terms of where you could run without putting at risk your rating. So maybe just give us an update on that. Thank you.

**Stéphane Boujnah:** So I will take the question of the revenue synergies, and Giorgio will answer the questions on the retail activities, the balance sheet in relation to the perception by rating agencies.

Let's be clear. We had announced in November that we – in relation to the acquisition of the Borsa Italiana Group, would extract €100 million of EBITDA synergies with a mixture of cost synergies and revenue synergies in relation to various projects, one of them being the migration of the Core Data Centre.

So as of today, we have extracted in relation to the acquisition, of course, to Euronext Group in Italy but across the Euronext Group, €15 million of run-rate cost synergies. So it's about one-third of the €45 million cost synergies that we had announced or targeted for the end of '24 in November '21. So €15 million as part of €45 million.

For the first time, with the migration of the Core Data Centre to Bergamo, where we will start invoicing directly in core location services, we will start generating revenue synergies. So going forward, starting next quarter, we will have a contribution of revenue synergies to – in the mix of synergic strategy in relation to this – the acquisition of the Borsa Italiana Group.

As far as the MTS revenue synergies are concerned, they are part of the bigger bucket of revenue synergies and they take longer than a few quarters to be extracted. So we have various projects that are ongoing, but they are not going to materialise in a significant manner immediately. They are part of all the revenue synergies. Some of them are more or less milestone-related, like the development of the revenues to be extracted from the Core Data Centre in Bergamo. So you will see them in a recurring manner after the implementation of the migration at 6th June.

Others are ramping up with the penetration of clients with the international MTS business in the Euronext countries. And that's more a project that will develop across '23 and '24. Giorgio?

**Giorgio Modica:** Yeah, absolutely. So when it comes to the retail activity, what we have seen is that the participation in this volatile environment is slightly different from what it was one year ago, and we see less participation for these new crisis linked to the war in Ukraine, with respect to what we have seen at the time of the pandemic. So the retail participation remains mid-single-digit. So we're talking of a 3%, 4%, where it used to peak to 6%, 7% at the peak of the pandemic.

Then when it comes to your second question with respect to leverage and rating, in the note from S&P, S&P clearly highlights some targets for the end of 2023 and seems to hint that if we will remain in that trajectory, we might have a further improve clearly before the end of 2023. So the objective for the trajectory points out the FFO to net debt of 30% and the net debt to EBITDA of 2.5 times. So as long as we will remain in that trajectory, I believe without waiting for the end of '23, we might be open to good surprises.

On the lower side, however, I wanted to remind you in terms of flexibility, that the BBB rating band ranges between 4.5 and 3.5 times net debt to EBITDA in terms of leverage and between 18% and 23% in terms of FFO to net debt.

**Bruce Hamilton:** Brilliant. Thank you.

**Operator:** The next question comes from the line of Haley Tam from Credit Suisse. Please go ahead.

**Haley Tam (Credit Suisse):** Good morning. Thank you very much for taking my questions. If I can ask a few follow-ups, please? It's just with the Data Centre migration. Could you confirm that all your clients you currently colocate with you in London are moving with you to the new data centre? And I apologise if I've missed it, but have you actually quantified how much of the additional €40 million synergies will be coming from this move versus perhaps Euronext Clearing in the longer term?

And then if I can, I'd like to ask a question just about Euroclear and the 9.8% ICE stake that is now being sold to the French and Belgian government investment firms, who are also reference shareholders of Euronext. Could you give us any colour on what this means, if anything, from a strategic perspective for you? Thank you.

**Stéphane Boujnah:** Okay. On the Core Data Centre, you have a question on operations and a question on revenues. So I can confirm that all our clients are ready or about to be ready and there will be further testing and rehearsals between now and 6th June with our clients. And if we confirm today the timetable for the migration of the Core Data Centre, this is because as seasoned operational professionals, we have reached a conclusion that together with all clients, the teams in the Aruba facilities near Bergamo across our various clients and within Euronext are ready for that migration.

We do not disclose the granular breakdown of EBITDA contributions to the additional revenues to be generated by this Core Data Centre. But next quarter, we will be in a position to be more specific because by then you will see the contribution to the run-rate revenue synergies of the revenues generated by the colocation services charged directly through – to the Core Data Centre in Bergamo.

