# Q2 2022 Results

Friday, 29th July 2022

Transcript produced by Global Lingo
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**Operator:** Hello and welcome to the Euronext Second Quarter 2022 Results Call. My name is Courtney and I'll be your coordinator for today's event. Please note this call is being recorded and for the duration, your lines will be on listen-only. However, you will have the opportunity to ask questions; and this can be done by pressing *1 on your telephone keypad. If you require assistance at any time, please press *0 and you will be connected to an operator.

And I will now hand you over to your host, Stephane Boujnah, CEO and Chairman of the Managing Board, joined by Giorgio Modica, CFO, to begin today's conference. Thank you.

**Stephane Boujnah:** Good morning, everybody and thank you for joining us this morning for the Euronext second quarter 2022 results conference call and webcast. I am Stephane Boujnah, CEO and Chairman of the Managing Board of Euronext and I will start with the highlights of the second quarter, before handing over to Giorgio Modica, Euronext CFO, who will further develop the main business and financial highlights of the quarter.

Euronext, as you have seen, reported a solid performance in the second quarter of 2022 with revenue reaching €374.7 million. This demonstrated once again the strength of our business model in a quarter marked by continuous visibility. Both revenue and adjusted EBITDA grew double-digit compared to what was already a very good second quarter of 2021. This growth is, of course, partly due to the consolidation of the Borsa Italiana Group in the latest quarter compared with only two months consolidation in Q2 2021. As you may remember, we completed the acquisition of the Borsa Italiana Group on the 29 April 2021.

But this strong performance is also the outcome of solid organic growth across all our activities driven by several specific factors. First, both non-volume-related revenue and trading activities were up +2.5% pro forma compared to the performance of the second quarter of 2021 underlying revenue. Second, we continue the deployment of our strategic plan, unlocking the first revenue synergies related to the acquisition of the Borsa Italiana Group, thanks to the migration of our core data centre to Bergamo.

Non-volume-related revenue accounted this quarter for 59% of the total revenue and covered 144% of underlying operating expenses, excluding D&A. And on the cost side, the reported increase that you observe is in underlying expenses, excluding D&A, primarily reflect the consolidation of cost from the acquisition of the Borsa Italiana Group; but please note that we managed to partially offset this impact by continued cost control and delivery of additional synergies.

Overall, these numbers translated into a +2.5% increase pro forma in adjusted EBITDA to €221.7 million resulting in an adjusted EBITDA margin of 59.2%, in a context of ongoing strategic project and integration cost, and this led to a solid +6.4% growth of adjusted net income to €143.2 million. And adjusted EPS was up at €1.34, down by 6.1%.

This second quarter – moving to slide five – was a significant one for the integration of the Borsa Italiana Group. First, we successfully completed a key milestone in our 'Growth for Impact 2024' strategic plan with the migration of our core data centre to new fully-green facilities in Bergamo, near Milan. This success paved the way for the forthcoming migration of the Italian cash and derivatives markets to the Euronext state-of-the-art European proprietary trading platform Optiq® by the end of H1 2023. Also, we move one step closer to the European expansion of Euronext Clearing with the adoption of the value-at-risk margin methodology for fixed income instruments in June and also the de-risking of our investment portfolio that we have undertaken in July.

This is a very significant set of steps because these two milestones are two important pillars for building the future of European operating – of the European operating model of Euronext. I would like also to highlight that the contemplated acquisition of the underlying technology powering MTS and Euronext Securities Milan from Nexi's capital market activities that we announced in June is an important accelerator for the integration of Euronext leading fixed income trading platform and for Euronext Securities Milan.

In the second quarter 2022, we delivered €8.9 million of additional synergies in relation to the acquisition of the Borsa Italiana Group. These additional synergies are mainly related to the first phase of revenue synergies arising from the successful migration of Euronext core data centre. With regards to the targeted synergies related to the acquisitions of the Borsa Italiana Group and to the integration, we have now reached €24.1 million of cumulated run-rate EBITDA synergies at the end of the second quarter. In other words, we have already achieved 25% of the targeted synergies four quarters after the closing of the acquisition. In total, we spent €36.7 million of cumulated implementation cost incurred at the end of the second quarter 2022, out of which €5.4 million were spent this quarter.

Moving to slide six. We are very proud to have completed this unprecedented migration of Euronext core data centre from Basildon in the UK, near London, to the Aruba cloud data centre in Bergamo, near Milan, Italy, only 14 months after we first announced it, in April 2021. Of course, beyond the strong rationale for relocating the Euronext core European trading activities within the European Union following Brexit, this new best-in-class facility presents several very interesting business opportunities.

It allows us to control and directly manage our core IT infrastructure as well as to offer colocation services to our clients which were previously outsourced. The new revenue generated through colocation services are booked under the Euronext Technology Solutions business line. And the synergies related to this quarter, the funds achieved this quarter, represent the first phase of synergies with more services to come in 2023. The new core data centre also represents a big advancement for our 'Fit for 1.5 Degree' climate commitment because it is 100% powered by renewable energy, most of which is self-produced through a large photovoltaic system and hydroelectric unit. It, therefore, allows Euronext to reduce the carbon footprint of the company while also enabling colocation clients to lower their own environmental impact. This migration contributes materially to the achievement of our science-based climate targets.

