TMX Group Limited
Third Quarter 2026 Financial Results
Conference Call Transcript

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Speakers: **John McKenzie**
Chief Executive Officer

David Arnold
Chief Financial Officer

Amanda Tang
Director of Investor Relations, TMX Group

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Operator:
Welcome to the TMX Group Limited Third Quarter 2026 Financial Results Conference Call.

As a reminder, all participants are in listen-only mode, and the conference is being recorded.

Following prepared remarks, there will be an opportunity for analysts to ask questions. To join the question queue, you may press star then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star then zero.

I would now like to turn the conference over to Amanda Tang, Director of Investor Relations. Please go ahead, Ms. Tang.

Amanda Tang:
Thank you, Jason, and good morning, everyone.

We are joining you today from our Montreal office to discuss the 2026 third quarter results for TMX Group. Last night, we announced the results, which included our ninth consecutive quarter of double-digit revenue growth. Copies of our press release and the MD&A are available on investors.tmx.com.

This morning, we have with us John McKenzie, our Chief Executive Officer, and David Arnold, our Chief Financial Officer. Following remarks from John and David, we will have a question-and-answer session.

Before we begin, I would like to remind you that certain statements made during this call may relate to future events and expectations and constitute forward-looking information within the meaning of the Canadian Securities Law. Actual results may differ materially from these expectations, and additional information is contained in our press release and periodic reports that we have filed with the regulatory authorities.

I will now turn the call over to John.

John McKenzie:

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Thanks, Amanda, and good morning, everyone. Thank you for joining us, and we are delighted to be doing this call this morning from our Montreal office.
Bonjour tout le monde et merci de vous joindre à l'appel d'aujourd'hui. C'est un plaisir d'être ici à notre bureau de Montréal.

Happy Friday and Happy Halloween all for everyone listening to the call today, and since it is Halloween this weekend, we promise only treats this morning, no tricks in our remarks today.

As Amanda mentioned in her introduction, we announced our Q3 financial results last night and are very pleased to report another excellent quarter for TMX. Building on the strong momentum of the first half of the year and marked by standout performances across the enterprise, we continue to deliver double-digit year-over-year growth in overall revenue and adjusted earnings per share. Spurred by strong activity in key markets, TMX's results for the third quarter, and the first nine months of 2026, stand as powerful evidence of an effective client-first strategy to diversify, innovate, and globalize, and a proven track record of execution.

Our work to build on that track record continues. We closed two significant transactions during the third quarter. TMX Australia Exchange and RAFI Indices, and we are advancing on the approval process for the acquisition of CBOE Canada and the MEMX Group transaction. Subsequent to the close of the quarter, we announced TMX VettaFi’s acquisition of the SPADE Defense Indices.

At the outset, I want to state for the historical record just how much these quarterly calls sound like history already, even just a few weeks later. In an era of relentless innovation, you can't afford to rest on yesterday's successes for longer than an instant. The pace of technological change has never been faster and continuously defining and redefining the challenges and the opportunities in front of us.

But what propels us forward is a shared, unshakable team commitment to serving clients and stakeholders with excellence and integrity. My thanks go to our fantastic employees around the world for bringing TMX's purpose to make markets better and empower bold ideas to life in their work every day. With that, a warm, warm welcome to the newest additions to our powerhouse team, our employees at TMX Australia Exchange and RAFI Indices, who are quickly proving themselves tremendous assets to our TMX family.

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Now, turning to our results for the first nine months of the year. Strong performances across the enterprise drove 16% higher overall revenue compared with 2025, with sustained positive momentum in our domestic and international businesses, as well as our traditional markets and areas of recent expansion. Organic revenue, excluding last year's Global Insights acquisitions, the Bond Indices, ETF Stream, Verity and the nuclear sector indices, and recent acquisitions, TMX Australia Exchange and RAFI Indices, increased 13% when compared to the first nine months of 2025, and adjusted diluted earnings per share increased 25%.

Capital formation revenue increased 17% compared to the first nine months of 2025 due to higher revenue from listing fees and TSX Trust. In our listing businesses, our results reflect the depth of the strength of our two-tiered public markets. Overall capital raised on Toronto Stock Exchange and TSX Venture Exchange increased 96% compared to the first nine months of 2025, led by a surge in corporate financings in the mining sector.

I'd like to specifically highlight the fantastic growth and activity by our TSX Venture listed companies, with $9.2 billion in capital raised through the first nine months, a 68% increase year-over-year. Among the venture market highlights were a number of major mining investments, including three private placements in excess of $100 million in the third quarter, Talamore Mining, Benz Mining Corp. and Galantas Gold.

Canada's capital markets industry draws strength from a vibrant junior company ecosystem, and our junior-to-senior market pipeline sets us apart from any other marketplace in the world. TSX Venture continues to be the number one source of new Toronto Stock Exchange listings. In the first nine months, 19 issuers graduated from TSX Venture to TSX compared to seven last year. Since 2001, 800 companies have made the jump from TSX Venture to TSX. These graduates represent one-third of corporate issuers on the senior market, and 24% of the S&P TSX Composite Index, and half the top performers recognized in the most recent edition of our annual TSX 30 program, all of which began their public current journey on TSX Venture.