On the Euroclear situation, we have noticed the fact that SFPI and Euroclear have acquired the stake that was sold by ICE. We are familiar with SFPI and with Caisse des Dépôts et Consignations, who are both reference shareholder of Euronext. By the way, Euroclear is also a reference shareholder of Euronext. So we know each other extremely well. This – the fact that there is a common interest by SFPI and by Caisse des Dépôts et Consignations for both Euronext, which is the leading pan-European market infrastructure, in particular, in terms of trading and post-trade and for Euroclear, which is the leading ICSD in Europe, is – it shows the consistency of the strategy of Caisse des Dépôts et Consignations and SFPI, but it doesn't mean anything else that we have two strong shareholders of Euronext, who have a strong interest for market infrastructures in Europe across the value chain.

**Haley Tam:** Thank you.

**Operator:** The next question comes from the line of Philip Middleton from Bank of America. Please go ahead.

**Philip Middleton (Bank of America Merrill Lynch):** Yeah. Good morning, and thanks for taking my questions. First of all, on costs. Could you talk a little bit about what the revised guidance for this year potentially means for years further out? So are we looking at some of the cost savings, which are one-off so you don't read that through? Or do you feel that the lower level of the bonuses is, in some sense, sustainable, and therefore the €10 million may endure through further years?

And secondly, I wonder if you could tell us a little bit more about the economics for the clearing and settlement business. So how much of the revenues come from asset-based revenues compared to the settlement revenues? Thank you.

**Stéphane Boujnah:** Okay. So Giorgio will answer your first questions on the inertia in the revised guidance, and Anthony, who is the Head of Post Trade will answer your questions on the revenue model about the clearing business of Euronext Clearing, formerly known as CC&G. Over to you, Giorgio.

**Giorgio Modica:** Yeah. So when it comes to cost, let's first focus ourself on 2022. So what is going to happen this year is the following. So you should expect in the next quarter, clearly, the one-off elements not to be there anymore and we will have, to certain extent, the seasonal inflation coming from the increase of salary kicking in from the second quarter this year. And then it's difficult for me to be more granular when it comes to the phasing of cost rather than reiterating that the new target is €612 million because we will have many projects completing and many projects starting, which gives, to a certain extent, a complex phasing of the cost throughout 2022.

Then when we move to 2023, again, it’s very early I believe, given the situation we are having at the moment to anticipate what is going to be the target in revenues from – for next year. So clearly, we are analysing the situation with the objective of maximising revenues and minimising cost. I appreciate this might seem high level but this is exactly what we are trying to achieve.

So to make the long story short, €612 million is what we see for 2022. You will see a slight increase in the second quarter coming from one-off elements that are not going to be there anymore, plus some inflation on salary cost, and then we see a rather steady state for the remainder of the year.

**Anthony Attia:** Good morning. This is Anthony. Thank you for your question. So across our four CSDs, the split of revenue is quite similar. We have roughly 50% linked to custody activity and so exposed to the valuation of assets, and the remaining 50% are linked to settlement and issuance businesses.

What I want to note is that we also are developing services on top of this type of revenue. So it's a new business and it's growing. And I want to take the example of tax reporting services in Norway or Data Services. And this is the part of the CSD business that is new and growing. Thank you.

**Philip Middleton:** Thank you. That's helpful.

**Operator:** The next question comes from the line of Kyle Voigt from KBW. Please go ahead.

**Kyle Voigt (KBW):** Hi. Good morning. Thanks for taking my questions. CBOE has been rolling out into competing equity index derivatives products across Europe. I know it's very early days there. But are you seeing any evidence of end customer activity migrating away? And could you comment on whether you expect to make any potential changes to pricing there or if you feel comfortable with the competitive positioning of those products?

And my second question is on the M&A environment. As you've said previously, you've delivered significantly at 2.3 times net leverage now. I guess given the volatility we're seeing, at least in public market valuations and given the uncertain macro environment, can you just talk a bit about the M&A environment and whether you're still seeing potentially attractive opportunities in this type of environment?

**Stéphane Boujnah:** I will answer the M&A question, and Giorgio will answer the question about the competitive environment, in particular in relation to CBOE initiatives.

The way Euronext has approached or has been approaching M&A since the IPO is extremely consistent and disciplined. We do believe that external growth is a fundamental component of the growth ambitions of Euronext for two reasons: to expand our European footprint in situations or in infrastructures where there are fundamental compelling synergies to be extracted by the expansion of the single liquidity pool, single order book, single technology platform; and to diversify the revenue streams of Euronext to be less dependent on volatility, in particular in volatility related to equity markets.

In order to pursue those two objectives, in particular the ones of diversification, we have an investment committee of four hours that meets every four weeks. No matter the level of leverage, no matter the stock price of Euronext, no matter the competitive environment, no matter whether LSE is trying to merge with Deutsche Börse, who is not merging with LSE and whether SIX is buying BME or not, we do have systematically a framework where we monitor opportunities.

