TMX Group Limited

Q3 2025 Financial Results Conference Call Transcript

Event Date/Time: October 28, 2025 — 8:00 a.m. E.T.

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

The information contained in this transcript is a textual representation of TMX Group's Q3 2025 Analyst Call, there may be material errors, omissions, or inaccuracies in the reporting of the substance of the webcast. TMX Group Limited does not assume any responsibility for any investment or other decisions made based upon the information provided in this transcript. Users are advised to review the webcast made available at investors.tmx.com, and TMX Group's regulatory filings, including the section entitled "Caution Regarding Forward-Looking Information" in our 2024 Annual MD&A, before making any investment or other decisions.

Operator:
Welcome to the TMX Group Limited Third Quarter 2025 Results Conference Call.

As a reminder, all participants are in a listen-only mode and the conference call is being recorded. Following the 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 Mr. Amin Mousavian, Vice President of Investor Relations and Treasurer and interim Chief Risk Officer. Please go ahead, Mr. Mousavian.

Amin Mousavian:
Merci Chuck. Bonjour à toutes et à tous. Good morning everyone. We join you from our Montreal office today to discuss the 2025 third quarter results for TMX Group.

We announced our results for another outstanding quarter and our fifth consecutive double-digit revenue growth, highlighting strong performance across all of our business units. 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 their 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 the 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 periodic reports that we have filed with the regulatory authorities.

Now I will turn the call over to John.

John McKenzie:
Thanks Amin and good morning, and bonjour toute le monde et merci de vous joindre à l'appel aujourd'hui. Good morning everyone and thank you for joining the call this morning, broadcasting to you live from our Montreal office on a beautiful morning here in la belle province.
Now as Amin mentioned, we announced third quarter results last night, and TMX delivered outstanding performance in the quarter highlighted by strong year-over-year growth in revenue, adjusted earnings

per share and operating leverage. As David will cover the quarter in more detail in a few minutes, I'm going to focus my remarks this morning to provide important context around how our year-to-date progress sets the stage for future success.

At last year's Investor Day, we unveiled an ambitious strategy we've being worked on for a number of years, called TM2X; and I say ambitious because what we needed to do was shift the organizational mindset to a growth mindset from incremental to transformational. It took the organization 14 years to get from a half a billion dollars in total revenue to a billion, but our aim was to double that pace to reach $2 billion in five to seven years, and we are well on the way. People across our enterprise have embraced this challenge and I'm happy to report that as we move along in the fourth quarter, we are delivering on the promise of bigger and faster and we are now five consecutive quarters of double-digit growth into the TM2X journey, well on our way.

Turning to our results for the first three quarters of 2025, our overall revenue increased 18% compared to 2024, reflecting gains across all business lines highlighted by double-digit growth from derivatives and clearing, equities trading and global insights. Our organic growth excluding acquisitions increased 16% and adjusted diluted earnings per share increased 25% from the first nine months of last year. Our results showcase the power of our unique diverse portfolio of interconnected gold businesses, as well as the resiliency of our market ecosystem.

And, 2025 success stories span the entire enterprise across established traditional business areas as well as new business areas and geographies. Our overall operating expenses for the first nine months increased as well year-over-year, reflecting expenses related to recent acquisitions and continued investments in organic growth, and David will walk through these expenses in more detail following my comments this morning.

Now, moving through some of our business area highlights. Trading activity on core domestic markets remained strong throughout the first nine months. Revenue from derivatives trading and clearing, excluding BOX, increased 32% year-over-year driven by strong trading activity across both equity and interest rate derivatives. The first nine months also featured continued upward momentum in our Government of Canada bond futures products, supported by a record open interest and increased client adoption. Macro environment and geopolitical factors drove record investor demand for derivative instruments. MX overall open interest reached an all-time high of 33 million contracts in September and finished the month 57% higher than at the same date last year.

On the equity trading side, increased activity due to market volatility, as well as higher yields on premium products drove revenue gains. Overall revenue from equities and fixed income trading and clearing increased 11% compared to the first nine months of 2024. On a combined basis, TSX, TSX Venture and Alpha volumes increased 22% year-over-year.