Now, turning to trading. The first nine months featured a robust activity on equities and derivatives markets. Revenues from equities and fixed income trading increased 19% year-over-year, largely due to 20% increase in volume traded on TSX and 23% increase in volume traded on TSX Venture.

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Derivatives trading and clearing revenue increased 25% compared to the nine months of last year and driven by robust trading activity on MX.

Highlights during the first nine months include 39% year-over-year volume growth in the CRA, fueled by expanded liquidity further down the curve, with two-year and three-year expiries. Investors have established the CRA as the short-term interest rate hedging tool of choice as they seek to navigate changing monetary policy outlooks. Q3 was the second consecutive record quarter in activity and open interest across our suite of Canadian interest rate futures.

Activity was strong to close the third quarter in equity options and ETF options, and momentum continued through October. Earlier this week, we hit a new record high of almost 28 million contracts in ETF options open interest earlier this week, and MX set an all-new all-time record in overall open interest of over 39 million contracts.

Now, turning to Global Insights. Revenue increased 19% compared to the first nine months of 2025, reflecting higher revenue from all the component businesses, TMX DataLinx, TMX VettaFi, and TMX Trayport. TMX DataLinx revenue increased 24% year-over-year, reflecting the inclusion of Verity, which we acquired in October of 2025, and TMX Australia Exchange, acquired in July 31 of this year. Organic DataLinx revenue increased 7% due to higher revenue from subscriber and usage-based sources, co-location, and data feeds.

TMX VettaFi's revenue increased 31% or 32% in U.S. dollars, driven by higher indexing revenue, reflecting organic growth in assets under indexing, as well as revenue from 2025 acquisitions, bond indices, ETF stream, and the nuclear sector indices, and the RAFI Indices, which were acquired in mid-August of 2026. The first nine months' revenue from TMX Trayport grew 7% when compared to last year, largely due to an increase in recurring revenue from an increase in the number of licensees.

Overall, while we still have two months left and plenty of work to do this year, 2026 has been an extremely exciting year for TMX. By many measures, it's been a great year, a winning combination of impressive performance, milestone achievements, and major steps towards building a stronger still organization for the future.

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Our focus continues to be on what comes next. TMX has a longstanding history of leadership and innovation, and we've successfully delivered complex game-changing technology initiatives, including just recently the 2024 transition to T+1 settlement and the implementation of post-trade modernization last year. We've made significant progress in 2026 in close partnership with our industry stakeholders in assessing emerging opportunities and challenges across the rapidly evolving exchange ecosystem. With that, we continue to aim to innovate with purpose.

Now, looking at digital modernization and transformation, TMX's priority approach is driven by evolving institutional client needs and our role as a provider of trusted, systemically important financial market infrastructure. With that, we've identified near-term opportunities to address client pain points related to transactional frictions and the slow movement of funds.

TMX's post-trade business consists of a deep network of participants and over $8 trillion in custody. Last month, we convened a group of key industry stakeholders for a working session to evaluate evolving market needs and capabilities and aspirations. That engagement has helped to define a roadmap to build on our proven resilient foundation, making markets better by effectively bridging traditional and decentralized finance, deepening liquidity and enabling greater interoperability.

While we're early in the process, our aspiration is in developing an institutional-grade digital asset infrastructure integrated into a hybrid central securities depository designed to provide secure, stable access to digital asset markets while maintaining the high standards that we've already established. We will continue to update the market on our progress as appropriate.

Elsewhere, as we announced earlier this year, we've been working closely with our stakeholders on an extended hours trading initiative, pursuing a tailored competitive solution that works best for Canadian equity markets. We have the experience to inform our steps as well. We extended MX trading hours to sync with oversee markets a few years ago, which expanded the reach of our derivative product suite to institutional investors across new geographies. A few weeks ago, we submitted our plan to launch extended hours on TSX Alpha in spring 2027 to securities regulators. The proposal is to extend the TSX Alpha trading session from 7:00 A.M. to 8:00 P.M. Eastern Time, with a 6:00 A.M. pre-open.

Now, I'd like to pause for a moment here to make a really important point. What should not be lost in all the talk about exchanges around the world extending trading hours is that extending trading hours is

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not necessarily for everyone, and it is not without risk. As with many instruments and strategies, investors need to understand the specific risks associated with trading during non-traditional hours, including potential market quality issues due to lower liquidity, increased volatility and wider bid-ask spreads. As with our other initiatives, we will continue to update the market when the approval process is complete and we move forward towards launch.

In closing today, we laid out an ambitious strategy in 2024 to accelerate growth across the franchise by leaning into serving a growing client base around the world. At the time, I called it a moonshot. As we move close to close on our recent initiatives and bring them into the TMX family, two years later, we are on course to deliver on the TM2X program well ahead of schedule. That ambitious moonshot is now the outcome, not the objective.

The foundation of the enterprise is strong from our core domestic business to our global expansion areas. Importantly, what we've built gives us the confidence that this growth ambition doesn't stop here. We have elevated TMX's game. We are more diversified, more resilient, more responsive, and better able to solve complex challenges across our growing client base. It really shows that our strategy is working. I will look forward to updating you further on our progress at the end of the year.

