Euronext N.V.
Third quarter 2019 Results

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Euronext Third Quarter 2019 Results

Operator: However, later in the call, you will have the opportunity to ask questions, and this is done by pressing star one on your telephone keypad. If at any point, you need assistance, please press star zero, and you'll be connected to the operator. I would now like to hand over to your host, Stephane Boujnah to begin today's conference. Thank you.

Stephane Boujnah: Good morning from Oslo and thank you for joining us this morning for the Euronext Third Quarter 2019 Results Conference Call and Webcast. I'm Stephane Boujnah, CEO and Chairman of the Managing Board Euronext, and I'll start with the highlights of this third quarter 2019. Giorgio Modica, Euronext CFO will then further develop the main business and financial highlights of the quarter. We will open for questions together with Anthony Attia, member of the Managing Board of Euronext.

In the third quarter of 2019, Euronext grew its revenue by 20.4% to €181.7 million. Euronext grew its EBITDA by 23% to €108.0 million. And Euronext grew its reported net income by 25.8% to €63.5 million. This performance was driven by a combination of organic growth, continued cost control and the consolidation of Oslo Børs VPS.

So first of on the revenue side. Revenue increased in Q3 2019 by €30.8 million, up +20.4% to €181.7 million. This performance reflects solid organic growth of our Trading and Services businesses, and the consolidation of Oslo Børs VPS. Our diversification strategy continued to pay off with the non-volume related revenue accounting now for 52% of the Group revenue, thanks to tripled custody and settlement revenue, and these non-volumes related revenue covered 129% of the operating cost this quarter.

Second, corporate services continued to report double-digit growth and the Listing business saw the comeback of IPOs this quarter. Third, cash trading revenue grew driven by increasing average daily volumes at 69.4 % market share, and a 0.51 bps yield. The indices part of Advanced Data Services performed well offsetting a certain downside trend on market data.

Only clearing revenue were slightly down due to a decrease in commodities volumes. And finally, Oslo Børs VPS contributed €25.5 million for Q3 2019.

Now moving on to the cost side. We continued to deliver a robust cost control and we can confirm today our 2019 cost guidance for the full year. This cost discipline translated into €1.1 million of organic operating cost reduction in Q3 2019. In Ireland, we delivered €7.6 million of run-rate cost synergies at the end of the third quarter in Euronext Dublin, which is a significant step towards the €8 million targeted run rate cost synergies. On the other hand, we consolidated €14.5 million of additional cost related to the onboarding of acquisitions during the third quarter.

Now moving on to the margin, taking all the above into account, the group EBITDA grew faster than revenue by 23% in Q3 2019 to €108 million. This translated into a combined EBITDA margin of 59.4%, which is 1.2 points higher than last year, and even an EBITDA margin that reached 61.6% organically i.e. for the same perimeter as Q3 2018.

So finally on the net income side, this strong operating performance over the quarter resulted in a 15.1% increase in adjusted EPS at €0.98 per share. Q3 reported net income is up 25.8% to €63.5 million, showing the high accretion since day one of the Oslo Børs VPS acquisition.

We recorded a higher tax rate due to non-cash adjustment in deferred tax assets and liabilities. And I'm sure Giorgio will answer question on this particular item.

So the recent weeks, as you may have seen, were marked by the disclosure or the release of our strategic plan 'Let's grow together 2022', along with a full new set of guidance for 2022. Organic growth as well as innovation and a strong focus on sustainable finance are very important components of our strategy. As just the first example, we have launched earlier this week the Green Bond initiative in Dublin to further enhance the visibility of our green bond offering.

So I now hand over to Giorgio Modica for the detailed presentation of our third quarter.

Giorgio Modica: Thank you, Stephane and good morning everyone. First of all, I would like you to remind you that for the third quarter of 2019, the organic growth of the group excludes Oslo Børs VPS, Commcise, OPCVM360, and any project cost supported by Euronext for their integration.

In third quarter of 2019, Euronext consolidated revenue increased to €181.7 million with an increase of €30.8 million or 20.4%. These results were driven by a solid 2.5% organic revenue growth, driven by listing, cash trading and service businesses combined with contribution from Oslo Børs VPS for €25.5 million and Commcise for €1.5 million.

