TMX Group Limited

Q4 2024 Financial Results Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the TMX Group Limited Q4 2024 Financial Results Conference Call. At this time, all lines are in a listen-only mode.

Following the presentation, we will conduct a question-and-answer session.

If at any time during this call you require immediate assistance, please press *, 0 for the Operator.

This call is being recorded on Tuesday, February 4, 2025.

I would now like to turn the conference over to Amin Mousavian, Vice President of Investor Relations and Treasury. Please go ahead.

Amin Mousavian — VP, Investor Relations, Treasury and Administration, TMX Group Limited

Thank you and good morning, everyone. Thanks for joining us today and taking time away from economic and tariff updates this morning to discuss the 2024 fourth quarter results for TMX Group.

We announced our results for yet another outstanding quarter yesterday, and copies of our press release and MD&A are available on TMX.com under Investor Relations.

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

Before we begin, let's cover our forward-looking legal disclosure. 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 laws. Actual results may differ materially from these expectations, and additional information is contained in our press release and pre-audit reports that we have filed with the regulatory authorities.

Now I will turn the call over to John.

John McKenzie — Chief Executive Officer, TMX Group Limited

Well, thanks, Amin, and good morning, everyone. Thank you all for joining our call today.

And as disclosed in last night's Q4 press release and annual financial statements, and as Amin just mentioned, TMX delivered fantastic results in 2024, capping off a year of pronounced growth in key components of our business, significant accomplishments across our evolving enterprise, and important progress on our growth initiatives.

In 2024, TMX delivered four consecutive quarters of year-over-year growth in revenue and adjusted earnings per share, highlighting the deep strength of our diverse portfolio of interconnected assets, the benefits of adhering to a consistent long-term growth strategy, and the ability of our passionate and dedicated TMX team to deliver.

Now turning to our results for the year.

Overall revenue, including TMX VettaFi and iNDEX Research, increased 22 percent when compared to 2023.

Strong growth was highlighted by double-digit increases from TMX Trayport and Derivatives Trading and Clearing, as well as higher revenue from Equities and Fixed Income Trading and Clearing.

Revenue gains were partially offset by lower revenue from Capital Formation, excluding revenue from Newsfile, which was acquired in August of 2024.

Organic revenue, excluding TMX VettaFi, iNDEX Research, and Newsfile, increased 10 percent, and adjusted diluted earnings per share increased 16 percent from 2023.

Total operating expenses increased compared to last year, reflecting the inclusion of expenses related to recent acquisitions. And David's going to take a closer look at expenses in his remarks to follow.

Now moving to our business areas. Overall revenue from GSIA increased 44 percent from 2023, or 11 percent excluding TMX VettaFi.

It was an outstanding year for TMX Trayport, a major contributor to our success in 2024 and TMX's fastest-growing business area. Revenue increased 22 percent compared to 2023, or 17 percent in pounds sterling, driven by a 25 percent increase in total licensees, as well as annual price adjustments and higher revenue from data and analytics products.

Since its acquisition in 2017, TMX's Trayport annual revenues have doubled, while accelerating our long-term strategy of increasing our global footprint and increasing the proportion of revenue derived from recurring sources.

TMX Trayport's winning strategy is based on an innovative, client-first mindset and a commitment to serving participant needs as they evolve.

Our core Joule network provides essential connectivity and a suite of innovative and adaptive tools, insights, and capabilities to the global energy market ecosystem. The network has grown to include more than 370 trading firms, 9,700 total licensees or end users, and applications, and over 27,000 network connections. TMX Trayport clients now span over 40 different countries, including the biggest names in the global energy and commodity trading.

Looking ahead, Trayport's continued focus is on expanding into new asset classes and geographies, including climate markets, North American power, and Japanese power.

Now staying with GSIA, TMX VettaFi's revenue was 18 percent higher in US dollars when compared to 2023, prior to the acquisition.

TMX VettaFi plays an important role in the ETF product lifecycle, deploying customized digital capabilities and expertise, from product ideation to index design and prototyping, through ETF launch and

beyond. And growth in 2024 was primarily driven by higher indexing revenue, reflecting organic growth in assets under management, and revenue from 2023 acquisitions, such as ROBO Global and EQM indices, as well as iNDEX Research, which we acquired in late October.

Overall, TMX VettaFi revenue increased also as a result of higher revenue from events, including our marquee annual Exchange conference. Exchange is an essential forum for gathering feedback from stakeholders on new index design and input on enhancements to existing indices.

The 2025 edition for Exchange is fast approaching, set for March 23rd in Las Vegas.

And moving forward, TMX VettaFi continues to seek out strategic opportunities to expand product offerings, data, and index solutions across new asset classes and geographies.

Now turning now to Capital Formation. Revenue increased 2 percent when compared to 2023, largely due to the inclusion of revenue from Newsfile and partially offset by lower revenue from additional listing fees as market conditions remained challenging throughout the year.

Our capital formation strategy is focusing on strengthening our two-tiered ecosystem. Our business development team has built a powerful and growing pipeline of private companies around the world that we work closely with in preparation for joining our markets.

