Euronext Completion of the Acquisition of the Borsa Italiana Group and Q1 2021 Results

Thursday, 29th April 2021

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

Euronext Completion of the Acquisition of the Borsa Italiana Group and Q1 2021 Results

Operator: Hello, and welcome to the Euronext Completion of the Acquisition of the Borsa Italiana Group and Q1 2021 Results Call. My name is Rosie, and I'll be your coordinator for today's event. Please note this call is being recorded, and for the duration, you lines will be on listen-only. However, you will have the opportunity to ask questions. This can be done by pressing star one on your telephone keypad to register your question at any time. If you require assistance, please press star zero and you'll be connected to an operator.

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

Stéphane Boujnah: Good morning everybody and thank you for joining us this morning on such short notice as Euronext completes today the acquisition of the Borsa Italiana Group and releases its first quarter 2021 results. I am Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext. And today with me is Giorgio Modica, the Euronext CFO.

I'd like to start with a few words about the acquisition of the Borsa Italiana Group, which closes today. And I will take you then through the highlights of the first quarter '21 before opening up for your questions together with Giorgio Modica, our CFO.

Today is a very important day for Euronext because today is the first day of very exciting new chapter, not just for Euronext as a company but I believe for Euronext – for European capital markets. With the completion of the acquisition of the Borsa Italiana Group, Euronext has successfully created the leading pan-European market infrastructure in Europe.

Euronext will leverage these enhanced capabilities to build and strengthen the backbone of the capital markets union in Europe to connect local economies with global markets. Clearly with this acquisition, Euronext is now, first, the number one venue for equity listing and financing in Europe with around 1,900 companies totalling approximately €5.1 trillion of aggregate market capitalisations.

Euronext is also number one venue for cash, equities and ETF trading in Europe with €12.2 billion worth of average daily traded value on the basis of last year pro forma numbers. Euronext is also a leading European government bonds trading platform, thanks to the integration of MTS to the Euronext trading offering.

And Euronext is now a leading operator in post-trade infrastructures with the development and the acceleration of the Euronext subsidiaries, with Monte Titoli joining us, including also a multi-asset class clearinghouse, CC&G. And in terms of CSDs with asset under custodies for not great amount above €6 trillion.

This transaction strengthens Euronext. It enhances its strategic prospects for future growth. It opens opportunities for further product innovations for further geographical expansion and for further business diversification.

Moving to slide five about the new revenue profile of the Group. The Borsa Italiana Group acquisition is transformational for Euronext, because first it significantly increases the scale of the Group but it also significantly diversifies the profile, the business profile of the Group in terms of revenue mix and also in terms of geography.

On a pro forma basis, we have now crossed the symbolic €1 billion revenue bar with 2020 total revenue – total amount of €1.4 billion approximately. Of this total revenue amount, 49% was non-volume related revenue and 26% is generated in post-trade operations. Italy is now the largest revenue contributor with the 34% of the 2020 pro forma revenue.

The pro forma 2020 EBITDA for the combined Group amounted to €790 million, representing a 58% EBITDA margin. Lastly, the pro forma 2020 adjusted net income amounted to €498 million.

Moving to slide six to focus on the financing of the transaction. The final purchase price paid to London Stock Exchange Group is €4,444 million in cash. The difference with the amount originally stated is related to an agreed price adjustment mechanism to reflect the cash generated by the Borsa Italiana Group since 30th June 2020.

This transaction is financially compelling for shareholders. We expect the acquisition to be mid-single-digit accretive on adjusted EPS before synergies and double-digit accretive on adjusted EPS after run rate synergies in year three. We expect to achieve a total amount of €60 million of annual run rate pre-tax synergies by year three, including €45 million of annual run rate pre-tax cost synergies and €15 million of annual run rate pre-tax revenue synergies.

Before discussing the refinancing of the transaction, I would like to highlight here the change in the Euronext shareholding structure that occurred with the completion of the transaction. CDP Equity and Intesa Sanpaolo, two Italian cornerstone investors become today Euronext shareholders through the subscription of a private placement for a total amount of €579 million with 6.6 million of new ordinary shares.