Now looking at the different business lines. Listing revenues grew 25.1% to €34.8 million, driven by the double-digit growth of corporate services, dynamic equity issuance activity over the quarter, and the consolidation of Oslo Børs VPS. Trading business revenue was up 9% to €70.8 million with a strong combined cash trading market share at 69.4% and an organic cash trading yield at 0.53 basis points and 0.51 bps including Oslo.

Advanced Data Services reported a good quarter up 13.9% to €33.5 million, primarily driven by the integration of Oslo Børs VPS and the good performance of indices, especially ESG. Post-trade activity strongly increased to €30.8 million resulting from the consolidation of VPS activities offsetting lower clearing revenues due to unfavourable revenue mix with lower commodity volumes.

As Stephane already mentioned in the third quarter of 2019, non-volume related revenue accounted for 52% of total Group revenue, reflecting notably the increased proportion of services and custody and settlement in our revenue mix. Lastly, the non-volume related revenues covered 129% of our operating cost, excluding D&A, compared to 110% last year.

Moving to slide seven for Listing. The 25.1% growth this quarter was driven by corporate services and Oslo Børs VPS. Corporate service continues to grow with a strong growth of about almost 50% from last year. Thanks to the increased commercial activity combined with the activities of Oslo Børs VPS, our corporate service franchise reported €6 million of revenues this quarter.

With regards to the equity listing, we reported an active quarter with 12 new listing and €221 million raised. Our international offering for large caps was further enhanced by the listing of the South African company, Prosus, with a market capitalisation of €120 billion euros on its first day of listing, and a Greek company Titan. In addition, we had 10 SME listing this quarter with a strong contribution from our European Tech SME initiative.

Secondary market activity was stable reflecting light M&A activity over the quarter. Our debt franchise reported stronger growth demonstrating our leading global position on this market. Lastly, as announced in October, at our Investor Day, we launched this week our green bond offering across all Euronext markets with more than 50 initial participating issuers to this initiative to promote and support green bonds.

Moving to our Trading business on slide eight. We start with cash trading. Cash trading reported a strong growth with revenue up 10% to €53.4 million. This growth was driven by organic growth and Oslo Børs VPS contribution. The quarter was marked by a peak in volatility in August, which drove ADV to a €7.9 billion average, up 9.6%. In this context, the combined market share was 69.4%, including Oslo, 3.7 points higher than last year and reached 69.7% like-for-like.

We continued our active yield management. Revenue capture was at 0.53 basis point on an organic basis, despite the higher volatility. Combined yield with Oslo is slightly diluted because of the higher share of reported deals in Oslo at 0.51 basis point.

Moving on derivatives trading now. Derivatives trading revenues was up 4% to €11.5 million. Financial derivatives was supported as I mentioned by high volatility. In addition, revenue capture improved for index derivatives. We experienced a weak physical market activity this quarter that impacted commodity volumes. These unfavourable product mix resulted in slightly lower revenue per lot at €0.30 per lot in the third quarter of 2019.

Lastly on FX trading, revenue were up 10.8% to €6 million resulting from positive foreign exchange rate impact and revenue capture management, while volumes remain stable at $19.4 billion ADV over the quarter.

Moving to slide nine for Post-Trade business, revenue from our post-trading activity increased 56.5% to €30.8 million, resulting from the consolidation of the VPS custody and settlement activity for €12 million. Clearing revenue was down 6.5% to €13.3 million due as already commented to the unfavourable derivative products mix with lower commodity volumes.

In addition, I would like to remind that we do not record any clearing revenue from Oslo Børs derivative products.

Moving to slide 10 with Advanced Data Services, revenues was up 13.9% to €33.5 million in the third quarter of 2019. Oslo Børs VPS Data business contributed for €3.7 million. The growth of indices franchise and not only on ESG product offset a slight decrease in market data revenue. Proceeding now with Investor Services, revenue was €1.8 million, as the business continued to grow benefiting from Euronext reach and expertise. We also reported a small contribution for Oslo Børs VPS for €0.3 million.