And despite prevailing headwinds, we proudly welcomed Montreal-based fashion retailer, Groupe Dynamite, to Toronto Stock Exchange in November, as they completed a $300 million initial public offering with an enterprise value of $2.2 billion.

And it's great to see a homegrown Canadian business seize the opportunity to get a good deal done and choose the public path for growth. And it's also an encouraging sign that as conditions normalize, we can see more deals come to market.

Now as we detailed at Investor Day, we aren't waiting for the game to come to us. Our team is focused on building beyond Canada's borders, beyond corporates, and beyond listings. More than 50 percent of the companies in our pipeline are from outside of Canada. And while a range of sectors are represented, approximately 60 percent are from the innovation sector.

Our recent success in Australia stands as compelling evidence that the work we've done to raise global awareness of the unique TSX Venture value proposition is paying off.

In 2023, we added a full-time presence in Australia, and our efforts to promote Canada's markets and establish connections between local dealmakers and our ecosystem has led to a number of ASX listings joining our market in the last couple of months, including Paladin Energy, a uranium production company with a $3 billion market cap; and FireFly Metals, a copper-gold company with a market cap of $500 million, both listed on TSX in December; and Cygnus Metals, a diversified critical minerals explorer, listed on TSX Venture last month.

And we're continuously looking for strategic opportunities to leverage our proven expertise and help expand that ecosystem. In October, TSXV and TSX signed an MOU with B3 in Brazil to explore Brazilian-based solutions to create public company market opportunities for investors and entrepreneurs, with a focus on mining, energy, and renewable energy industries.

Now looking beyond corporates, next month marks an important milestone. It's the 35th anniversary of the ETF, which was invented right here at the Toronto Stock Exchange. And 2024 was a record-breaking year for TSX's ETF franchise.

Net inflows reached $75.5 billion, beating the annual record set in 2021 by more than 30 percent. We welcomed 127 new ETFs to the market, topping the previous record of 126 in 2020. And assets under management for TSX-listed ETFs surpassed $500 billion for the first time in history.

And beyond listings, we continue to seek out innovative solutions to serve the needs of TSX and TSX Venture issuers, as well as private companies.

Revenue from other issuer services, which includes TSX Trust, increased 7 percent year over year, largely due to the inclusion of $5.5 million from Newsfile, a news dissemination and regulatory filing provider which we acquired in August.

Now I'd like to turn to our Derivatives business, which has been an area of sustained growth momentum and key product expansion in 2024.

Revenue from Derivatives Trading and Clearing, excluding BOX, increased 17 percent year over year, including a 12 percent increase in MX revenue, driven by higher volumes, and a 29 percent increase in revenue from CDCC as a result of positive impact of both pricing changes and overall higher clearing volumes.

In a year of policy uncertainty around interest rates, with considerable implications across asset classes, participants continue to turn to MX's tailored suite of derivative products to balance their portfolios and mitigate risk.

Key 2024 MX highlights include 13 percent year-over-year growth in overall volumes, 29 percent higher volumes in interest rate products, 41 percent higher volumes in ETF options, and a record period for our Government of Canada Bond Futures products.

Volumes in our 2-, 5-, and 10-year contracts grew by 54 percent, 38 percent, and 18 percent respectively when compared to last year.

And overall open interest was 51 percent higher at December 31st when compared to the end of the previous year.

The year also marked the increase in adoption of Canada's new benchmark rate, CORRA. The CRA (sic) is now the established product for hedging the Canadian dollar short-term rate, with over 1 million contracts in open interest as of December 31st.

So 2024 really was a tremendous year for TMX, marked by strong performances across our diversified global business and by game-changing advances in our long-term strategy to push the evolution of our organization to meet the needs of a rapidly growing global client base. And the impressive achievements of 2024 are a source of shared pride in the organization and powerful (phon) evidence of a sound enterprise strategy.

But candidly, they are now last year's achievements, and our focus is squarely on the future. And I'm happy to report that 2025 is off to a great start in terms of our key initiatives.

Two weeks ago marked the successful launch of AlphaX US, our new equity ATS venue, aimed at improving execution performance for the US broker dealer community. And while it's still early days, the response from participants thus far has been very positive.

And our Post Trade Modernization project is on track for the end of March as scheduled, pending industry readiness and regulatory approvals. We are very encouraged by the successful completion of the client testing phases.

The complex CDS modernization project has been a journey, and so I'd like to share my sincere thanks to our team here across the Clearing and Technology divisions for their ongoing dedication and hard work in seeing the project through, and to our industry partners for stepping up to work alongside of us.

Now before I finish my comments today and pass the call over to David for a much deeper dive on Q4, I'd like to turn briefly to a responsibility that we take very seriously at TMX, key to executing our

growth strategy and fulfilling our role in serving clients and stakeholders with excellence, and that is our important role as a capital markets advocate.

Our purpose is to make markets better and empower bold ideas. It's a unified enterprise commitment rooted in a proud history and focused on ensuring a viable future.

From a front-row seat for more than 170 years, we have seen the best of Canadian innovation, ingenuity, and entrepreneurship. And we are committed to clients and stakeholders across this broad financial ecosystem, and to all Canadians, to champion growth by promoting measures to create a business environment that supports investment in Canadian companies.

