Q3 2020 Analyst Call

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London – 020 7870 7100
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Euronext Q3 2020 Analyst Call

Operator: Hello, and welcome to the Euronext Q3 Analyst Call. My name is Val, and I will be your coordinator for today's event. Please note, this conference is being recorded, and for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the presentation. This can be done by pressing star one on your telephone keypad to register your question at any time. If at any point you require assistance, please press star zero and you will be connected to an operator.

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

Stéphane Boujnah: Good morning, everybody. And thank you for joining us this morning for the Euronext Third Quarter 2020 Results Conference Call and Webcast.

I am Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext. And I will start with the highlights of this third quarter. Giorgio Modica, Euronext's CFO, will then develop further the main business and financial highlights, and we will open up for questions together with Anthony Attia, member of the Managing Board of Euronext.

So, let's start on slide four. As you've seen, Euronext reported solid results for the third quarter of 2020. This reflects the continued benefits of all diversification initiatives as well as the resilience of our core business. As you've seen, the revenue increased, in Q3 2020, by €23.1 million, up +12.7% to €204.8 million compared to Q3 2019. This robust performance reflects solid revenue growth resulting from both continued diversification and a resilient core business. So, excluding acquisitions and at constant currencies rate, revenue grew by +3.4% in Q3 versus last year.

Non-volume related revenue accounted for 54% of Group revenue this quarter and covered 128% of operating expenses, excluding depreciation and amortisation. So, thanks to our continued core discipline, Group EBITDA also grew by +9.1% in Q3 2020 to €117.8 million.

And this translated into an EBITDA margin of 57.5%. It is 1.9 points lower than last year's third quarter as we are in the process of consolidating costs from our recent acquisitions, whose integrations are still ongoing. But on a like-for-like basis and excluding recent acquisitions, such as VP Securities in Copenhagen, EBITDA margin reached 59.7%, slightly higher than last year.

In this context, we confirm the cost guidance announced in February for 2020, as we expect the strategic costs and our Oslo Børs VPS integration costs to ramp up in the fourth quarter.

Overall, this good performance over the quarter resulted in a +13.8% increase in adjusted EPS and a €1.12 per share. On a reported basis, Q3 2020 net income was up +10.6%, at €70.2 million.

So, moving to slide five. I would like to come back quickly on the Borsa Italiana acquisition. On 9th October, we announced a turning point in our history with the contemplated acquisition of the Borsa Italiana Group. The combined Group, when the deal is completed, will have a well-diversified business mix covering the full exchange value chain.

The combined Group will become the leading pan-European venue for listing with €4.4 trillion market capitalisation on its markets. It will be the number one venue for secondary markets with €11.7 billion of average daily volume. The combined Group will offer a full post-trade value chain with the addition of a multi-assets clearing house. And it will become the third CSD franchise in Europe, and we will more than double the volumes of assets under custody within the Euronext Group.

From a financial perspective, the proposed combination will provide compelling value propositions for our shareholders. The combined Group would cross the €1 billion revenue mark and will provide healthy EBITDA margin profile, I mean, even prior to any synergies. And it is clearly very important to note that Borsa Italiana has higher revenue and EBITDA performance that what was rumoured in the press before the transaction was announced.

In addition, the combination is expected to deliver €60 million of run rate synergies by the third year after completion, through a combination of €45 million of expected run-rate cost synergies and €15 million of expected run-rate revenue synergies. And the combination of Euronext and the Borsa Italiana Group is expected to result in an immediate accretion on adjusted EPS before any synergies and a double-digit EPS accretion on EPS for synergies in year three.

To conclude on this slide with some words on financing and timing. I just wanted to remind everyone that the Euronext is to acquire 100% of the London Stock Exchange Group Holdings Italia SPA, which is the holding company of the Borsa Italiana Group, for a cash consideration of €4,325 million.

The financing is fully secured through bridge loan facilities fully underwritten by a group of banks. And we expect to complete the acquisition by the first half of 2021, subject to various conditions precedent that are in the process of being met. The first one is the approval by the Euronext's Extraordinary General Meeting, which will convene on 20th November to review the transaction. The other one is the clearance by the European Commission for the London Stock Exchange proposed merger with Refinitiv.