Moving to slide seven, precisely on our climate commitment. As you may know it, in June, we disclosed our detailed greenhouse gas emission reduction targets, which are in line with the Paris Agreement and based on the principle of the science-based targets initiative. Concretely, we aim to reduce Euronext Scope 1 and Scope 2 marketplace greenhouse gas emissions by 70% by 2030 compared to the level of 2020. We further plan to reduce Euronext Scope 3 travel emissions by 46.2% by 2030 compared to the level of 2019. We recognise that the transition towards a more sustainable financial ecosystem is only possible if we do it collectively. Therefore, we will require Euronext suppliers, which represent 67% of Euronext greenhouse gas emissions, to set their own Scope 1 and Scope 2 emission reduction targets by 2027.

These ambitious objectives will be achieved, and I want to stress that these ambitious objectives will be achieved without any purchase of offsetting credits in anyway whatsoever. The emission objectives will be achieved through a transformation of our operations with tangible actions targeting Scope 1, Scope 2 and Scope 3 emissions, and those include energy efficiency upgrade, the de-commissioning of our vehicle fleet, and the implementation of a sustainable travel programme.

Moving to slide eight, lastly, let me turn the spotlight on the successful launch of Euronext Tech Leaders initiative, which we launched last month, together with a network of 13 European and international key partners. The European-wide programme consists of several complementary strands. First, a newly-created market segment with more than 100 tech leaders listed on Euronext market representing more than €1 trillion of aggregated market capitalisation. Second, a full suite of services providing visibility, communication and promotion of the tech leaders for international investors and improved trading conditions notably for retail investors. Third, the creation of a community of European tech leaders within Euronext market. And finally, an enlarged pre-IPO services offering for technology companies.

Following the kick-off of the Tech Leaders initiative, two new companies have already joined the segment via their listing on Euronext Market. De Nora, which listed in Milan in June, and Deezer, which listed in July on Euronext Paris. We have early July launched the Euronext Tech Leaders Index tracking the performance of the 110 companies within the segment. Thanks to this initiative, we are now more than ever positioned to support today’s and tomorrow's financing of the growth of Euronext – of the growth of European unicorns.

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

**Giorgio Modica:** Thank you very much, Stéphane, and good morning, everyone. I'm now on slide ten.

In the second quarter of 2022, Euronext consolidated revenue and income grew to 2.5% compared to the second quarter of 2021 underlying revenue pro forma for the acquisition of the Borsa Italiana Group. Please note that this excludes €6.5 million of non-underlying transitional income related to the acquisition of the Borsa Italiana Group in April 2021, i.e., prior to the closing of the acquisition. On a reported basis, revenue grew 14% to €374.7 million representing an increase of €45.9 million. On a like-for-like basis, which means excluding pretty much the Borsa Italiana Group consolidation, Euronext consolidated revenue was up 2.4% compared to the second quarter of 2021. The solid results were driven by the growth of our non-volume-related business and trading operations.

Trading revenue increased to €129.2 million, up 3.7% pro forma and 14.6% on a reported basis, resulting from dynamic activity in all asset classes, strong revenue capture, and a good performance of the fixed income business. Post-trade revenue increased 1.8% pro forma and 12.6% on a reported basis to €93.9 million, driven by the continued strong activity in Clearing, exceptionally high level of net treasury income, and a good performance of Euronext Securities, despite the normalising settlement environment. Advanced Data Service revenue increased to €52 million, up 2.4% pro forma and 11.9% on a reported basis, due to a solid core data business performance. Listing revenue grew 7.8% pro forma and 15% on a reported basis, to €55.4 million, demonstrating the resilience of the business and the attractivity of the offering.

In terms of revenue mix, this quarter non-volume-related revenue accounted for 59% of total Group revenue versus 60% pro forma the same quarter last year, demonstrating the weight of our non-volume-related activities even during period of high volatility and volumes. Lastly, non-volume-related revenue covered 144% of our underlying operating costs, excluding D&A, compared to 150% pro forma last year.

Let's move now to the next slide for listing.

Listing revenue was €55.4 million this quarter, an increase of 7.8% on a pro forma basis and 15% on a reported basis compared to the second quarter of 2021. As I already mentioned during our last call, according to the principle of IFRS 15 admission revenues are recognised over a period of time, which for Euronext mostly ranges between three and five years. As a result, this quarter, we continue to benefit from the exceptional level of activity we recorded last year in 2021. In detail, during the second quarter of 2022, Euronext maintained its leading position in Europe for primary equity listings, counting 19 new listings in a challenging environment. This quarter, €1.1 billion was raised on Euronext primary market, which represented more than 50% of the total money raised on primary markets in Europe.

As far as secondary issues are concerned, €11.1 billion was raised in the second quarter of 2022. Euronext also reinforced its position as the leading venue for bond listing worldwide with over 52,000 bonds listed across all Euronext markets and continuous growth of our ESG bond listing franchise. This quarter, €241.7 billion in debt was raised on Euronext market. Overall, this brings us to a total of €253.8 billion raised in equity and debt on Euronext market in the second quarter of 2022.