The other framework we had is that we are very disciplined in terms of return of capital employed. We believe that our purpose is to extract synergy to consolidation of assets, and therefore we don't overpay for assets. That's why, for example, after very long debates, we decided not to bid for the acquisition of BME and to let the SIX pay the price they have paid for that acquisition at that time, because we felt that we could not justify value creation for that particular asset.

So we are extremely disciplined in terms of how much we are willing to pay. Sometimes, we take bold decisions like paying €4.4 billion for the acquisition of the Borsa Italiana Group, because we feel on the basis of our experience that the business is going to perform better than the market felt and that we could extract more synergies and the market believes today. And for the moment, that has proved to be the right call.

Going forward, one of the new developments, exactly as you articulated it, is the fact that, to a certain extent, valuation in particular of technology-driven assets, SaaS assets, data assets are starting in certain subsegments of those two domains to go down or to cool down. Some private equity owners who are considering saying those assets are becoming more reasonable in their expectations. So this is happening.

Anyone who has done M&A in his life knows that this phase of adjustment of – or this phase of cooling down of sellers expectations can take a few months. It's just the beginning of the process. In that environment, it's true that some assets that were not within our reach in terms of multiple because we could not justify this type of value that's in valuations of a few quarters ago are slowing – are slowly reaching a territory, where we could justify those valuations. But that's just one component of an overall environment, so we are not going to buy things because they are cheap, just as we were not buying them because they were expensive.

We'll buy them because we believe that they create synergies. We can extract value, and they make sense in terms of the strategic fit with the rest of the product portfolio. Sorry for this long answer, but you gave me the opportunity to frame the overall approach of M&A, and the way we will use the new balance sheet flexibility that we have regained by strong operating performance and strong cash flow generation.

Over to you, Giorgio, on the CBOE initiatives.

**Giorgio Modica:** Thank you very much, Stéphane. Clearly, CBOE is a very strong and reputable competitor, and we are looking carefully at their moves. However, at the moment, we are convinced that the quality of execution of our market does not justify any price decrease in order to compete on that market. So, again, Euronext is about overall quality of trading, and we still are the venue that sets and defines best execution, and this is our competitive leverage against the competition. So this is the first point.

The second point is about client traction. And again, what Stéphane said on the data centre is, i.e., that clients are with us and ready to migrate. In the view that 6th June is a testament to what we are trying to achieve in Europe is fully supported. We are asking a lot from our clients because we want to give a lot to our clients, and the payoff is positive. So, again, what we are seeing is a strong support from our client base in a moment of high transformation.

And we believe that even before having delivered on the benefits that we are trying to achieve with this transformation, the quality of our execution is sufficient to maintain and strengthen our position as a leading venue in Europe.

**Kyle Voigt:** I appreciate all the detail. Thank you very much.

**Operator:** The next question comes from the line of Arnaud Giblat from BNP Paribas. Please go ahead.

**Arnaud Giblat (Exane BNP Paribas):** Yeah. Good morning. I've got two questions, please. Firstly, can I ask, with regards to the normalisation of retail activity. You mentioned that on the trading side, I'm wondering on the settlements and custody side, how things are going. I mean, some of the retail brokers in the Nordics have reported a slowdown in activity. I think your revenues are more geared to the number of accounts more than anything else. So what's the outlook there? Should we expect to have a continuation of the strength that we're seeing in the Nordics? Or do you expect the accounts to remain open, or should we expect some degree of normalisation as activity is coming down?

And my second question is on annual fees in listings. That's up 15% quarter-on-quarter. Could you run maybe through some of the drivers behind that and whether or not it's sustainable? Thanks.

**Stéphane Boujnah:** So I'll let Anthony to answer your question as the Head of Primary Markets and Listing – expert on listing fees and also on the nature of the development of our post-trade business or CSD business in the Nordics.

**Anthony Attia:** Thank you, Stéphane. So concerning the retail activity on our CSDs. So it's about the – as Stéphane said, the Nordic activity, the CSDs in Copenhagen and Oslo. Well, what we have observed in the last quarter is a normalisation or stabilisation of the number of retail accounts, which is still high from a historical perspective. And nevertheless, the number of settlement instruction has normalised. And we observe a drop compared to the peak that we had last year.

Concerning the annual fees on equity listings, we have different adjustments in front of inflation compared to our own listings renewed in our countries, but we decided for this year to increase the yearly fees on our large cap issuers, which is an increase that was long overdue. This is a one-off increase but we are obviously monitoring the effect of inflation across the board on our different fees. Thank you.