Lastly, on Technology Solution, revenue was up 9.5% to €9.9 million, reflecting the good performance of hosted service business as well the continued work on Optiq commercial project delivery.

Moving to slide 10 for the financial highlight of the quarter, we start with EBITDA. Euronext EBITDA grew faster than revenue as Stéphane mentioned, up 23% to €108 million this quarter driven by organic growth, continued cost discipline, and the consolidation of our recent acquisitions. Overall, the EBITDA margin increased to 59.4% in the third quarter of 2019, up 1.2 points.

On a like-for-like basis, EBITDA margin was at 61.6% this quarter, up 3.5 points. From a revenue perspective, revenue at constant perimeter increased €3.7 million, reflecting trading and listing revenue growth while Oslo Børs VPS Commcise and other non-organic elements contributed €27.1 million.

Looking at cost, organic operating expenses, excluding D&A decrease of €3.8 million. This reflects post the adoption of IFRS 16 around €2.7 million and the continuous cost optimisation for around €1.1 million. With respect to the integration of Euronext Dublin, out of the targeted €8 million of expected things run-rate savings, €7.6 million have been already delivered as of September 2019.

In this context, we confirm our 2019 cost guidance of a low-single digit growth compared to 2018, including Euronext Dublin, but excluding Oslo Børs VPS. In addition, we consolidated €14.5 million of operating cost, excluding D&A from Oslo Børs VPS, OPCVM360 this quarter. As a reminder, Oslo Børs VPS integration cost will gain traction in the fourth quarter through increased provision and additional operating cost, and some new projects will be launched in the fourth quarter.

Moving to slide 13 to the net income. Net income grew faster than EBITDA by 25.8% to €63.5 million, resulting from the following elements. D&A mechanically increased due to the adoption of IFRS 16 and were also impacted by the first consolidation of Oslo Børs VPS D&A, and the PPA accounts for €3.4 million for 3.5 month of consolidation. This is important for that 3.5 months means that we needed to catch up two weeks of PPA from the last quarter as we closed the transaction in mid-June. On a run-rate basis, the PPA for Oslo will be of around €3 million per quarter.

Exceptional items were lower this quarter compared to the third quarter of 2018, that was marked by various exceptional items, mainly related to the acquisition of Euronext Dublin. As I mentioned either, we might expect increased cost for Oslo Børs VPS integration costs in both operating and exceptional expenses in Q4 2019.

And going forward, I remind you that the target for integration cost for Oslo Børs VPS was set at €18 million, and clearly in the fourth quarter we will book provision for a part of that. Net financing income increased following the launch of a second bond. This line could be impacted in the fourth quarter as well, further evaluation of earn-outs and the right to buyback the minority of some of our corporate service subsidiaries.

Lastly, income tax rate increased resulting from non-cash adjustment on deferred tax asset and liabilities. Excluding this impact, the tax rate was slightly above 30% and we expect this rate to continue in Q4 with the information we have at the moment. Going forward, we expect the combined tax rate will go below 30% in 2020 if the tax rate expected across the Euronext countries will materialise as expected.

And in this respect, I would like to give you some more details. So clearly, in France, the tax rate today is at 32%, will reduce next year to a little bit lower than 29%. And clearly, these are the one-off impact on the valuation of our tax assets.

In the Netherlands, we experienced some change in expectations as well. The tax rate was supposed to go down to 20.5%, and will go down with respect to 2019, but at the lower pace at 21.7%, and this add a negative impact as well on the valuation of some of our tax liabilities.

So the general trend of taxes across the Euronext countries is a reduction, but with the reduction, there are some non-cash element impacting our P&L. Adjusted for the PPA and exceptional items, adjusted net income was up 15.1% to €68.3 million translating into an adjusted EPS of €0.98 for the quarter. I remind you that our adjustment includes all the PPAs, exceptional items, and the tax impact of those adjustments.

To conclude with financials on slide 14, over the quarter 70.3% of EBITDA was converted into net operating cash flow compared to 80.6% last year. These results from negative changes in working capital driven by an acceleration of payment process linked to the migration to a new ERP in Euronext, and the payment of the success fee related to the acquisition of Oslo Børs VPS.