In addition, both CDP Equity and Intesa Sanpaolo joined today the Euronext Reference Shareholders, of – which by entering into a new reference shareholders agreement including ABN AMRO, Caisse des Dépôts et Consignations, CDP Equity, Euroclear, Intesa Sanpaolo and SFPI-FPIM.

As of today, the reference shareholders are 27.85% of Euronext Capital before the results of the rights issue offering.

Moving to slide seven for an update on the refinancing of the transaction, I just wanted to highlight the following. The transaction is to be financed through €3.7 billion draw down from the bridge loan facility; €300 million of usable own cash; €600 million approximately of proceeds from the private placements subscribed by CDP Equity and Intesa Sanpaolo.

The bridge loan facility will be refinanced through, first, the launch of a capital increase by way of a rights offer for total amount of €1.8 billion; and the issuance of new debt for €1.8 billion. Euronext Reference Shareholders have announced their support for the rights issue, and they will either fully subscribe to the rights offer or execute a cash-neutral transaction.

Moving now to the presentation of our first quarter 2021 results. As you have seen it, we have decided to anticipate the results of this Q1 numbers to launch our rights issue offering during favourable market conditions. Euronext reported a very strong start of the year with growth in revenue and adjusted EPS.

This strong performance is to be compared with Q1 2020 when, as you may remember, trading volumes were exceptionally high due to the market volatility as the pandemic hit. In Q1 ’21, revenue increased by €12.4 million, up plus 5.2% to €249.2 million. And this clearly – this clear solid performance was driven by two factors: stronger earnings growth in non-trading activities, especially in listing and in post-trade, but also continued benefits from recent acquisitions with VP Securities in Copenhagen having joined Euronext last August.

And thus, despite the tough comparison, as you remember that Q1 2020 trading volumes and revenue were extremely high to the COVID-19 market volatility, this is still a very good quarter. This overall performance translated into an increase in the share of non-volume-related revenue in our mix to 53% of total revenues that cover 132% of operating expenses, excluding D&A.

On the cost side though, the reported increase is mainly related to the consolidation of VP Securities cost in Copenhagen. However, integration is on track with €4.5 million of run rate cash cost synergies already delivered eight months following the acquisition of this company in Denmark. So it's approximately 64% of the targeted cost synergies that have already been delivered eight months only after the acquisition.

On a like-for-like basis, at Group level, the 4% growth in cost is related to cost for the preparation of the acquisition of the Borsa Italiana Group and the mechanic adjustment of the long-term incentive plans computation leading to higher staff cost.

We continue to deliver on our cost discipline despite those two elements. And in addition, we overdelivered on targeted €12 million of cost synergies for Oslo Børs VPS. One year ahead of schedule, we have delivered €13.8 million of synergies delivered in less than two years following the acquisition in Norway. This translated at Group level in a Group EBITDA and an EBITDA margin of 59.7% in Q1 2021.

This EBITDA margin, which is lower than €63.4 million that we delivered in Q1 2020, is due to the dilutive impact of some new acquisitions that are under integration. However, on a like-for-like basis and at current constant currencies, the Euronext EBITDA margin in Q1 2021 was 61.5%. This solid performance translated into plus 6.2% increase in adjusted net income to €106.9 million or €1.53 per share on the basis of the number of shares before the transactions we are announcing today. On a reported basis, net income was up 2.2% to €98.2 million.

I now hand over to Giorgio Modica for the detailed review of our business.

Giorgio Modica: Thank you, Stéphane, and good morning, everyone. I'm now on slide 11. In the first quarter of 2021, Euronext consolidated revenue reached €249.2 million, with an increase of €12.4 million or 5.2%. These results were driven by contribution of our recent acquisition, notably VP Securities, and by the organic growth in post-trade leasing and advanced data services.

On a like-for-like basis and a cost on currencies, excluding the impact of Nord Pool, Ticker, 3Sens and VP Securities, Euronext consolidated revenue was down 3.7% in the first quarter of 2021, mainly due to a tough Q1 2020 comparison.

Now looking at the different business lines. Post-trade activity revenue increased 61.2% to €63.2 million as a result of the contribution of VP Securities' activity and a strong organic growth notably in our CSDs in Norway and Denmark. Listing revenue growth was driven by the strong performance of corporate services and by equity listing as we recorded an excellent quarter for new listing.