Now, moving to the next slide. Before deeping dive into the financial performance of our trading business, I would like to spend a minute and walk you through the different metrics demonstrating the superior market quality of our cash market. This quality is even more emphasised during periods of high volatility. Throughout the COVID crisis, we observe a much more resilient liquidity environment on Euronext market compared to competing MTFs, where liquidity faded as soon as volatility started to spike.

During the last two quarter, Euronext maintained its position as the largest, deepest, and most stable single liquidity pool in Europe offering the highest quality of execution to its market participants. On average, during the second quarter of 2022, Euronext recorded a EBBO presence on blue chip stocks that was 20% higher than the one of any competing MTF. The difference becomes even more visible when looking at the EBBO setting which was 4-5x higher on average at Euronext versus the multilateral trading facilities.

Another indicator of our market quality are the lower markouts, thanks to the heterogeneity of investors in our market which provides a much healthier liquidity environment than competing MTFs. Lastly, I will also like to stress that even during periods of volatility, which generally lead to widening of spreads across European equity markets, Euronext maintain the lowest average spread compared to the other markets.

Let's move now to the financial performance of our trading business next on slide 13, and let's start with cash trading.

On a pro forma basis, including Borsa Italiana, ADV increased by 3.3% to €11.6 billion supported by a volatile trading environment. Average revenue capture over the quarter was

0.51 basis point resulting from an active management, and the market share average 67.1%, both including cash markets in Italy. Cash trading revenue increased 1.4% pro forma and 7.4% on a reported basis to €75.3 million.

Moving on to derivatives. Derivatives trading was up 8.3% pro forma and 14.3% on a reported basis to €14.9 million due to lower volumes but higher average fees, mainly linked to a better mix of products. Pro forma average daily volumes on financial derivative was down 4.7% in the second quarter of 2021, reflecting a decrease in equity futures and options trading. Commodities pro forma average daily volume decreased 4.4% this quarter, reflecting the high price environment for agriculture commodity derivatives. On the other side, over the quarter, the average revenue capture for derivative reached €0.32 per lot, as I said, mainly thanks to a mix effect.

Lastly, on to fixed income trading. Fixed income trading reported revenue up €24.9 million, primarily resulting from the consolidation of MTS. On a pro forma basis, fixed income revenue increased 2.4%. In the second quarter of 2022, MTS cash generated €16.6 million of revenues, and MTS repo generated €5.4 million of revenues in a market dominated by increasing interest rates. MTS cash posted a solid performance, mainly thanks to the very high level of activity in the first two months of the second quarter, an ADV record at €22.7 billion, down 16.8% versus a very strong second quarter of 2021. MTS repo trading saw strong traction this quarter with term-adjusted ADV up 25% to €347.5 billion.

Continuing with trading, let's move on slide 14.

The second quarter of 2022 saw a strong performance for Euronext FX in terms of both revenue and average daily volumes, thanks to the positive impact of volatility. Euronext reported average spot FX trading volumes of $23.6 billion, up 27% compared to the second quarter of 2021. Spot FX trading revenue increased 27.6% compared to the second quarter of 2021, up €7.3 million.

Power trading reported €6.9 million in revenue, a growth of 3.4% compared to the same quarter last year, as a result of a larger footprint of Central Europe and in the UK, and a very strong position in the Nordics. In the second quarter of 2022, average daily day-ahead power trading was 2.52 TWh, with an increase of 15.9% versus the same quarter last year, and average daily intraday power traded was 0.09 TWh, up 27.5% compared to the second quarter of 2021.

Moving to slide 15, revenue from our post-trade activities, including net treasure income, increased 18% to €109.6 million. Clearing revenue was up 18% this quarter and 5.5% on a pro forma basis to €31.4 million, resulting from the volatile trading environment as well to the higher treasury income from LCH SA. On a like-for-like basis, Clearing revenue was up 4.1% year-on-year. Net treasure income through the CCP business of Euronext Clearing reached an exceptionally high level of €15.7 million. This performance reflects a very high level of margin posted over the quarter and should not be considered as a sustainable one. But let me further develop on the net treasury income.

In line with the roadmap to make Euronext Clearing a leading European clearinghouse, we decided to take step to neutralise the expected impact of interest rate variation on our net treasury income going forward. Euronext Clearing held a portfolio of fixed income security of approximately €4-5 billion with a 12-month average maturity. This portfolio represented approximately 25-30% of the margin collected from clearing members, while the rest was deposit at variable rate mainly at ECB. In the context of the increasing interest rate, we decided to progressively exit our investment portfolio. In particular, Euronext Clearing disposed the part of its portfolio maturing after 1st May 2023, which represent approximately 50% of the overall portfolio, while it will hold until maturity the rest of the portfolio.

This means that at the beginning of the second quarter of 2023, Euronext Clearing will hold no outright investment portfolio. This decision will have the following implications. The surplus regulatory capital of Euronext is expected to increase. The decrease of regulatory capital requirement for Euronext Clearing linked to the divestment of the portfolio will more than compensate the negative impact on regulatory capital of the €35 million post-tax loss resulting from the disposal. This loss will be booked in the third quarter of 2022 as a part of our non-underlying net treasury income.