Now it's not lost on everyone that Canada faces threats of tariffs and other measures of economic force from a new US administration, and while the leadership and direction of Canada and our federal government is yet to be determined. So more than ever, we need policymakers to deliver a clear vision and a workable strategy to raise Canada's game and seize the opportunity to become a much more formidable global player, not just to fend off short-term challenges like tariffs, but to set us on the right path for the long term.

Canada must be seen at home and throughout the world as a great place to do business and invest, with clear and consistent regulation, efficient and transparent processes for permits and approvals, and a competitive tax regime that encourages risk-taking and rewards investment. And we will take every opportunity to continue to raise these critical issues.

More than 20 years ago, the Canadian economy was characterized as an emerging northern tiger, and we believe it's time to reawaken that tiger.

So in closing, I want to thank all of our employees for their continued dedication to TMX. Our impressive track record of performance and legacy of innovation and industry leadership is driven by the

work of our people that is put in every single day to serve our markets with excellence. We have a lot to live up to and a lot of work to do, but I am most excited about the opportunities in front of us.

And with that, let me pass it over to you, David. Thank you.

David Arnold — Chief Financial Officer, TMX Group Limited

Thank you, John, and good morning, everyone.

I'm pleased to review our strong financial results for the fourth quarter of 2024, which demonstrates robust growth across our business segments and successful continued execution of our long-term growth strategy.

We delivered $393.3 million of revenue in the fourth quarter, representing a 30 percent increase compared to Q4 of 2023, and generated positive operating leverage of 8 percent.

Notably, we achieved 17 percent organic revenue growth, excluding the impact of recent acquisitions. This is nothing short of an outstanding result.

Our diluted earnings per share was $0.58, representing an increase of 87 percent compared with $0.31 in Q4 of last year.

The substantial increase in reported diluted earnings per share included a gain of $0.16 per share related to net foreign exchange gains on US dollar-denominated intercompany loans in Q4 of 2024, which we account for as part of our net finance costs.

Notwithstanding, our adjusted diluted earnings per share increased 30 percent from Q4 of last year, reflecting 41 percent or $53 million higher income from operations, partially offset by higher interest expense.

Turning now to our businesses. And as I typically do, I will start with the segments that had the largest year-over-year increases.

Revenue in our Global Solutions, Insights and Analytics segment, or GSIA for short, grew 48 percent in the fourth quarter, reflecting $37.4 million from the inclusion of TMX VettaFi, $1.7 million of which relates to iNDEX Research which was acquired on October 15 of 2024. Excluding TMX VettaFi and iNDEX Research, revenue grew by 14 percent over the same period, driven by strong growth from TMX Trayport.

So let's now discuss the three businesses that drove the impressive GSIA results in Q4 of 2024.

Starting with TMX Trayport, revenue increased 26 percent in Canadian dollars or 19 percent in pounds sterling this quarter, primarily driven by a 25 percent increase in total licensees, the impact from annual price adjustments, incremental revenue from Data Analytics, and other trader products.

TMX Trayport ended the fourth quarter with annual recurring revenue of C$236 million or over 131 million in pounds sterling, which represents a 14 percent growth in average recurring revenue for the quarter on an annualized basis.

Revenue in TMX VettaFi was up 21 percent in Canadian dollars or 18 percent in US dollars this quarter, compared to the same period last year prior to the acquisition. The increase continues to be driven by higher indexing revenue, reflecting organic growth in assets under management, as well as higher analytics revenue, partially offset by lower revenue from digital distribution.

TMX VettaFi's assets under management continued to show robust growth, ending the year at US$51.9 billion, including $12.2 billion from the inclusion of iNDEX Research.

TMX VettaFi's AUM, excluding iNDEX Research, grew 5 percent sequentially and 21 percent compared with last year.

Turning now to TMX Datalinx. Revenue in the business grew 3 percent this quarter, reflecting higher revenue from data feeds, inside products, benchmark and indices, and co-location. In addition,

there was a positive impact from the price adjustments implemented earlier in 2024, and a favourable foreign exchange impact of $1.4 million due to a stronger US dollar.

Partially offsetting the growth was lower subscriber and usage-based revenue, due to a client-specific reduction in enterprise agreement renewals that occurred in Q2, which we have spoken about in prior quarters.

Turning now to Derivatives Trading and Clearing.

Revenue, excluding BOX, grew 31 percent this quarter, reflecting a 27 percent increase in Montreal Exchange revenue, fueled by record volumes in Q4, as well as a 39 percent increase in clearing revenue. The increase in clearing revenue was driven by higher clearing volumes and the impact of pricing changes which came into effect earlier in 2024.

Revenue from BOX increased 34 percent in Canadian dollars or 30 percent in US dollars this quarter, driven by a higher rate per contract, reflecting favourable product mix, as well as a 5 percent increase in volumes.

Turning now to Capital Formation.

Revenue in the segment grew 15 percent in the quarter, including $3.8 million of revenue from Newsfile, which was acquired in August.