It is to be noted, as well that last year, there was a positive change in working capital impacted by the accrued expenses related to the termination of the DB contract. As far as the leverage is concerned, following the launch of our second bond, our net debt is at €739 million, representing an adjusted net leverage of 1.8 times pro forma.

Looking at the bottom of the slide, as of the end of the third quarter of 2019, our liquidity position remain strong close to €680 million, including the undrawn RCF of €355 million. This concludes my presentation, and now hand back to the floor to Stephane Boujnah.

Stephane Boujnah: Thank you, Giorgio. Just three comments to summarise this quarter. We reported a very strong quarter with net income growing faster than all other metrics, faster than EBITDA, faster than revenues. And this is the result as you have understood of, for sure, the consolidation of all our acquisitions, the results of the robust organic growth, and the results of continued cost management.

As planned, we will deliver on our 2019 organic cost guidance of a low-single digit growth of our operating cost versus 2018. My final comment is that for during Q4, you will see the launch of Optiq for derivatives markets at the end of November. This will be the last step of our Optiq trading platform delivery. We are now available for your questions with Anthony Attia, Member of the Managing Board and Giorgio Modica.

Questions and Answers

Operator: Thank you very much. So, if you would not like to ask a question, please press star one on your telephone keypad and please ensure your line remains unmuted locally. So once again if you would like to ask a question now, please press star one on your telephone keypad. Our first question comes from the line of Mike Werner from UBS. Please go ahead.

Mike Werner (UBS): Thank you and good morning. Just two questions from me. I was just wondering if you could provide a little bit more colour with regards to the fee rates in your cash equity trading, particularly, with regards to Oslo Børs, and just wondering how you think about when you bring on a new country or a new exchange, you know, do you aim to harmonise the fees with the rest of the businesses? I know, I think you charge on a per client basis right now, but going forward, how are you going to be looking to potentially harmonise the fee rates with Oslo Børs?

And then second, I just noticed a bit of a tick up in terms of your targeted cash for operations. It's about a €180 million from a €110 in the second quarter. I assume this is related to Oslo Børs. I'm just wondering if you could provide a little colour as to the breakdown between the exchange business versus the CSD business. Thank you.

Giorgio Modica: Thank you for the question. So when it comes to Oslo Børs VPS, if we look at the rate, it is actually similar for the one of Euronext. What does change however is the mix in between the volumes, which are mostly reported volumes with very limited revenue contribution in the volume for which we charge.

So in terms of delta, there is not in terms of average fee, we're already in line to put it this way. Then clearly, in terms of harmonisation of fees, we will need to wait for the Optiq migration, and this is clearly a process that needs to be designed and agreed with the members to make sure that we design the best scheme, as clearly the local members are very important to our business.

So what I can comment today is first, that on the part of the volume of which we charge, there is not a significant delta between Oslo Børs VPS margin and our margins. And once we will have concluded the work to define the migration project, we will be able to give more details on that.

When it comes to the question of the €180 million, you are correct. So the first element, I would like to highlight. These €180 million is an increase with respect to the previous €110 million are not only related to capital requirements. this is the cash that we think sufficient to operate our business of which capital requirement is an element.

Now coming to your last question, we do not provide the breakdown of this number that includes several elements. However, what I can tell you is that clearly, a significant part of the increase is related to the integration of Oslo Børs VPS.

Mike Werner: Thank you very much.

Operator: Thank you. Our next question comes from the line of Philip Middleton from Merrill Lynch. Please go ahead.

Philip Middleton (Merrill Lynch): Yeah, thank you and good morning. Maybe this is on, a couple for Anthony. Looking at your cash equity yield, again, it seems like on the organic yield, you had done a very good job of triangulating market share and yield, whereas I normally thought it was a bit of the two works in opposite directions. Could you talk through how you've done that? And also, just conceptually, could you talk through a little bit, how you would go about integrating an exchange with very different charging structures, where maybe some people paid less, and some people paid a lot more. How would you think about that?

Giorgio Modica: Yeah, so let me take these two questions. The first element is that as we explained during the Investor Day, the way we are improving market share and yield is providing a better value proposition for client. And so far the programmes that we did put in place proved to be very successful, and specifically the Best of Book and the Omega pack, which is the access to our market for non-members.

