

Euronext Publishes Third Quarter 2015 Results

Today Euronext (Paris:ENX) (Amsterdam:ENX) (Brussels:ENX) announced its results for the third quarter of 2015.

- **Unprecedented third quarter of the year for cash trading volumes and listing**
- **Strong third party revenue performance: +18.4% to €133.0 million (Q3 2014: €112.3 million)**
- **Continued strong reduction in operational expenses excluding depreciation and amortization: -18.5% compared to Q3 2014**
- **EBITDA margin of 58.0% (Q3 2014: 44.1%)**
- **Achievement of the first set of mid-term objectives as an independent company a year in advance**
- **€64 million of cumulated efficiencies achieved on an accrued basis - €74 million on a run-rate basis**
- **€64.6 million of associated restructuring expenses**

“This has been an unprecedented quarter for Euronext buoyed by successive rounds of market volatility throughout the period, combined with a renewed vigour in the IPO market . Performance in the group has been strong across all our businesses, testament to the value of our strategy and its focused execution. Accordingly, we have achieved our mid-term objectives a year ahead of schedule. I am honoured as interim CEO to lead such a talented and effective executive team, and we are all looking forward now to the arrival of Stéphane Boujnah as Chief Executive and Chairman of the Managing Board of Euronext, under whose leadership our proven successful strategy will develop and expand,” said Jos Dijsselhof, Interim CEO and COO of Euronext NV.

Financial performance

Positive momentum continues with third party quarterly revenue increasing by +18.4% to €133.0 million (Q3 2014: €112.3 million). This performance has been largely driven by an exceptional quarter for listing, extraordinary market conditions propelling strong activity in cash trading and volatility in derivatives, positively impacting both trading and clearing revenues.

In Q3 2014 Group revenue included €10.3 million of ICE transitional revenue and other income which terminated 1 January 2015. These 2014 revenues reflected primarily the IT support services provided to LIFFE for the operation of its derivatives exchanges in the UK and in the US and the impact of the Cannon Bridge House sublease rent in London.

Quarterly operational expenses excluding Depreciation & Amortization decreased by -18.5% to €55.8 million (Q3 2014: €68.5 million), thanks to continued and strict focus on cost control.

As a result of these strong favourable revenue and expenses variations, EBITDA increased strongly in Q3 2015 to €77.1 million, representing a margin of 58.0% compared to 44.1% or €54.1 million in Q3 2014.

Depreciation and Amortization decreased by -9.1% in Q3 2015, to €3.8 million in line with the rescoping of our footprint and the assets renewal cycle.

Quarterly operating profit before exceptional items was €73.4 million, an increase of +46.9% compared to Q3 2014.

€1.8 million of exceptional costs were booked in Q3 2015 compared to €5.7 million in Q3 2014. These costs are primarily restructuring costs.

The tax rate for the quarter was 33.9% or €24.4 million, slightly higher than the normalized tax rate for the year of 32.5% due to recognition of discrete items in Q3 2015. The tax benefit for the amount of €6.0 million in Q3 2014 was due to a net release of tax provisions. This explains the €30.5 million variation in the income tax expense in Q3 2015 compared to Q3 2014.

As a result, the net profit for Q3 2015 was €47.7 million, decreasing by -3.7% compared to Q3 2014. This represents an EPS of €0.68 (both basic and fully diluted), compared to €0.71 basic and €0.70 diluted in Q3 2014. The number of shares used for the (basic) calculation was 69,933,648 for Q3 2015 compared to 70 million in Q3 2014.

As of 30 September 2015 the Company had cash and cash equivalents excluding financial investments of €160.0 million, and total debt of €107.9 million.

Business highlights

- **Listing**

The Listing business has delivered exceptionally strong performance in what is conventionally an unfavourable season. Revenues were €19.8 million in Q3 2015, an increase of +50.2% compared to the €13.2 million achieved in Q3 2014. This was driven by continued vigour in the IPO market including noteworthy deals such as Altice and large cross-border operations, including LafargeHolcim.

EnterNext, our subsidiary dedicated to the promotion and growth of small and medium-size companies sustained its excellent start to the year with six new listings and €1.5 billion raised in equity and debt during Q3 2015 (Q3 2014: six new listings and €2 billion raised).

