TMX Group Limited

Q2 2025 Financial Results Conference Call

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TMX Group Participants
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David Arnold Chief Financial Officer
Amin Mousavian VP, Investor Relations, Treasury, and Interim Chief Risk Officer

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Jason (Operator):
Welcome to the TMX Group Limited Second Quarter 2025 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 Amin Mousavian, Vice President of Investor Relations and Treasury, and Interim Chief Risk Officer. Please go ahead, Mr. Mousavian.

Amin Mousavian:
Thank you Jason, and good morning everyone. Thanks for joining us today to discuss the 2025 second quarter results for TMX Group.

We announced our results for an outstanding quarter highlighted by another record revenue performance. 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 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.

Now I'll turn the call over to John.

John McKenzie:
Good morning, and thanks, Amin. Good morning everyone and thanks for joining us on our call today, particularly for joining us on what is a long weekend Friday here in Ontario and what is shaping up to be a very beautiful day and a beautiful weekend, so we hope for the best of the long weekend to you and yours.

Now, as Amin mentioned, last night we announced results for the second quarter and the first half of the year, and again, these were truly outstanding results. With strong year-over-year growth in revenue and adjusted earnings per share—and David is going to take you through

those record Q2 details in a moment just after I talk to some of the over finer points on execution.

While we are immensely proud of the team's performance and accomplishments, our focus as always really continues to be on the future – to be better equipped than ever before and to build on our successes. So my comment this morning will touch on some of the key highlights from across the first half of 2025 and the important strategic steps that we continue to take across the enterprise to address the now and the next needs of our clients and accelerate our growth going forward.

Now as steadiness in our macroeconomic environment remains at near-term reality due to the ongoing global trade conflicts, and navigating uncertainty continues to be a constant and scrolling headline as it surely will be today, but navigation is a critical function of a vibrant capital markets ecosystem. Capital markets are a vital and fundamental component of the global financial ecosystem. They are platforms for companies and venues for investors to pursue capital deployment and growth strategies, capitalize on emerging opportunities, and mitigate risk. And thus far into 2025, our markets stand tall. And as we live our corporate purpose to make markets better and empower bold ideals, and over time, we've evolved beyond the traditional role of a market operator into an active agent and an enabler of success. We're committed to continuing to raise the level of our game to better serve the needs of our growing client base, to be the TMX that they need us to be – innovative and adaptive, responsive and resilient. And you do see that in our results.

Looking at the first half of this year, overall revenue increased 18% when compared to the first six months of 2024. This revenue growth reflected increases from across the enterprise, highlighted by Derivatives and Equity Trading and Clearing, driven by higher activity as investors reacted to trade war headlines, as well as double-digit growth in the Global Insights revenue.

Now, a consistent theme through the first half of the year is strength and diversity with strong performances from established business areas as well as areas of expansion and new geographies across both transaction and subscription-based revenue streams and a wide spectrum of client offerings.

Organic revenue, excluding TMX VettaFi acquisitions such as index research, bond indices and ETF Stream, and Newsfile increased 16% and adjusted diluted earnings per share increased 23% from the first half of 2024. Overall, operating expenses for the first six months increased year-over-year as well, and this is largely due to the inclusion of expenses related to those recent acquisitions and strategic realignment costs, and David will take you through that expense piece in more detail in a few minutes.

I'd like to move on to some of the business area highlights. Trading activity on core domestic markets remained strong throughout the first six months. Revenue from Derivatives Trading

and Clearing when excluding BOX increased 35% year-over-year, driven by a 28% increase in MX volumes. Strong volumes featured growth across equity and interest rate derivatives, ETF options and Government of Canada bond futures. Last month, we announced a new Canada Bank Credit Index Future product. This is the very first of its kind in Canada, and it's set for launch early next year. Paced by rapid technology and a lot of electronification, credit markets continue to rapidly evolve, creating demand for these types of credit futures products. It's based on the FTSE Canada Bank Credit Spread Index, the BCS contract will augment our current suite of yield curve futures, enabling firms to better manage their credit exposure through a listed product.

Now, revenue from Equities and Fixed Income Trading and Clearing increased 12% from the first six months of 2024, driven by higher yields on premium products and higher volumes due to volatility and tariff uncertainty. And on a combined basis, TSX, TSX Venture and Alpha volumes increased 16% year-over-year.