Excluding Newsfile, revenue in the segment was up 9 percent compared with Q4 of last year, reflecting higher net interest income from higher balances, including corporate actions this quarter, as well as higher additional listing fees driven by increases in both the number of financings and total financing dollars raised on TSX Venture Exchange, partially offset by decreases on TSX.

In our Equities and Fixed Income Trading and Clearing segment, revenue was up 12 percent in the quarter, driven by a 20 percent increase from Equities and Fixed Income Trading and 5 percent from our Clearing business.

The revenue increases in our Equities and Fixed Income Trading business reflected a 19 percent increase in the overall volumes of securities traded on our equities marketplaces, on the heels of double-digit gains in both trading volume and value compared to last year and compared with Q3 of 2024.

Trading volumes were up 15 percent on TSX, 30 percent on TSX Venture Exchange, and 14 percent on Alpha Exchange. Our combined equities trading market share for TSX and TSXV-listed issues was approximately 63 percent this quarter, unchanged from Q4 of last year.

Now on the Fixed Income Trading side, revenue increased this quarter, primarily reflecting increased activity in Government of Canada bonds, driven by more active interest—by a more active interest rate environment. The increase in clearing was driven by higher issue event management fees, partially offset by higher rebates.

Turning now to our expenses.

On a reported basis, our operating expenses increased by 22 percent in Q4, which fueled our 30 percent revenue growth I spoke of earlier.

The expense increase was driven by the following items:

First, we incurred $31.6 million of additional expenses related to new acquisitions, namely, $15.1 million of operating expenses related to TMX VettaFi, Newsfile, and iNDEX Research; $11.7 million related to the amortization of 2024 acquired intangibles; as well as a $3.5 million accrual for deferred contingent payments related to Newsfile and iNDEX Research; and finally, $1.3 million of higher integration costs.

Second, we incurred $2.3 million higher expenses in the fourth quarter related to our build-out of AlphaX US.

Third, we incurred $1.3 million to true up a provision related to one of our facilities acquired in a past transaction.

And lastly, partially offsetting these increases were approximately $5.7 million lower strategic realignment costs, as well as $4.8 million lower acquisition and related costs when compared to Q4 a year ago.

So, excluding these items, our operating expenses increased by approximately 9 percent on a comparable basis, driven by increased employee performance incentive plan costs, higher severance, increased costs related to software and licence subscriptions, higher legal fees, and increased investments in projects.

Now looking at our results sequentially, we reported a revenue increase of $39.5 million from the third quarter, reflecting increases in all of our operating segments.

Revenue growth in our GSIA segment reflected the inclusion of iNDEX Research and organic growth across TMX VettaFi, TMX Trayport, and TMX Datalinx.

Capital Formation revenue increased sequentially, reflecting both higher net interest income revenue from higher balances and stronger financing activity compared with Q3.

Revenue increases from Derivatives Trading and Clearing, as well as Equities and Fixed Income Trading and Clearing, were driven by higher trading volumes.

Operating expenses in Q4 increased $13.8 million or 7 percent on a reported basis from Q3, primarily reflecting the following items:

First, we incurred approximately $5.6 million of additional expenses related to new acquisitions, including operating expenses, accrual of deferred contingent payments and integration costs, net of lower transaction and related costs.

Second, we incurred $1.5 million higher expenses in the fourth quarter related to AlphaX US.

Third was the $1.3 million true-up related to a provision related to one of our acquired facilities, which I mentioned earlier.

And lastly, partially offsetting these increases was lower employee performance incentive plan costs.

Now looking ahead to 2025, we expect to continue investing in growth while remaining focused on delivering positive operating leverage on a full year basis.

On the balance sheet front, our debt-to-adjusted EBITDA ratio as at December 31st was 2.7 times, down approximately 0.9 times compared to March 31st, following the close of our acquisition of VettaFi.

Our ability to complete the acquisitions of Newsfile and iNDEX Research this year while delivering on our deleveraging plan, post the acquisition of VettaFi, is a testament to the free cash flow-generating capacity of our franchise.

As of December 31st, we also held over $433 million in cash and marketable securities, which is more than $198 million in excess of the $235 million we target to retain for regulatory and related purposes.

Net of excess cash, our leverage was 2.4 times, which is 0.8 times lower compared to the end of the first quarter.

In the fourth quarter, our $300 million Series D debentures matured and were repaid with a combination of cash and commercial paper.

We continue to make positive progress on our three key transformational measures in 2024, reflecting organic growth and strategic acquisitions made in 2024 to accelerate our strategy.

Our recurring revenue as a percentage of total revenue was 55 percent, up 2 percent.

Global Solutions, Insights, and Analytics revenue as a percentage of total revenue was 41 percent and up 6 percent compared to a year ago.

And revenue outside of Canada was 50 percent, up 9 percent from a year ago, in line with our transformational objective for this measure to be at 50 percent or greater.

Lastly, I am pleased to announce that, last night, our board approved a 5 percent increase in our quarterly dividend to $0.20 per common share, payable on March 7th to shareholders of record as of February 21st. This represents a 42 percent dividend payout ratio in the fourth quarter and positions our last 12 months' payout ratio at exactly 45 percent, squarely within our target payout ratio of 40 percent to 50 percent.