Now looking beyond Canada, building on our early success, AlphaX US, our new U.S. trading venue continued its impressive growth trajectory during Q3. Market share grew 30% and average daily volume increased more than 30% quarter-over-quarter; but what we were most encouraged about is the pace of industry adoption with approximately 30 participants now connected, representing a range of firms all connected to AlphaX US.

Turning now to global insights, this has been a key contributor to our tremendous year-over-year performance and a propulsive force in our strategic growth. Revenue during the first nine months increased 16% compared to 2024, led by double-digit increases from TMX Trayport and TMX VettaFi.

TMX Trayport revenue grew 21% year-over-year or 14% in pounds sterling, driven by a number of factors, primarily an increase in the number of licensees and increased adoption of analytics and other trader products. Trayport's forward strategy is focused on three primary client-centric components: strengthening the core jewel network by investing to improve speed, scalability and reliability while supporting enhanced capabilities in product innovation; number two, expanding into new asset classes and geographies; and three, adapting to address the evolving needs of energy trading clients with innovative data analytics tools.

Revenue from TMX VettaFi increased 24% compared to the first nine months of last year, or 20% in U.S. dollars due to higher indexing revenue driven by organic growth in assets under management and recent acquisitions. TMX VettaFi continues to execute against an opportunistic expansion strategy, moving to capitalize on specialized long term global trend, and so earlier this month we acquired three indices that track the nuclear energy sector crucial for AI infrastructure, from Range fund holdings and North Shore indices, including the Range Nuclear Renaissance Index. These latest acquisitions expand TMX VettaFi's industry-leading indexing platform to over 1,250 indices across a diverse group of major asset classes.

Moving now to the third key component of global insights, TMX Datalinx, we also made some news earlier this month. We acquired Verity, a leading buy-side investment research management system, data and analytics provider. The addition of Verity brings a dynamic new financial data and proprietary analytics and capabilities along with an expert group of professionals to our Datalinx team to enhance

the services we offer to more than 5,000 clients worldwide. I'd like to take this quick opportunity to welcome the Verity team into TMX.

Now turning to capital formation, the first nine months of revenue increased 8% when compared to 2024 due to higher revenue from additional listing fees and the inclusion of revenue from Newsfile. You'll recall at the beginning of the year, we separated the capital formation segment into two primary components: traditional capital formation, the role of our stock exchanges, TSX and TSX Venture play in helping listed companies raise growth capital; and TMX Corporate Solutions, and end-to-end set of services including TSX Trust and Newsfile, that serve the needs of public and private companies through all their capital raising activity and stages of evolution. We established then a long-term objective of generating over 50% of the revenue from capital formation from these corporate solutions.

But the story this third quarter is actually really about capital raising itself and the strength of our public market ecosystem. Combined, TSX and TSX Venture market capitalization reached a record high in the quarter, topping $6 trillion for the first time, highlighted by $1 trillion in the mining sector alone, also an all-time high. Most importantly, we are also seeing sustained positive momentum and activity at the crucial foundation of the ecosystem. Led by a surge in the mining sector, equity financing dollars raised by TSX Venture issuers increased 67% through the first nine months compared to that same period last year.

Over the past few quarters, we've talked about our efforts working closely with a well defined pipeline of private companies to prepare them to join our ecosystem. Earlier this month, we proudly welcomed Calgary-based Rockpoint Gas Storage to the Toronto Stock Exchange, the largest independent owner and operator of natural gas storage in North America. The company raised over $700 million during its IPO and we are hopeful that this is a signal to the community of issuer prospects and to the entire marketplace that the conditions for going public are ripe, and that we are on the cusp of a robust IPO season.

Growth momentum also continued through the third quarter in Canada's ETF industry. Through September 30, 200 new ETFs listed on the Toronto Stock Exchange this year, surpassing the full-year record set in 2024.

Now as I close, I'd really like to take a moment to thank our employees around the world for their continued and essential contributions to our success. TMX has an impressive track record of leadership and innovation, and we have a long, proud history. Last Friday marked TMX's. 173rd birthday and in two

weeks we will celebrate 23 years as a publicly traded company, and I believe in celebrating our milestones.