With that, I'll thank you and turn the call over to David.

David Arnold:
Merci, John, et bonjour à tous. Thank you, John, and good morning, everyone.

I'm pleased to report another quarter of strong performance for TMX Group, driven by double-digit growth across both our total and organic revenue. This momentum is highlighted by increases in TMX VettaFi, derivatives trading and clearing, and capital formation. Specifically, total revenue hit a record $491.1 million, up 17% compared to Q3 of last year. While our diluted earnings per share declined 12% due to non-cash fair value adjustments on foreign exchange hedges, as well as acquisition and intercompany financing-related FX movements, our core operating performance remains robust, as reflected in our adjusted diluted earnings per share, which grew 21% compared with Q3 of last year.

Now turning to our business segments, starting with those that achieved the strongest year-over-year performance. Our Global Insights segment delivered 26% revenue growth this quarter. Within Global

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Insights, TMX DataLinx revenue increased 31%, driven by the contributions of Verity and TMX Australia Exchange. Excluding $15.3 million from these acquisitions, TMX DataLinx revenue was up 7% year-over-year, supported by subscriber growth, higher usage, expanded co-location services, and increased revenue from data feeds.

TMX VettaFi delivered another outstanding quarter, with revenue up 46% in Canadian dollars or 44% in U.S. dollars. This growth included $10 million from nuclear sector indices and RAFI Indices. Revenue excluding these acquisitions grew 22%, reflecting strong momentum in Assets Under Indexing, which finished the quarter at $309 billion U.S. dollars, including $211 billion linked to the RAFI Indices.
TMX Trayport revenue grew 8% in Canadian dollars or 7% in pound sterling. Growth was mainly driven by a solid 8% expansion in recurring revenue, which was partially offset by lower, non-recurring consulting fees. Trayport ended Q3 with annual recurring revenue of $300.7 million Canadian dollars or $159.8 million in pound sterling. This growth was driven by a 5% increase in total license fees, increased revenue from data analytics and other trader products, as well as our annual price adjustments.

Turning to derivatives trading and clearing revenue, MX and CDCC increased 24% from Q3 of last year, including growth of 25% at the Montreal Exchange and 21% growth in CDCC revenue, primarily driven by continued strength in derivatives trading volumes, which grew by 23% from Q3 of last year. Revenue from BOX decreased 3% this quarter, driven by an 11% decline in BOX volumes.

Capital formation. Revenue grew 12% this quarter, driven by a 17% increase in TMX Corporate Solutions, driven by higher dealer services and net interest income at TSX Trust, as well as increased volume of press releases and news file. Sustaining listing fees also increased in both TSX and TSXV, reflecting higher market caps. Additionally, strong listing activity on TSX over the last 12 months drove higher initial listing fees in the third quarter. These increases were partially offset by a 2% decrease in additional listing fees revenue in Q3 due to fewer transactions billed below the maximum fee, as well as a lower average set of fees on TSX Venture.

Revenue in our equities and fixed income trading and clearing segment increased 8% year-over-year, supported by an 8% increase in clearing revenue and a 9% increase in equities and fixed income trading. Despite a 9% drop in overall equity volumes, equities trading revenue grew 9% in the third

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quarter, driven by a $1 million contribution from TMX Australia Exchange, and higher yields resulting from a favorable shift in volume towards TSX from TSXV.

Combined market share for TSX and TSXV listed issues reached approximately 60%, down 1% year-over-year but up 1% sequentially from Q2 of 2026. Fixed income trading revenue held flat compared to Q3 of last year, as increased Government of Canada bond activity was offset by lower credit and swap trading volumes.

Taking a closer look at our operating expenses, we reported a 35% increase in the third quarter, which included $34.1 million of BOX's estimate of higher pass-through costs from BOX Exchange LLC. As a self-regulatory organization, or SRO, BOX Exchange operates independently from BOX Markets. We hold a minority economic and voting interest and do not exercise control over the SRO. These figures reflect the financial data and costs provided to and flowing through to BOX Markets, which we consolidate into our results.

These costs consisted of two components. First, approximately $25.9 million of costs for acquisition and integration, largely related to the pending MEMX Group transaction and restructuring costs. This amount has been adjusted from earnings. Second, approximately $8.2 million related to BOX's estimate of expenses for services provided by BOX Exchange. This increase reflected higher net pass-through costs from BOX Exchange in the period. This amount has not been adjusted from earnings.

In addition, our Q3 expenses included $32 million of additional expenses related to acquisitions, namely, first, $18 million of higher acquisition, integration and related items for new acquisitions, as well as the pending MEMX Group transaction. Second, $11.8 million of higher operating expenses related to Verity, Nuclear Sector Indices, TMX Australia Exchange, and RAFI Indices, and then finally, $2.2 million of higher amortization related to acquired intangibles.

Now, partially offsetting these increases were $6.8 million of lower costs for litigation, dispute and related items. Excluding these items and the higher pass-through costs from BOX Exchange mentioned earlier, our operating expenses increased by approximately 9%, largely due to three key drivers. First, approximately 4% related to merit increases and higher headcount and related costs. Second, approximately 3% higher short-term and long-term performance incentive plan costs, on the heels of

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our strong results this quarter. Lastly, 2% impact from increased information technology costs, driven by higher spend on cloud services, network costs, licensing and subscription fees.