Our newest venue, AlphaX US, continues to generate excitement as well. Since its launch in January, the industry response to our U.S. equity trading venue has been tremendous with month-over-month increases in activity and market share and new participant sign-ons all continuing to exceed our expectations. From Q1 to Q2, average daily volume grew more than 300% and market share has tripled.

Now, I'd like to turn to Global Insights, the fastest growing segment of our enterprise and a key component of TMX's long-term strategy. First half revenue increased 15% when compared to 2024, led by double-digit increases from TMX Trayport and TMX VettaFi. TMX Trayport revenue grew 23% year-over-year or 15% in Pound Sterling, primarily due to an increase in licensees. Trayport's performance in the first six months of the year – and really since our acquisition in 2017 – demonstrates the immense power of the core Joule network and the value of executing a consistent strategy to aggregate and innovate for clients. Joule's dynamic capabilities are tailored to serve the customized needs of a broad scope of client profiles across global energy markets, an ecosystem that includes over 370 trading firms and 10,000 licensees with more than 28,000 total connections. As we move forward, the team is focused on opportunities to expand that network into new assets and geographies and investing in core technology to support accelerated growth.

Revenue from TMX VettaFi increased 19% compared to the first six months of last year or 15% in US dollars. Higher overall revenue was driven by increased index revenue as a result of organic growth in assets under management and higher analytics revenue, as well as from recent acquisitions. TMX VettaFi reached a new record high of US$65 billion in assets under management. And in June, TMX VettaFi took another important strategic step forward with the acquisition of ETF Stream, designed to build on our digital analytics capabilities in the U.K. and Europe. Along with regional expansion plans, TMX VettaFi continues to pursue opportunities to expand into new asset classes to meet the needs of modern investment portfolios, looking

beyond equities and fixed income into potential opportunities in derivatives, crypto, private equity and credit.

And now, Capital Formation. First half revenue increased 4% when compared to 2024 due to the inclusion of revenue from Newsfile and from higher revenue from additional listing fees.

Our public market ecosystem remained strong throughout the first half of the year despite the weight of the trade war and the tariff-driven uncertainty on capital-raising conditions. And while the global IPO slowdown has had a negative impact, IPOs do not tell the entire story in terms of representing activity levels or reading the temperature gauge of our public market ecosystem.

In 2025, as they have from time and again throughout Canada's history, the markets are proving resilient. In fact, overall corporate market capitalization on TSX and TSX Venture reached new all-time highs. On a combined basis, TSX and TSX Venture added 35 new corporate listings in the first six months, including 24 mining companies. Public companies continue to grow beyond initial transactions through financing and M&A, competing for capital and valuations in an increasing global market. A great example of this is TSX-listed Keyera, who announced a $5.15 billion acquisition in June, which included a $2 billion equity offering. And we measure up very well against our global exchange peers. Through June 30, our market is ranked second in the world in a number of new listings according to the WFE, up from fifth last year and seventh in equity capital raised, up from ninth in the first half of 2024.

Then just last week, GO Residential Real Estate Investment Trust began trading on the TSX, the first large corporate IPO since Groupe Dynamite last year.

On June 4, Axle Copper completed an IPO on TSX Venture, the first listing from our TSX Venture Passport program, designed to create a more efficient pathway for entrepreneurs to go public by fast-tracking the listing of applicants who meet specific criteria.

In addition, Canada's ETF industry continues to flourish, reaching a new record high in assets under management in the quarter, and we are on an unprecedented pace in terms of new ETFs choosing to list on our market. In Q2, a record 71 ETFs listed on the TSX, bringing the first half total to 123, which is just shy of the all-time record – not for six months but for the entire year of 2024.

In closing, I'd like to thank our employees around the world for their always-on commitment to our client successes and for bringing our purpose to the job every single day. Making markets better and empowering bold ideas is not a corporate slogan; it's our unifying objective that pulls the teams from across the enterprise and around the world together. Serving our markets with excellence is our shared responsibility and it is a great, great source of our pride.

With that, I'll pass the call over to David. Thanks, David.

David Arnold:
Thank you, John, and good morning everyone.