Advanced Data Services revenues increased €36.5 million or 4.8%, driven by the good performance of indexes and ESG products. Trading revenue decreased, reflecting lower trading volumes compared to an exceptional market environment in the first quarter of 2020. This was partially offset in cash trading by higher revenue capture and improved market share.

Lastly in our Q1 2021, non-volume-related revenue accounted for 53% of total Group revenue, reflecting the good performance of non-trading activities, and particularly the increased proportion of post-trade activities in our revenue mix. These non-volume-related revenue covered 132% of our operating cost, ex-D&A compared to 119% last year.

Moving to the next slide, slide 12 for listing. The growth engine of this quarter were corporate services and primary equity listing. Listing revenue grew 9.4% to €38.8 million, in particular, Corporate Services continued to report strong organic performance with €9.1 million revenue this quarter. This strong growth in excess of 30% from last year reflects continued commercial development and increased demand for our digital offering.

With regard to equity listing, Q1 2021 was the best first quarter for new listing since the first quarter of 2015. The momentum initiated in the fourth quarter 2020 and continued with 37 new listings on Euronext this quarter, of which four large caps and 33 SMEs listing this quarter, including several tech and innovative companies.

Now, in this respect, I would like to highlight that what you see in the P&L is impacted by IFRS 16. As you know, IPOs revenues and follow-on are spread over a period of time. The negative impact year-on-year of IFRS 16 this quarter is in excess of €10 million. So this gives you a sense of the actual business performance, which is not fully reflected in the P&L. You will see a sign of that in the cash flow conversion of EBITDA. It's under 25% due to, as we will see, changes in working capital in Nord Pool. If we exclude those, the cash conversion is 89%. And here is where you see the actual contribution of the listing business.

Secondary market activity reported a solid first quarter that saw the continuation of the growth momentum in ESG listing.

Moving to our trading business on slide 13. I would like to start with the cash trading. ADV decreased 20.7%, reflecting lower trading volumes due to lower volatility compared to an exceptional Q1 2020. This decrease of volumes partially offset by a good revenue capture translated in a 13.7% decrease in cash trading revenue to a total of €69.8 million.

The average fee over the quarter reached 0.56 basis points compared to 0.5 basis points in the first quarter of 2020. Average market share on cash trading was 70.4% in the first quarter this year compared to 69.9% same quarter one year ago.

Moving to derivative trading, derivative trading revenue was down 25.7% to €11.7 million in the first quarter of 2021. Average daily volumes were down 20.6%. This notably reflects a decline in derivative trading as trading member reduced this exposure to this product due to a risk-off approach.

Commodity product reported a record quarter in Q1 2021 with average daily volume increasing 8.5% to 84,000 lots, resulting from the high volatility on the agricultural market. Average fee on derivative this quarter was €0.27 per lot, down from the first quarter 2020, notably due to the decrease in index future trading volumes.

Continuing with trading on slide 14, Euronext reported average daily volumes of $21.4 billion in the first quarter 2021, down 17.1% compared to Q1 2020, resulting from a less volatile trading environment. As a result, and at constant currencies, spot FX trading revenue decreased 17.5% to €6.1 million.

Power trading reported €8.4 million in revenue, reflecting the usual business seasonality. In Q1 2021, average daily volumes over day ahead was 2.94 terawatt hour while average daily volumes of the intraday market was 0.06 terawatt hour.

Moving to slide 15 and post-trade. Revenue from our post-trade activity increased 61.2% to €63.2 million. Clearing revenue was down 11% in the first quarter 2021 to €17.1 million, reflecting lower cleared and lower treasury income.

Custody settlement and other post-trade reported strong result on revenue to €46.1 million, mainly reflecting the consolidation of VP Securities and strong organic growth, as I mentioned in the Nordics.

Moving to the next slide, slide 16. Advanced Data Services revenue was up 4.8% to €36.5 million, driven by the good performance of indexes and ESG products and a solid core business activity.