I'm sure you all saw that on 3rd November, London Stock Exchange Group shareholders approved the sale of Borsa Italiana, which was also one of the conditions to the transaction.

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

Giorgio Modica: Thank you, Stéphane, and good morning, everyone. Let's start with slide seven. First of all, I would like to start saying that like-for-like organic performance exclude the impact of the consolidation of VP Securities, Nord Pool, OPCVM360, Ticker, 3Sens, and excludes changes of foreign exchange rate.

As Stéphane mentioned, Euronext reported a solid quarter with revenues reaching €204.8 million, up €23.1 million or 12.7%. External growth contributed €19.2 million to this performance.

Let's take a closer look at the different businesses. Post-trade revenue increased 44.9% to €44.6 million, driven by the first impact of the consolidation of VP Securities contributing for €10 million, the strong organic performance and higher clearing revenues. Trading revenue was up 7.3% to €75.9 million, with €6.3 million contributed by Nord Pool power trading. This contribution offsets slightly lower cash and derivative trading revenues.

Listing revenue grew 2.9% to €35.8 million, thanks to the strong performance of Corporate Services at €7.8 million revenues. Advanced Data Services saw a 3% increase to €34.5 million, reflecting a solid performance of the market data and indices business and the contribution of Nord Pool data businesses.

In the third quarter of 2020, non-volume related revenue accounted for 54% of total Group revenue, increasing from 52% in the same quarter last year. This change reflects the expanded post-trade activity with VP Securities. Lastly, this non-volume related revenue covered 128% of our operating costs excluding D&A, almost identical to 129% last year.

Moving to listing, slide eight. Corporate Services remained, this quarter, the growth engine of listing. Listing revenue grew 2.9% to €35.8 million, with our Corporate Services franchise reporting €7.8 million of revenues, up 29.5%, due to the continued demand for digital solution in the current market. On primary markets, Euronext reported a record quarter in terms of new listing, with 21 SME new listing that demonstrate the attractiveness of our value proposition and the success of the listing initiative launched in the last years.

Oslo contributed for 13 new listings in the third quarter of 2020, one of the busiest quarter of its history and beat the 13-year record. Five new listings were from company domesticated outside of the Euronext market, most of them in Spain. And our TechShare programme contributed for two new listings. Overall, €917 million were raised on the Euronext primary market compared to €221 million last year.

Secondary market saw the usual seasonal slowdown in activity, combined with a larger proportion of convertible bond financing. In the third quarter of 2020, €8.5 billion were raised in secondary equity issues compared to €6.1 billion in the third quarter of 2019.

Moving now to our Trading business. Let's start with cash trading on slide nine. Cash trading revenues decreased 0.6% to a total of €53 million, reflecting lower trading volumes offset by improved average revenue capture and market share. Like-for-like revenue decreased 0.2%.

Looking now at the different components of this performance. ADV decreased 5.8% to €7.5 billion. The average fees over the third quarter increased to 0.54 basis point compared to 0.51 basis point in the third quarter of 2019. This is a 5.2% increase that almost perfectly offsets the impact of subdued volumes. On average, market share on cash trading reached 70% over the quarter compared to 69.4% in the third quarter of 2019.

Moving on to Derivative Trading. Derivative revenue were €10.8 million, down 6.3% compared to the third quarter of 2019, reflecting lower trading volumes also impacted by the uncertainty over the dividend decision.

Let's take a closer look at the different drivers. Revenues decreased more than volumes as the average fees slightly decreased compared to last year. Average revenue per lot was €0.30 down 1.3%. This reflects, as I highlighted in the second quarter, the significant increased proportion of lower yield equity future in our product mix. This was partially offset by stronger volumes in commodity derivatives that, as you know, have higher-than-average fees. Excluding the impact of these new equity futures, namely single stock and dividend future products, the average revenue capture would have been €0.33 per lot.

