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ENX.PA - Euronext N.V., The Irish Stock Exchange Plc - M&A Call

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## CORPORATE PARTICIPANTS

**Deirdre Somers** *The Irish Stock Exchange Plc - CEO and Director*

**Giorgio Modica** *Euronext N.V. - CFO*

**Stéphane Boujnah** *Euronext N.V. - CEO & Chairman of the Managing Board*

## CONFERENCE CALL PARTICIPANTS

**Arnaud Maurice Andre Gibrat** *Exane BNP Paribas, Research Division - MD & Research Analyst*

**Martin Price** *Crédit Suisse AG, Research Division - Research Analyst*

**Michael Joseph Werner** *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst*

**Ron Heijdenrijk** *ABN AMRO Bank N.V., Research Division - Analyst*

## PRESENTATION

### Operator

Welcome to the Euronext conference call following the completion of The Irish Stock Exchange acquisition.

I now hand over to Mr. Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext. Sir, please go ahead.

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### Stéphane Boujnah - Euronext N.V. - CEO & Chairman of the Managing Board

Good morning, everyone, and apologies for this short delay. We are in Dublin this morning. And with me are Deirdre Somers and Giorgio Modica. I'm very pleased to be with you on this day in which we announced the closing of the acquisition of The Irish Stock Exchange, which we achieved in just 4 months, and I just want to congratulate here all the teams involved and all the constituencies involved in Dublin, among the regulators community who have made that possible. This is clearly a great day in the history of Euronext because this is the first time since our IPO that we expand the federal model and some press comment this morning, were mentioning that it has been very long since any combination of exchanging -- exchanges happened in Europe. It shows clearly the ability of Euronext to welcome independent European exchanges when they are willing to consider a consolidation move. And this acquisition clearly strengthens our mission to power and European capital markets to finance the real economy.

So The Irish Stock Exchange joining Euronext shows also the confidence of Ireland in the European projects, and what I believe is the trust it has to fuel its reaches. As from today, The Irish Stock Exchange will operate as Euronext Dublin and Ireland becomes 1 of the 6 core countries of the Euronext federal model alongside the Netherlands, Belgium, Portugal, France and the U.K. I'm pleased to announce that Deirdre Somers is to be appointed Chief Executive Officer of Euronext Dublin and will join soon the managing Board of Euronext N.V., pending the regulatory approval with group level responsibilities to develop the Irish market and the center of excellence in Listings of Debts & Funds and ETFs, again, subject to regulatory approvals and votes of the Euronext group shareholders.

We are very glad to demonstrate that our federal model is becoming more and more relevant. And from an industrial point of view, obviously, expanding the federal model to countries such as Ireland is obvious. We operate our own technology, soon-to-become the Optiq platform, that we can easily expand to other exchanges. We have a balanced governance, which offer -- our united and diversity model, which offers real space for independent exchanges to contribute to the governance of the group and a strong record of -- on excellence and cost efficiencies. But also, it clearly makes perfect sense from an economic and macro perspective because Euronext operates the largest pool of liquidity in Europe. We have more than 1,300 equity issuers. We have a market share of more than 65% in equity trading in early competitive environment. We have a strong derivative franchise and a stable and clearing -- and sustainable -- sorry, clearing environment for the next 10 years.



So with this transaction, I believe, that the combined group is going to become really a very large and powerful player for debt instruments. Clearly, it's already the largest center for debt and funds listings in the world, with more than 37,000 listed bonds and 5,600 funds and it is also positioned now as a major player in ETFs with 1,050 listings in the ETF world, paving the way for clearly value creation for shareholders and stakeholders. So we have a strong future growth planned for the combined group. The 4 months period of closing has been extremely useful to get to know each other, to better prepare for the future in order to be ready for the implementation of this transition today. I'm absolutely certain that the combination of Euronext Dublin teams, the combination of both teams, which are absolutely excellent and [object] with the current Euronext team, which have already proven successful in developing debts, funds and ETF listing business for so many years, will create a leading platform in this front.