The net treasure income on the margin collected will stabilise then around 20 basis point, except in the fourth quarter of 2022 when we expect a margin of around 10 basis point, and in the first quarter of 2023 when we expect a margin of around 15 basis point. Finally, as the sale of the portfolio will have no negative impact on regulatory available capital of the Group, Euronext decided that the dividend for the fiscal year 2022 will be adjusted exceptionally to neutralise any negative impact of this operation.

Now, let's move back to the business performance of the quarter and move to the Custody and Settlement.

Custody and Settlement and other post-trade revenue encompassing the activity of the four CSDs we operate under Euronext Securities brand was up 10.1% to €62.5 million on a reported basis. The performance illustrates a significant contribution of Euronext Security Milan, a diversified business model enabling to capture value in a context of normalising settlement activity. On a pro forma basis, revenue is up 0.1%.

Moving to slide 16.

Advanced Data Services revenue was up 11.9% to €52 million. This represents 2.4% increase on a pro forma basis compared to the second quarter of 2021, driven by strong traction of our core data business. Investor service revenue was up €2.3 million in the second quarter of 2022, up 4.9%, reflecting the continues expansion of the franchise. Lastly, on Technology Solution, revenue was up 5.6% compared to the second quarter of 2021, to €24.1 million as a result of the consolidation of the Borsa Italiana Technology business. On a pro forma basis, Technology Solution revenue decrease 8.4%.

Moving to slide 18, for the financial highlight of the quarter, I would like to start with the EBITDA bridge.

Euronext adjusted EBITDA for the quarter was up 12.3% to €221.7 million. On a pro forma basis, adjusted EBITDA was up 2.5%, demonstrating our ability to capture value and maintain our trademark cost discipline. Please note that the increase of cost in the second quarter of 2022 is not linked to inflation but to the post-pandemic context. The normalisation of the context triggers higher cost linked to be back at the office, higher travel, and marketing expenses. The adjusted EBITDA margin slightly decreased to 59.2% this quarter from 60% the same quarter last year. On a like-for-like basis EBITDA margin was 58.3% this quarter and adjusted EBITDA increased 1.7%. Finally, the non-underlying cost, excluding D&A, are mainly liked to the integration of Borsa Italiana.

Moving to slide 19 for the bridge net income.

Net income increased this quarter 37.2% to €118.9 million. On a pro forma basis, net income increased 25.6%, resulting from the following elements. Pro forma EBITDA grew €23.8 million, as we just discussed; D&A was broadly in line with a slight increase of €0.5 million; the net financing income is down versus last year, as it is not impacted by the cost of the bridge financing for the acquisition of Borsa Italiana.

I would like also to highlight that we exited the swap we had on our €500 million in ignaugural bond. This means that now 100% of our debt benefit from fixed and very competitive terms. Results from equity investment decreased €1.1 million, as exceptionally, in the second quarter of 2021, we received the dividend of Sicovam – not distributed in 2020, due to the pandemic situation. I would like to highlight as well that the non-underlying cost in the bridge are mainly represented by D&A, namely, the PPA amortisation of our acquisition.

Lastly, income tax for the second quarter of 2022 was €45.2 million. This translated to an effective tax rate for the quarter of 27.1%. Adjusted for non-underlying cost, adjusted net income was €143.2 million, and adjusted EPS is down 6.1% to €1.43 per share this quarter. If we look at the performance of the first six months, adjusted EPS is at €2.89 per share, up 0.6% versus the first six months of last year, at €2.87per share.

Moving to the next slide, slide 20, for the cash flow generation and leverage.

Net operating cash flow amounted to €76.8 million. Excluding the impact on net working capital from Nord Pool and Euronext Clearing, net operating cash flow accounted for 42.1% of EBITDA, impacted by the seasonal payment of taxes. I would like to remind that there are specifically high tax outflows in France and Italy in the second quarter of the year. Our net debt to EBITDA ratio was 2.4x in the second quarter of 2021. Again, slightly up compared to the previous quarter, reflecting the payment of the 2021 dividend, partially offset by the cash flow generation of the period.

Moving on to slide 21, for the evolution of our liquidity position over the quarter.

I would like to highlight that our liquidity position remains strong, above €1.3 billion, including the undrawn RCF of €600 million and excluding the cash current in transit and Nord Pool.

That's it for me. And with this, I would like to give back the floor to Stephane.

**Stephane Boujnah:** Thank you, Giorgio. I would like to, before moving to Q&A, I would like to emphasise that our 2022 dividend will not be impacted negatively by the change in our investment portfolio policy and will be adjusted accordingly, as Giorgio said. I am now available for your questions together with Giorgio Modica, Anthony Attia, and Simon Gallagher.

## Questions and Answers

**Operator:** Thank you. As a reminder, if you would like to ask a question on today's call, please press *1 on your telephone keypad. Please ensure your line is muted locally and you will be advised when to ask your question.

And our first question comes in from the line of Kyle Voigt calling from KBW. Please, go ahead.

