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Operator

Ladies and gentlemen, welcome to the Euronext Analyst Call. For the first part of this call, all participants will be in listen-only mode, and afterwards there will be a question and answer session. I would now like to give the floor to the speakers. Please begin your meeting.

Stéphane Boujnah

Good morning everybody, and thank you for joining us this morning in Dublin for this session, as Euronext expands its federal model through the acquisition of the Irish Stock Exchange. I'm Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext, and I'm very pleased today to present this compelling combination with Deirdre Somers, CEO of the Irish Stock Exchange.

I will start with the key highlights of this transaction, Deirdre will then provide you with an overview of the Irish Stock Exchange and the economic environment around the company, and I will conclude with the opportunities and the outlook for the combined Group. Obviously, we would welcome your questions at the end of the presentation, and Lee Hodgkinson, Head of Markets and Global Sales; and Giorgio Modica, Euronext's CFO, are with me to answer your questions.

Let's move to slide 2. I'm very pleased to announce the acquisition by Euronext of 100% of the shares of the Irish Exchange, Ireland's incumbent stock exchange operator and a leading global debt and fund listing venue. Through this acquisition, Euronext reaches a major milestone in the expansion of its federal model, with Ireland becoming the sixth core Euronext country while enhancing – and that's very important – our post-Brexit strategic positioning. This transaction enables Euronext to strengthen our revenue profile with the addition of highly complementary leading activities in debt, funds and ETF listings, while the Irish Stock Exchange will benefit from significant growth opportunities by joining the Euronext federal model.

Let's move to the key takeaways from this transaction. Euronext will acquire 100% of the Irish Stock Exchange for a cash consideration of €137 million, fully financed by debt. This deal will ensure the optimisation of the balance sheet structure while retaining financial flexibility for the Euronext Group post transaction. We expect this deal to close in Q1 2018, subject to regulatory approval.

This combination will deliver significant value for shareholders. First, thanks to additional growth and cross-selling opportunities for the combined Group, leveraging on the Irish Stock Exchange's integration within the Euronext pan-European network. And second, through cost synergies for an estimated pre-tax run rate of €6 million. This transaction is definitely aligned with the Euronext M&A disciplined framework, as we expect a return on capital employed above WACC in year three and earnings accretion in the first year. Third, in line with our federal model, the Irish Stock Exchange governance will be fully integrated within the Euronext governance federal framework. And it will be proposed at the next general shareholders meeting that first, Deirdre Somers, current Chief Executive Officer of the Irish Stock Exchange, joins the Euronext Managing Board with Group-wide responsibility for debt, funds and ETF listings. And it will be proposed too, that the Chairman of the Irish Stock Exchange to join the Euronext Supervisory Board.

Let me now pass the floor to Deirdre Somers, CEO of the Irish Stock Exchange, to walk you through an overview of the Irish Stock Exchange.

Deirdre Somers

Thank you very much, Stéphane, and good morning everyone. Welcome to Dublin. We often like to describe the Irish Stock Exchange as a 200-year-old start up. We were established in 1798, but we really only have been in our current form since 2014. We demerged from the London Stock Exchange in 1995, which was the year that I joined. It is a leading European stock exchange with international reach, offering listing and trading in cash equities, access to post-trade infrastructure and expert listing services globally in debt and funds securities. The Irish Stock exchange is the largest liquidity pool for Irish equities, and the first listing choice for debt and funds worldwide. In terms of performance, the Irish Stock Exchange recorded just under €30 million of

revenue in 2016, up 6% compared to 2015. This translated into an EBITDA of €9.6 million, representing a 32.7% margin and an increase of nearly 20% from 2015 EBITDA. 2016 net income was €8 million, also up by nearly 20% compared to 2015.

So, moving to the next slide. As I said, the Irish Stock Exchange is the world's leading venue for debt and funds listing. It's pretty much accepted as the obvious and inevitable choice globally for listing international bonds. We have over 30,000 debt securities listed across two markets, the Global Exchange Market and the Main Securities Market, making us the number one venue worldwide for listing debt both in terms of total and new debt listings. The Irish Stock Exchange is also the world's leading venue for fund listing, with more than 5,200 fund securities listed. This includes 227 ETFs listed and passported throughout the EU, and it's supported by ISEFundHub that increases visibility and profile with investors.