I'm very pleased to report that for the fourth consecutive quarter, TMX Group has delivered strong performance across the enterprise with continued double-digit increases in both reported and organic revenue in the second quarter.

We achieved record revenue of $421.7 million, representing a robust 15% increase year-over-year. This growth was driven by strong performance across multiple business segments, including a 33% growth in Derivatives Trading and Clearing revenue, a 26% increase in TMX Trayport, 18% revenue increase in Equities and Fixed Income Trading, and continued strong momentum in TMX VettaFi with a 17% revenue growth.

We reported a decrease of 28% in our diluted earnings per share as a result of a net foreign exchange accounting noncash mark on our US dollar-denominated intercompany loans related to our VettaFi acquisition in 2024, which led to increased net financing costs of $45.9 million in the second quarter of 2025. Looking through that, our adjusted diluted earnings per share grew 21% on the heels of a 17% increase in our income from operations compared with Q2 of last year.

Turning now to our businesses, beginning with the segments that saw the largest year-over-year increases, revenue in our Derivatives Trading and Clearing business excluding BOX was up 29% from Q2 of 2024, including a 34% growth in Montreal Exchange trading and a 21% growth in CDCC revenue, primarily driven by continued strength in derivatives trading volumes which increased 17% from Q2 of last year. We benefited from a higher rate per contract this quarter relating to the sunset of the CoRRA market-making program, as well as the fact that the final incentives on the 5-year Government of Canada Bond Futures Market-Making Program were paid back in Q2 of 2024.

Our derivatives business has shown particular strength in the first six months of 2025 with open interest in June up 60% compared to the same period last year. Revenue from BOX increased 38% this quarter, driven by stronger volumes which was up 30% from Q2 of last year, and higher rate per contract reflecting a favourable product mix.

Revenue from our Global Insights segment grew by 16% this quarter, reflecting double-digit increases in both TMX Trayport and TMX VettaFi, and a 4% growth in TMX Datalinx, including co-location.

Revenue from Trayport was up 26% in Canadian dollars or 17% in Pound Sterling this quarter, primarily driven by a 10% increase in total licencees which represents the count of unique chargeable licencees of core TMX Trayport products across our customer segments, including traders, brokers and exchanges.

The revenue increase in Q2 also reflected our annual price adjustments, incremental revenue from data analytics and other trader products and favourable FX impact of $4.9 million compared to last year. TMX Trayport ended the quarter with annual recurring revenue of CA$272.7 million or £146.5 million, representing the average recurring revenue for the quarter on an annualized basis.
Revenue from TMX VettaFi grew 17% in Canadian dollars and 17% in US dollars this quarter. This growth included $2.7 million of revenue from recent acquisitions, namely index research, bond indices and ETF Stream. Revenue excluding these acquisitions increased 9% in the second quarter, reflecting organic growth in assets under management, higher analytics revenue and higher revenue from digital distribution. As John mentioned, TMX VettaFi's assets under management continue to show robust growth ending the second quarter at over US$65 billion.

In our Equities and Fixed Income Trading and Clearing segment, revenue was up 18% in the quarter, driven by growth in trading, while revenue in our Clearing business was relatively flat from Q2 of last year.

The increase in Equities and Fixed Income Trading, Fixed Income Trading reflected 14% higher volumes in our equity marketplaces including 17% on TSX, 5% on TSX Venture Exchange and 19% on Alpha Exchange. Our combined Equities trading market share for TSX and TSXV listed issues was approximately 62% this quarter, unchanged from Q1 of 2025 and down marginally from Q2 of 2024.

On the Fixed Income trading side, revenue increased versus Q2 a year ago, primarily reflecting increased activity in Government of Canada bonds driven by increased volatility on the heels of various tariff announcements.

Turning to our Capital Formation business, revenue remained relatively unchanged from Q2 of last year. Additional listing fees grew 7% year-over-year due to higher average fees on both TSX and TSXV partially offset by a decrease in the number of transactions billed on TSX for secondary financing activities. Sustaining listing fees and initial listing fees also grew compared to last year due to increased activity on TSXV, higher revenue from ETFs, as well as pricing changes. These increases in listing fees were fully offset by a 6% decrease in revenue from TMX Corporate Solutions, reflecting lower net interest income due to both lower yield and balances, partially offset by $3.9 million from the inclusion of TMX Newsfile revenue.