Looking ahead, we expect to continue investing in growth, while remaining focused on positive operating leverage on a full-year basis, as evidenced by the 6% operating leverage generated in the first nine months of 2026.

Now, turning to sequential performance, total revenue reached a new quarter record of $491.1 million, up 1% or $3.6 million from Q2. Growth across Global Insights, TMX Trayport and the additions of TMX Australia Exchange, as well as the RAFI Indices, was partially offset by lower capital formation revenue, reflecting the seasonality in TSX Trust AGM activity, which typically peaks in Q2 of each year. There were also softer trading volumes across equities, fixed income and derivatives trading and clearing segments.
Now, on a sequential basis, we reported an increase in operating expenses of $45.3 million, or 17% from Q2, largely reflecting higher costs for acquisition, integration and related items, and operating expenses from the inclusion of TMX Australia Exchange, as well as RAFI Indices. Now, excluding these costs, operating expenses were relatively unchanged from Q2 of 2026. The higher net pass-through costs from BOX Exchange were offset by lower revenue-related expenses, the write-down of an intangible asset in Q2, and the lower cost for litigation, dispute and related items.

Now, on the balance sheet front, we exited the third quarter in a very strong financial position. Our debt-to-Adjusted EBITDA ratio on December 30 was approximately 2.5 times. As of September 30, we also held over $495 million in cash and marketable securities, which is over $259 million in excess of the approximately $236 million we target to retain for regulatory purposes. Net of excess cash, our leverage ratio was approximately 2.3 times.

Last night, our Board approved a quarterly dividend of $0.26 per common share, payable on November 26, to Shareholders of record as of November 13. This represents a dividend payout ratio of 41% for the quarter, which remains within our 40% to 50% target range and delivers on our commitment to drive Shareholder returns.

Our results this quarter serve as a powerful validation of our diversified business model and our strategic execution. Our recent initiatives, including the acquisitions of TMX Australia Exchange, RAFI

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Indices, and the pending CBOE Canada and MEMX Group transactions, represents our clear enterprise focus on the execution of our TM2X strategy. Looking ahead, a strong balance sheet, proven success in integrating new businesses, and a track record of deleveraging gives us confidence in our ability to quickly return to our long-term target range.

I'd now like to turn the call back to Amanda to facilitate the Q&A session.

Amanda Tang:
Thank you, David.

Jason, will you please begin the Q&A session?

Operator:
Will do. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two.

Our first question comes from Scott Fletcher from CIBC. Please go ahead.

Scott Fletcher:
Hi, good morning. Thanks for taking the question. Some interesting commentary, John, there from you on the aspiration to develop an institutional-grade digital asset infrastructure. Just wondering if you could maybe elaborate a little bit more on that, on what the conversations with partners were looking like. What they're specifically looking for and what you're hoping to provide for them.

John McKenzie:
Yeah, I'm happy to. It's such a good question because there's so much noise around the digital change and digital infrastructure ecosystems. What we're looking to do, and we've been engaging with all the major dealers, custodians, etc., on what are their needs, what are they trying to achieve as well in

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terms of digital transformation, what are the pain points. A lot of the pain points are really about capital flows, payment flows, timing of payment, collateral mobility, those types of things.

What we are working on within the Clearinghouse, and this is led by Kevin and Steve Everett in terms of that transformation, is building the digital capabilities alongside the existing CDS depository capabilities in a way that's integrated, so that you could actually then not only clear and settle the digital assets in the Clearinghouse, but also connect to digital networks, networks like the Canton network, etc., which allow them to be able to receive digitized collateral as collateral in the system. If we can digitize all the collateral that's held in CDS, when I talked about the $8 trillion in custody that's there, the more you can digitize, the more it can be mobile for the clients to use and much more efficient.

It's really driven around using that blockchain technology capability integrated with the existing technology, which has a very high value and a high efficiency in a way that creates more mobility and scale. That's the type of thing that we're talking about. That's the priority focus area. The nice thing is about building that capability, you've got it to do other things in the future if they become more relevant.

Scott Fletcher:
Okay, that's helpful. Thank you. Then you mentioned, obviously, this is a fast-moving space in your comments. Has the urgency to innovate and develop changed meaningfully since you last spoke on the last call? Or have your expectations shifted at all?

John McKenzie:
No, I'd say that the readiness of the stakeholder group has moved. When you're trying to innovate for purpose in a way that's actually meaningful to meeting the client needs, the clients need to be there, too, in terms of what's going to be useful to them. The point of just digitizing capabilities, if it doesn't have a demand side to it, that's not what we're in the business of doing. It's really about that engagement with the industry, getting some consistency around what the real use cases are. Then you can move much faster in terms of the actual delivery side.

I'd say the early part of the year was more on the—I'd lean to more on the research side of the research and development. Now we're more to the development side and scale up.

Scott Fletcher:

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Okay, interesting colour. Thanks a lot. I'll requeue.

Operator:
The next question comes from Aravinda Galappaththige from Canaccord Genuity. Please go ahead.