Those of you who have followed us through the years have seen the evolution from a regional exchange operator into a global competitive force. Now to be clear, I haven't been here for all 173 years, but it's been my absolute privilege to work here during the most transformative era, and I feel very strongly that we're on a course for an even brighter future. As we move forward towards the end of this year, we are equipped and emboldened to take TMX to new heights from promise to delivery, ambition to execution.

With that, let me turn the call over to David. Thank you.

David Arnold:
Merci John et bonjour de Montreal. Thank you John and good morning from Montreal.

I'm pleased to report that the TMX Group delivered outstanding financial results in the third quarter of 2025, reflecting the strong momentum across our franchise and the effectiveness of our strategic initiatives. We once again achieved double-digit increases in both reported and organic revenue in the third quarter.

Our Q3 revenue of $418.6 million equates to a robust 18% year-over-year growth. This exceptional performance was broad-based across all of our business segments, with particularly strong contributions from our derivatives trading and clearing, TMX VettaFi, TMX Trayport, TMX Datalinx, and equities and fixed income trading businesses. The strength in our revenue coupled with disciplined expense management led to strong income from operations and earnings per share this quarter. Diluted earnings per share increased 43% to $0.43, while our adjusted diluted EPS grew 27% to $0.52 driven by growth in our income from operations, which increased 23% compared with Q3 of last year.
Turning now to our businesses, beginning with the segments that saw the largest year-over-year increases, global insights revenue grew by 18% this quarter, reflecting double-digit increases across the three business segments—three businesses in the segment. Revenue from TMX VettaFi grew 35% in Canadian dollars and 32% in U.S. dollars this quarter. This growth included $4.6 million of revenue from recent acquisitions, namely index research, bonding indices, and ETF Stream. Revenue excluding these acquisitions increased 21% in the third quarter, reflecting strong organic growth in assets under management, higher analytics revenue, and higher revenue from digital distribution.

TMX VettaFi's assets under management continued to show robust growth with over US $71 billion at the end of September. Now as John mentioned, earlier this month TMX VettaFi continued to expand on

its indexing capabilities and product offerings through the acquisition of three nuclear sector indices. These thematic equity indices track nuclear energy and uranium miners, which is a rapidly expanding sector, especially as the world economy seeks to power generative AI and other energy consumption-driven technologies and services.

Revenue from Trayport was up 16% in Canadian dollars or 12% in pounds sterling this quarter, primarily driven by a 6% increase in total licensees, annual price adjustments, and incremental revenue from data analytics and other trader products compared with last year. TMX Trayport ended the quarter with average recurring revenue for the quarter on an annualized basis of CA $275.7 million or £148.6 million, which is up 18% and 13% respectively compared with the same period last year.

Revenue from TMX Datalinx grew 12% from Q3 of last year, reflecting growth in benchmarks and indices, data feeds and higher revenue in subscribers and usage related to prior period billing adjustments. There was also a favourable impact from pricing changes that came into effect earlier this year and an increase in analytics revenue coupled with the growth in collocation.

Revenue in our derivatives trading and clearing businesses, excluding BOX, was up 27% from Q3 of last year driven by a 31% growth in the Montreal exchange and a 20% growth in CDCC revenue on the heels of a 13% increase in volumes and a higher rate per contract this quarter, relating to the sunset of the CORRA market making program in Q2 of this year. Our derivatives business demonstrated sustained strong performance through the first nine months of 2025, and as John mentioned earlier, open interest in September is up 57%. Revenue from BOX increased 27% this quarter driven by a 27% growth in volumes compared with Q3 of last year.

Turning to our capital formation business, we saw encouraging trends in capital formation activity this quarter with revenue up 15% from Q3 of last year. Additional listing fees grew 42% year-over-year due to an increase in the number of transactions billed at the maximum fee on both TSX and TSX Venture Exchange, or TSX-V for short, and higher average fees for transactions below the maximum. Sustaining listing fees and initial listing fees also grew compared to last year, reflecting increased activity on both TSX and TSX-V, as well as higher revenue from ETFs.

TMX Corporate Solutions grew by 9% in Q3, reflecting $1.8 million increased revenue from TMS Newsfile, which was acquired in August last year, and a higher transfer agency set of fees from TSX Trust. The revenue increase in TMX Corporate Solutions was partially offset by lower net interest income revenue mainly due to lower yields compared with Q3 of last year.