**Matthew Moon (KBW):** Hi, good morning. This is actually Mat Moon on for Kyle Voigt. I just had one on the Euronext Clearing investment portfolio run down by the first quarter 2023. And just to be clear, can you just clarify the size of that contribution to NTI, is that the entirety of that NTI line, or will there still be a portion of the margin that will be invested in shorter duration, if not overnight rates? And can you provide a little bit more detail on how much capital this actually frees up for you on an ongoing basis as well, and maybe just expand upon the broader rationale for the decision? It sounds like it's related reducing interest rate volatility but just wanted to hear your thoughts – explain your thoughts there. Thanks.

**Stephane Boujnah:** Giorgio?

**Giorgio Modica:** Yeah, absolutely. So what was implicit in what I just described is the proceeds of the disposal are going to be invested at ECB at variable rate. So what we are going to see, is that progressively the 25-30% that we were investing in fixed income security are going to gradually reduce to zero, which means that everything is going to be invested at variable rate.

So what are the steps? The first step, as I said, is that we did cut the position by two. So, we moved from 25% to around 10% invested in fixed income securities. And then in the next 6-7 months, this position will gradually go to zero. And at that point in time, the result of our investment – of our investment are going to be completely at variable rate.

So the logic is simply as we are entering a phase of expected increase of interest rate, and the number of hikes between now and the next couple of years can be significant, we wanted to have a portfolio that better reflects the current environment. So, as I said, I already commented on the – on the level that this new strategy will provide around 20 basis point. And in terms of size, I believe that I covered it as well, the portfolio was in between €4 billion and €5 billion, now is divided by two. And again, by the beginning of next year, is going to be zero.

**Matthew Moon:** Okay, great. Thank you.

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

**Haley Tam (Credit Suisse):** Morning. Thank you for taking my questions. Can I have three, please – two on synergies and one on fixed income. Firstly, on the synergies from the data centre migration, can you confirm whether all of those synergies are now included in the €8.9 million annualised benefit you saw in Q2 or if there are still further opportunities to capture from the extra services you can offer to your users?

Secondly, Nexi capital markets Technology business, you said it's been an accelerator of integration of MTS fixed income and Euronext Securities Milan. Are there any further comments on the likely timing and scale of the additional synergies from that acquisition?

And then the third question just on fixed income, I guess both from a listing and a trading perspective, can you give us any idea of what you might expect in terms of the impact on trading and listing of the current environment? So, I guess I'm thinking about the political uncertainty in Italy, the rising ECB rates, the end of the pandemic emergency purchase programme (PEPP), and also the new Transmission Protection Instrument (TPI). I guess there's a lot going on. Your help to understand how this may impact you would be very much appreciated. Thank you.

**Stephane Boujnah:** Maybe, Anthony, you can answer on the outlook for the Listing business, considering the macro environment, and Giorgio will answer your question on synergies and on the Nexi Capital Market acquisition.

**Anthony Attia:** Thank you, Stephane. Good morning, all. Your question was about the bond listing business in Europe. So, we have several operations we can share with you. The first one, is the current environment has significantly slowed down the CLO programme, you know, the collateral loan obligation programme. So that's the first impact.

Now, from a corporate bond point of view, we see – we see a sustained demand so far, and we don't see any negative impact. And, obviously, from the point of view of the sovereign debt there is a significant activity.

**Giorgio Modica:** Yeah, first I wanted to start because, I now remember that I missed part of the previous question. So when it comes to capital released, I cannot be super specific. But I can give you in order of magnitude, we are talking of high single-digit million euro in terms of capital release net of the loss. The second element on the synergies, the €8.9 million, for the vast majority linked to the transition of the data centre but are not 100% linked to that, we expect further synergies in the course of 2023, related to that activity. And overall, we are expecting a number of – a number of synergies coming from the data centre which is around €10 million.

And then, when it comes to the next question, which is around the acquisition, the transaction is not yet closed. We confirm that we expect the transaction to close by the end of the year. It's too early to give more details, but we confirm that we expect this transaction to generate a positive return and in line with our cost of capital.

**Haley Tam:** Thank you.

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

**Arnaud Giblat (BNP Paribas):** Good morning. I've got three questions, please. You helpfully gave guidance on the future net interest margin. In particular, I'm just wondering if you could talk about the drivers of cash balances and what the sensitivities are to market inputs?

Second, you're running quite a bit ahead of your cost guidance, if I analyse H1. Are you expecting a significant step-up in investment for H2 to get you to your guidance or is there upside risk there?

And finally, I hear that there might be some realignment of pricing in Italy coming up soon. Is that something you can confirm and could you maybe quantify the upside risk there? Thank you.

**Stephane Boujnah:** Arnaud, could you – this is Stephane. I believe I got it. Can you rephrase your first question because it was not very clear to me? The second question on cost guidance and the third one on pricing was very clear, but the first one was not clear to me.

**Arnaud Giblat:** Yeah, no. So the net interest, the guidance you gave on net interest margin is pretty clear – 20 basis points once you've disposed your portfolio. I'm just wondering how to think about cash balances. What are the drivers for that to be think about? What are the macro inputs there? Thanks.