Aravinda Galappaththige:
Good morning. Thanks for taking my questions. I wanted to ask you, John, obviously the post-trade initiative is definitely interesting and look forward to further comments there. A lot of your peers are also sort of leaning into the prediction markets and the opportunity there. What are your thoughts on that front? Do you see the sizable opportunity there?

Then a quick follow-up on the VettaFi numbers. We're starting to see sort of an underlying improvement, at least from my vantage point, considering almost two back-to-back quarters of 20-plus percent organic growth there. Would you say that there's been a shift since you acquired because of sort of the supporting acquisitions you've made there? Should we translate this as sort of these revenue synergies kicking in and boosting the progress there? Thank you.

John McKenzie:
No problem. Thanks for joining us this morning. First of all, I'm going to need you to remind me on the first question because I was listening too much to the second question. I'm going to do the second one first and we can come back on the first one. Within VettaFi, what you're seeing is a lot of complementary work that we've been doing. When we disaggregate that now kind of 20% growth that we've had over the last two quarters, it's coming from a combination of multiple factors.

Obviously, we've brought some new indices in. We're seeing growth from then. We're seeing some substantial growth on indices that we have previously acquired and then built into our platform and have scaled up. Some of those indice groups that we've brought in have been 2x'ed just in the short time and period of a year or two years since we've had them. We expect to be able to do similar types of activities with things like RAFI as we bring it in, as the SPADE Defense Index I mentioned earlier as we bring that in, because we can scale them across our distribution network.

Very much to your point, you are seeing those network synergies of being able to go to a broader client base. But I don't want to also miss the fact that the team's also been developing net new indices across

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the platform as well. When we disaggregate that, we also have net new clients, we have net new products, we have growth in new products. That overall program is one we're going to continue to lean on in terms of pushing forward to drive growth across the entire franchise. You've really got to hand it to the team for the ability to not just drive growth with new product and clients, but at the same time, integrate in the new acquisitions we've done. Because as you've seen from the track record, there's been quite a bit and that execution has been done with excellence.

Now, take me back to your first question again. David's got me. On the prediction markets. I got it. I want to be candid. There's some interesting product here and there's some interesting concepts, but it is not main scale. There hasn't been much demand in the Canadian market to move into these spaces. It's being explored and we have some client conversations on interesting products that we can do. But at this point, even from a regulatory framework, there's not a lot of room to move and things that are really experimental. I think in the Canadian market that there is not currently room to do things that are binary and prediction markets and things like that would be all binary.

Now, we believe if we develop a product in partnership with clients that is a financial oriented product, there would be room to make a change. I want to make that really clear. Our business is in the investing business. It is not in the gambling business. When we look at things that are interesting in the prediction market, it is things like economic indicators, company indicators, things that are subject to the same efficient, transparent disclosure of information that can be validated and reasonable. It’s not a speculation market or a betting market. That's the area that we're really focusing on. I do see there's potential product opportunity for that in the future. But it's not as high a priority as the things we're talking about in terms of digital innovation or extending the offering around trade operations.

Aravinda Galappaththige
Thank you. I’ll pass the line.

Operator:
The next question comes from Jaeme Gloyn from National Bank Capital Markets. Please go ahead.

Jaeme Gloyn:
Yeah, thanks. Just wanted to stay on that theme of the digitization and digital assets. Can you sort of compare your strategy to what we're seeing south in the U.S. from the DTCC? That seems maybe

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perhaps a touch more advanced than any sort of lessons or ideas, themes you're learning from their strategy and their initial startup with partners on the financial banking side and then partners from a company side as well to have shares converted.

John McKenzie:
Yeah, I'd say the biggest difference is we are not at this stage prioritizing the tokenization of individual equities. The capabilities that we build around the digital ecosystem is highly aligned with DTCC. In fact, the capabilities and the partners that we're using in terms of digital rails and digital networks are very similar to what DTCC is doing.

The priority from a user base is around where you can flow capital, so capital flows, major assets, fixed income assets, collateral mobility, things like that. The ability that we create there, you can tokenize the equities as well, but the use case for that has got a bigger question mark on it. It's good to see how that evolves in the U.S. market, which is a much larger market, much higher degree of liquidity to see that evolve first before we take further moves on that in the Canadian market. Because you always want to remind the users, when you start to tokenize an existing equity, you are essentially fragmenting liquidity into separate pools that don't integrate with each other.

When we've got a smaller market than the U.S. market, which is 13 times the size, we want to be very thoughtful about doing initiatives that would fragment liquidity further when we already have—when we're really mostly pursuing initiatives that try to improve liquidity and the ability for better price discovery. Tokenization doesn't do that. That's why our real priority area is around serving the needs of our clients, which is around collateral, collateral mobility, efficiency of capital, streamlining and speeding up payments.

Jaeme Gloyn:
Great. Thank you for that. Question maybe for David. Can you dig into the higher box expenses this quarter, the net pass-through costs? It seems like you're backing it out to some extent, which would imply it's one time. But can you give us a little bit more colour as to what those expenses are and then how recurring in nature are those expenses?