In our equities and fixed income trading and clearing segment, revenue was up 10% in the quarter driven by growth in trading, while revenue in our clearing business was up 2% from Q3 of last year. The increase in equities and fixed income trading reflected 35% driven by higher volumes in our equity marketplaces, including 18% on TSX, 86% on TSX-V, and 40% on Alpha exchange and Dark combined. Our combined equities trading market share for TSX and TSX-V listed issues was approximately 61 this quarter, down approximately 3% from Q3 of last year.

On the fixed income trading side, revenue decreased versus Q3 a year ago, primarily reflecting lower activity in Government of Canada bonds this quarter compared with a very active Q3 last year, as well as lower credit and swap activity.

As John mentioned, I'd like to take a closer look at expenses, so let's take a closer look at our expenses on a reported basis. Operating costs in the quarter increased by 14% and included the following items: first, we incurred $7.4 million of higher dispute and litigation costs compared with Q3 of last year. These costs include a settlement provision and external advisory services related to these matters, which are not part of our ordinary course business and have been excluded from our adjusted EPS.

Second, we incurred $7.9 million of additional expenses related to new acquisitions. Excluding these items, our operating expenses increased by approximately 7% or $13.2 million on a comparable basis, largely due to three key drivers. First, over half of this increase, or $7 million is driven by higher headcount, payroll costs, and year-over-year merit increases. Second, approximately a quarter of this increase or $3 million relates to IT operating costs and reflects higher licensing and subscription fees, mainly related to supported our growth initiatives compared to last year. The remaining quarter of this increase relates to $2.5 million of higher amortization relating to the launch of our post trade system and $1.1 million representing higher costs related to AlphaX US, which was launched in January this year, partially offset by $0.4 million of other net cost decreases.

Let me be crystal clear - we delivered double-digit positive operating leverage in the third quarter driven by a robust 17% organic revenue growth, outpacing the 7% increase in comparable operating expenses, and our entire Management Team cannot be prouder of this excellent result.

Turning now to our sequential results. We maintained strong momentum from Q2 into the third quarter of 2025. Total revenue decreased by $3.1 million or 1% in Q3 from a record revenue quarter in Q2. The decrease reflected lower revenue from capital formation due to the seasonality of TMX Corporate Solutions revenue, primarily driven by TSX Trust revenue related to annual general meetings in the second quarter and lower fixed income trading revenue from decreased activity in Government of

Canada bonds. This decrease is partially offset by higher revenue from our global insights segment driven by TMX VettaFi AUM growth and higher revenue from derivatives trading and clearing driven by higher rate per contract, due to the sunset of the CORRA market making program in Q2 of this year.

Turning to our sequential expense analysis, operating expenses in Q3 decreased $2.8 million or 1% on a reported basis from Q2, primarily reflecting $1.6 million of lower employee performance incentive plan costs and recoverable expenses, and lower costs related to the now completed post trade modernization project. These sequential decreases in operating expenses were partially offset by $1.6 million of increased acquisition and related expenses in the second quarter and $1.3 million of higher operating expenses related to ETF Stream, which was acquired in June of this year.

Our balance sheet remains exceptionally strong, providing us with the financial flexibility to pursue strategic opportunities for growth to accelerate our strategy while maintaining our commitment to long term shareholder returns. Our debt to Adjusted EBITDA ratio at September 30 was 2.3 times, which is within our target leverage range of 1.5 to 2.5 times. We continue to maintain a disciplined approach to capital deployment, as evidenced by the recent acquisition of Verity for approximately US $98 million completed in early October, which was completed with existing cash and commercial paper. We continue to demonstrate our ability to execute strategic investments while maintaining financial discipline and prioritizing returns for our shareholders.
Turning now to our cash and marketable securities financial position, as of September 30, we held over $585 million in cash and marketable securities, which is $371 million in excess of the approximately $214 million we target to retain for regulatory purposes. Net of excess cash, our leverage ratio is 1.9 times at September 30 and 2.1 times following the acquisition of Verity.