**Stephane Boujnah:** Giorgio?

**Giorgio Modica:** Absolute. So there are three elements. There are three elements to the question. One element is clearly the volatility of the market because the more volatile the more the risk model command for a high level of collateral from clearing members. And this is clearly difficult to predict, but assuming a situation that stays as it is today, we should expect a relatively high level of collateral. If we – if I look at the last 12-24 months the range of collateral required is around in between €15 billion and €22 billion. This is what we have recorded.

Then, going forward, there are going to be a number of moving parts. And clearly, I can comment on the situation pre-expansion of services provided by Euronext Clearing to the other Euronext market. So, we have announced a migration to – a change to the VaR model. This will have a slight impact which is single-digit, but is difficult to be quantified next year.

So, the more precise answer I can give to you, is in first, we have between €15 billion and €22 billion. The impact on VaR should not be disproportionate on this level, and if the level of volatility is going to remain high, we should expect to have a high level of collateral.

Then, on your second question around the costs, we did reduce by €10 million last quarter the target. We are holding up well to achieve that. And this quarter, we don't feel comfortable in changing that. We will clearly as always reassess.

Then, the final point on fee changes, I wouldn't call it fee changes. Clearly, as you know, next year, we're going to migrate to a new technology and we will look at some form of monetisation between the fees across our market. The impact of that, we will – it's too early to comment.

**Arnaud Giblat:** Thanks.

**Operator:** The next question comes in from the line of Mike Werner calling from UBS. Please, go ahead.

**Michael Werner (UBS):** Thank you very much for the presentation. Just one question. We've seen Europe developing, or in the process of trying to develop a consolidated tape for the markets here. I just wanted to get your view on that and what the potential impact could be to Euronext? Thanks.

**Stephane Boujnah:** We are in intense conversations with all the relevant constituents involving those in those debate. At this particular moment, the debate is on the table of the council of the European Union and the European Parliament. There is a proposal on the table from the European Commission. There is an initial view from the Rapporteur in Parliament. We do believe that there is still room for flexibility because, clearly, there is a misunderstanding at this stage about what is the core – what are the core fragmentation issues, and the core fragmentation issues in Europe are with OTC derivatives, ETFs, and fixed income – not with equity market. So these discussions are ongoing.

Clearly, it's too early to tell what would be the implications for Euronext because we don't even know whether it will be post-trade consolidated tape, a pre-trade consolidated tape, real-time consolidated tape. Beyond the phrase 'consolidated' you have plenty absolutions that will have fundamentally different implications not only for Euronext but for the full market. And also these discussions are taking place in parallel to other discussions about the market architecture and the future of systematic internalisers and the rules applying thereof.

So it's really, really too early to give a final cut or to provide you something that you could put in your model because it's work-in-progress.

**Michael Werner:** Thank you.

**Operator:** The next question comes in from the line of Benjamin Goy calling in from Deutsche Bank. Please, go ahead.

**Benjamin Goy (Deutsche Bank):** Yes, hi. Morning, Benjamin Goy, Deutsche Bank. Just one major question left, and sorry it's a standard one on these conference calls. Because your yield management was again very good, so was just wondering because it seems to be a recurring element what is the outlook here, and are you more positive on a sustainably higher rate in cash equities going forward? Thank you.

**Stephane Boujnah:** So, I leave the floor to Simon Gallagher, the Head of Cash and Derivatives Markets.

**Simon Gallagher:** Thank you for your question. So, as you said, the robust yield management at Euronext has resulted in a highly segmented pricing strategy and the outlook for the yield management is broadly stable over the next – over the next quarter. And as Giorgio said, there will be opportunities with the onboarding of the Italian markets for further segmentation in yield management.

**Giorgio Modica:** Maybe can I follow up a comment on my side? You might remember in the past, we guided for 0.50 basis point. That was Euronext standalone. 0.51 we are posting today includes the impact from Borsa Italiana, just to clarify that.

**Benjamin Goy:** Yeah. And should we then take 0.51 as the run-rate going forward, or what's the visibility referring to?

**Giorgio Modica:** I mean, what I would say is that if we look at the previous quarter, at 0.47, we were – in Euronext standalone, we were ahead of the target of 0.50 on a standalone basis. So, I would look at 0.51 as a – as a high number. So, I guess something slightly below 0.50 is something that is sustainable longer term.

**Benjamin Goy:** Understood. Thank you very much.

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

**Johannes Thormann (HSBC):** Good morning, everybody – two questions from my side left. First off, on the net interest margin in the Clearing business, do you – just because it was not clear to me, do you keep it flat at 20 bps or do you want to benefit from future ECB rate hikes?

And secondly, on you agriculture trading activity it looks a bit counterintuitive that the volumes continue to trend down, as normally with higher prices trading activity goes up. Also, in other commodities like oil and gas trading can also tend to – Power will probably affect the mix, but normally you would say, historically, high prices trigger high activity. So what is your reason or your thinking why those volumes are so weak? Thank you.

**Stephane Boujnah:** Giorgio?

**Giorgio Modica:** Yes. So, starting with your second question – your first question. So the idea, and what we are going to implement is pretty simple, a variable, fully variable liability and fully-variable asset. So the 20 bps are going to be independent of the level of interest rate, as long as at least – but it's too early to tell, and we don't see that coming in the short future – the situation will stabilise.