That now concludes my formal remarks. I'd like to turn the call back to Amin for our Q&A period.

Amin Mousavia

Thank you, David. Ludi (phon), would you please outline the process for the Q&A session?

Q&A

Operator

Thank you. And, ladies and gentlemen, we will now begin the question-and-answer session. To ask a question, you may press the *, followed by the number 1 on your telephone keypad. If you're using

a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press *, 2.

And your first question comes from the line of Étienne Ricard with BMO Capital Markets. Please go ahead.

Étienne Ricard — BMO Capital Markets

Okay. Thank you and good morning. To circle back on growth in licensees at Trayport, John, could you please help frame how much of the recent growth comes from existing clients adding subscribers to the Trayport platform, and how much comes from the addition of new firms as you expand in new asset classes and geographies? Thank you.

David Arnold

Hi, Étienne. It's David. Let me actually take the beginning of the question because it's quite detailed, and I'm going to hand it to John afterwards for some macro comments on Trayport.

So as you know, Étienne, we have a lot of contracts with Trayport licensees that are multiyear. Right? So not every agreement comes up for renewal each year. And so, this year, as in most, given the average tenure, roughly 15 percent to 20 percent, maybe as high as 25 percent, will come up for renewal.

So to give you a good indication, that's kind of a good benchmark for what kind of drove it. We had renewals coming this year, roughly in that sub-a-third of the portfolio. And then for most of those renewals that occurred this year, many of those clients decided to go deeper within the wallet with us by increasing into, like, either premium products, like our data and analytics product, and/or charting and analytics, so—or algorithmic trading.

So that kind of is what drove the most of the increase this year. It's an existing client base, and then there was, to a lesser extent, new client acquisitions as well this year.

John McKenzie

Yeah. And that's the piece that I wanted to close on. Because the new client acquisitions, whenever you do them in the year, they're not a huge contributor to the number of subscribers in year, but they're a base to build on, as David said, as those clients renew. So we did have—continue to have new client sign-ons, and those are both in Europe, but also in the global regions we're working and expanding into.

Étienne Ricard

Okay. Very helpful. And, David, you've talked in the past about targeting expense growth near the inflation rate, so two questions for you.

The first is, could you please remind us how much of the expenses are fixed versus variable?

And second, how do you think about incremental margins relative to your current margin run rate of, let's call it, 55 percent, to the extent we see more capital formation?

David Arnold

It's a great question, Étienne. So let me start off with dealing with a little bit of the expense base, and then I'll talk a little bit about the fixed versus variable.

As you've seen from our disclosures, at least half of our expenses are human capital. Right? It's the team members that help fuel the growth at TMX.

So long story short is, is the inflation, there's really two components: the part that is driving wage inflation, which will be different from what we see, let's say, driving SG&A, which would be typically the CPI inflation; but then there's also a large component which is technology-based. Right? And so, that is also driven by what's going on in the technology marketplace which, dare I say, tends to also have a slightly different rate of inflation. So it's a blend of all of those.

But what I would say is that looking at where CPI is headed in Canada right now, it's in that kind of 2 percent-ish range, but when we look at wage inflation, it's closer to 3 percent to 4 percent. Right? So that's kind of where I would indicate and then, obviously, you factor in what's happening with technology prices, which is maybe a little bit higher. All this to say, it kind of blends in more closely towards that 4 percent kind of range.

In terms of fixed costs versus variable, we don't really disclose that, Étienne. But what I can tell you is greater than 50 percent is fixed cost base in the TMX cost base, which is really why we're able to generate such operating leverage as revenue increases.

John McKenzie

Yeah. And the back of your question, you talked about things like the growth in Capital Formation as capital formation returns. And the nice piece around that is that we've built that business to be very scalable now. So through a number of investments throughout the years, we've built in new technology, the ability to create workflow that's automated. That allows us to scale up for more transactions with very little variable add.

The bigger things in terms of kind of the variable adds are more over the long term as the organization's growing because, keep in mind, this is twice the organization it was five years ago. There are some places you have to invest for scale, also even simple things like tax capability in other regions, HR capability to manage a larger employee base. So we do have some step-change pieces—they're baked in—but it's largely, to David's point, more the inflationary pieces.

But I would add that one piece of colour on the look back for last year is always keep in mind that there's quite a bit in that organic expense growth that is actually tied to the success of the organization throughout the year. So there's a piece around FX, and there's a translation of that in the

revenue as well. But there's a big piece also around incentives, and you'll see more of this when we go out with the management circular in a month or so because the two biggest pieces of our incentive programs are really driven by the overperformance in the organization.

So our short-term incentive plan pool is over 100 percent, given the performance for the year. And also, our restricted share units, which benchmark TMX performance against the Canadian composite, I believe for the ones that are three years old now, the total shareholder return average annual was over 13 basis points higher than the benchmark. And so that does have an impact in the in-year expenses because we can't hedge those things, but they also baseline back out for the next year, and so just something to keep in mind when you're both looking back and looking forward.

Étienne Ricard

A high-class problem as you would frame it, John. Thank you very much.

John McKenzie

Yes, I would say that's a high-class problem. I'm happy to have that problem more often.

Étienne Ricard

Thank you.