Moving to the next part of our trading business in slide 10. Spot FX recorded average daily volume of $19.3 billion, almost stable to the third quarter of 2019. Spot FX trading revenue was down 2.4% to €5.8 million, negatively impacted by the euro-dollar evolution. At current currencies, spot FX trading revenue was up 2.6%.

Power trading, encompassing the trading activity of Nord Pool, of which Euronext acquired 66% in January 2020, reported €6.3 million revenues. This reflects the lower volumes due to the seasonal slowdown of spring and summer months, as mentioned in the second quarter. In the third quarter of 2020, average daily volume for the day ahead were 2.19 terawatt hour while the average daily volume for the intraday were 0.07 terawatt hour.

As a reminder, other Nord Pool activities, namely market coupling, shipping and market data are recorded in market data and technology solutions.

Moving to slide 11 for post-trade. Revenue from our post-trade activity increased 44.9% in the third quarter 2020 to €44.6 million. Clearing revenue was up 11.7% to €14.9 million, reflecting higher treasury income and revenue capture, offsetting lower derivatives trading volumes. Custody and Settlement revenue accounted for €29.8 million, up 70.3%, resulting primarily from the first impact of the consolidation of VP Securities as mentioned. In addition, the business benefit from high settlement activity and the increased retail participation in Norwegian CSD.

Moving to slide 12. Starting with the Advanced Data Services, revenue was up 3% to €34.5 million in the third quarter of 2020. This growth was driven by the consolidation of acquired businesses contributing €0.5 million and our resilient core business with continuous traction from ESG products and market data business. Investor Services' revenue grew 7.9% to €2 million, thanks to the good commercial traction.

Lastly, on Technology Solutions, revenue was up 20.2% to €11.9 million, mainly resulting from the consolidation of Oslo Børs VPS and Nord Pool, but also from a solid core business performance.

Moving to slide 14 for the financial highlight of the quarter. Let's start with EBITDA. EBITDA grew 9.1% to €117.8 million this quarter. We already covered revenue, therefore, I will focus mainly on costs and margins.

Organic cost increased €2.3 million, or 3.2%, mainly driven by lower capitalisation cost compared to last year as well as cost related to the strategic plan. Overall, the EBITDA margin for the Group decreased to 57.5% in the third quarter of 2020, down 1.9 points. It is mainly due to our recent acquisition not fully optimised yet and diluting the Group margin.

Organic EBITDA margin was at 59.7% this quarter, up 1 point compared to last year. This quarter, the EBITDA margin of the newly acquired business was 35.9% with lower margin of Nord Pool, partially offset by the higher-than-expected margin of VP Securities. More specifically, VP Securities margin was boosted by the usual seasonal impact of the third quarter with lower costs and one-off release of accruals on revenues.

Finally, as Stéphane mentioned, we expect costs from Oslo Børs VPS integration and the strategic plan projects in the next quarter, which is why we confirm our 2020 cost guidance of a mid-single-digit growth compared to the annualised second half of 2019.

Moving to slide 15 and net income. The net income increased this quarter 10.6% to €70.2 million as a result of the good operating performance. Adjusted for PPA and exceptional item, EPS was up 13.8% at €1.12. In detail, we already covered the first building block of the waterfall EBITDA, so I will move on.

D&A increased 17.8%, resulting mainly from the consolidation of recently acquired business and the impact of PPA. This quarter, €5.7 million of our D&A are linked to the PPA of acquisitions. €3.5 million of exceptional costs were booked in the third quarter of 2020, primarily related to the contemplated acquisition of Borsa Italiana and restructuring costs.

Net financing expense for the third quarter of 2020 was €3.4 million, up from €2 million in the third quarter of 2019. It mainly reflects the impact of foreign exchange rate and interest rate related to the tap bond issue in June 2020. The tax rate was lower than last year at 26.4%, positively impacted by the reduced domestic tax rates as we expand our footprint in the Nordic region and other local tax rates tend to decrease across the Euronext countries.