Now building on John's comments, the Canadian public markets have demonstrated notable strength and resilience. We are well positioned to build upon the momentum from our record market capitalization and the robust activity within the ETF industry.

Taking a closer look at our expenses, on a reported basis, operating costs in the second quarter increased by 13% in Q2. The 13% increase in reported expenses include the following items:

First, we incurred $8.9 million of additional expenses related to new acquisitions, namely $4 million in operating expenses relating to TMX Newsfile, index research and bond indices; $3.9 million accrual for deferred and contingent payments relating to TMX Newsfile and index research; and $1 million for higher amortization related to acquired intangibles.

Second, we incurred $7.4 million related to strategic realignment expenses in Q2 this year, and partially offsetting these increases were approximately $3.2 million of lower acquisition and integration costs when compared to Q2 of last year.

Now, excluding these items, our operating expenses increased by approximately 6% on a comparable basis, largely due to four drivers: first, 2% or $4.9 million of higher costs related to merit increases and performance incentive plan costs, mainly driven by share price appreciation; second, 2% or $3.3 million of additional expenses related to the launch of our post trade system, namely $1.7 million of higher amortization and $1.6 million of higher costs during the transition period related to lower labour capitalization in hypercare, which is expected to conclude in Q3 of 2025; third, 1% attributable to the FX impact of a stronger US dollar and Pound Sterling versus Q2 of last year; and fourth and finally, a 1% increase in IT operating costs, reflecting higher licencing and subscription fees in the second quarter compared to last year.

What's most important to note is we delivered mid single-digit positive operating leverage in the second quarter, driven by a robust 13% organic revenue growth, outpacing the 6% increase in comparable operating expenses.

Turning now to our sequential results, we maintained our strong momentum from Q1 into the second quarter of 2025. Total revenue reached a new record of $421.7 million, with revenue up $2.6 million or 1% from Q1, reflecting revenue growth from Capital Formation on the heels of higher additional listing fees and the seasonality of TSX Trust revenue related to AGMs in the second quarter. This increase was partially offset by lower revenue from Derivatives Trading and Clearing driven by lower trading volumes in Q2 compared with the record volumes in Q1, and unfavourable FX impact driven by the weaker US dollar relative to the Canadian dollar, as well as lower seasonal revenue from our Global Insights segment driven by TMX VettaFi's annual exchange conference that occurs once a year in Q1 each year.

Now, turning to our sequential expense analysis, operating expenses in Q2 decreased $8.1 million or 3% on a reported basis from Q1, primarily reflecting $7.7 million of lower costs related to TMX VettaFi's annual exchange conference, lower employee performance incentive plan costs, and lower payroll taxes. These sequential decreases in operating expenses were partially offset by $2.8 million in increased strategic realignment expenses in the second

quarter, $0.5 million of higher acquisition and related costs, and finally, $0.4 million higher accrual for deferred and contingent payments related to index research.

Now on the balance sheet front, our debt to Adjusted EBITDA ratio at June 30 was 2.4 times, down approximately 1.2 turns compared to 18 months ago following the acquisition of VettaFi, and we are now within our target leverage range of 1.5 to 2.5 times. We continue to maintain a disciplined approach to capital deployment. The acquisitions of ETF Stream and bond indices, which closed earlier this year, were completed using existing cash, maintaining our conservative approach to leverage. These strategic investments expand our global footprint and asset classes while preserving our strong balance sheet position.

As of June 30, we also held over $465 million in cash and marketable securities, which is $222 million in excess of the approximately $243 million we target to retain for regulatory purposes. Net of excess cash, our leverage ratio was at 2.1 times.

In closing, I'm pleased to announce that last night our Board of Directors approved a 10% increase to our quarterly dividend to $0.22 per common share, payable on August 29 to shareholders of record as of August 15. This represents a dividend payout ratio of 42% in the second quarter, and our last 12 months payout ratio was 43%, which is within our target payout range of 40% to 50%.