Debt capital markets issuance increased by more than 170%, with €17.3 billion raised on our markets in Q3 2015 vs €6.3 billion in Q3 2014 thanks, among other things, to our Euronext Private Placement Bonds initiative as well as benchmark transactions of issuers such as Sanofi.

In total €21.2 billion in equity and debt was raised on our markets in Q3 2015, compared to €14.8 billion in Q3 2014. 10 new listings took place in Q3 2015, raising €618 million compared to nine listings for €1.7 billion during the same quarter in 2014.

- **Trading**

Cash trading

Cash trading revenues increased by +31.4% in Q3 2015, from €37.7 million to €49.6 million. Average daily volumes reached €8.2 billion (+43.2% compared to Q3 2014).

This exceptional performance was driven largely by successive rounds of market volatility during the quarter; a sustained collapse in commodity prices, anxiety over the future of emerging market economies, market turmoil in China followed by its currency devaluation, political instability in Brazil as well as the potential default situation in Greece and speculation around the September U.S. FOMC (Federal open Market Committee) interest rate decision.

The acute concentration and materiality of these extraneous events should be seen as extraordinary and not as a guideline to Q4 activity.

We continue to focus on nurturing our domestic equities market share. The new structure of our blue chip liquidity scheme (SLP programme) is encouraging higher performing participants to improve market quality and increase market share. As a result market share remained stable at 64.6% in Q3 2015.

Activity on ETFs remained particularly dynamic in Q3 2015 with an average daily transaction value at €620 million, up 104% compared to Q3 2014. A new record was set with the highest ETF daily transaction value on 25 August 2015 with €1,870 million traded on the order book. We saw 14 new listings Q3 2015.

Derivatives trading

Derivatives trading revenue increased by +5.3% in Q3 2015 compared to Q3 2014, amounting to €11.9 million. Index product volumes grew by +3.4% in Q3 2015 compared to Q3 2014. The CAC40 future contract remains Europe's most actively traded national index future and the second most actively traded index future overall. Trading activity on our individual equity options franchise increased by +5.8% compared to Q3 2014 due to the material volatility.

We continued to pan-Europeanise our equity derivatives franchise in Q3 2015: Single Stock Futures on non-Euronext underlying were listed in July; weekly options on Belgian and French names went live in August and we have extended the spotlight options segment to the Paris market. In addition, seven members have traded the Exchange-for-physical on AEX and CAC Indices to date and more are undergoing readiness testing.

Trading in commodities products increased by +21.2% in Q3 2015 compared to the same quarter last year, boosted by the early July European heat wave that produced uncertainty over the harvest campaign and increased volatility. It is worth mentioning that the implementation of a new calendar of expiries, replacing the single November expiry by two expiries, one in September and one in December contributed to a frontloading of volumes on a comparative basis.

- **Market data & indices**

Market data and indices revenue in Q3 2015 was up +1.2% compared to Q3 2014, to €24.4 million (Q3 2014: €24.1 million) benefiting from the promising start of our new global index server, which debuted at the end of September. Following our launch activities in Paris, London and Amsterdam we reached agreements in Q3 2015 on three new custom indices - one of which will lead to a new family of indices in time. Clients continue to point to our service level, reaction time and time to market as a differentiating factor compared to our competitors. We also concluded several index licence agreements and a number of calculation agreements.

- **Post-trade**

Clearing

Clearing revenues were positively impacted by the strong performance of our commodity franchise and the buoyant financial derivatives volumes. As a result clearing revenues were €14.6 million in Q3 2015, up +22.2% compared to €11.9 million in Q3 2014.

Settlement & Custody

Revenues for Interbolsa in Portugal in Q3 2015 were €4.8 million, down -7.6% compared to the €5.2 million in Q3 2014 due to the decrease in the private and public debt assets under custody in Portugal.

- **Market solutions & other**

Revenues from market solutions decreased by -5.9% in Q3 2015 compared to Q3 2014 (from €8.4 million to €7.9 million), primarily driven by reduced solution revenue in Q3 2015, reflecting our intention to consolidate clients onto the new platform and reduce legacy projects. Market Solutions revenue will continue to be constrained while we complete our refreshed core trading infrastructure and begin to migrate clients to the new platform in 2017.