As you know, the debt market is highly fragmented and Euronext as a leading player in Europe really wants to connect the open markets in debt & funds listings and ETFs and simplify access and trading to drive sustainable growth. To achieve this, Deirdre Somers will manage different teams across different locations all over the group, in -- mainly in London, Paris and Amsterdam, but also, Brussels and Lisbon. And the main mission of the center of excellence under the leadership of Deirdre will be to connect the European debt market. Clearly, Euronext Dublin brings its expertise in debt listing, but we have also core corporate bonds initiatives with a new MTF platform called Synapse to improve the liquidity of European bonds tradings, and we are really building client tractions. The idea here is to really propose to ensure a simpler way to issue bond on the market with easier access to market and to provide all trading members improved liquidity in bonds trading. I believe that the potential of this platform is very important, and we know that this business, this plans, will be reinforced by Euronext Dublin.

As for ETF, we want to become the European ETF listing venue of choice for investors globally, providing an easy single-entry point in Europe, leveraging the strong position again of Euronext Dublin, and especially, its international position. We will also launch organically an MTF for ETF as part of our Agility for Growth strategy. And again, this project will be enhanced by the synergies with Euronext Dublin teams.

So I want to emphasize that this combination beyond the debt, well, is going to benefit significantly Irish-listed companies on the equity front. They will have access to corporate services to improve the investor relationship management or tech, SME initiatives dedicated to expand our franchise on tech listing all over Europe will be combined with the existing program in Dublin, which is a pretty successful layer in order to strengthen together the ecosystem around this very promising market.

And clearly, we are extremely excited with this deal. The Irish Stock Exchange has delivered strong results in 2017 with EUR 32.3 million revenue and 31.9% EBITDA margin. It's a great performance. But as announced last November, we expect to deliver EUR 6 million of pretax run rate synergies to be fully delivered by 2020. We, clearly, will leverage on the Euronext capabilities inside the group by connecting Euronext Dublin as soon as possible to our new state-of-the-art proprietary platform Optiq and by aggregating market data of Euronext Dublin and all platform. And as for the organization structure, each employee in Dublin will now become part of a transversal European team like in any other team of the Euronext group and the adjustment to the organizational structure will be discussed within next few weeks and presented to the team. So the integration work is starting immediately to make sure we deliver in due course. But really the idea will be to bring Euronext Dublin margin at the level of the rest of the group by 2020.

So we are very excited. We strongly believe in Ireland future and growth potential with a GDP growth expected at 4.4% in 2018 and 3.1% in 2019 with highly skilled balance, Ireland is ideally placed to tackle opportunities of the new growth in Europe, and especially, opportunities arising from Brexit. Clearly, Europe is back. I said it many times, the GDP growth for the continent is expected to be around 2.3% in 2018 and all the lights are green. The big regulation is behind us, volatility is back to normal, most of political insanities are being sold across Europe, inflation is not yet there, interest rates are not trending as much as they do in the U.S. and valuation multiple are still lower than they are in the U.S. So there is more growth to come, especially at the moment with the earning seasons across the continent is very good.

So we want to be a major player in this dynamic environment. We are continuing our efforts in cost discipline. We continue to focus on our growth initiatives, but expanding our federal model fuels this growth. We will consolidate Euronext Dublin as of 1st of April, 2018.

So thank you very much. Happy to take your questions. And Giorgio and Deirdre will join me for answers if you want them to contribute.

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) The first question comes from Arnaud Giblat, Exane.

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**Arnaud Maurice Andre Giblat** - *Exane BNP Paribas, Research Division - MD & Research Analyst*

Just one quick question for me. I was wondering if you see any further opportunities to expand the federal model in Europe in cash equities?