Our capital allocation strategy remains focused on three key priorities: investing in organic growth initiatives; pursuing acquisitions that accelerate our global strategy; and returning capital to shareholders. The strength of our balance sheet and strong free cash flow generation positions us well to continue executing on these priorities while maintaining the financial flexibility to respond to market opportunities as they arise.

With that, I'll now turn the call back to Amin to moderate the Q&A period.

Amin Mousavian:
Thank you, David. Jason, would you please outline the process for the Q&A session?

Jason (Operator):
Thank you. We will now begin the analyst question-and-answer session. To join the question queue you may press star, then one on your telephone keypad. You will hear a tone to acknowledge your request. If you are using a speaker phone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. In the interest of time, please limit yourself to one question and one follow-up. If you have any further questions, you may re-enter the queue.

Our first question comes from Benjamin Budish from Barclays. Please go ahead.

Chris O'Brien:
Hi. This is Chris O'Brien on for Ben. I wanted to touch on post trade a little bit. You talked about, back at the Investor Day how this could be a growth driver for the business with opportunities in CCMS and SGC. Now that the post-trade modernization project launched in April, can you give us an update on how you're thinking about potential revenue opportunities in these buckets?

John McKenzie:
Good morning. Happy to. First of all, I do want to indicate that while we are launched on post trade modernization and the new system is in place, and we are actually in the process of decommissioning the old system, as David mentioned, we are still in a period which we call hypercare. By hypercare, I mean that a lot of all kind of all-hands-on-deck are ensuring that everything is executing as it should be. and we are dealing with any of those normal bug fixes and challenges that the industry is facing as we've gone live and making sure we all bring those to fruition and get them all resolved and remedied as fast as possible. As such, I just put that important context because it does impact the timing of the other pieces we're talking about.

We've got some really core revenue growth initiatives that are associated with post trade, both in CDC, the derivative side, and CDS, the equity and fixed income side. So the SGC, secured general collateral notes, that product is already created. It has already been soft launched and the CCMS, Canadian Collateral Management System, also soft launched already. Both those are ones that we expect to start expanding rapidly, but we're still working through a phase with the industry that the ability to do incremental testing, getting signed up to it, that is hard to do while we're still doing kind of the runoff of the go-live of PTM. I'm not putting any cold water on that; we are really excited about those pieces. But really, we should start to see the expectation that we're going to generate revenue more later in the back half of the year as we work through this transition of PTM being not just go-live, but a regular everyday system that's utilized by anyone and we're out of this hypercare phase and people can test against the new products and really deploy capital against them.

So, we're exactly where we want to be in terms of those products being in the market. Given that it took a little longer to get to market on PTM, we're a bit behind where we would have liked to be in terms of generating new revenue on those, but we do expect them in the back half of the year.

Chris O'Brien:
Great. That's really helpful. Just real quick, if I could sneak one in on the US ATS AlphaX? It sounds like you've had some really strong progress and solid feedback. So just kind of thinking over the long term as this matures, how much share do you think you can take here and how do you think about porting this tech back to the Canadian market?

John McKenzie:
Yes. Those are both great questions.

The model that we are running right now, it's really designed to support institutional higher order complex executions, so we're not going after the broad market with it. Markets of the size be more like 1% to a couple of percent of market share in terms of what they're targeted for - the functionality we have today. I want to be very specific in that point because what we are doing there is we're actually proving out our capabilities in the U.S. And in addition to the volume components that I talked about earlier on, what we're also seeing is second legs of clients engaging and coming on to the system. So we had an initial set in the first go. We've had more clients come on as they've seen the initial success and demonstrated the ability to actually solve problems for them. So that client engagement, the volume build, all exceeded the expectations that I mentioned.

Having success in that platform gives us the ability to do two different things. One, as you mentioned, I'll get to on the technology in a second—but the first piece is a successful deployment gives us the ability to build other things on that platform as well. And the team is already thinking about kind of what is next. There's a lot of engagement we've had within clients in terms of incremental functionality that they'd like to see that would allow us to grow even larger, other potential product areas that they're looking for. So that is still an exploration side with the client side as to where to go next on success of the initial platform. And remembering that like we've only been going for six months so at this point we are still in that build phase.