Operator

Next question comes from the line of Benjamin Budish with Barclays. Please go ahead.

Benjamin Budish — Barclays

Hi. Good morning and thanks for taking the question. Maybe first, just circling back on Trayport, curious, a couple of the dynamics in the quarter. I think ARR was flat sequentially, grew a little bit slower than overall revenues. I'm just curious if you could unpack maybe how we should think about that.

And then, as you think about the key drivers for 2025, how might it look different versus what you sort of described in 2024, customers going deeper with wallets. So to what degree do you expect to see more of that in ’25? More international expansion? What are the key drivers there?

John McKenzie

Right. So I mean, for the first part of your question, I would never read too much in the quarter-to-quarter piece. We always guide not to because there can be some lumpiness in terms of when new users come on, time frame of those contracts coming in, new clients coming in, that are in early stage, things like that. So you really need to blend that over the long term.

To your second point, the growth drivers from 2024 continue into 2025. We’re going to be continuing to add new clients, new products, new geographies. All those programs are well underway.

The only thing I’d say that in terms of kind of a step change between the last couple years and next year is the pricing components that are driven more by CPI are not anticipated in the same way they were a couple years ago, and we’ve given disclosure around that in the MD&A.

Benjamin Budish

Got it. Helpful. Maybe one other revenue question. Just I’d love to get a better understanding of what drove the sort of big pickup in other issue of services. I know you called out corporate actions, higher cash balances and rates, but it seems like it was a lot more than I think we had all anticipated, outside of like the kind of typical seasonality, which I think usually benefits Q2.

So I’m just curious, how do we think about that run rating into next year? Anything else sort of unusual going on in this quarter specifically? Thank you.

John McKenzie

Well, you've got the Newsfile piece already and that being additive, in that wasn't there in the past. But the really interesting piece—and this is going to take some experience for us to get better at predicting in the future but in the net interest income, and you'll see this in the results. It would deviate from what you would expect just from what the rates would do.

And the reason being is, as we continue to add clients and trust, and clients that we have or clients that we acquire enter into corporate action activity—these are things like M&A activities, things like that, where we can act as trustee—that's business that we compete for and that we win.

And so what we had is above-average corporate action-driven activity in the quarter, that led to higher net interest income revenue in the temporary balances. But it's a business that we are going after. So the nice piece, as we continue to build the trust business and expand the client base, is we've got the opportunities to win more mandates.

So there will be some deviation between just being predictable on rates. It's going to be both rates, but also what we're able to drive in new corporate action activity. And we had some really good ones in the quarter, so a real kudos to the team for actually winning that business.

That continues to prove over time as our transfer agency market share also continues to grow. And this was actually the first quarter where, when you look at transfer agency on number of clients, we actually hit number one in Canada for the first time, where we are the number one transfer agent for clients in Canada. And that's a bigger client base, now that we can provide other services across like trust mandates or other things as well that we're continuing to do, like employee plan tools and things like that.

So it's a good news story. It's not just about rates. And over time, we'll figure out how to better telegraph that because that piece will tend to be a bit lumpier because it really is driven by client activity.

Benjamin Budish

Okay. Understood. Thank you so much, John.

Operator

And your next question comes from the line of Nik Priebe with CIBC Capital Markets. Please go ahead.

Nik Priebe — CIBC Capital Markets

Okay. Thanks. Just wanted to start with a question on VettaFi. So if I back out the contribution from iNDEX Research, there was still pretty good sequential step up in revenue contribution on a constant currency basis for the quarter. I think I calculated close to 10 percent sequentially, which is a bit more than I would have anticipated, given the performance of AMLP in the broader equity markets. You able to help us just kind of break that down a little bit more to understand the drivers of that organic growth sequentially in the quarter?

John McKenzie

Yeah. I'm happy to. I mean, it's really driven by the index performance. So it's not just—it's the index performance has been very strong, new index creation. New indices that we're doing with new clients, while small, are part of that contribution as well, more so than the other parts of the franchise in terms of the analytics and distribution tools. So the overperformance has come from the index piece.

We are doubling down on that in terms of trying to do more there. Certainly, the acquisitions we've done as well, while not driving to that number, as part of trying to deepen the effort to be able to create more indices in more sectors, in more geographies. So it is part of a deliberate strategy. You should expect that to be the kind of indicator of the type of performance we're expecting from the franchise going forward.

And even on that benchmark product that you talked about, the AMLP product has a lot of potential, particularly in 2025. When you think about conditions that can support a product like that, a midstream energy product, very much rate sensitive. So as you're seeing, US rates likely to come down. That creates a yield opportunity in that product, plus more positive energy around the energy sector creates positive inflows to that product. So I would anticipate you're going to see continued strength there.

Nik Priebe

Okay. And then just stepping back, in light of the volatility associated with the Canadian dollar, can you just remind us roughly what percentage of enterprise-wide revenue and expenses would be US dollar-denominated?

David Arnold

Nick, it's David. We don't disclose that, but you can get a good perspective if you look at our investor brochure. So roughly 50 percent of our Datalinx revenue is billed in US dollars. Obviously, with the launch of AlphaX US, that's obviously a small number, but it'll grow over time. And then, obviously, you've got Trayport, which is pounds sterling, but it does actually have a couple of clients in the US.