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**Stéphane Boujnah** - *Euronext N.V. - CEO & Chairman of the Managing Board*

They are independent exchanges in Europe that operates on cash equities. All of them are in different situations, different size and are at the different stage of considering what they think is best for the future. One of the very important features of consolidation of exchanges in Europe that you have to respect the identity of the exchanges -- decides to consolidate and you have to respect their timing in terms of decision-making of waiting their strategic options. So it's difficult for me to answer precisely your question because if you look at all the landscape, all the players in Europe, there are fundamentally different level of decision-making process that whether or not they want to consolidate. And unless, they are willing to consolidate, there is no point in discussing any consolidation process.

### Operator

The next question comes from Mike Werner, UBS.

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**Michael Joseph Werner** - *UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst*

I have 2 questions. In terms of what we see in year-to-date in terms of volume growth, ISE, could you just give us a little bit of a clarity on that growth rate? And then second, in terms of the synergies, is there any indications with regards to the timing of the synergies, and ultimately, what the costs of those synergies will be for Euronext?

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**Stéphane Boujnah** - *Euronext N.V. - CEO & Chairman of the Managing Board*

So Giorgio will answer your question on synergies, and Deirdre will answer your question about the volumes growth since the beginning of the year.

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**Giorgio Modica** - *Euronext N.V. - CFO*

So as regard to equity turnover, the volume is up 42% versus the same period in 2017. As regards to numbers of equity deals, it's up 50%. So it's been very, very active start to the year. Listings are about -- running at around 15% above last year. And we expect that run rate to continue for the foreseeable future.

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**Deirdre Somers** - *The Irish Stock Exchange Plc - CEO and Director*

And for synergies, the target of EUR 6 million is mainly composed by 2 elements. The first one of the saving related to the Deutsche Börse contract, and the second part is related to the efficiency related to the integration and support function. When it comes to the phasing of debt, we said that synergies are going to be fully phased by 2020 without giving specific phasing of those synergies. And finally, to your last question, we expect around EUR 9 million of integration cost to deliver the EUR 6 million run rate savings.



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**Operator**

The next question comes from Ron Heijdenrijk, ABN AMRO.

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**Ron Heijdenrijk** - *ABN AMRO Bank N.V., Research Division - Analyst*

It's Ron Heijdenrijk, ABN AMRO. Just one quick question, on the listing revenues from ISE, could you please split out which are the fixed annual recurring fees and which are the placing fees?

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**Stéphane Boujnah** - *Euronext N.V. - CEO & Chairman of the Managing Board*

No, we don't report those numbers for the moment.

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**Operator**

The next question comes from Martin Price, Crédit Suisse.

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**Martin Price** - *Crédit Suisse AG, Research Division - Research Analyst*

Just a quick question from me, please. I think you especially have been able to close this acquisition, regulated exchange pretty quickly compared to similar transactions. I was just wondering if you could help us understand what key commitments you've given to local regulators to make this possible?

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**Stéphane Boujnah** - *Euronext N.V. - CEO & Chairman of the Managing Board*

I mean, it's a very interesting question. It's -- we haven't made any out-of-the-ordinary commitment, and believe me, there is no understatement. It was a very smooth process because it was a very natural deal. It went extremely smoothly with intense discussions with Central Bank of Ireland that regulates The Irish Stock Exchange. And you have to understand that Dublin is a place where we are not the first international group operating finance platform. The Irish regulators is extremely familiar with this type of contract. And we had a framework, which was a balance of securing their mandate as regulator and supervisor and being as pragmatic and open and business friendly as possible. So there is no thing that in our commitments that are different from what we do in other countries. So don't -- if your implicit question is about commitment on operating obligation, et cetera, nothing particular outside the framework of applicable laws and regulations.

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**Operator**

We currently have no other question. (Operator Instructions)

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**Stéphane Boujnah** - *Euronext N.V. - CEO & Chairman of the Managing Board*

Thank you very much. Have a good day.

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**Operator**

Ladies and gentlemen, this concludes today's conference call. Thank you all for your participation. You may now disconnect.

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