Proceeding now with Investor Services. Revenue was up 19% to €2.3 million this quarter, reflecting continued commercial traction. Lastly on Technology Solution and Others, revenue decreased 11% in the first quarter 2021 to €11.9 million, reflecting a decrease in Nord Pool shipping and cost recovery revenue offsetting by higher safety and collocation revenues.

Moving to slide 18. And let's start with the EBITDA bridge. Euronext EBITDA for the quarter was stable at €148.7 million. EBITDA margin decreased to 59.7% in the first quarter of 2021, down 3.7 points, reflecting lower trading revenues and the dilutive impact of recently acquired companies not being yet fully integrated.

On a like-for-like basis, the EBITDA margin was 61.5% this quarter, down 2.9 points. From a revenue perspective, revenue at constant perimeter decreased €8.3 million compared to last year, reflecting lower trading volumes compared to an exceptional Q1 2020.

Looking at cost, Group cost, excluding D&A, were up €13.7 million to €100.4 million as a result of €3.4 million or organic cost growth, reflecting primarily staff costs related to LTI performance and cost for the preparation of the Borsa Italiana acquisition, partially offset by the continued cost control and synergy rollout and €10.2 million cost of consolidated acquisitions.

Moving to slide 19 to the net income. The net income increased this quarter 2.2% to €98.2 million, resulting from the following elements. D&A mechanically increased the impact by consolidation of the recent acquisitions and PPA. €3.6 million of exceptional costs were reported in Q1 2021, primarily in relation to the acquisition of the Borsa Italiana Group.

Net financing expenses for Q1 2021 was €2.8 million higher compared to last year, reflecting the bond tap issue in June 2020 and the financing costs related to the Borsa Italiana transaction. Results from equity investments increased to €11.7 million, mainly resulting from the dividend received from Euroclear and from the contribution of LCH SA.

Lastly, income tax decreased translating into an effective tax rate of 27.4% for the quarter compared to 28.1% last year. Adjusted for PPA and exceptional item, adjusted net income was up 6.2% to €106.9 million, translating into an adjusted EPS of €1.53 per share this quarter.

To conclude with financial, let's move to slide 20. Over the quarter, as I was mentioning while discussing about listing, 125% of EBITDA was converted into net operating cash flow compared to 34% last year. This reflects a large positive change in working capital at Nord Pool.

Excluding this positive impact, around 89% of EBITDA would have been converted into net operating cash flow. And again, part of this very positive performance is linked to the good performance of the listing business.

Our net debt stands at the end of the first quarter at €526 million, representing a net leverage of one-time. Please note that this does not include the impact of Borsa Italiana acquisition.

Lastly, our liquidity position remains very strong, above €1.1 billion, including the undrawn RCF of €400 million. It’s fair to say that these – as of today, this facility has been replaced with a new RCF for a total of €600 million that replace the former one and is more in line with the new size of the Group.

Moving to slide 22, for a trading update on the Borsa Italiana Group. Despite as we said the very tough comparison based of Q1 2020, Borsa Italiana revenue were stable compared to last year as the growth in capital market and information services, partially offset lower post-trade and technology service revenues.

Operating expenses, excluding D&A, decreased by 5.1%, while EBITDA was up 3.4% to €76.8 million, translating into a 61.9% EBITDA margin this quarter. We will consolidate as of 29th April 2021 Borsa Italiana in the Euronext Group account.

And with that, I now hand the floor back to Stéphane Boujnah.

Stéphane Boujnah: Thank you, Giorgio. And thank you again for your participation to this call convening on such a short notice. We were pleased to share with you our strong Q1 2021 in terms of performance. We will organise a deal roadshow to talk to eligible investors and shareholders about the rights issue offering. And in addition, we will organise an Investor Day in Q4 2021 to share with you our updated strategy for the combined Group.

We are now available for your questions with Giorgio Modica.

Questions and Answers

Operator: Thank you, sir. As a reminder, if you would like to ask a question, please press star one on your telephone keypad. Should you wish to withdraw your question, you can press star two. You will be advised when to go ahead. And the first question comes from the line of Benjamin Goy from Deutsche Bank. Please go ahead.