We're standing here in Dublin today, and Dublin is an international fund domicile, currently used by asset managers from more than 50 countries to administer more than 13,000 funds, representing over €4 trillion in assets. The Irish Stock Exchange covers a very diversified customer base of more than 4,000 debt and fund issuers from more than 90 countries. We provide them with comprehensive listing options thanks to an unrivalled expertise, complex product knowledge and experience, and efficient processes.

So, moving to slide number 5. We are standing here in Ireland, and we thought it would be useful to give you an overview of the economic environment here and why this is relevant. So, according to the IMF, Ireland's GDP is expected to grow by 3.8% in 2017/18, faster than other comparable countries as outlined here. Ireland is at the top of many other league tables for foreign investments, labour flexibility, quality of life, and we have the lowest corporation tax in the EU. Crucially though, for our international securities business, it is the only common-law English-language location remaining in the EU after Brexit. As an exchange, we see ourselves as being very UK-compatible, having the same regulatory approach and law as the UK, but embedded and committed in the EU where we have significant advocacy capability and influence. We already have a proven track record in dual listings with the UK, going back over 20 years.

This combination with Euronext will further strengthen Dublin's position as a strong European anchor to make the most of Brexit, and to develop the Irish capital markets ecosystem within the European context and as part of Euronext's core mission to power the real economy. So, I'll now leave the floor back to Stéphane.

Stéphane Boujnah

Thank you, Deirdre. Moving to slide 6, I would like to give you more details on the growth opportunities and increased efficiency potential for the combined Group going forward. First, this acquisition enables Euronext to access to a complementary geography, optimally placing the Group to take advantage of opportunities emerging from Brexit.

Second, Euronext pursues its expansion into new asset classes, as Dublin will become the Group centre of expertise for all activities related to listing of debt, funds and ETF securities, then fundamentally strengthening the position of Euronext as an enlarged Group within this asset class.

Thirdly, the integration of the Irish Stock Exchange within Euronext will allow increased efficiency as the Irish Stock Exchange technology will be migrated to Euronext's new, state-of-the-art trading platform, Optiq. In addition, leveraging the Euronext network and cross-selling opportunities will unlock further growth potential.

And finally, as I mentioned earlier, Deirdre Somers will be proposed to join the Euronext Managing Board with Group-wide responsibility for debt, funds and ETF listings, while the Irish Stock Exchange Chairman will be proposed to join the Euronext Supervisory Board. As part of this integrated federal governance the Central Bank of Ireland, current regulator of the Irish Stock Exchange, will be invited to join the Euronext College of Regulators.

Moving to slide 7, I would just like to focus on a few additional points. By joining Euronext's federal model, the Irish Stock Exchange will further develop its significant growth potential. First, the Irish Stock Exchange will extend its membership base by connecting to one single pan-European trading platform. That's a significant contribution to the liquidity of local markets. Two, it will access to pan-European cross-selling opportunities for funds and fixed income listing, and boost the development of new Irish-traded derivative products we will develop together. Third, the Irish Stock Exchange will benefit from Euronext's extensive corporate services franchise that we have built over the past few months, and a new state-of-the-art Forex solution that we have also developed recently, in order to support the development of the Irish capital market landscape, as Deirdre mentioned in a compelling way, in a very attractive economic environment with some of the highest growth expectations for the Eurozone.

Leveraging on the unique complementarity between the Irish and the UK markets, the resulting combined Group will be optimally equipped to develop Brexit solutions and to offer optionalities to market participants in this new environment. In addition, the combined Group will also capitalise on both the Irish Stock Exchange expertise and the Euronext platform and innovation capabilities to further capture additional growth opportunities in ETFs, commodities and fixed income.

Lastly, we also expect some synergies to emerge from this combination, amounting to €6 million pre-tax. These synergies are mainly related to, as I mentioned earlier, the migration to the Optiq platform, Euronext's state-of-the-art proprietary trading platform; second, through the aggregation of the pan-European offering on market data, migrating the Irish Stock Exchange current platform to the Euronext one; and finally, the use by the Irish Stock Exchange of some Euronext support functions.

So, moving to slide 8 quickly to show you, with an illustrative picture of revenues, a statement for the combined Group for the first nine months of 2017. So, the Irish Stock Exchange generated €29.4 million in 2016 and an EBITDA of €9.6 million in 2016, and a net income of €8 million, again for last year. For the first nine months of 2017, the Irish Stock Exchange generated €24.2 million of revenues, so up 13.3% compared to the same period in 2016, and an EBITDA of €8.5 million, so up 22.4% compared again to the same period in 2016. So, a very good momentum. The combined Group, pro forma, or combined on the basis of this illustrative picture, for the first nine months of 2017 in terms of revenue would amount to €416.9 million, and will generate an EBITDA of €227.7 million before synergies. The Irish Stock Exchange revenues will be integrated within the Euronext existing reporting lines, with the biggest impact expected to be on our listing revenues and market data and indices revenues. This slide is obviously just for illustrative purpose, showing you the potential revenue expansion related from this acquisition.