**Arnaud Giblat:** Thanks.

**Operator:** The next question comes from the line of Martin Price from Jefferies. Please go ahead.

**Martin Price (Jefferies):** Good morning. Thanks for taking my question. Most of my questions have actually been asked, but maybe just on the revenue growth target of 3-4% per annum through to 2024, which you detailed at the Capital Markets Day last year. Within this, I wonder if you could just provide an update on your assumptions around volume growth and revenue capture for the core cash trading business and whether market developments since the Capital Markets Day may have prompted any form of re-evaluation. Thank you.

**Giorgio Modica:** Thank you very much for your question, which is a fairly legitimate one. So clearly, we are assessing areas, assessing the market environment on a daily basis. So we feel that, at the moment, the market environment is more volatile than what we had expected at the Investor Day. And this might trigger at some point the decision. But we really feel it is too early, five, six months after the Investor Day to change the target for 2024.

So we're doing a step at the time, delivering the key milestones of the project. And clearly, we will ask ourselves in the next quarter whether it's appropriate and timely a potential change of the targets for '24. So, again, to make a long story short, we don't feel it's appropriate moment to change the target for '24, but we are assessing the situation. And in this quarter, in the next quarter, we will clearly look at that.

**Arnaud Giblat:** Understood. That's very helpful. Thanks, Giorgio.

**Operator:** The next question comes from the line of Johannes Thormann from HSBC. Please go ahead.

**Johannes Thormann (HSBC):** Good morning, everybody. Johannes Thormann, HSBC. Three questions, please. First of all, you previously said when the revenue capture was at 50 bps that this is not sustainable. Now we have 47. Is this more a good run rate? Or what's your view on that?

Secondly, just on the Nordic CSDs business, a follow-up question. Sorry if I missed it. But the number of accounts, why did this increase if the retail trading activity has normalised? What has been the driver for the increased number of accounts?

And last but not least on the Euroclear stake sale recently. You argue that you look for ticket with strategic fit. You own a stake in Euroclear and you have already leveraged below the 2.5 level. Why haven't you bought a stake yourself to position yourself at a better, yeah, moment? Thank you.

**Stéphane Boujnah:** I will – thank you for your questions. I will answer the Euroclear question. Anthony will answer the question on the Nordic CSDs retail accounts, and Giorgio will answer your first question.

On the Euroclear situation, it's very simple. When the process of the sale of the disposal of the disposal of the ICE stake started before the summer, we were approached and we looked at it very carefully. We decided not to deploy the capital of our shareholders in this transaction for two reasons. We believe that the best use of Euronext capital is to try whenever it's possible to control – to buy controlling stakes in order to extract synergies because we are an industrial player and to consolidate assets.

We believe that we are not big enough to deploy several hundreds of millions just to deploy capital through a minority stake in a non-liquid company. So, as a principle, we are not huge enough to do multi hundred millions stakes for minority stakes in a non-liquid company.

The second reason, which is more important, is that we already have what we need to protect the optionality of being around the table if one day the situation around Euroclear is becoming actionable. We are – we own directly and indirectly approximately 5% of the equity in Euroclear, and we are a Board member of Euroclear. So increasing our stake in Euroclear would not have materially changed our position. We would not have had a second Board member, and we would have just have moved our staked from, let's say, 5% to close to 10% if we would have bought 50% of the ICE stake.

So we believe that this type of progress in the optionality of one day doing something with Euroclear, if and when the Euroclear situation is actionable, was not justifying the deployment of, in this particular case, approximately for the sake of the argument of 5% or 4%, let's say,

€350 million. So we believe, in other words, that the capital of our shareholders is better deployed in due course to a situation where we can extract the synergies.

That was the rational of not bidding for the stake, and that's an illustration of the sort of very strong M&A discipline that I described earlier on when – in the previous question of one of your colleagues.

**Johannes Thormann:** Perfect. Thank you.

**Stéphane Boujnah:** I give the floor to Anthony for your questions on the CSD accounts.

**Anthony Attia:** Thank you, Stéphane. So on the – on our four CSDs, as you might know, we have two different account management models. One is the one in Italy and in Portugal, where we have omnibus accounts and it's the custodians or clients who are managing the relationship with the retail. And in Denmark and in Norway, the CSDs have the direct management of the retail accounts. So that's a different revenue stream.

Last year, we observed a significant return of the retail investors on the equity market, on the stock exchange, which had the consequence to increase the number of accounts open in the CSD, so we had new accounts that have been opened and also the increase of the settlement instruction process by the CSD as a consequence of the trading on exchange.