Now, your second piece around technology is really important because this was a test bed for a new platform with us. For those that don't know, what we've actually done is we've taken a lot of the expertise in DNA from two of our different platforms – our SOLA derivatives platform, our Quantum XA equity platform, a lot of the functionality from that. We built it into a common system on new architecture, deployed it through a cloud-based delivery program, and it is the DNA of where we see our long-term road map for the rest of our marketplaces. So we are already working to that long-term plan in terms of how we continue to roll all the other marketplaces we have onto this next-generation architecture which, quite candidly, it will be faster, it will have higher throughput, and it will allow a different speed of execution than what we have today, and allow TMX to continue to be very competitive in the industry.

So, you've got it exactly right. That is our blueprint for the long-term road map.

Chris O'Brien:
Great. Thank you so much.

Jason (Operator):
Our next question comes from Aravinda Galappatthige from Canaccord Genuity. Please go ahead.

Aravinda Galappatthige:
Good morning. Thanks for taking my questions. Maybe I'll just start with a question on Trayport. Seeing an acceleration there even in GBP terms with respect to your growth there, I know you've been discussing sort of some of the international drivers there which have been sort of incrementally contributing to growth. I thought I'd ask whether maybe perhaps an update on that—did that contribute to perhaps the sequential strengthening there, where some of those projects stand as of today in terms of their progress?

Then a quick follow-up on the OpEx side. Obviously, a lot of moving pieces there. Just to help us with the second half, as some of the acquisitions, the impact of the acquisitions taper off and there's obviously going to be some movement on the strategic realignment costs, perhaps David can kind of help us out on some of the moving pieces for Q3 and Q4. Thank you.

David Arnold:
Thanks, Aravinda. Good morning. I'll try and do both of them, and John can jump in if we need him on the Trayport question.

The short answer is, look, the global expansion and asset class expansion for Trayport continues, but those weren't the primary drivers for what you saw in the strength in the second quarter, right? Those are all relatively small still and very much in various phases of incubation. Obviously, the most prominent is what we'll be doing in North America, and we've often given you indication as to what that's doing, kind of in that $6 million to $7 million kind of range on an annual basis. That continues to grow and grow nicely, but that wasn't the driver. What really happened here is we had two drivers. We had eight new logos that joined the core Trayport platform, primarily in Continental Europe. And then what we also had is—which is really the biggest driver—is a number of our site licences that fell due in the second quarter were renewed and they did so by taking more licences. Those were really the core drivers for the outperformance in Trayport.

Turning to expenses, I would say really a good jumping off point, Aravinda, is the clean look-through of what I would call the Q2 kind of run rate. Then obviously, there will be some puts and takes as you go into the second half of the year. A little bit of it is based on seasonality. A little bit of it is based on things that you would have seen in prior quarters. For example, as you hit the fourth quarter, you tend to have a rundown on what we'd refer to as kind of the payroll tax kind of component, whereas in Q1 it's typically a much higher number. But I think the best thing for you to do is look through the kind of Q2 number as a core number and then kind of run rate off of that.

Aravinda Galappatthige:
Thank you. I'll pass the line.

Jason (Operator):
Our next question comes from Étienne Ricard from BMO Capital Markets. Please go ahead.

Étienne Ricard:
Thank you and good morning. I want to circle back on the upcoming launch of the credit index futures. Can you give us some context as to what demand this new product is filling and, over time, what upside to derivative volumes could we see?

John McKenzie:
Yes. It's always hard to give the upside in terms of volumes because it will actually be a question of the usage, but the demand comes from direct client engagement on this. Very much like the clients that are using our yield curve products, this has been in consultation with them as to where they've got gaps in terms of their ability to both take exposure and create hedges in the marketplace and risk manage. And as you can imagine, one of the pieces that volatility in the markets drive, particularly around rates and credit, is demand for more hedge and risk management tools. So it's directly driven by the client engagement. We do regular engagement in terms of what their needs are.

There are other products that are in the pipeline as well that we are thinking about those coming from that feedback, but this is a key one and we were able to build it off of an existing benchmark that's used for over-the-counter trading today.

That's the key on a lot of these things is we actually look for things where there is a need that's being currently delivered through the over-the-counter market, that there is volume there, and that by providing an on-exchange product, we can create a better experience with better offsets and interoperability. So that is what we're trying to do, but it would be too premature to actually say what the volume potential is of it yet until we see some actual experience in the market.