David Arnold:

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That's a good question, Jaeme. Let's take a step back. There are two sources of cost for BOX. The first one is we have the market itself, which we own 47.9%. We consolidate that into our results due to the majority voting share, which is slightly over 50%. But second, we have BOX Exchange LLC, which is the SRO. That operates independently from box markets. We hold a minority economic and voting interest in the SRO and we don't exercise control over the SRO. The SRO really operates on a cost recovery basis, as all SROs do, and pass on any surplus or deficit to the market.

Where we are is there are really two drivers this quarter, right? The first is their acquisition and related costs relating to the announced MEMX Group transaction, right? Lawyers, fees, consultants, etc., incurred at the SRO level that get passed through the BOX Market. Obviously, we're picking that up and following our tried and tested non-GAAP principles, we kind of segregate that. That's the $25.9 million that I called out. Then obviously, the second driver is approximately $8.2 million of estimated expenses for services provided by the SRO that reflect high net pass-through costs for the period. These reflect financial data and costs provided to us, and flowing through the BOX Markets information, which we consolidate.

But I want to bring us back to really the most important thing, which is the strategic rationale for the MEMX Group transaction, and that is unchanged. Putting together BOX and MEMX creates a more scalable and more efficient combined business. The MEMX Group will bring to the table next-gen tech. Their capabilities are tried and tested. The Management team is ready to build and grow the business, as well as obviously involving strategic partners around the table, right? I think it's going to be a platform for growth, enabling the Company and its partners to really drive innovation and expansion into new marketplaces, opportunities, and costs. Clearly, there will be synergies as a result of that merger.

Jaeme Gloyn:
Okay. Thank you.

Operator:
The next question comes from Stephen Boland from Raymond James. Please go ahead.

Stephen Boland:

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Thanks. I might just follow up on BOX a little bit. We saw the market share go down for the first time in a while. Was there something like one time, or is it getting prepared for this merger that perhaps that was kind of the focus this quarter? I'm just wondering what happened this quarter.

John McKenzie:
The second part of your question, I think you've actually got the sense of it there. When you're doing a transaction like this with a small team, there can be a substantial distraction impact on trying to move this along. The ability to engage with clients during that period had been more limited. We are already seeing some upticks in the market share and the volumes in the following period. I don't believe there's anything in there that impacts the long-term value and capability of BOX.

Stephen Boland:
Then maybe the second question is just on Trayport. I know it's not a trend, but when we see subscribers going down, I'm a little bit surprised. Is that just a one-off? Maybe you can explain that a little bit too.

John McKenzie:
I don't think you should actually be surprised if you actually look through the history. The long-term trend is growth in subscribers, but it's not a straight line, and there will be quarters from time to time—actually, I think the same quarter last year was the same impact where you saw some trimming. Then when we see clients renew, we usually see step-ups in that. That is a normal piece in the overall long-term trend in terms of small pluses and minuses. I wouldn't take any indication from that.

Stephen Boland:
Okay, that's all I have for now. Thanks very much.

Operator:
The next question comes from Bart Dziarski from RBC Capital Markets. Please go ahead.

Bart Dziarski:
Great. Thanks for taking the questions and good morning, everyone. Maybe a capital allocation question just in terms of how you're thinking about pacing of buybacks from here and then incremental M&A opportunities over and above sort of what's been announced so far. Thanks.

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David Arnold:

Yeah. What I'd say, Bart, is obviously you see where our leverage is right now relative to the closed transactions. On those that are pending regulatory approval, we've indicated effectively where we would consider ourselves to be. You would have seen from some of our disclosures based on the fact that we have now solidified what the voting interests and rollover percentages are going to be for the BOX MEMX transaction. We expect leverage to probably peak out at slightly less than the 3.4 times peak that we mentioned. I think somewhere in that 3.1 to 3.2 is kind of a fair kind of guide given where we are. Obviously, as we focus on our capital allocation, one of our priorities is really to ensure that we get back to the top end of our range of 1.5 to 2.5 times.

But I want to stress, and John and I have spoken about this a lot since we announced these transactions, we have significant capacity to grow, right? As things and growth opportunities present themselves, if there are abilities for us to accelerate the strategy, we are very, very focused on those. We continue to look at opportunities to deploy capital in our Corporate Solutions, part of the capital formation segment. Obviously, capital deployment has occurred already across some of our trading businesses, both the CBOE Australia, now TMX Australia Exchange, but hopefully the pending CBOE Canada transaction. Across the board, we're really focused.

Then we continue to look to deepen our product set in Trayport, right? Many years ago, we added a couple of capabilities at Trayport. It's been a while since we've added some more premium products in the Trayport ecosystem. That is something that the leadership team are very, very focused on. Yeah, from a capital deployment perspective, we've got significant headroom in our debt capacity. That's absent even considering equity shares are trading really strongly right now. That creates a much easier currency, if you will, for M&A.

But what I would say is that on share buybacks, I mean, at the end of the day, we're really focused on returning capital to our Shareholders too, right? The dividend payout range of 40% to 50% is unchanged. We're kind of near the low end of that range because we're deploying capital where we think it'll give the greatest return to our Shareholders. The share buyback program, as you saw this year, we effectively have an authorized normal course issuer of 2%.