Moving to slide 9. To conclude, the combination of Euronext with the Irish Stock Exchange will definitely strengthen Euronext position as a major pan-European player in the stock exchange industry. And at the same time, the acquisition of the Irish Stock Exchange represents a significant opportunity for Euronext to expand its federal model through a very attractive new Eurozone for us, and to optimally position the Group in a Brexit environment while continuing to power pan-European capital markets to finance the real economy, which is at the core of our mission within a disciplined balance sheet deployment strategy. This combination will unlock, for sure, significant future growth opportunities for the Irish Stock Exchange as part of the Euronext Group, leveraging on Euronext's core expertise, customer base, distribution channels and technology to support the Irish Stock Exchange growth initiatives and the Irish capital markets. With the acquisition of the Irish Stock Exchange, Euronext today acts the creation of an undisputed leader in debt, funds, ETF listings, which will combine the listing expertise of the Irish Stock Exchange with the trade markets knowhow of Euronext. Thank you for your attention, and we are now ready to take your questions.

Q&A

Operator

Thank you, and ladies and gentlemen, if you do have any questions please press 01 on your telephone keypad now. And the first question is from the line of Arnaud Giblat from Exane. Please go ahead, your line is open.

Arnaud Giblat

Yes, good morning, I've got three questions, please. Firstly, I'm wondering on the contribution from debt listing. Could you give us an indication of what type of fixed income securities are the biggest contributors to these revenues? And if you could expand a bit on the outlook as a standalone company, in terms of debt listings?

Secondly, I'm wondering in terms of the closing date, Q1 2018 you are targeting; that's quite soon in comparison to other deals I've seen. So, are you already in advanced talks with the regulators or with politicians, to have a high degree of conviction you can close on the deal so soon?

And finally, in terms of how you see the company moving forwards in terms of operations: are you saying, basically, that Dublin is going to become the centre of excellence for ETFs and for debt securities, and therefore you could see some consolidation of the Group's activities going to Ireland? And what tax implications could that have for the Group? Thank you.

Stéphane Boujnah

Okay, I will answer the last two questions, and I will let Deirdre answer the first one, on debt listing. Starting on closing, this deal is subject to two regulatory approvals: one from the College of Regulators of Euronext, the other one from the approval of the Central Bank of Ireland, which is the regulator of the Irish Stock Exchange. There are no further regulatory conditions, so we are confident on the basis of very preliminary dialogues we had with those two constituencies that the deal will proceed, subject to obvious and normal scrutiny from those two groups.

The second question is how the Group will look going forward. What we want to achieve with this transaction is two things. Number one, to take to the next level and expand further the existing leadership of the Irish Stock Exchange in debt, funds and ETF listing; and to combine it with our own resources in this domain. So, Dublin will be the centre of excellence for this segment of our business; Deirdre will be responsible, at Group level, for running this ambition. But our ambition as a Group goes far beyond that; Ireland is not only the Dublin financial centre, and is not only the world leader in bond listing. What we want to do is to deploy in Ireland the DNA of Euronext to power pan-European capital markets to finance the real economy, and to provide to the Irish blue chips access to a wider liquidity pool; to provide to Irish SMEs and to Irish tech companies the various programmes that Euronext has developed for SMEs, family businesses and technology companies in the rest of our existing core markets; to provide access to corporate services and to innovative Forex solutions that we have developed within the rest of the Group. So, the ambition is around the centre of expertise, but goes far beyond in terms of contributing to powering Irish capital markets to finance the Irish real economy.

Deirdre Somers

Okay, thank you Stéphane. As regards debt, I suppose the key metric is we estimate that we list about 70% of all debt that is distributed in Europe and requires listing. So that, I suppose, indicates the variety of debt within that, and it goes across the entire spectrum of the asset class, including asset-backed, high-yield, medium-term note programmes, corporate debt and sovereign debt. We would not be heavily weighted in any particular type. Historically, we would have a large amount of asset-backed, but in more recent years asset-backed has not, for new business, been an over-weighted amount.

Arnaud Giblat

Thank you. If you could just give us a quick word on the outlook, in terms of listing; what does the pipeline look like?