John McKenzie

Yeah.

David Arnold

And then the Boston Options Exchange, obviously, which is consolidated in our results, would drive that too. That would give you the best proxy, if you were to add those numbers up together.

Nik Priebe

Yeah. Okay. Fair enough. All right. That's it for me. I'll pass the line. Thank you.

Operator

Thank you. And once again, if you would like to ask a question, please press *, 1.

Your next question comes from the line of Graham Ryding with TD Securities. Please go ahead.

Graham Ryding — TD Securities

Hi. Good morning. Just wondering if I could go back to the Trayport, just given the growth rate continues to build there. How much of that growth do you feel is coming from traction with bringing on new clients versus expanding with existing clients?

And then furthermore, how much of that growth is still largely being derived from that European market as opposed to some of the newer markets that you're pushing into? Can you give us any colour on that?

John McKenzie

Yeah. I could try to give you a bit more colour. But I mean, commercially, we don't disclose that kind of breakdown in terms of the client components because we are growing in all those areas.

But the piece I would add that we didn't talk about earlier on, is we are outperforming and outgrowing in those added services. And so the pieces that David talked about, like data, analytics, the extra solutions that we provide across the franchise, are growing on even a faster pace than the average. And so that's actually over-contributing to the success.

And that's been part of our strategy, is once you build out a very strong network of clients, as we add additional premium services, we're selling those to our existing client base. So that's part of that over-contribution to growth.

Graham Ryding

And the other services, what would that represent today as a sort of percentage of Trayport revenue versus maybe where you were a year or two years ago?

David Arnold

It's relatively small, Graham. So it's a contributor, but it's relatively small. And as John said, is it kind of is lumpy, and it depends on which new client's being onboarded, what do we need to do to bring them on. So it's a factor, but it's not the material one that I'd worry about.

Graham Ryding

And then, when you look at your sort of addressable market in Europe and other areas, how confident are you that you can sustain—I think your licensee number is up 25 percent year over year. Is that a sustainable level? Or was this an outsized year?

John McKenzie

Okay. Well, I'm not going to commit to 20 percent-plus licensing, year over year. I'm going to fall back on our long-term guidance around double digit for the overall revenue because it will come from different ways.

But in terms of addressable market, we are continuing to grow both in Europe and abroad. So the European market, the addressable market actually continues to grow. And so we're continuing to penetrate in a growing market.

And then, as we build out in those other regions, those are regions that are growing faster. So we are still early stages in the development of the US, and we are very early in the stages in the development of the Far East in terms of things like Japan power. That's very much an early opening market. So those are areas that have a lot of runway for growth.

Graham Ryding

Okay. Understood. Jumping to your US equities initiative, I guess, just what's the initial focus here as you sort of get it off the ground?

And my second part of the question would just be, are there some potential benefits here for your Canadian equities business at all? Just thinking, as you invest and build out this equity trading platform, is there anything you can import or share back into your Canadian equities business?

John McKenzie

Yeah. I mean, those are two really good questions, so thank you for that.

So first of all, I got to give a lot of credit to the team. The ability to bring this market from ideation to actually execution in essentially less than 18 months is probably record timing in the exchange and capital markets world, so really impressive in terms of from ideation to launch.

And we had a very successful launch this month. And so the early pieces was really about solidifying the platform, understanding the client experience, tweaking, getting any initial challenges out of the system, and that's been going very well.

And so we are already getting strong early volume coming through the system of the clients that have signed up and already executing them. That's a really important first step because if you want to bifurcate kind of the client landscape, there are ones that will be early adopters to try a new marketplace out, and there will be ones that will wait to see the liquidity there before they do that. And we're already getting early-stage liquidity, transactions getting completed, and improved execution for clients.

So the promise of what we were putting together for that marketplace is already being demonstrated, even though we're only a couple weeks into it. And so kudos to the team for that.

The second piece to your question, kind of round about and kind of the reversed importation of what we're building, is in some cases, this is very much a test bed for new technology for us. It's using kind

of the combination of the best components of various trading systems we've built over the years, be it our derivatives platform, our equity platform, and also now an outpost-based cloud delivery solution.

So we're using the best-of-breeds of multiple things we've done into a new execution, and all that learning is learning that's going to be back into our road map for how we modernize and continue to upgrade the platforms that we use to drive the Canadian market.

So the nice thing is, is it allows us to test things out in a lower risk environment because there's not as much volume going through it as when you do it for a full market execution.

So in both cases, the team is actually hitting it out of the park in terms of what we deliver here, both from the early execution in the US, but also from delivering a new platform that we're going to be able to build upon.

Graham Ryding

Okay. Great. I will re-queue. Thank you.

Operator

And your next question comes from the line of Aravinda Galappatthige with Canaccord Genuity. Please go ahead.

Aravinda Galappatthige — Canaccord Genuity

Good morning. Thanks for taking my questions and congrats on the quarter.

