

Euronext NV

Europe Satellite*

Recommended since

07.02.2018

24.05.2022



Country FR	Market capitalization (bn) EUR 8.1	Perf. since reco. (%)
Sector Financial Services	Free float 81.5%	Euronext NV 51.0
Factset ENX-FR	Closing price EUR 75.74	Sector 24.4
ISIN NL0006294274	ESG Risk score* 18.7 Low risk	

Profile
Euronext (ENX) is a pan-European stock exchange offering a diversified range of products and services to financial and corporate clients including trading (39% of revenue; equities, derivatives and forex), listing (19%), advanced data services (19%), post-trade (18%) and technology solutions (5%). The group is market leader in equity trading across its original six European markets of France, the Netherlands, Belgium, Portugal, Norway and Ireland as well as number one for listings of European debt, funds and tech SMEs. ENX represents more than 1,500 listed companies with a combined market capitalisation of €3.8trn.

Strengths/opportunities

- Has won market share and diversified revenue streams through acquisitions.
- Very good track record in cost management.

Weaknesses/threats

- Revenue highly sensitive to equity trading volumes.
- Regulatory risk if states interfere with transaction pricing or introduce taxes.

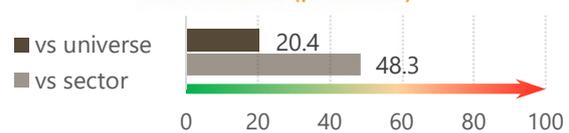
Investment case

- Capital market transactions are increasingly regulated and supervised (MiFID II). Major listed stock exchange operators like ENX have the benefit of a form of "official" guarantee from regulatory and political authorities. This has enabled them to recapture a portion of the equity trading that had migrated to private platforms like MTFs (multilateral trading facilities).
- As well as benefiting from a positive underlying trend in equity trading volumes, the eurozone's leading stock exchange operator is well placed to gain from the increased volatility that affects financial markets at times of uncertainty.
- The platform's main activity is equity and derivatives trading. However, ENX also offers a whole range of execution and IT services that generate a steadier income stream. This portion of the group's business is gradually increasing, making its overall profile less cyclical.
- Euronext has successfully completed a number of acquisitions over the past few years, including in particular the Irish Stock Exchange, Oslo Børs, Nord Pool, VP Securities and Borsa Italiana. The latter will be EPS-enhancing immediately and is set to generate double-digit synergies from year 3.

Valuation

Despite a strong market run over the past few quarters, Euronext is trading at a 20% P/E discount to its main competitors. This is in no way warranted given a dividend yield 40% higher than the sector.

ESG risk vs. universe & sector (percentile)*



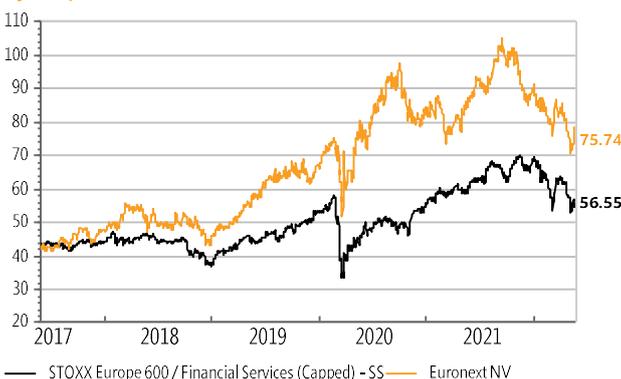
EUR	12/2021	2022e	2023e
Sales revenue (mio)	1'386	1'510	1'564
Sales growth	56.7%	8.9%	3.6%
EBIT adjusted (mio)	713	743	788
% of sales	51.5%	49.2%	50.4%
Net income (mio)	413	488	527
Net income growth	31.0%	18.1%	8.0%
FCF/Sales	38.4%	40.0%	40.6%
Net debt/Ebitda	2.6x	2.5x	2.1x
Dividend yield	2.5%	2.9%	3.2%
PE	21.2x	14.0x	13.2x
P/BV	2.1x	2.1x	2.0x

Factset estimates

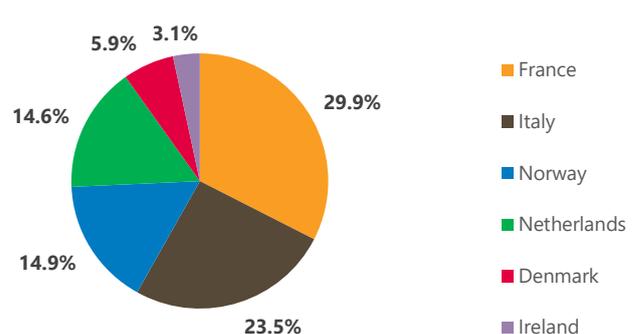
ESG - risks and key points

- ENX handles large amounts of confidential data and is exposed to risks relating to data security and privacy. However, the right measures have been put in place and the risk is fairly low.
- The group relies on a skilled workforce that has to be looked after. Management's handling of this issue is average and the risk is low.
- Management of ethical risk (insider trading and mkt manipulation) by the group's management is average but the risk is low.

5-year performance vs sector



Sales breakdown - 12/2021



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

Offices & Branches

Bordier & Cie Genève

Rue de Hollande 16
CH-1204 Genève
Case postale
CH-1211 Genève 3
T + 41 58 258 00 00
F + 41 58 258 00 40

Bordier & Cie Berne

Spitalgasse 40
Case postale
CH-3001 Berne
T + 41 58 258 07 00
F + 41 58 258 07 10

Bordier & Cie Nyon

Rue de la Porcelaine 13
CH-1260 Nyon
Case postale 1045
CH-1260 Nyon 1
T + 41 58 258 07 50
F + 41 58 258 07 70

Bordier & Cie Zurich

Talstrasse 83
CH-8001 Zürich
T + 41 58 258 05 00
F + 41 58 258 05 50

Bordier & Cie (France) S.A.

1, rue François 1er
75008 Paris – France
T + 33 1 55 04 78 78
F + 33 1 49 26 92 48

Bordier & Cie (Uruguay) S.A.

Edificio Beta 3, oficina 102
Zonamerica
91600 Montevideo
Uruguay
T + 598 2 518 2700
F + 598 2 518 2703

Bordier & Cie (Singapore) Ltd

CapitaGreen #14-00
138 Market Street
Singapore 048946
T + 65 6239 9999
F + 65 6239 9998

Bordier Bank (TCI) Ltd

Leeward Highway
Caribbean Place
Providenciales
Turks and Caicos
T + 1 649 946 45 35
F + 1 649 946 45 40

This document has been issued for information purposes and is exclusively supplied by Bordier & Cie SCmA in the framework of an existing contractual relationship with the recipient of this document. The views and opinions contained in it are those of Bordier & Cie SCmA. Its contents may not be reproduced or redistributed by unauthorized persons. The user will be held liable for any unauthorized reproduction or circulation of this document, which may give rise to legal proceedings. All the information contained in it is provided for information only and should in no way be taken as investment, legal or tax advice provided to third parties. Furthermore, it is emphasized that the provisions of our legal information page are fully applicable to this document and namely provisions concerning the restrictions arising from different national laws and regulations. Consequently, Bordier Bank does namely not provide any investment services or advice to "US persons" as defined by the Securities and Exchange Commission rules. Furthermore, the information on our website – including the present document – is by no mean directed to such persons or entities.