Your second question on commodities, you need to consider several elements, including the seasonal effect and the fact that the harvest season is happening in the third quarter, so you should not look directly at the second quarter as a – as a good proxy of what could happen going forward. And final comment in this respect, that we remain mainly a physical market which means that the – a significant portion of the trading is done by – not by financial player but by farmers hedging the product and this gives it, to a certain extent, a limitation to the volumes.

But again, you should look at the evolution of volumes considering that especially meaning wheat is a seasonal activity and a seasonal business in the third quarter we have good sign that seems to point out that the third quarter, which again is the harvesting, is going to be a good quarter.

**Operator:** Thank you. The next question comes in from the line of Ian White calling from Autonomous Research. Please, go ahead.

**Ian White (Autonomous Research):** Hi, good morning. Thanks for the – thanks for the presentation. Thanks for taking my questions. I also had three, please. First of all, on the – on the previous call, I think you said with regard to the medium-term revenue guidance, the 3-4%, you were kind of considering whether that was still the right range, and you might think about coming back to us with an update on that. Just wondered if you could provide latest thoughts around whether that 3-4% is still the correct range, please?

Secondly, just in term of the IPO market, acknowledge the points you made about market share. But, obviously, IPO market's been very weak across Europe in the first half of the year. Is there anything you can say in terms of the pipeline, for example, that you see in terms of appetite to issue on Euronext markets when conditions normalise?

And just a final one on regulation again. There seems to be some discussion at the, sort of, European level about regulation for dark pools and in particular scrapping the double volume cap mechanism to, sort of, stave off competition from the UK, effectively. Just wondered if you could share and thoughts around that too, please, and the impact you might see on Euronext markets if basically the limits on dark pool trading were to be removed? Thank you.

**Stephane Boujnah:** I'll take the third question and second question, and Giorgio will cover the question on the top-line guidance.

On the regulatory question, as I told on the conciliatory issues, that the discussions are ongoing. The discussions you are referring to are part of a debate on the market architecture relating in part to the future of systematic internalisers. Whatever the solution will be, will be a package deal consolidating all the parameters of the debate – the future of dark pool, the future of systematic internalisers, the future of consolidated tape if any. So, I think it would be totally speculative and artificial and unstable to make any comments about the likely consequences of that particular discussion at the moment.

On the IPO market, we are in a situation which is – which is ambivalent. On the one hand, there is definitely a pause in the number of listings, but the IPO market is not closed. Since the beginning of the year, we had 41 listings on Euronext market which compares to 104 last year. This is not as dynamic for sure, but this is not a closed market. It's a market where which is more selective and where many issuers are postponing their project. What is really interesting is that Euronext remains the venue of choice for listing in particular for international listing.

When you compare the numbers of listings on Euronext since the beginning of the year with the other European venues, you have 41 listing on Euronext since the beginning of the year. You have 19 on the London Stock Exchange, and 3 on Deutsche Borse. And when it comes to international listings, i.e., listings that are not from issuers that have their legal headquarter within Euronext countries, we had 10 of those listings out of 41; whereas, there were only 4 non-UK listings in the London Stock Exchange since the beginning of the year, and 2 at Deutsche Borse.

So my point is that the competitiveness of Euronext as the venue of choice for listing in particular for international listing in Europe is there, just because we now have 25% of the equity traded in Europe that are trading in Euronext market, and we are now the deepest liquidity pool and the deepest aggregate market capitalisations, between €6.4 trillion and €6.8 trillion of aggregate market capitalisation that you find on Euronext markets compared to – which is approximately twice the size of the aggregate market capitalisation of companies listed on the London Stock Exchange, and approximately three times the size of the Deutsche Borse aggregate market capitalisation.

So this is the venue of choice big time. And I just want to underline that 50% of the listings this year were tech companies. And with the initiatives we have launched, the Euronext Tech Leaders initiative, we are seeing a momentum, an appetite for technology companies in Europe that consider that this segment, this European tech leader segment, is now the place to list when you are a technology company in Europe. That's why we already just in the past few weeks had two tech listings – one in Milan, one in Paris – in the – in the segment.

So, we are confident that despite the current volatility, uncertainty on pricing and valuations the fundamental pipeline is there, companies are there, appetite of investors is there. It's just that volatility makes the standard IPO process more complicated than when the outlook is more predictable. So I'm confident.

Giorgio, on the – on the top-line?

**Giorgio Modica:** Yeah, and maybe last time around there was a slight misunderstanding that I want to clarify. So it's clear that we're always looking to give to the market the most accurate target, but I didn't mean that every quarter we would have – open the topic on long-term target. Again, is not even per month since the beginning of – when we launched the Investor Day, and the market situation is such that we believe it is not the right moment to do that, and might not be the right moment either next or the following one.

So, we would proactively communicate when be believe that the condition are such to update this target. But again, we were – I was not intending to give an update this quarter. Thank you.

**Ian White:** Thanks, appreciate it.

**Operator:** The next question comes in from the line of Tobias Lukesch calling from Kepler Cheuvreux. Please, go ahead.