What is interesting is that this very strong performance in market share was reached despite a level of closing auction that was considered normal, and lower than the level we reached in previous quarter. This is certainly that we will continue to do, which means leverage the unique diversity of the flows in our market to propose value-add liquidity schemes to client, to be able to maximise our market share.

And the second element, which is important as well is clearly when the liquidity drops, having then the natural flows of retail and institutional clients provides to be a sustainable competitive advantage versus competition that suffer more than we do.

Your second question was related to the integration of Oslo Børs. And you're absolutely right. This is the core of the migration process. Switching from one system to the other, we did it many times. It's an activity that is not too complex from a technical point of view. The part that really needs to be well defined is the synchronisation with the local ecosystem, and this is a process that take months, and this is the reason why we will finalise that throughout the course of 2020.

So there is not a single rule is really interacting and discussing with the local members to find the best balance in between the value-add then and in the change of fees, but you are right this is certainly that needs to be very carefully assessed.

Philip Middleton: Thank you.

Operator: Thank you. Our next question comes from the line of Benjamin Goy from Deutsche Bank. Please go ahead.

Benjamin Goy (Deutsche Bank): Yes, hi, good morning and two questions please from my side. First, I think Stephane, you were quoted last night on saying, you look at opportunities when they arrive for M&A. So I was just wondering how this worked on the integration side? Do you feel capable to handle two significant transactions at the same time just theoretically speaking?

And then secondly on technology solutions, a good organic growth rate. Maybe, you can speak a bit more about the external pipeline for this business going into 2020? Thank you.

Stephane Boujnah: Okay. We have acquired over the past four years a very strong track record in terms of managing operation. What we are under process of executing in Oslo is similar to what we have done in Ireland. And what we have done in Ireland is similar to what we have done to ourselves to the core business at Euronext.

So you have seen the number for the Euronext core business. You have seen the number for Ireland, where almost a year ahead of schedule, we are close to delivering the targeted run-rate cost synergies that were anticipated at the time of closing the acquisition of the Irish Sock Exchange story in March 2018.

We are well advanced in the integration process of Oslo Børs VPS. Obviously, we have to respect all the applicable rules and regulation and employees consultations and dialogues with the regulators. But as far as everything that is related to Euronext is concerned, things are going extremely well. So the question of our capability to integrate other assets is obviously an operational issue, but we are confident that on the basis of what we have done so far, we will do it.

As far as market solution or technology solutions is concerned, we have the marketing of our solutions is really focused on the Optiq platform. It's live for cash trading since last year. It's going to be live on derivatives in the coming weeks. And all our marketing efforts across the planet is driven by this marketing new offering.

I don't want to comment the pipeline at this stage because this business is a very discrete number of opportunities in reality. So there are a few ongoing RFPs. Some of them are public others are not. You have to understand that when exchanges are talking to us, they are talking about switching from a solution with another provider to us, and therefore, many of them want that process to be relatively discrete because they use another provider. So I don't want to comment on the pipeline because it's a finite number of opportunities.

Benjamin Goy: Understood, thank you.

Operator: Thank you. As a reminder if you're wishing to ask a question on today's call, please press star one on your telephone keypad. Our next question comes from the line comes from Gurjit Kambo from JP Morgan. Please go ahead.

Gurjit Kambo (JP Morgan): Hello, good morning guys. Just two questions. Firstly, in terms of the non-volume related revenue, they've increased to about 52%, and I think it was 46% last year, and around 44% in 2014. How important is it to keep that number going up, and particularly in the face of looking at non-organic growth. Do you look at that progression in that non-volume related revenues? That's the first question.

And then secondly, I think you cited some good growth within the ESG products, within the Advanced Data Services business. What are the revenue yields in that business? Are they similar to non-ESG products?

Stephane Boujnah: So Giorgio will take your second question. I will take your first one. So yeah, so on the non-volume, so the objective of Euronext is to become more relevant in Europe. And in order to achieve that objective, we want to diversify our top line for sure, and we want to grow in size.

So clearly, the ultimate objective is to continue to diversify our revenues, and it's also to look for opportunities to grow the size of Euronext. So but the clear objective is definitely to continue growing the non-volume related revenues as demonstrated by the efforts we have done over the past two years. Giorgio?