Benjamin Goy (Deutsche Bank): Yes. Hi. Good morning. Two questions please. First, amount of synergies has been reiterated. I was just wondering, so effectively so far this is an outsider-view and only this morning you could start to do a deeper due diligence on the cost and revenue synergy potential. And we might get more information on that on the mentioned Q4 Investor Day.

And then secondly, we have spoken in the past about the clearinghouse and its strategic potential for the Group. But I’m more interested today in the data centre. So maybe you can share a bit of the potential P&L you have from owning your own data centre? And what contractual obligations basically determine the timing of realising those? Thank you.

Stéphane Boujnah: On the synergies, I think you're – the answer is in your question. It's exactly as you said. We reiterate the synergies announced on 9th October. We are going to spend a lot of time with our new colleagues to refine those numbers to move from a sort of quasi-top-down approach to a more bottom-up approach of both revenue synergies and cost synergies. This exercise will be very granular and will be concluded by commitment and guidance in terms of the growth profile for the combined entity when we release our new strategic plan in Q4 probably in October 2021.

On the data centre, what we can communicate is what I've said in qualitative terms, which is that this is, A, the largest IT project for Euronext since the Optiq development of the new trading platform, which was launched in 2016. Second, the date for delivery is Q2 2022. Third, that we have an ongoing dialogue with regulators and with the clients that are contributing to making this migration a success.

Benjamin Goy: Thank you. And probably is it too early to give a range for potential quickly out of this move?

Stéphane Boujnah: The potential, sorry?

Benjamin Goy: The potential of only on data centre for the P&L?

Stéphane Boujnah: No. It's too early. It will be part of the overall presentation of the Group strategy and the Group profile in Q4.

Benjamin Goy: That's fair enough. Thank you.

Operator: The next question comes from the line of Ian White from Autonomous Research. Please go ahead.

Ian White: Hi. Good morning. Thanks for the presentation. Couple of questions from me, please. First of all, can you provide us with any help on the phasing of one-off costs related to the Borsa Italiana acquisition –

Giorgio Modica: Sorry. Your line is breaking up. Could you repeat the question?

Ian White: Yeah. I was asking if – can you hear me okay now?

Stéphane Boujnah: Yeah. Hardly. So could you speak very close to the microphone and slowly and that should be okay. But go ahead.

Ian White: Sure. I was wondering if you can provide us with any help on the phasing of one-off costs related to Borsa Italiana? So particularly the transaction-related expenses and the guided restructuring charges to achieve the synergies? That's question one, please.

Secondly, I was wondering if you can give us any help at this stage with the likely amounts for intangibles amortisation of Borsa Italiana, particularly related to previous acquisitions. And will you look through the amortisation of acquisition intangibles when thinking about dividend pay-outs for 2021? Your policy I think refers to reported net income. Hopefully, those questions were clear. But those are my two questions, please.

Giorgio Modica: Yeah. Your questions were very clear. So for your first question, you have a part of the answer in our universal registration document. In that document, what you will find are – is the impact of the transaction, and more specifically, you will find a part of the transaction cost, more specifically around €30 million of cost in exceptional and €15 million in financing cost. Those are transaction cost.

On top of that, there are going to be other costs, which will not impact the P&L in one go, but are going to phased over time. And those are mostly related to the fee related to the take out of – and the refinancing of the transaction, the biggest part of which is going to be the fees the underwriters of the rights issue.

And this amounts that you don't see reflected in the pro forma P&L 2020 that you find in the universal registration document shall amount to around €35 million. So in total, the total envelop of transaction cost is going to be around €75 million. I hope that was clear.

When it comes to your second question, you should assume that again a significant information you can find it in the universal registration document. So the PPA amortisation is going to amount on a yearly basis to €55.8 million. But the short answer to your question is that today Borsa Italiana is around €73 million of intangible amortisation. And after the transaction, this number will increase to around €80 million, which means that on a quarterly basis, you should expect on top of our D&A an additional €20 million.

Ian White: Understood. That's helpful. Just on the first question, I was also wondering if you could help us with restructuring charges to achieve synergies and anything around the timing of that, please, if possible?