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I expect that to continue, but I think that the execution of that is really dependent on a number of factors which are pretty obvious, right? What does the option exercising look like and the dilution offset that we can mitigate? But also, kind of where are the other capital deployment opportunities? Really unchanged. The most important thing is, is the balance sheet is strong. The free cash flow generation is excellent. As John said, nine really, really impressive quarters strung back to back really helps because that creates a little bit more dry powder.

Bart Dziarski:
That's great, David. Thank you. Then the follow up question on you've closed RAFI and TMX Australia acquisitions. Congrats there. You've had those businesses now for a couple of months. Are you seeing any opportunities surfacing that maybe weren't contemplated before? Any surprises? Just love to get your thoughts there. Thanks.

John McKenzie:
I'm not going to call this a surprise, but a pleasant confirmation. The teams that we've brought into the organization in both these two acquisitions are outstanding. Especially when you're talking about building a bigger exchange in a country that's around the other side of the world, having a phenomenal team on the ground that's passionate about what they do, that's intelligent about the market, and has got a lot of optionality in the things that we can execute on has been really pleasant.

I'd say the surprise piece is actually the breadth of growth opportunities we have as we're building out the strategy with the team. Again, the near term priority is integration and moving on to our platforms and ensuring that's done in a way that's seamless for clients. As we do that, we really have a blessing of choices in terms of how we drive. The business, since we've acquired it, is already up. The ability for us to drive more in terms of market share, in terms of working on more product on the exchange like ETFs, moving in the future into corporates, that's all on the radar screen. The ability to do actually more of our types of corporate solutions, as David mentioned, that we do in Canada and the U.S. We think there's opportunity there as well.

The vision that we're building, and this is a really timely question, because we are working on the vision going into 2027, which is really themed about that excellent execution, because we've got such many great assets in the organization. By executing really well, we can really bring a broader degree of services into the region and the full benefit of the TMX menu. That's the real nice thing to see. That was

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our expectation when we did the transaction. We're seeing that on the ground there, and we're seeing it with a team that's ready to go. Really happy about that.

Really happy about the client relationships that have come in with RAFI. As we mentioned that a little earlier on, that's been part of the really nice upside, is we're deepening relationships with clients that were important to RAFI, that are important to us. The small index tuck-in we announced just after the end of the quarter, the SPADE one, actually fits in really well to that. We're getting that additional upside interest from clients for bringing these pieces together. That's the way I put it together. We see a lot of upside. This is going to be driving part of our high-growth segments, and we've got a lot of confidence in these teams to deliver.

Bart Dziarski:
Great. Thanks, John. Thanks for taking my questions.

Operator:
Once again, if you have a question, please press star, then one.

Our next question comes from Graham Ryding from TD Securities. Please go ahead.

Graham Ryding:
Hi. Good morning. On the market data side for DataLinx, subscribers are up fairly healthy, both on TSX and Montreal Exchange. Maybe just any colour on what you think is driving that. It seems to be, particularly on the TSX, trending a little bit stronger than you've seen in previous years. Then my second part of that question would just be, are you seeing any evidence yet that there's increasing demand around AI workflows and it's having an impact on the demand for your core data?

David Arnold:
It's a great question, Graham. I'll start, and John can add a little bit when I wrap on the AI question. The subscribers increased 5%, almost 6%, 5.7% year-over-year. It's really driven by billing and subscriber uptick on a lot of volatility that you're seeing in the market around tariff disputes and increased demand for additional data and also some existing and new clients. Then what you also see is the MX professional subscribers grew roughly 10% over the same period. That's really driven, I think, a lot by the broader market environment and a lot of the volatility that you see now.

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Obviously, while we don't expect tariff disputes to be recurring, if trade wars and tariffs and market uncertainty continues, we may see further expansion in professional subscribers in the shorter term. But really, as we look over the longer term and look through the market cycles and continue to normalize, we continue to target mid-single-digit revenue growth for TMX DataLinx. I continue to really bring you back to that.

Obviously, there is active interest by our clients for alternative consumption needs. The DataLinx team continues to work on that on a client-by-client, need-by-need basis. It isn't vastly pervasive, though, yet, Graham, in terms of every single client engaging with us on use cases for AI data consumption, because they have to go through their own governance processes, their own business strategies, and actually figure out what's the best use case for them. But we're well-positioned, right? It was no different from when we pivoted from point-to-point subscriber usage and then went to APIs and electronic data feeds. We're well-positioned for that, but it's really going to be a client-driven demand.

John McKenzie:
Yeah, I'm going to add a bit. When you think about it from a long-term perspective and the tailwind, investment in Canada is in fashion. I've done some international engagements recently. It's impressive to see the level of interest in international investors in the Canadian ecosystem, in the existing market, in the potential in new products. What do we do as a marketplace? The work we've done over the years is to create the ecosystem to be able to realize that demand when it comes.

When you think about when we talked about the MX product suite, expanding the suite, expanding the derivatives products, expanding the operating hours into the regions where the traders want to trade, that allows us to bring in new participants, to scale up their trade activity when those winds are moving in the right direction. We always call it; it's like building a ship. You build all the sails, you put all the sails up, and when the wind blows, that's when you can capitalize on the work you've done.
I really do see that there's going to be a continued secular demand for Canada for what we're doing. You're seeing that as well in terms of the investment flows. I mentioned some of the capital flows earlier on. That $29 billion in new capital raised brings more eyeballs and interest into trading the Canadian names. This is a substantial expansion in the listed environment. We've got over 317 new listings across two platforms in the first nine months of the year. That's a new product to engage in.