Lastly, I would like to highlight that we anticipate to book various exceptional costs in the fourth quarter of 2020 in relation to the integration of VP Securities and the contemplated acquisition of the Borsa Italiana Group. More specifically, we expect to expense between €10 million and €15 million in the fourth quarter of 2020.

To conclude with financial, let's move to slide 16. Net operating cash flow post-tax for the quarter was €71.7 million, impacted by changes in working capital of Nord Pool. As a consequence, the cash flow conversion scaled down from approximately 70% last year to circa 61%. Excluding the impact of Nord Pool, Euronext cash conversion is stable, or would have been stable vis-à-vis 2019.

Our net debt stands at €710 million, representing a net leverage of 1.4 times pro forma over the last 12 months. Gross debt was €1.3 billion as of the end of the third quarter 2020. Looking at the bottom of the slide, Euronext liquidity position remains strong, slightly under €1 billion, including the undrawn RCF of €400 million.

I now hand back the floor to Stéphane. And we will be available for your question at the end of the conference.

Stéphane Boujnah: Thank you very much, Giorgio. So, in conclusion, Euronext has delivered a strong third quarter, thanks to both recent diversification initiatives and our resilient core business.

And Euronext delivers on its strategic goal of building the leading pan-European market infrastructure with the contemplated acquisition of Borsa Italiana, which is, in every respect, an accelerator of the strategic plan released one year ago, Let's Grow Together 2022.

So, Giorgio, Anthony and I are now available for your questions.

Questions and Answers

Operator: Thank you. And as a reminder, if you'd like to ask a question or make a contribution on today's call, please press star one on your telephone keypad. To withdraw your question, please press star two. Please ensure your line remains unmuted locally. You'll then be advised when to ask your question. So, again, that's star one on your keypad. And the first question comes from the line of Haley Tam from Credit Suisse. Please go ahead.

Haley Tam (Credit Suisse): Hi. Good morning, Stéphane. Good morning, Giorgio. Two questions from me, please. Can I ask you one about the cash trading yield? 0.54 basis points is actually higher than I had anticipated, and I think you've previously said a normal of about

0.5. So, I just wondered whether this is still due to small average trading sizes or if there's something else that's perhaps more permanent shift going on there.

And the second question, just help me understand, I'm afraid. The VP Securities, there was a €10 million revenue contribution. You also obviously mentioned some one-off accrual releases. And I noticed the Q3 costs for the whole Group haven't really increased all that much despite the inclusion of VP Securities. So, I just wondered if you can give us some idea of the normal run rate perhaps that we should include for this business. Thank you.

Giorgio Modica: Thank you very much for your question. With respect to the revenue capture on cash trading, I confirm what I said. We're living very specific market conditions. And therefore, we do not anticipate the rate of 0.54 basis point to be sustainable in the long run.

And we believe that a revenue capture closer to the one of the previous quarter is going to be more sustainable. Again, it's a combination of many factors, out of which the reduction of the average trading side is one of those. Increased retail participation is another.

But to answer specifically your question, we confirm what we said. This is the result of very specific market conditions. We do not expect it to be a new normal.

When it comes to the cost base and to the revenues of VP Securities, the release clearly impacts the margin but it is below €1 million, so it's not super material. When it comes to the – and I believe that some other would have the same question with the cost guidance for 2020, I need to say and explain a few elements.

The first element is that the cost of the third quarter benefit from a seasonal reduction of cost, which is linked to the holiday season. So, every single quarter in the last many years, the Euronext Group has a slightly lower cost base because of this impact. And this seasonality is present as well in the Nordic region, where usually the cost of the third quarter are lower with respect to the cost of other quarters. So, the third quarter is not a good quarter to start projecting.

The second element, we confirmed this quarter the mid-single digit cost guideline that clearly excluded the new acquisition.

Let me state a few things in this respect. It is important to understand that at this very moment, Euronext, it depends the way you look at that, has either a benefit in terms of costs coming from the exchange rate or a negative cost on revenues, which means that if you look at the evolution of euro against the currencies which are relevant for us, this usually translate in slightly lower costs. And therefore, our cost guidance clearly did not take into consideration potential changes of exchange rate.