Giorgio Modica: Now, unfortunately I cannot help you with the debt phasing. The target is over a three-year horizon. And we will finalise view. We are just starting – as you know, I mean, this phase that we have been living has been full of constraints as Borsa Italiana was under a monitoring trustee. So we will need to finalise the plan as you know before the fourth quarter of this year. And then we will have a better view, but usually we do not communicate on very specific phasing. However, I believe it's fair to say like in all acquisition, you should expect frontloading of restructuring costs.

Ian White: Thanks for your help.

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

Arnaud Giblat (Exane): Yeah. Good morning. I have three questions please. Firstly on costs of Borsa Italiana. Ex-D&A this quarter Borsa Italiana reported €47 million of costs. It's a bit better than what had been expected. I was wondering if something had changed in the perimeters of costs – in the perimeter of the cost being transferred or if there are any one-off impacts or and if €47 million is a good level – good run rate level to look at pre-synergies?

My second question is on LCH and the potential transfer of clearing activity there. Since you're giving an update on the data centre, how should we think about that on the LCH side?

And my third question I suppose is coming back to the data centre. Could you perhaps tell us what the cost today of using external data centres is pre-moving to Italy? Thank you.

Stéphane Boujnah: Okay. I'll answer the question on clearing, and Giorgio will answer your question on the cost of Borsa Italiana and on the data centre current cost to the extent we can cover this level of granularity.

On the first question on LCH, we have an agreement live with LCH SA/LCH Limited until 2027 for the clearing of the Euronext flows. This is a structured relationship where we see that the Board of LCH SA. And we have 11.1% of the shares in LCH SA. And we have a strong redemption right in the event of change of control with LCH SA. So we have a solid and productive cooperative relationship with LCH SA, LCH Limited and LSE Group.

In parallel to that, starting today, we own 100% directly of CC&G, a multi-asset class playing house, which for the moment has been used for the sole purpose of building an integrated silo in Europe. Our plans are the following. We want to embark into an ambition to Europeanise the business of CC&G, while doing things in a rational manner, because there will not be a binary transfer of business from LCH SA to CC&G because this is just not possible.

And it maybe not what is advisable or what is expected from our clients. So basically, we are going to be spend the next few months analysing very carefully where we can create value for the Euronext Group, considering the fact that we have two different legs in terms of clearing. One leg within LCH SA, one other leg with the CC&G, which are totally different clearing houses.

One is very European one. The other – and big. And the other one is more local. And we are going to analyse in details what it means in terms of Europeanising the CC&G business in terms of incremental technological CapEx, in terms of incremental capital requirements to be added in the event of expansion of the size of the clearing operations of CC&G, what it means in terms of incentives for clients considering the various segments of the assets.

We’re clear, cash equity clearing is different from derivatives clearing, which is different from commodities clearing, that are different in terms of what are physical settled and the other ones that are cash settled, which is different from repo clearing. They are different business models and we need to face those analysis.

And so we’ve come out with the solution which will not be A or B or binary, and it’s too early to factor numbers and to take commitments because the granular analysis has not started yet, although we have already few intuitions that we want to validate with the teams, but we will continue to have a good cooperative relationships with the LSE Group and we’ll continue to be committed to develop this synergy.

Giorgio Modica: So the answer to your question to data centre cost is not very easy because there are different layers of costs for different services, because clearly there is a cost for the data centre itself. Then there is a cost related to what is called a collocation. But to that component, Euronext receives as well a share of revenue and then there are as well revenue related to the connection.

But to simplify things, what I can say is that the costs of the infrastructure today and the cost we pay to ICE is high single-digit million number to low double-digit Euro million number.

Arnaud Giblat: Thank you.

Operator: Our 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 the opportunity to ask some questions. Could I ask one about the Borsa Italiana and the two sort of smaller ones about the results themselves today. So in terms of Borsa Italiana, obviously looking forward the investor update in Q4, it’s very clear that there are lots of different opportunities, the data centre, CC&G, revenue synergies, cost synergies that we can look to, to add value with the transaction. But I just wondered, given the stable revenue of Borsa Italiana year-on-year that you showed us on Q1 and a very modest growth in EBITDA despite cutting costs, is it fair just to say without any of those extra initiatives that this is a deal which would not fundamentally change the organic growth rate for Euronext. So it's really your ability to deliver those extra things that which we focused on? So you could comment on that please?