In Q1 this year, as I said, we observed a stabilisation of the number of accounts. So we – very few account were closed. And so we see a normalisation of the number of accounts. And as Giorgio explained, a drop in retail activity, which has the consequence to have a drop in settlement activities as well.

**Giorgio Modica:** Yeah. Or in other words, people kept their accounts and traded less. So these were to a certain extend the number of accounts. The stock and the settlement distraction is a flow that comes from the stock.

So coming to your question about the revenue capture. So the first element – and I believe that your question deserves a complete answer. So the first element that I wanted to highlight is, when two years ago we were highlighting that the 0.50 was a run rate we were anticipating a reduction of the revenue capture that was not including Borsa Italiana. Whereas the 0.47 does include Borsa Italiana. And when we take into consideration Euronext alone, we are still above the 0.50 that we guided the market to be a sustainable long-term target.

So what is happening and why the average fee have trended down? So there are a couple of key drivers. The first one is that the revenue capture of Borsa Italiana is more sensible to the average size of trade, which means that it benefits from a lower average size and gets diluted when the average size increases. So this is one of the reasons why you have seen the average revenue capture trending down.

And the second element is the behaviour of our client within the order book. Now we have more and more liquidity providers, which are able to comply with the highest standard in terms of execution. And therefore, they are having access, as they had in the past, to three segments which are lower than the average one. So the combination of these two trends explain the 0.47, which we believe is sustainable overall into the new market conditions.

But, again, 0.47 shall not be compared to the target we gave to the market of 0.50 because that one was excluding Borsa Italiana, which, today, on average has lower average fees with respect to the rest of the Euronext markets.

**Johannes Thormann:** Perfect. Thank you.

**Operator:** The next question comes from the line of Reg Watson from ING. Please go ahead.

**Reg Watson (ING):** Morning, all. Apologies, if this has already been asked and answered. But as well as improving your guidance for the underlying cost for this year, you also improved your guidance for the one-off costs out to 2024. Have you changed the €50 million guidance for one-off costs for 2022? And if not, why not? So perhaps a little bit of colour on the phasing there.

And then a second question for Stéphane. The strategic flexibility that you mentioned, there are other forces in Europe which are acquiring or consolidating platform businesses. Do you find that attractive as a strategic option for Euronext as well? Thank you.

**Stéphane Boujnah:** Okay. First of all, let me apologise because that will have to be the last set of questions because we have to run to the Annual General Meeting in a few minutes. So apologies for the ones who could not ask questions.

On your strategy question, yes, there are still single country or several countries exchange market infrastructures in Europe. As I said on many occasions, the Euronext federal model is an open model. We are happy to welcome within our open federal governance or open federal supervision or open single liquidity pool, single order book enabled by single technology platform, exchanges that want to address the issues of the scalability, attractiveness of the local markets, exchanges that want to combine the continuity of their relative autonomy and identity while being part of something that is scalable.

And we had from time to time dialogues with exchanges who need to decide what they want to do in Europe, but there are all sorts of situations. There are large market infrastructures that are very local in terms of structure and very diversified in a way the exchange part is – has become a minimal part of the business. You have other exchanges that are very focused on the historical core exchange business and want to remain independent because they don't mind the weaknesses or the drawbacks of being relatively small, and there are others who are really thinking about consolidation.

But it's a game of consenting adults and things happen when everyone is ready to accept or to find the mutual benefits and the compromises that go with mergers and with the consolidation. So we monitor very, very precisely in detail every situation in Europe, whether they are actionable or not, because this is a core mission to build the leading pan-European market infrastructure in Europe and to make sure that we build the backbone of the Capital Markets Union. So this is at the core of our attention. Giorgio, on the guidance.

**Giorgio Modica:** So that is a very fair question. So the point is that we made a reassessment of the overall integration costs as well taking into account that the big part, to a certain extent, is going to be delivered on 6th June and we came up with the conclusion of that €150 million is good enough for us to deliver. However, the reason why we didn't change the €50 million is that we don't want to put ourselves in the position to miss a target potentially if we accelerate delivery.

As you know, many times, acceleration means acceleration of cost as well. So when it comes to the phasing, we kept the previous phasing, and again, not because we are shy, but because we know that sometimes acceleration and the strategic flexibility we need to capture the opportunity we will have in the next quarter might trigger anticipating some costs or moving costs from one quarter to the other.

So this is the reason why we decided to be less specific on non-underlying cost than we've been on underlying costs.

**Reg Watson:** Okay. Thank you. That's very clear.

**Operator:** There are no further questions in the queue. So I will hand the call back to your hosts for some closing remarks.

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

**Operator:** Thank you for joining today's call. You may now disconnect your lines.

[END OF TRANSCRIPT]