Étienne Ricard:
Okay. Understood. John, in Capital Formation, what are you hearing from potential new issuers? Are companies gaining increasing confidence to go public relative to let's say a year ago?

John McKenzie:
I wish that was a data set that we actually had in our suite that we could deploy as well—I'll call it the issuer confidence data index. We are having more conversations. It's been a positive. As you may have noted in my notes, we actually saw multiple corporate new listings, both in terms of corporate listings that come through some of the vehicles we have like CPCs and RTOs, graduates from Venture to senior, but actual real IPOs as well in terms of IPOs that we've had on the Venture Exchange, the new IPO of the Go Residential REIT on the senior exchange. Those are all positive indicators. I think if you look to the U.S. market, which is often the leader here, they are seeing more activity. You're hearing that from the exchanges there as well, that

they're seeing not just activity but pieces in the pipeline as well. And our pipeline has continued to be robust all through this. So there is good signs of confidence. I mean, I always get a little nervous with news like we have today around tariffs that disrupts confidence somewhat, but we are seeing good signs.

The other piece, to be candid though, that is a really strong indicator is the financing activity outside of IPOs, so the activity that's being done by already-existing issuers and tapping the equity capital market to finance it. We talked about one earlier on in terms of an acquisition, IT-Finance. Definity is another one that tapped the market to finance their expansion, which was another bold investment. Those capital market engagements, those equity financings have been well received. So again, it shows the strength of the equity market to finance things. That should give more confidence for folks that are considering public offerings.

That's what we like to see. We like to see financing up in both terms of dollars, financing up in terms of numbers as a positive indicator going forward.

Étienne Ricard:
Thank you very much.

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

Stephen Boland:
Morning, guys. I know you've made some strategic changes in management in VettaFi. I'm wondering now that that person is in place, what is the next step for, I guess, VettaFi within Global Insights?

John McKenzie:
I think you're referring to the move we made with Peter taking on the leadership of all Global Insights.

Stephen Boland:
Yes.

John McKenzie:
Peter, who had been leading Trayport beforehand, now putting all of Global Insights under his leadership. There's a number of pieces to what we're trying to do there and what Peter is trying to do with the team. It's really about taking all these really strong insight businesses like Trayport, like Data and VettaFi and moving them up another level in terms of the way that we engage with clients, the way that we engage with product opportunities that cross the different business lines, and the range we can gauge from both a cross-selling and promoting these businesses. So we're taking a lot of the successes that we had in terms of the execution of Trayport, taking more of an enterprise mindset in terms of how we engage with clients, in

terms of longer-term relationships, in terms of the value we provide and bringing some of that same kind of DNA culture to the rest of the Insights franchise.

I want to be fair to Peter, that it's early days in terms of taking on that new mandate. There will be work for them all collectively to do in terms of how we move up. But we're already having those really good conversations across the franchise as to how we use capabilities that may be in one of those businesses for customer challenges in other businesses.

I'm going to give you just a couple of really simple highlights. We have a trade signalling and data product that's in Trayport. We are looking at how we actually port that over into things like equity and fixed income. We've got data sets around fixed income data sets. We're looking to see how do we infuse those into our index operations. That's what we're trying to create, is that enterprise mindset around Global Insights, both how we think across TMX's enterprise, but also how we think about the client's enterprise engagement and how we can do more to help them in terms of solutioning what they're trying to do.

That's the vision and I really think we are just very much in the early days, and there is a lot of wood for us to chop here in terms of taking advantage of all the things we've put together here.

Stephen Boland:
Okay. I appreciate that. Second, I know you get asked this pretty much every quarter just your capital allocation priorities. The leverage is in your targeted range, you do have a debenture that's current coming due in a year. I'm just wondering what are your thoughts on capital allocation are.

David Arnold:
Yes, Stephen, it's very consistent with my remarks earlier, right? Yes, you're right, we do have a debenture coming due in 2026, which is why it's now moved into current, and we obviously will repay that on the scheduled date. But really, the focus for us is invest in the organic growth of the franchise, first and foremost. We're not a super capital-intensive organization so that's a smallish amount, but it is the most important first avenue for deploying capital. .