Last night, our Board of Directors approved a quarterly dividend of $0.22 per common share payable on November 28 to shareholders of record as of November 14. This represents a dividend payout ratio of 42% for both the third quarter and the last 12 months, consistent with our target payout range of 40% to 50%. Our cash generation capabilities remain robust, supporting both our growth investments and our commitment to returning capital to shareholders. The strength of our financial position combined with our diverse revenue streams and strong market positions provide a solid foundation for continued growth and value creation.

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

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

Operator:
Yes. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. We also ask that you please limit yourself to two questions, and you may re-enter the question queue. To withdraw your question, please press star, then two.

Our first question will come from Ben Budish with Barclays. Please go ahead, sir.

Ben Budish:
Hi, good morning, and thank you for taking my questions.

Maybe just first on Trayport, just curious if you can unpack what's going on, maybe across the energy franchise. I think this was the first time in a while your revenues declined sequentially. There's been some headlines sort of indicating that energy trading is getting more difficult for some of the big trading firms. We generally see lower volatility in gas pricing and things like that, so just curious if there's any read through for some of those macro factors into what's going on at Trayport, and any other thoughts on the underlying health of the end clients?

David Arnold:
Hey Ben, it's David Arnold here. Appreciate the question.

Yes, so look, sequentially, revenue was slightly lower, but it was actually entirely driven by one-time revenue. We had about $1.4 million, you know, that there was delta between the delivery of client projects and other consulting work in Q2, so that didn't obviously recur in Q3, but the underlying recurring revenues are up about half a million pounds sterling, or 1.5% from Q2 to Q3.

So, Trayport obviously continues to still be a high growth business for us, Ben, and we continue to target that 10%-plus revenue CAGR over the long term, so as I did mention in my remarks, average recurring revenue was up 18% in CAD or 13% in pounds sterling. So really, if I just bring it all back full circle, Ben, it's really just because of some of the, as I said, client project consulting that was in Q2, that didn't recur in Q3.

Ben Budish:
All right, helpful.

Maybe one follow-up, David, on Verity. Is there anything you can share there in terms of the P&L impact we'll see starting in Q3, how you think about cross-sell opportunities across the existing Datalinx customer base? Any other details there, if you could share, would be helpful. Thank you.

David Arnold:
I appreciate it, Ben. What I'm actually going to do is I'm going to hand it over to John first, just to talk about some of the strategic rationale of the acquisition and a little bit about the business, and then I'll give you what I can regarding economics.

John McKenzie:
Thanks David, and thanks for the question, because we're actually very, very excited about bringing this business in and what it actually does for our product suite and for the client base.

I think you hit a bit in the question of the cross-sell opportunities. We see those as being substantial, both from a cross-sell opportunity but also from a product development opportunity. The Verity business line has got some really good enhanced data capabilities in terms of unique investor insight data - that's analytics and insights that's built from data. We're going to be able to apply that to underlying Canadian datasets as well, so we're going to be able to expand the reach of the product. To your point, the cross-selling opportunity is having the ability to then sell that Verity data and applications to a broader audience base that we have. I think I gave in the notes, we've got approximately 5,000 clients in Datalinx globally that are now an addressable market for that product set.

The other interesting piece on the Verity business that comes in is that it does have a research management platform, so an actual solution that sets on the research site for an asset manager. That's another way for us then to engage the asset managers in terms of larger share of wallet, because right now what we really provide is just raw data there, so it's a complementary service. You've got it exactly right - these are all cross-selling/up-selling opportunities, but really about providing a deeper solution set into the client, and that's why we're excited about what we can do with it.

Let me turn it back to David to talk a bit on the economics.

David Arnold:
Thanks John.

Yes Ben, what I can tell you is the annual revenue is probably comparable to our Datalinx collocation business contained within our global insights segment, so that's the first data point that I can share with

you. Then obviously the most important one really for us is, besides the strategic rationale that John outlined, is consistent with previous acquisitions, it's expected to be accretive to our adjusted EPS well within the first year. That should give you enough.

It's a significant investment strategically for the Datalinx business, but the grand scheme in terms of TMX overall results, it's not a material in-quarter movement in Adjusted EBITDA.

Ben Budish:
All very helpful, thank you both.

Operator:
Your next question will come from Étienne Ricard with BMO Capital Markets. Please go ahead.

Étienne Ricard:
Okay, thank you and good morning, team.