Corporate Highlights

- **Governance**

The selection process to appoint a new CEO concluded, with the nomination of Stéphane Boujnah announced on 10 September 2015. Stéphane joins Euronext from Santander Global Banking and Markets where he has held the position of Head of France & Benelux since 2010, and Head of Continental Europe since June 2014. His proven track record as a successful manager of international organisations and his extensive experience of the financial markets, in particular in dealing with European corporates and with global investors, make him a highly suitable candidate for the role. His appointment was approved at the EGM on 27 October 2015 and all regulatory approvals have now been received. Stéphane will join the company on 16 November 2015.

- **Achievement of the first set of mid-term objectives as an independent company**

At year end, we anticipate 2-year CAGR growth in revenues of between 9% and 10%, underscoring the successful revitalization of our business franchise amidst the tailwinds of improved economic conditions in the Eurozone and other macro events.

Leveraging the supportive economic backdrop, we continue to prioritise the right-sizing of our cost structure and have deferred some investments in selected new business initiatives. As a result we expect to deliver €80m of net efficiencies by the end of the year, on a run rate basis. The cost of the rescheduled projects will materialise in the income statement in the coming quarters.

We expect our EBITDA margin to stand at around 55% for the full year 2015, compared to 45.8% for 2014.

The cumulated restructuring expenses that the Company will have recognized to achieve these efficiencies should not exceed €70 million by the end of 2015. Some additional restructuring expenses will be spent in the following years.

Euronext will provide the market with new mid-term objectives following the arrival of Stephane Boujnah as CEO of Euronext and following a suitable period of acclimatisation.

- Hearing of the sanction committee of the AMF

In relation to activity on NYSE Euronext markets in 2009, a public hearing of the sanction committee of the AMF took place on 4 November 2015. During this meeting the representative of the board of the AMF suggested that Euronext Paris be fined up to €4 million. Euronext Paris strongly contests having breached any AMF rules, or its own professional obligations. It stresses that the amount proposed by the representative of the AMF board is only an indication for the other members of the Enforcement Commission and in no way prejudices the final decision. This proposal does not change the Company's analysis of the situation and has had no impact on the Q3 2015 results.

- Share buy-back

Euronext has repurchased 317,195 shares as part of the first tranche of its share repurchase programme, which aims to hedge price risk arising from the past employee share plans. The programme has been implemented by an independent agent since it started on 3 August 2015. The 317,195 shares were repurchased at an average price of €39.7321 per share for a total consideration of €12.6 million.

A second tranche will be initiated soon to cover the LTI plan for 2015 with the aim to be achieved before the end of the year. Euronext intends to perform such an exercise on an ongoing basis to hedge price risk arising from employee share plans.

Non-IFRS financial measures

For comparative purposes, the company provides unaudited non-IFRS measures including:

- Operational expenses excluding depreciation and amortization;
- EBITDA, EBITDA margin.

We define the non-IFRS measures as follows:

- Operational expenses excluding depreciation and amortization as the total of salary and employee benefits, and other operational expenses;
- EBITDA as the operating profit before exceptional items and depreciation and amortization;
- EBITDA margin as the operating profit before exceptional items and depreciation and amortization, divided by revenue.

Non-IFRS financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with the consolidated financial statements.

This press release is available in English, French, Dutch and Portuguese; nevertheless the English version prevails.

Financial calendar

Full-year 2015 results				17 February 2016
Q1'2016 results				12 May 2016
Annual General meeting				12 May 2016
Q2'2016 results				28 July 2016

About Euronext

Euronext is the primary exchange in the Euro zone with more than 1,300 listed issuers worth €2.8 trillion in market capitalisation, an unmatched blue-chip franchise consisting of 25 issuers in the EURO STOXX 50® benchmark and a strong, diverse domestic and international client base.

Euronext operates regulated and transparent equity and derivatives markets. Its total product offering includes Equities, Exchange Traded Funds, Warrants & Certificates, Bonds, Derivatives, Commodities and Indices. Euronext also leverages its expertise in running markets by providing technology and managed services to third parties. Euronext operates regulated markets, Alternext and the Free Market; in addition it offers EnterNext, which facilitates SMEs' access to capital markets.

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