Giorgio Modica: Yeah, on your second question, the indices are performing well. Also, thanks to the ESG underlying on both structured product and ETF. We created five families of indices for our clients. In terms of profitability, there is not anything specific to highlight with respect in terms of difference between ESG and non-ESG products.

Gurjit Kambo: That's great, thank you.

Operator: Thank you. Our next question comes from the line of Ron Heijdenrijk from ABN AMRO. Please go ahead.

Ron Heijdenrijk (ABN AMRO): Good morning gentlemen. A few questions from my side. Firstly, Q3 has a seasonality in the Oslo Børs reporting both on the settlement revenues as well as on the cost. I was wondering, is that seasonality going to be there going forward or is that going to change when the integration of Oslo Børs has been done?

Secondly, you were mentioning one one-off changes in working capital. You were mentioning some acceleration in migration cost, but I didn't catch up completely. So could you please repeat the changes, the one-off changes in the working capital in the third quarter?

And then thirdly, whether this quarter had any one-offs in the EBITDA with the cost base or in the revenue space? And that's it for now. Thank you.

Giorgio Modica: Yeah, so with respect to your question around seasonality, with respect to the top line, the seasonality, you should expect it's not a lot is similar the seasonality of exchanges that usually have weaker Q3s as well as the listing activity as in the usual seasonality, but nothing specific to the report there. Where to a certain extent, there is a seasonality is with respect to the cost. So the margin was between brackets inflated in the second quarter, but this is more of an accounting element. And therefore, as far as your projection are concerned, if you can see that the margin of the third quarter, this is something, a margin that can be considered in line with the past and sustainable.

With respect to the one-off, what has happened is a very practical thing, which means that we migrated to a new version of the ERP. And to have a smoother migration, we anticipated the payments. So it's a very practical element and then we'll go back to do usual element. But this had an impact in terms of cash flow.

In the other element that I wanted to mention is the payment of the fee. The success fee due to for the success of Oslo whereas the other element that highlighted in the third quarter of 2018 was linked to the fact that there was a positive change in working capital related to non-cash cost item related to the cost settlement of the DB contract.

As a reminder, we provision that cost in the third quarter, and we expense the cost in the P&L and we cash out the cost in the first quarter of 2019 as we migrated the system in February this year. Your last question was with respect to one-off. There is nothing specific to highlight. When there is something, we usually do. There is some more cost for Oslo, but is not material, so I would not mention anything.

Ron Heijdenrijk: Thank you for that. Absolutely clear. If I may one further question, you were mentioning that the Oslo Børs integration cost would go up in the fourth quarter of the year. You mentioned the €18 million integration cost, which would go through the exceptionals portion of that. And can you may be elaborate on how much you are planning to take off this €18 million in the fourth quarter?

Giorgio Modica: So what I was saying clearly, we do not expect the full €18 million to be next quarter. What is going to happen is that the cost that are well identified to be paid, and would not be recurring, will need to be provisioned. And in this cost, you might include the cost like early termination of contract as well as redundancies.

So next quarter, clearly, the computation will need to be finalised depending on final elements, but you would expect a provision within the same scheme of what they have been in Dublin last year. So clearly, we're looking at an amount, which is clearly, significantly lower than 50% of the total envelope.

Ron Heijdenrijk: Yeah, perfect, thank you very much.

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

Johannes Thormann (HSBC): Good morning everybody. Johannes Thormann, HSBC. Two questions on my side please. You nicely provided the breakdown of Oslo Børs contribution to the revenues. Could you provide this also to the personal costs and the other costs how much in the quarter have come from that source?

And secondly, looking at your tax rate, I know it's difficult to get a precise guidance. But could you give us a feeling, a range here, how low you think the tax rate can go in the long-term?

Giorgio Modica: The question is on the cost or on the revenues?

Johannes Thormann: On the cost now. I didn't find it in the presentation. You gave the breakdown for every revenue line. How much contribution of Oslo was, but I didn't find it.

Giorgio Modica: Yeah, I understand that. The breakdown we can give is that the staff cost is around €8.5 million out of the total of €13.2 million, which are the cost of Oslo.