The second then is really opportunities for us to accelerate our strategy, right? That could be partnering. It could be co-investing and it also could be through a complete acquisition, as you've seen with some of the smaller tuck-ins, many of which are adding to either asset classes or becoming core product lines in parts of the business, right? What we've been doing in Corporate Solutions, what we've been doing in TMX VettaFi and so forth. So it gives you a good indication as to kind of the priority.

Then finally, it's returning to capital to our shareholders. What we have effectively done is we've primarily done that over the last 18 months through dividends, right, and share price appreciation, if you will. But really, we used to have a normal course issue bid, right? A share

buyback program, primarily to mitigate the kind of offset of the dilution of the exercising of options and so forth. Now that we're within our range, me and the team are looking at kind of proposing that we kind of renew that. It's a good thing to have in your capital deployment strategy. So I'd look for something along those lines kind of as we go into 2026.

But that kind of gives you the full stack, Stephen, as to kind of how we run it from top to bottom: invest organically, accelerate the strategy through potentially M&A partnerships and co-investment, and then finally, returning capital to shareholders.

Stephen Boland:
That's great. Appreciate that. Thanks.

Jason (Operator):
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. So, the SEC, they've been looking at this order protection rule recently just, I guess, they're considering introducing tokenized equity securities. Maybe just some thoughts on the direction they're moving here and on the potential implications broadly for this, sort of the equity trading landscape?

John McKenzie:
I'm actually really glad they're looking at this. I actually wouldn't characterize it as they're looking to introduce it. They're actually looking at how do they actually do the right market structure so you can have open market for innovation with appropriate protections for investors.

Like you raised, like the tokenization of the existing equities is actually quite a challenge because it's putting people in a position where there is adverse investor impacts because there is actually no underlying. So these are the things that they're looking at. They're looking to a broad consultation in terms of how to improve the market structure. And included in that broad consultation is actually even us engaging with the U.S. and understanding how has the Canadian market differed in terms of the order projection regime in terms of what's that done to actually foster a competitive market structure.

So we're actually engaging on that to provide some feedback and insight in terms of how the markets evolved here. But I wouldn't want to prejudice where I think they're going to go with this. I think you can take some notice that the administration there is supportive of open access market that stimulates innovation, but it doesn't mean they are taking their obligations around investor protection with our warrant.

So we'll see how that goes. It's going to take time. It is an open consultation piece and then any rule-making will take even longer, and we'll go through the appropriate review.

This is an area like a lot of things; I don't think there's anything for us to react to at this point, but be cautious of and actually make sure that, that experience that we all see in multiple marketplaces is part of that discussion process. We have actually as an organization increased what I'll call our investment in the relationship at the SEC, so we can actually get more engaged with these files because we are becoming a more growing player in the U.S. market. And the SEC has been open to meeting with us on these things.

Graham Ryding:
Okay. Great. Then David, just expense growth was good execution this quarter. I'm calculating a 55% EBITDA margin, which I think is up from sort of the 52% to 54% range the last few years. Maybe just some comments on whether this is repeatable. Is this sort of a level that you can sustain on an annual basis? Any commentary there?

David Arnold:
Yes. I think when you talk EBITDA margin, Graham, the wildcard there is really the revenue growth. As you know, a lot of our expense base is relatively fixed, and then obviously it's subject to inflationary pressures and so forth. So the strengthening of the EBITDA margin is for sure on the heels of—as John and I have covered in the formal remarks, I mean, really good track record in the last four quarters of some record revenue growth; this first half of the year, obviously significantly benefitting from some of the increased volume we're seeing on the Montreal Exchange.

So yes, long may this continue, but the wildcard is really the looking forward into the next 6 to 12 and 18 months in terms of what the revenue outlook looks like.

Once again, I'd just guide you then to our long-term objectives for our revenue growth which we still hold true to. So yes, this should continue.

Graham Ryding:
That’s it for me. Thank you.

Jason (Operator):
This concludes the question-and-answer session. I would now like to turn the conference back over to Mr. Mousavian for closing remarks.

Amin Mousavian:
Thank you, Jason. Thanks for joining us for today's call. I wish you all a happy and joyous summer for what's left of it, and have a great long weekend. With that, we will close the call. Thank you.