I just wanted to go back to VettaFi for a second. Good to see it kind of close strongly in Q4. As you look to 2025, maybe, John, just talk a little bit about sort of the incremental synergies that are available. I mean, a year in, how much of sort of the potential synergies you were hoping for, were you able to accrue? And is there more left as you think about sort of cross-selling into Canadian clients, et cetera?

And then maybe sort of highlight some of the other milestones, given that you have iNDEX Research now. What are you hoping to kind of achieve with VettaFi beyond, obviously, the normal growth in the indexing business that you talked about?

John McKenzie

Yeah. And to be candid, the growth that we were talking about is it's the output of what we're trying to achieve. What we're trying to achieve is to be able to provide a deeper and broader service to a client base that we have today, and a client base we're looking to expand upon.

And so when you think about the services that we're offering within that community and the integration of services, we're allowed to—or it's allowing ourselves to do much more for an ETF manufacturer than we could in the past. And that's actually part of that upside revenue integration. So we actually now have multiple Canadian ETF manufacturers that we are helping to market their product through distribution tools that hadn't happened in the past. That's the type of and the nature of the revenue synergies we were talking about.

So we've got net new deals in terms of supporting Canadian manufacturers on distributing their platform. We're continuing to add new indices, where we're working on custom index creation for manufacturers both in Canada and the US. That's part of that lift, and we'll continue to build out on the suite of indices.

And when you think about an add like iNDEX Research, it really helped us do a couple of things, which it gave us capabilities in broader asset classes, in international benchmarks, but also the ability to really serve, in the same time zone, a European community. And so that is part of the area we're looking to build out in terms of serving European ETF manufacturers. And this is really strong capability and a really entrepreneurial team to help us do that as an integrated part of that Trayport solution.

So the nice thing about this is we've got lots of untapped potential still as we build this in terms of what we can do with all parts of our franchise. And so it's almost the question of where you pick your priorities to go first.

Now in the near term, we are looking to do more. And so that's the piece I'll leave you with on this is we've got with—both as a minority investor in VettaFi before we did it and as a full owner, we've done multiple acquisitions of new capabilities to expand the platform out. We have got, essentially, a pipeline of other ideas we're looking at to continue to do that in 2025 and beyond. So there will be other things coming that we're working on.

Aravinda Galappatthige

Okay. Thank you. And then, just lastly, as you look at your balance sheet, I mean, you continue to de-lever. And if you kind of clear that out, excluding sort of the excess cash, you'll be below 2x towards the end of the current year. Maybe just an update on the M&A landscape. What are you seeing? How reasonable are the valuations? Any areas of interest that we should kind of keep an eye on as we look to sort of track your movements there?

John McKenzie

Yeah. I mean, the areas to keep an eye on are always driven by our strategy. So the areas that we've continued to focus on, on deepening out our capability around data, around indices, around solutioning for companies, around building out more features around our Trayport platform to globalize those platforms, we continue to see opportunities in that space.

But regardless of our leverage position, you should expect us to remain disciplined in terms of we will execute things when they are strategic, we have the ability to accelerate them, and there's a value proposition that makes sense for shareholders.

I'd say that what we are seeing globally is that there is transactions to do, and there has been a, for lack of a better word, a pullback from some of the real premium values that we were seeing in the market a couple years ago, things—the 20 and 30 times revenue that didn't make any sense. I think that expectation's come off and, certainly, that we're in a marketplace that's got a lot more uncertainty in it. It makes it more challenging for people to command those premium valuations.

But I do want to recognize one thing, and I am sensitive to, there is a short-term challenge around currency. It makes it a bit more difficult to do things in foreign currencies with Canadian dollars, so we'll have to be thoughtful about ensuring, again, that investor value proposition makes sense when we're making those kind of transactions.

So I'd say that nothing changes. What you've seen from us in the past couple years in terms of the type of ambition we've got, the types of things we're looking at, the strategic fit to them are all continuing, and we've got full support from our board to keep doing it.

Aravinda Galappatthige

Thank you.

Operator

Thank you. And we do have a follow-up question coming from the line of Graham Ryding with TD Securities. Please go ahead.

Graham Ryding

Hi. Just on the clearing revenue from CDS, I think it was up 6 percent quarter over quarter, 5 percent year over year. What are the pieces driving that? Is that largely just equity fixed income volume growth? Or are you seeing any contributions there from some of the new initiatives that you flagged at the investor day?

John McKenzie

Yeah. I mean, it's primarily volume-driven. Those new initiatives that are in market, with the ability for them to really start to take off, comes once we launch the modernization program, because that's actually got a lot of the capabilities to really facilitate them. So you'll start to see more of that contribution from the new products once we go live with PTM which, again, we continue to target around the end of this quarter.

Graham Ryding

Understood. Okay. That's it for me. Thank you.

Operator

Great. Thank you. And I'm showing no further questions at this time. I would like to turn it back to Amin Mousavian for closing remarks.

Amin Mousavian

Thank you, everyone, for joining our call today. If you have any further questions, contact information for Investor Relations, as well as media, is in our press release, and we'll be more than happy to get back to you. Until next time, goodbye.

Operator

Thank you, presenters. And, ladies and gentlemen, this concludes today's conference call. Thank you all for participating. You may now disconnect. Have a great day, everyone.