And then the other questions which are much simpler. In terms of the results in equity investments, can you confirm that the Euroclear dividend that you received in Q1 was the 2019 dividend? So to the extent that there was a 2020 dividend we paid, we should still expect that perhaps in Q3 this year?

And then in terms of the strong post-trade, particularly settlement in custody performance in Q1 is even better than Q4 I think. So can you give us any colour on how much of this was perhaps retail participation versus any seasonality and how reliable this might be as a guide going forwards? Thank you very much.

Stéphane Boujnah: Giorgio?

Giorgio Modica: Okay. So let me start from the easier questions. So yeah, I can confirm that what we have received is the '19 and in case there should be a '20, this is going to be again booked this year. On post-trade, I can pinpoint the three key KPIs that drive the performance of our – mainly post-trade activities in the Nordics. And some of those elements are related to the retail participation.

So the first one is the number of accounts that keeps growing as – and this is directly linked to retail participation, as more and more individual open account to manage their wealth. The second element is the increase of the value of the asset under custody, which has increased. And the third element is that the number of transaction – settlement transaction in line with the good market momentum is increasing as well. The combination of these three factors is the key driver of the Group of – and post-trade.

Then to your first question, the first thing that I would like to highlight is that the fact that revenue were stable, I take it as a very strong sign of resilience as you know for pretty much everyone, including ourselves. Q1 2020 is a very tough comparison to beat. And in terms of market condition, a very favourable one for a market infrastructure. So this is the first element.

The second element is, I believe, that the growth profile of the Group is going to improve and we will not rely uniquely on the reduction of cost, but clearly it's going to remain in our D&A. The reason for that is that clearly what we want to do is use the Euronext network to use and sell Borsa Italiana products in the other way around. And we believe that connected markets can be very powerful.

I can make just a few examples. MTS – the push of MTS on a European basis or we already discussed about the clearing opportunity. So again, this is going to be a story of growth, as well as a story of remaining discipline on cost as we have always been.

Haley Tam: It's very clear. Thank you.

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

Johannes Thormann: Good morning, everybody. Three questions from my side left. First of all, could you elaborate a bit more on the increase in the yield in the cash trading business to 56 bps? How sustainable do you think, is this just a matter of product match – mix, just help me understand the dynamics there?

Secondly in the results from investments. Could you breakdown the contributions from LCH and Euroclear, if that is possible?

And last but not least, could you also explain if the decline in market solution is already reflecting the Centevo sale or is this coming on top in the next quarter? Thank you.

Giorgio Modica: Yeah. So let me take the three questions. So the first question, the result of this increase is as well linked to the fact that is the first quarter we have Oslo Børs. So as we discussed in February, there is a very good – we had a good very performance at the end of last year when we migrate to Optiq. This good performance keeps evolving. And so the increase is partially due to that, and partially due to the trend that we have witnessed together in the last quarters.

So as I commented already in February, we do not believe that a 55 is long-term sustainable. And I would keep the target that we already shared with you. At the end of last year, we said that 05 was sustainable. Now we believe that 52, 53 is sustainable. And then we will need to monitor the situation going forward.

When it comes to market solution, the decrease there is mainly linked to the decrease of – you have a part of Nord Pool revenues in there. And especially, there is a revenue, which is a cost recharge, the shipping cost. The major impact is related to debt, not to the sale of Centevo. And this is an impact on the top line of around a €1 million. However, the impact on the margin is much, much lower because the margin – there are some costs attached to the revenues.

And sorry, your second question. Can you remind me?

Johannes Thormann: The second question was on the result on investments, please.

Giorgio Modica: Yeah.

Johannes Thormann: €11.7 million.

Giorgio Modica: Absolutely. Yeah, I can do that. €9.2 million is the result from – of the Euroclear dividend and €2.4 comes from LCH SA.

Johannes Thormann: Thank you.

Operator: Our final question for today comes from the line of Martin Price from Jefferies. Please go ahead.

Martin Price: Good morning. Thanks for taking my questions. I'm afraid I've got three quick ones. The first was just a follow-up on the clearing agreement with LCH. As you've stated, that runs through to at least 2027. I was just wondering if you could confirm whether or not do you have the option to terminate that agreement early, should you wish to do so?