So, what I can say is that if you take into consideration the fact that the mid-single digit is the range, and the impact of a foreign exchange rate, and the fact that the third quarter is not a good starting point to project, I believe that it's going to be easier for you to rationalise the reason why we're confirming our target for the 2020 cost base.

Haley Tam: Okay. Thank you very much.

Operator: Thank you. The next question comes from the line of Philip Middleton from Bank of America. Please go ahead.

Philip Middleton (Bank of America): Thank you, and good morning. That was very clear. I wondered if you could also just say, are there any one-offs in the post-trade revenues, because it does look a very, very strong number, maybe stronger than I suppose most people are expecting. Also, could you comment a little bit more about the tax rate, what you think is sustainable for the next few quarters? I don't know if there's anything you want to say about the recent system outage you had as well. Thank you.

Stéphane Boujnah: Good morning. I'll take the question on the outage, and Giorgio will take the questions on the tax rate and on the revenues of VP Securities in Copenhagen. So, we had one outage on 19th October. And following this operational incident, measures have been taken to ensure that all operations are secure. The Euronext Managing Board is undertaking a full review of the procedures, of the processes to ensure the smooth running of all operations going forward.

I think it's important to note that the issue was not due to a problem in the proprietary code of Optiq, but it was due to a bug in a third-party component, in a third-party middleware. So, what I want to say is that clearly Euronext has invested heavily in technology, in capacity, in latency and processes. This has allowed us to deliver a platform which is cutting-edge, that has been extremely stable and resilient since it was released.

This platform did an amazing job during the peak of volatilities in volumes in March, April and May. And we believe that it is the backbone of the Euronext project, which is all about building a single liquidity pool enabled by a single order book, empowered by a single technology platform. And that irrespective of this particular incident, which was material and which we are addressing in a closed dialogue with clients, with regulators and where all the relevant appropriate measures have been taken – both the short-term ones and the long-term ones have been in process of being rolled out – it's important not to lose perspective. And the perspective is that the platform works, the platform is efficient, the platform is more stable than some other platforms.

And the model is exactly consistent with what the clients expect. The clients want to reduce complexity. The clients want to reduce cost. The clients want deeper liquidity. The clients and the stakeholders want an integrated market within the European Union. The regulators, the policymakers want to build the capital markets union and to have a backbone to enable this capital markets union. And this is what we are doing.

So, this glitch, this outage was material and we are addressing it. But let's not lose the perspective.

Giorgio Modica: When it comes to your first question related to the performance of our CSDs, there is nothing specific in terms of one-off. It's a very good, organic performance. It's fair to say that clearly this business is, for the vast majority a function of the assets under custody, but there is a portion which is linked as well to the volume of activity. And in this respect, there are a few elements which are relevant and might be impacted by COVID.

One is the number of accounts. There has been a very significant increase in the Nordics and this is, to a certain extent, a parallel to the increased trading activity that we have seen on cash trading. And the other one is the number of settlement instruction, which again could be linked to volatility. But nothing to be specifically mentioned in terms of a one-off. Again, it's a very good, fully organic performance.

When it comes to the tax rate, we already guided for a reduction over time of the tax rate because pretty much across the board, all Euronext countries are expected to reduce their tax rate. Now, clearly, the consolidation of Nordic countries speeds up that element because the average tax rate is at or below 25%. So, this has an impact.

The last comment. So, going forward, I believe that, in the next quarter, you should expect a tax rate which is around 27%. Now, it's fair to say as well, and this is very important, that some of the exceptional costs are not going to be tax deductible, so you should expect potentially the tax rate to be higher, on a nominal basis, the quarters where we expensed the most exceptional items.

Operator: Thank you. The 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. First, the third quarter was not, particularly, a very favourable environment for the industry, but still you grew 3.4% and thereby above your 2-3% guidance range. Just wondering what this quarter tells us about the underlying run rate or growth rate for Euronext going forward. And then secondly on Corporate Services, another strong quarter obviously. Yeah, just wondering on the billing model and how recurring these revenues can be. Thank you.