VettaFi continues to be quite active acquiring indices in specific sectors - I'm thinking energy infrastructure and nuclear, for example. My question is how does the team think about expanding in some of these specific sectors without having too much concentration risk, AUM-wise?

John McKenzie:
Yes, that's a great question because what we're actually doing is diversifying some of that concentration risk, as opposed to accumulating more. This sector, we talked about in the notes in terms of the nuclear sector - if you look at any of the long term independent analysis in terms of where energy demand is going to be supplied from in the future, this is a sector that's going to see a lot of investment, a lot of investor interest, so it was a natural piece for us to then expand into a few of their asset classes.

While it sounds like it's more energy sector, this is very independent from the components that we've got that are in the more AMLP-based indices, which are on more midstream pipeline infrastructure, so they're very unique and different in terms of the investor and the assets that they're servicing. But as you know, these are not the only transactions we've done this year. We've brought in the suite of fixed income indices earlier on this year; at the end of last year, we brought in the index research team to get access to a larger suite of European-based indices, which are up substantially now since that

acquisition as well. So, it is part of a core strategy of continuing to diversify the asset base that we can deliver through the index factory at VettaFi.

A bigger governor for us is actually just being pragmatic about how quickly we can integrate things really well, so that they're part of our ecosystem and deliver them for clients. I will tell you that we look at a lot of opportunities. We decline far more than we move forward with because we really want to make sure that they're going to create value for clients, we can integrate them well and deliver them on a scale basis in the platform. Those are key components that we're never going to step aside from when we're looking at these opportunities.

Étienne Ricard:
John, staying on VettaFi, we know that digital distribution and data is quite a meaningful revenue driver for this business. How do you think about growth for this line item through the market cycle; in other words, are asset managers willing to get more data when the industry is experiencing market appreciation and net flows?

John McKenzie:
Yes, I'm always very careful about separating line items here, because what we are trying to do is grow the franchise as a whole and, in some cases, using the different product lines to help create cross-sell opportunities. If we can use a digital distribution opportunity to help drive the acquisition of a new ETF client for long-term indices and growth through AUM, we're looking at that strategic packaging of opportunities as opposed to thinking about it being one line versus another line.

It's exactly why we did the ETF Stream investment in London that we did earlier this year. It was about having some of that same distribution capability in the European market, because it gives us that extra strategic and competitive advantage when we're talking to new ETF providers about the suite of offerings that we provide to them. In terms of how we manage the business, it isn't on a line-by-line (inaudible 0:31:50), it's on the overall basket and driving that double-digit growth rate across the whole firm.

Now, I'll just add in caveatly, when firms are doing well and they've got strong marketing budgets, that absolutely helps in terms of the tailwinds, in terms of those standalone product sales.

Étienne Ricard:
Thank you very much.

Operator:
Your next question will come from Aravinda Galappatthige with Canaccord Genuity. Please go ahead.

Aravinda Galappatthige:
Good morning. Thanks for taking my questions.

I wanted to start off with Datalinx - obviously you provided some detail around the growth there, it's picking up from a period of more flat growth. I wanted to understand what the bigger components were that drove that spike to 12% and just sort of assess the sustainability there. I'll start there.

David Arnold:
Hey Aravinda, it's David Arnold. Yes, as I mentioned in my formal remarks, there is obviously year-over-year pricing increases which we spoke about in prior quarters. There was also some billing true-ups for clients, but then also just robust growth in all pockets, so there isn't really one specific item I can point to, other than some billing true-ups.

Are we getting some feedback on the line? Could you hear me, Aravinda?

Aravinda Galappatthige:
I can hear you.

David Arnold:
Okay, good. Yes, so it was across the board, across multiple parts of the product line. The only item that I called out that was slightly different was some higher than normal billing true-ups, and obviously feeds volume is up too.

Aravinda Galappatthige:
Thanks very much.

Then for my second question, just going back to VettaFi, considering some of the changes we're seeing in technology, in particular the rapid growth in agentic AI and some of those platforms that are coming out, how do you see the future of VettaFi, and how can you insulate or future-proof VettaFi as you think about the next three to five years, ensuring that that growth can be sustained, perhaps any of the tailwinds or the headwinds or threats you can talk to there?