Second question on the data centre migration. I was just wondering if you could comment on what sort of feedback you've had so far from market participants on the proposed relocation? And finally, clearly you're in the process now of integrating a very large and complex deal and deleveraging. Just also conscious that you're an ambitious management team. So I wonder if you could provide us with a quick update on how you're thinking about scope for further M&A, perhaps bolt-on deals over the next two or three years? Thank you.

Stéphane Boujnah: Okay. So the agreements with LCH SA and LCH Limited and LSEG in respect of clearing that was signed in 2017 provides for windows of early terminations in the case of certain circumstances, one of them being the fact that Euronext would buy a clearinghouse. Obviously, those windows come with breakup cost. And the closer you get to the termination of date of the agreement, the smaller those breakup cost, etc. There is also of mechanics driven by those windows. But those windows have been negotiated in 2017.

The second question is about the feedback from market participants in terms of migration of data centre. Migrating a data centre is a cooperative exercise, because as you know some of our largest clients are committed or determined to collocate their own servers next to the Euronext core data centre, to the extent that it encapsulates the trading engine. And for all the clients that are sensitive to latency, this is an important element of the collocation motivation.

In this respect, they will have to be part of that exercise. We are – we have a great and productive discussions with all of them. All of them understand that post-Brexit and in a context of an agreement that has a sort of termination date with the current provider, we had to weight options. And we work together with them in a very productive manner as they will be partners of this migration just like the regulators would be partners to this migration.

But we are moving to what is very important platform, which is a rated four or level four platform, which has exactly the same performance standards as the one we are using today in London. The only difference, which is noticeable, is that it is – because it's a relatively new platform, it is fully 100% renewable energy and at the time where everyone is becoming conscious of energy consumptions for physical infrastructure and as you know the data centre consume a lot of energy.

The combination of some naturally cooling systems, they have – plus what is more relevant the fact that 100% of the energy used by this facility is renewable through hydro and solar panels, makes the profile of this provider extremely attractive to many of our clients, because the energy is auto-produced. And as you know, all our clients have to be square focused their own carbon footprint, which is mainly driven by their providers' carbon footprint. So I just want to emphasise this point as a differentiated factor for the new data centre that will be located within the EU in Bergamo.

Third point on what's next. Clearly, the core priority of Euronext for the next 18 months or so is to integrate Borsa Italiana to extract the synergies in terms of cost and revenues, to maximise cash flow generations and then to deleverage the Group, so that as quickly as possible the very significant cash flow generations of this Group can be used for further expansion.

We believe that in the two areas that have been – the two avenues of growth of Euronext by the expand the federal model, by welcoming within Euronext other European platforms and the diversification of our top line into new businesses and new asset classes. In those two areas, there are still opportunities.

Clearly, we will be focusing more on larger opportunities than on the smaller ones we focused on in '16 and '17. Clearly, the number of deals, the bigger you look at them is more discrete or finite than when you look at much, much smaller – a universe of much smaller target. But Euronext is going to grow. We continue to grow significantly. Clearly, there are many things that will be easier for us when we are a company of, let's say, approximately €800 million of EBITDA.

And we are going to continue growing. We have some ideas and what could be the opportunities for further growth, but we have to stay conscious and cautious about the fact that the top priority in order to create value for shareholders is now to focus on integration, extraction of synergies both cost and revenue, maximisation of free cash flow generation and deleveraging the company.

I don’t think there is anything more important we can do to create value for shareholders than doing that for the next 18 months. But we are going to remain a growth project in many respects.

Martin Price: That’s very helpful. Thanks, Stéphane.

Operator: We have no further questions now. So I will hand back to Stéphane Boujnah for any closing remarks. Thank you.

Stéphane Boujnah: Well, if there are no further questions, I thank you very much for your time. I wish you a good day. And the team here, including Aurélie Cohen, Clément Kubiak, Giorgio Modica, and myself, are available for further question and a follow-up discussions. Have a good day.

Operator: Thank you for joining today’s conference. You may now disconnect your lines. Thank you.

[END OF TRANSCRIPT]