Deirdre Somers

The pipeline looks strong, and you can never tell. Obviously, when you have 70% of the market, you are subject to the market.

Arnaud Giblat

Thank you.

Operator

The next question is from the line of Owen Jones from Citigroup. Please go ahead, your line is open.

Owen Jones

Hi, good morning. I don't know if you can hear me, because there's a bit of echo on the line.

Deirdre Somers

We can hear, yes.

Owen Jones

I had a couple of questions. You've outlined some fairly exciting growth opportunities. Would you be able to put some revenue synergies around those, either by ISE by itself as a standalone or from a Group perspective? That would be useful.

Secondly, what sort of cost of funding assumption have you used? How should we think about that?

And third question, perhaps for Lee: in terms of your comments about expanding into the Irish commodity market, what are the specific opportunities that you're seeing there, and who would you be competing against primarily? Thank you.

Stéphane Boujnah

Okay, I'll leave the floor to Giorgio to answer your cost and revenue questions, and Lee on the business development.

Giorgio Modica

Thanks, Stéphane. So, as far as revenue synergies are concerned, this is the very first moment of a process; today is the day of announcement. So, we will work closely with the team of the Irish Stock Exchange to put together a plan, and we will see at what point we will be ready to share it with the market. So, today is too soon to communicate.

When it comes to the cost of funding, we have different possibilities, so we have an additional €125 million that could come from the extension of the current term loan, and we will use partially the revolving credit facility. So, all those financial sources will have a cost which is below 1%, gross tax.

Lee Hodgkinson

Hi Owen, it's Lee. It's a very interesting situation I think, and a new opportunity in the main for us in Ireland. Ireland has approximately 140,000 farms, and agriculture counts for around 8.4% of total employment. This is a very important segment here, obviously. And at the time of Brexit, also with the structural changes in the removal of quotas in the EU, managing price risk is becoming a complex exercise for farmers. So, our listed, physically delivered real economy franchise I think will have some powerful benefits for that community. Obviously, wheat and rapeseed are our core, but I think in terms of dairy and the kind of dairy complex that we've rolled out, it could be a very, very interesting opportunity. There's not a great deal of competition in that sense; it's more about exploiting the structural changes in the market for mutual benefit. So, we're looking forward very much to working with our new colleagues, and basically getting out, selling that value proposition.

Owen Jones

Great. Thank you very much.

Operator

And the next question is from the line of Anil Sharma from Morgan Stanley. Please go ahead, your line is open.

Anil Sharma

Hello, morning everyone. Thanks for taking the call. Just a couple of questions. Just in terms of the revenue, from what I can see 75% comes from listing. Just trying to understand: of that, how much is subscription/renewal, and how much of that is linked to further issues, capital raising etc.?

Secondly, on the balance sheet you've got almost €50 million of cash. I understand you need to keep €22 million for regulatory purposes, but how much of that balance can be returned to either the Group or to shareholders? Thank you.

Stéphane Boujnah

Okay, Giorgio will answer your two questions.

Giorgio Modica

Yes, so starting from the first question: so, the numbers that you see in the presentation are not a proforma. So clearly, it's a combination of the two, but we will need to align properly the accounting principles to make sure that we will get to the right number. But just to give you a heads-up in this respect, annual fees are around 50% of the listing fees.

On your second question around the cash: you're right, it's around €50 million on the balance sheet, out of which €22 million of regulatory capital, approximately. Now, the transaction, it depends on how much cash is going to be available at the moment of the closing. So, we cannot comment at the moment what is going to be the cash position of the company at the moment of closing.

Anil Sharma

Thanks, that's helpful. Can I just have one quick follow-up? In terms of the federated model, is there going to be any benefit from a capital perspective? Could you see a small capital reduction by ISE as it gets incorporated into the broader Group?

Giorgio Modica

It's too early to tell. On the one side, it's fair that ISE belonging now to the Euronext Group, clearly the financial strength of the company has improved, but based on the information we have today, this does not change the overall capital requirement of the Euronext Group as a whole.

Anil Sharma

Okay. Thank you.

Operator

And ladies and gentlemen, as a reminder, if you do wish to ask a question please press 01 on your telephone keypad now. And there are currently no further questions registered. I'll hand the call back to the speakers; please go ahead.

Stéphane Boujnah

Thank you very much for your time, and have a good day.

Deirdre Somers

Thank you.

Operator

And this now concludes the conference call. Thank you all for attending, you may now disconnect your lines.