**Tobias Lukesch (Kepler Cheuvreux):** Yes. Good morning, also three questions from my side, please. And first, again, on the disposal of the investment books, and just out of curiosity were you in discussions with the regulators about that investment portfolio? And to understand the mechanics basically of the net interest income, so you're charging 20 bps as a base if I understand you correctly, which at a €20 billion cash balance makes a, kind of, €40 million per year. So if the ECB rates were to rise into positive territory, i.e., 25%, would that imply, kind of, 5 bips top-up basically on the whole amount?

Secondly, on the – on the squeeze of the sub-CSDs, can you quantify basically the positive impact on your business from that side?

And thirdly, on the listing again, how should we think about the revenue line development in 2023, given the lower share price in general and the fact that it's the base, you know, also for your fees. I mean, with IFRS – I know you kind of smooth these revenue generation. So should we rather expect to continue to see solid growth in 2023, or might there be a little bad surprise on that side? Thank you.

**Stephane Boujnah:** Tobias, can you repeat the second question which was not very clear?

**Tobias Lukesch:** On the squeeze of the sub-CSDs. Yeah, I mean, in that market, I mean, we realise, especially also some Nordic countries where sub-CSD providers go out of business basically, and where the business is then shared between a primary client, be that a big investment bank – and you guys took favour potentially of the client, but I think there's a chunk of business also, that flows then in your P&L. And I was just wondering if this is something which moves the needle a bit on the revenue outlook and growth potential?

**Stephane Boujnah:** So, I take the questions on the listing and on – and on the – on the fees, and Anthony will take the question on CSD, and Giorgio will answer on the regulators on the NTI.

So, clearly, our listing fees are not massively driven by underlying valuation. So in general, the underlying valuation is not affecting our listing revenues. So that's clear.

So, I leave the floor to Anthony to complement that point or to provide additional nuances and to cover the CSD point.

**Anthony Attia:** Thank you, Stephane. Just to complement the yearly fees on equity listing. The valuation that is taken into account is the – is the one at year-end, and so that gives you an idea of the impact of the – of the evolution of the – of the valuation. But – so, currently, the revenues that we declare are both impacted by IFRS 15, obviously, as you said there, but also they are capturing the market situation at the end of last year.

On your CSD question, so –

**Tobias Lukesch:** Sorry, on that, I was just wondering, looking into next year, if there's a kind of linear approach we should apply, i.e., market down 10%, listing down 10%, is that something we can assume or would that be penalising you too much?

**Anthony Attia:** No. First of all, we don't want to provide any kind of forward-looking view on this, but the – again, the level of reported listing fee capture the IFRS 15 element, and also, we have a – we have a fee adjustment that are – that are – that are done in order to remain – to remain close to – close to the market. So, we – your statement is not correct.

And now, on the – on the Nordic CSD situation, as you pointed out, there are some changes in the ecosystem in the Nordic countries around the value chain. As we explained during the investor Day last year, we are working with our – with our client to capture some of these changes and deliver some services as an outsourcing partner. So this is a development of post-trade services in the Nordics.

Also, you might have seen that we have published a new – some significant UK custodian becoming a direct client of Euronext Securities Copenhagen. This is also part of the changes. So for us here, the business, the trend is positive on that, on that particular topic.

**Giorgio Modica:** Yeah. So, on my side, just an additional element on listing. It is important to highlight that the equity annual fees represent 25-30% of the total revenues, so it's a – it's a relatively small portion. And as Anthony said, an increase in market capitalisation is not equally reflected in increase on the revenue capture.

So, on the NTI, another element to clarify, our decision is a decision of value maximisation. It's nothing to do with regulatory approval, etcetera. So, we always operate within the boundaries of what we can do. We are only adjusting our investment strategy to an evolving market condition. And the result of that, is that as this part of the clearing business is, in fact, spread business, we do the margin that we will apply having assets and liabilities at variable rate. So just I take the opportunity of your question to say that again, the decision has nothing to do with something we are forced. It's a decision of maximisation. We don't want to take any risk. Our clearinghouses are more than sufficiently capitalised. And actually, as I said, this decision will further increase the level of regulatory capital available.

So it's more of a business decision than anything else.

**Tobias Lukesch:** Understood. Thank you, Giorgio. But sorry for asking again here; if ECB rates go to 50 bips, do we then have a 50 bip on the cash balances, or how would that move?

**Giorgio Modica:** As the asset and the liability will be linked to the same variable rate, is going to be indifferent. If the ECB will go up to whatever level, then we would pay and receive the same variable element on asset and liability and therefore the spread would remain the same. The only part for which this is not true is on a temporary basis between now and the moment where we will have completely run down the portfolio. And the reason why I gave specific guidance with respect to the level to expect in the four quarter and first quarter next year. But then from that moment on, again, the 20 basis point are going to be independent on – of the ECB decisions.

**Tobias Lukesch:** Very clear, thank you.

**Operator:** Thank you. That was the final question in the queue, so I shall hand the call back across to yourself, Stephane Boujnah, for any concluding remarks. Thank you.

**Stephane Boujnah:** Thank you very much for your time. Have a good day.

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

[END OF TRANSCRIPT]