Giorgio Modica: So, when it comes to the growth rate, at the moment, we do not intend to change the guidance, which is 2-3% then. Clearly, with the inclusion of Borsa Italiana, which will contribute for one-third of the overall Group revenue, for sure, we will need to come back to the market with more realistic type of targets. We're aware of that, but it's too soon at the moment.

When it comes to Corporate Services, what I can say is that those revenues are extremely resilient and are based on – those are fixed and contracted revenues. So, there is some slight seasonality throughout the quarters, more specifically for the activities which are related to corporate events. So, you should expect some quarters to be higher than others. But apart from that, there is any specific link to volatility over the current conditions. So, you should expect those revenues to be very stable and growing.

Benjamin Goy: Okay. Thank you.

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

Arnaud Giblat (Exane): Yes. Good morning. I've got three questions, please. Just come back to your cost guidance. I think you said during your remarks, you're talking about a €10-15 million of integration cost for VP Securities and for Borsa Italiana. And you also flagged I think a ramp-up from strategic projects in Q4. So, I was wondering if you can give the magnitude of the strategic project cost or is that something already included in that €10-15 million step-up?

And second on Nord Pool, what share of the power market is currently traded over the counter? I'm wondering if – where that stands, and if you're seeking to roll out Nord Pool into other new countries. Thank you.

Giorgio Modica: So, it's clear. Maybe I missed the intermediate question, but let's start with the first one. So, there are a few elements. The element on which I did make a comment is that clearly what we anticipated in the second quarter is that there would have been a certain amount of integration cost for VP Securities. And those are going to be the bulk of the €10-15 million that I commented.

As you know and as we did last year, once we finalise the assessment of the restructuring costs, we book the provision. And this is exactly what we've done last quarter.

So, what you should expect is that out of the €10-15 million exceptionals, the bulk of it is going to be nothing more than what we announced for VP, plus additional cost that we will expense for project cost of Borsa Italiana. Those elements are outside of the mid-single-digit type of growth rate that we guided the market.

So, this is an additional layer that I wanted to share with the market. The rest I already commented. I believe we confirmed the 5%/mid single digit growth. It is clear that we might have good surprise coming as well from exchange rate.

Then, when it comes to your question, do we intend to expand Nord Pool, the answer is yes. We are active in many countries and we are growing our market share in Central, Eastern Europe. I believe that I missed your intermediate question, could you repeat that?

Arnaud Giblat: Yeah. Just what is the share of – on exchange traded versus the over-the-counter exchange traded in – where Nord Pool currently operates?

Giorgio Modica: I'm not sure that we have this KPI. What I can share with you is that clearly on the Nordics market, the market share is pretty much very close to 100%. And the market share in other European markets are growing, but those are market shares on book. So, it does not include OTC.

Arnaud Giblat: Okay. Thank you.

Operator: Thank you. Before going to the next question, I'd like to remind all participants that you can press star one on your telephone keypad to ask a question. The next question comes from the line of Albert Ploegh from ING. Please go ahead.

Albert Ploegh (ING): Yes. Good morning. It's Albert Ploegh from ING. Yeah. Basically two small questions left from my end. The first one is on the integration cost of Oslo and the strategic plan. I think it was something like €18 million and €12 million or €13 million in total. I hear what you say for the fourth quarter. But can you give some idea of what was left of those envelopes, if you like, for 2021 and 2022? That will help us, I think, a bit with our models.

The second question is a bit related to the Borsa Italiana potential acquisition. Just on the bridge financing facility, how should I see that? And I guess the cost will start to come through from that already from the fourth quarter onwards. Can you share some idea as to what that is, and yeah, kind of material some of the – or not very material for our models as well? Thank you.

Giorgio Modica: No, I understand. You should – I believe that for the next quarters, I will try to guide you the best I can, having in mind that certain costs are going to be triggered by decision which are not necessarily ours because there are taxes, fees, etc.