John McKenzie:

Yes, actually we think of it as an opportunity. When you think about the nature of the business, and this is a technology-first platform, it is one of the first platforms that's completely cloud delivered and 100% scalable in terms of how we deliver those solutions. We already have teams working on potential AI enhancements in terms of the ability to do that smarter, faster, and actually build additional scale. We are looking at those technologies and really see them as a way to actually do more and create more productivity out of the platform.

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

Operator:
Your next question will come from Stephen Boland with Raymond James. Please go ahead.

Stephen Boland:
Thanks. I'd just quickly go back to Trayport. In terms of quarter-over-quarter, you kind of explained that. I just want to make—find out and be clear that the lower energy prices is not—like, is the correlation to slowing growth or momentum? What drives that revenue growth? Is it volatility, is it high energy prices? I'm just trying to get an idea of what the impact of lower energy prices may have.

David Arnold:
Hi Stephen, it's David. I'll start, and John will add if need be.

I think the key thing here is, as we've said in the past, the revenue model for us at Trayport is a SaaS-based recurring revenue model. There is a small amount of consulting and advisory, which is sporadic as we on-board new clients and help them connect to the network, and that really is the key driver of what's going on sequentially, as I mentioned earlier on. But, I think the important point to also make is part of our revenue model is actually not tied to the trading activity of our clients on the network. So, really the movement in energy prices and/or demand in the marketplace doesn't have a direct correlation to the revenue of Trayport.

Now, indirectly it can as potentially other trading firms decide to open up the desk to trade in natural gas and power in the European marketplace. They would naturally, if they wanted to trade in that and have those trades be via brokers and our exchange, they would love to connect to the Trayport network and that would obviously result in some increased volume. But the core message here is really at the revenue perspective, I'd say, a very, very small delta, and it's related to, as I said, some project and new

client on-boarding expenses and revenue; but what I can also tell you is that the annual recurring revenue still being north of 100% is a critical key success factor for us that we keep looking at.

Stephen Boland:
Okay, that's helpful.

Then just VettaFi and Datalinx, I guess some of these—you know, the ETF Stream, the purchase of the indices, even Verity, can you just quickly give how the, I guess, integration happens in TMX? How do—is it just a link to the existing site, or is all the technology integrated, the tech stack and then sales is integrated? Just trying to get an idea of the process.

David Arnold:
Hi Stephen, it's David. Yes, so I'll touch a little bit on kind of the mechanics of our integration. Your question is a good one but it was quite broad-based, so I'm really going to focus on the things that are the immediate day one to day 120 in any of our acquisitions, right?

When we tackle the integration, our integration team first and foremost is—it's about really making the on-boarding experience for our new TMX family members a pleasant one, and really that starts with getting them onto our productivity suite first and foremost, right? It's everything from our email system to all of our productivity tools, as well as our HR and financial systems, so that really becomes the primary.

Then at the same time, our sales teams are working on cross-selling opportunities and introduction and then actually leveraging the acquired business' network with our network, but it doesn't result in a day one, let's integrate our CRM systems or let's go and integrate production systems - that's really a later decision after we kind of really tackle the productivity suite first. Then we turn to how can we actually look at reducing infrastructure costs, right, and that may result in server rationalization, cloud service provider rationalization and so forth, so that's really the general principle. With Verity, it's following exactly the same kind of course.

John McKenzie:
The only piece I'll add there - you know, from a strategic standpoint, we've gotten very good at this, so we've got actually a dedicated team that leads the organization, a lot of folks that spend full time in terms of doing integration well. We've got our own playbook in terms of what are our standards that we move things on, but more importantly before we do transactions, before we transact, we have a hypothesis of how the business will run as part of TMX, and I think that's really important because it

helps you make the right decision to whether or not you're going to acquire and invest if you know in advance how you're going to operate it as part of our ecosystem. Knowing upfront, especially when you're doing something smaller, that this is going to run as a business line, it's going to run on TMX capabilities, it's going to be TMX people all on one same team, gets it into a really honest conversation right up front in terms of what we're going to do.

Then afterwards, we're pragmatic around the steps that we take in terms of what order because we didn't want to have—you don't want to have an integration activity disrupting the opportunity to build sales momentum in terms of that new relationship. That's the strategic way that we're thinking about it - it's part of the deal decision upfront before we ever execute.