Johannes Thormann: Okay, thank you.

Giorgio Modica: And the question on tax rate in Norway, the corporate tax rate is at a nominal for financial institution is 24%. And clearly, the actual one with the light margin is between 24% and 25%.

Johannes Thormann: Okay, thank you.

Operator: Thank you. Our next question is from Andrew Coombs from Citi. Please go ahead.

Andrew Coombs (Citi): Good morning. Two please. The first on clearing, you talk about an unfavourable derivatives product mix with lower commodity. Could you just elaborate there exactly what was driving the weakness?

And secondly, an accounting question, in deprecation, amortisation charge, you are now including a purchase price adjustment for Oslo Børs, I think €3.5 million this quarter. You are guiding for €3 million going forward. What are the drivers that could flex that? I know it's a non-cash item, but just wondering how long we can expect to last for? And what are the key drivers to pull that number? Thank you.

Giorgio Modica: Yes, so I start with your second question. So on that one, so just to be completely clear on that item. So when you look at the increase of D&As, let's first start from a pure comparable standpoint. So what has happened between last year and this year comparing quarter-to-quarter, two things have happened.

On the one side, the normal D&A of tangible/intangible asset have reduced in size. On the other side, there is the impact of IFRS 16. This has increased the D&A of €2.7 million. The net of these two element is an increase of D&As of around €2 million. So from a, let's say if we exclude the accounting principles change between the two quarters, D&A have reduced.

Now the other part is the change in scope. The impact of the change in scope is around €5 million. Out of this €5 million, again, the part that is related to PPAs in general because there is no only Oslo that we commented, but there is as well a bit portion of Commcise. That contribution is €3.5 million out of the €5 million, and the rest is the usual D&A of the companies that we have acquired.

Then when it comes more specifically to the PPA element, what happens is that when we complete an acquisition, the asset and liability need to be revalued at fair value, and then amortised during the remaining useful life of those assets. Usually, there are two key categories. There is a client relationship in software, which have a useful life, which is very different. And therefore, you should expect that charge to remain in the P&L for a significant long time.

Andrew Coombs: Thank you, and on the clearing?

Giorgio Modica: And on the clearing, I cannot comment exactly on the different charge. But the cost of clearing commodity is significantly higher because there is a component of physical settlement. So, the base fee is higher, and therefore, the drop in the commodity volumes has limited impact on the trading, but significantly higher on the clearing. If you want your simulation, you can assume that pretty much all the drop is related to the changing mix.

Andrew Coombs: Okay, thank you.

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

Bruce Hamilton (Morgan Stanley): Thank you. Yes, so just a couple of follow-ups. On the clearing point, so I get the commodities, obviously, is much higher margin. But within the rest of the clearing, is there any other margin differentials between index and single stock options or should we not really worry too much about it and just focus on commodities and long commodity?

Secondly, in terms of the clearing season and rebates, how often do you renegotiate with LCH to just a reminder on the contract terms there. And then finally, what are you thinking about depreciation and amortisation and other sources to the moving parts going on here? But is the way to think about in terms of cash cost, I think you guide 3% to 5% of revenues in terms of Capex. So it's kind of €9 million, the upper end of what we should think about in terms of the P&L cost of Capex on a quarterly basis. Thanks.

Giorgio Modica: Yeah, so let me start with the Capex, yes. So that what you should consider is 3% to 5% of our top line. This is what you should think in terms of cash costs. With respect to the differentiating element between the different classes of derivatives, yes, there are differences. But as you said, if you consider it as one, would be good enough in terms of expectations.

And your second question was negotiation is defined, agreed for the next 10 years. So there is no additional negotiation to be made. The condition is defined for the next 10 years.

Bruce Hamilton: Got it, thank you.

Operator: Thank you for your questions. I would not like to hand back to your host Stephane Boujnah for any further remarks.

Stephane Boujnah: Well, thank you very much for your time this morning and have a good day from Oslo from where it has started snowing. Have a good day.

Operator: Thank you for joining this morning's conference call. You may now disconnect your lines. Hosts, please stay connected.

[END OF TRANSCRIPT]