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All those things help drive the future demand for traders to look to the data going forward. We've always said historically, and I've been looking at this for 26 years, that demand for data and subscribers is often a lag to the market activity. I do see what you're seeing in some of that catch-up in demand as a lot of the eyeballs are on the marketplace. We're pretty bullish on this for the long term.

Graham Ryding:
Great. If I could just follow up with a quick one. It sounds like on the digitalization or tokenization front that you see more of an opportunity on the post-trade side of the market right now. Is there any further material investment required on your part in order to build out solutions for the ultimate tokenization of assets?

John McKenzie:
Yeah, I would call it investment, not material investment. It's investment that we can do within our own envelope. There's different capabilities that we need in the organization, and we've already been bringing those in. But continue to think of it as more of an evolution of our capabilities, not a revolution. Because the important thing about really making it work, and I mentioned this in the comments earlier, is it has to integrate into the existing ecosystem. It really is not going to work well for the industry if it's standalone, because you've got to be able to get to the flows, you have to be able to get to the underlying custodied assets, and you need to have that same efficiency. Unless the industry moves everything onto a digital rail 100% at once, you've got to have deep integration. That's why what we're doing is building it around the post-trade environment, because that creates the capability for the industry.

I'll be candid, we've had multiple conversations with potential issuers over the last number of years, who have considered a token offering as opposed to a pure IPO offering. Every single time, the choice has been to go to a traditional IPO instead, because the reach and breadth of investors that can participate in the transaction is so much stronger. We're just not at the market stage where that distribution is there for that model to make sense. Our focus really is, to your point, it's on the underlying infrastructure. Then, if the market moves more to tokenize more of the ecosystem, we've got the ability to do it from that sense. That's the investment. You'll see it within our existing run rate, and it'll be more of an evolutionary process.

Graham Ryding:

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Okay, great. Thank you.

Operator:
The next question is a follow-up from Jaeme Gloyn from National Bank Capital Markets. Please go ahead.

Jaeme Gloyn:
Yeah, thanks. A couple of follow-ups. First, I wanted to get your sense of the CBOE Australia or TMX Australia revenue for the quarter, heavily tilted to DataLinx, which maybe surprised me just a little bit. But can you talk about that revenue mix compared to maybe what you're expecting from CBOE broadly in that acquisition, and the margin profile of the business side compared to your going in expectations? That's CBOE Australia. Then, just for Graham's benefit, maybe just remind you guys of the AI side of his first question and demand impacts around that.

David Arnold:
Thanks, Jaeme. I'll start off with this TMX Australia exchange. I mean, that actually was the investment thesis, right? When we did our due diligence, there is more data revenue, if you will, in TMX Australia exchange than trading revenue. That was actually part of the thesis, which is high recurring revenue, very, very sticky, but also then a really good space for us to innovate in the Australian marketplace and really give some of the client needs an avenue or a venue.

We spoke about it when we acquired the asset down the road, what are the various listing capabilities that we can bring to that market? But also, how can we do, as John touched on, our corporate solutions? Can we bring corporate solutions to issuers in the Australian marketplace? What can we do with ETF issuer listings, as well as ETF issuer curation, and really our VettaFi franchise helping grow there?

Yeah, I'm sorry that the numbers were a surprise to you. That was very much clearly what was in the public domain, that it is more skewed there, which really, for us, it just created so much opportunity for us when we did the due diligence in terms of what we can do to grow there. Really touching on what John said, I mean, the team that we have in Australia are incredibly hardworking, incredibly innovative, and are very excited to partner with our Canadian professionals that have got deep expertise in some of those aspects.

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Job one is complete the integration, move off our transition services agreement with CBOE, do the industry testing and launch it. But as we come to the close of that, it gives us the chance to then innovate. We don't want to distract our teams with a whole host of new product and innovation during this transition period. We really need to be focused on industry acceptance and a very, very smooth cutover from the CBOE technology to ours. Then I expect us to rapidly innovate in the months and years to come.

On the AI follow-up question, I think we kind of touched on it. I'm really curious, Jaeme, what more specifically are you looking for in the AI and the demand of the clients? No, no. Yeah. We're not seeing that, Jaeme, but go ahead, John.

John McKenzie:
Yeah. The other question we missed earlier, are we seeing the initial demand on the data side from AI-based use cases? Not seeing that in a material way yet. That could change in the future as AI models progress, as they turn into products, as they want to consume data to do that. That is still a potential driver, but we're not seeing it in a material way yet.

Jaeme Gloyn:
Great. Thank you for that. Appreciate it.

Operator:
This concludes the question-and-answer session. I would like to turn the conference back over to Ms. Tang for any closing remarks.

Amanda Tang:
If you have any further questions, contact information for Investor Relations as well as media is in our press release.

Thank you, everyone, for taking the time today to join us. I wish you all a happy Halloween and look forward to speaking to you again soon.

Operator:

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This brings to a close today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.

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