So, what I can anticipate, again just to make it clear, that the cost that we're booking at the moment are more related to the consultant, lawyers, etc., those type of costs. And then the other costs you mentioned are going to be closer to the execution of the deal and are going to be more success based. So, again, out of the €10-15 million exceptionals, the bulk of that is going to be VP restructuring costs. And the remainder is the cost of advisers, that the fees which are not success based.

Then when it comes to Oslo Børs, we did expense, at the moment, already more than 50%. The full KPIs on the Oslo Børs acquisition, we will release them in Q4 for the simple reason that after the migration, we will have a more complete picture because, as you can expect, a very significant portion of the savings are going to be linked to the migration from Millennium IT to Optiq. So, at the end of the fourth quarter, we will give you a clear snapshot on where we are on synergies achieved and restructuring costs incurred.

Albert Ploegh: All right. Thank you. Understand.

Operator: Thank you. There are currently no further questions in the queue. Just as a further reminder, please press star one if you'd like to ask a question.

And we do have another question in the queue. And that comes from the line of Bruce Hamilton from Morgan Stanley. Please go ahead.

Bruce Hamilton (Morgan Stanley): Hi. Yeah. Good morning, guys, and thanks for the answers so far. Just a small question, and it feels a bit unfair to quibble on what are a good set of numbers. But the data revenues were up year-over-year, obviously down a bit versus the second quarter and a bit light to the expectations, at least to the consensus expectations. Is there anything one-off there or is any reason why there would be seasonality in that line? Or how should we think about that? Because that's one of the areas one would probably look to be growing decently over time.

Giorgio Modica: No, I mean, there is nothing to be surprised. The element where there is a bit of seasonality is – are the index revenues, which are based on the AUM that we build on the family of indices that we have developed. And those tend to have a volatility because we build based on the data that we report and this tend to be more volatile. So, actually a better picture of the direction of travel is having a median between quarter rather than point in time.

Apart from that, the business is growing nicely. This quarter, those revenue was slightly below the one of the previous quarter. But again, it's more related to type of billing between quarters than anything specific.

Bruce Hamilton: That's clear. Thank you.

Operator: Thank you. The next question comes from the line of Gurjit Kambo from JP Morgan. Please go ahead.

Gurjit Kambo (JP Morgan): Hi. Good morning. Just one question for me. Just on the derivatives trading side, obviously the revenue per lot declined mainly to do with the single stock and dividend futures. I guess, how do we think about that going forward? I know it's going to depend on mix. But is there like new products that you're launching which might mix that – impact that revenue per lot down? Just anything how to think about that over the next few quarters.

Giorgio Modica: So, the key driver – it's a very fair question. So, at the moment, we have three types of products. The commodities that at the moment are recording record-high volumes, have the highest revenue capture among all the products. Then we have the new products that, as you correctly mentioned, have a slightly lower fees. And then we have the bulk of our products, which like any other derivative product, it's suffering at the moment mainly due to the lack of visibility on dividends, which is a fundamental element for the pricing and trading of derivatives.

So, what has happened is that when you see relatively stable volumes year-to-date, the reality is that there has been a significant shift, i.e. our core franchise in terms of volumes has reduced significantly, like any other market, for the reason I mentioned, and the gap has been filled by the new products.

Now, anything that will give better visibility on derivatives and could fuel the derivative market would bring back, to a certain extent, the mix, but it's very difficult to anticipate. So, for the next quarter, I believe that it's a little bit of difficult to anticipate.

But again, what we are seeing at the moment is a mix, which is similar to the one of the previous quarter, with a stronger contribution of derivatives. But again, it's very – I tried to explain you the different building blocks, but it's very difficult to predict how is going to be the mix. We all hope that the derivatives volumes are going to be back at the level they were in the second quarter.

Gurjit Kambo: Okay. Great. Thank you.

Operator: Thank you. There are no further questions in the queue, so I'll hand the call back to our speakers to conclude today's call.

Stéphane Boujnah: Thank you very much for your time. I wish you a very good day.

Operator: Thank you for joining today's call. You may now disconnect. Hosts, please stay on the line and await further instruction.

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