Stephen Boland:
Okay, and I'll sneak one more in, if you don't mind. The litigation and dispute seems pretty material. Maybe you mentioned this in the past and I just can't remember - is this multiple disputes, is this one case, and maybe just what it's related to?

David Arnold:
Yes, it's David here. What I would say, which is important, right, is it's our policy not, Stephen, to comment on ongoing legal disputes. What we do is we adjust these as they're really not representative of the ordinary course activity, and we do believe that by doing that, it provides a more meaningful analysis for the investor community to really understand the underlying operating and financial performance.

What I can tell you is that we are not in the business of litigation but from time to time it does arrive, and depending on the matter, we obviously highlight the litigation costs and/or provisions. But then to the extent that there are settlements, both a positive settlement or a negative settlement, that will also be highlighted in our results as and when that occurs, so you've at least got comfort as to what we're incurring that is really normal course, and then any settlement that may occur afterwards is obviously not normal course as well, and it's really not natural.

Stephen Boland:
Sorry, so this is actually cash paid out, not like a provision that's been set up?

David Arnold:
No. What I can tell you is some of it is provisions and some of it is payments to lawyers.

Stephen Boland:
Okay, sorry for too many questions. Thanks.

Operator:
Your next question will come from Jaeme Gloyn with National Bank Financial. Please go ahead.

Jaeme Gloyn:
Yes, thanks. I wanted to start on the AI theme, and I guess you kind of answered a little bit of it around VettaFi. But more broadly, what are some of the strategies or technologies that you have in development right now to really maintain the competitive advantage that TMX Group has? That would sort of be one.

Then number two on theme would be what is your view today of potential AI disruption around new trading platforms or exchanges that could impact your market share or growth prospects?

John McKenzie:
That's a great question, and that's one we're spending a lot of time on. In fact, our Board session that we're doing this afternoon is really focused on what are those major industry themes that have the potential to change or disrupt in the future, and AI is one of those topics.

From a deployment in the firm, there are a number of pillars that we're working through right now. First of all, we've actually already deployed a number of different AI solutions throughout the organization. Every employee in the organization has got access to certain tools. The actual engagement level of employees using them is very high, and I put the categorization of those tools in things that are productivity enhancing, so the tools that help the everyday employee do their job better, more efficiently, more timely so that they can increase their own productivity and do things faster, deliver more for clients.

There are also specialty tools that were deployed. I'm not going to talk to specific tools because I don't think that would be appropriate, but as you can imagine, we've got tools that are deployed that are helping us build more enhanced data products, that help you get more data access out of the proprietary datasets we have. We've got tools that we are using the development here. There's multiple ones that we are testing right now in different areas that help to accelerate development. The way we've deployed these in the organization, again, is that sense of how do we actually increase productivity, the ability to go faster to build products faster.

Then to your point, we're also looking at where are the product opportunities going forward, and given an organization like ours which has actually a robust set of proprietary data, we come into this with some competitive advantage because we have the ability to build on top of datasets we already have, as opposed to just acquiring market data and building things that are not proprietary on top of them. The Verity acquisition actually is right in that exact theme, that's there's some really interesting tools and capabilities in there that allow us to do more things with our actual data.

The last thing we'd talk about on the trading side, I always want to remind people when we're talking about trading is trading is already highly digital and highly automated, and a substantial amount of trading flow is actually already an algorithmic tool, so this is really just a next generation of those tools. We don't see that that's a material change. We want to make sure the appropriate guardrails are there that protect the marketplaces from—you know, essentially what you could have is really high messaging volumes that would come out of AI-generated trading activities, so you always want to make sure there's market integrity, and we'll continue to look at how we use these tools to enhance the capabilities that we've got in terms of both development, throughput, etc.

You've got it exactly right - it is top of mind. I would say our strategic approach is to be a fast follower in a lot of these, not to use the absolute leading edge because a lot of those technologies we found are already obsolete, so we're using a lot of ones that are becoming more mainstream and are also partnered with core technologies we're using throughout the franchise.

I hope that gives you a sense of how we're thinking about it strategically, but it's an everyday conversation and it's deployed right through the firm.

Jaeme Gloyn:
Yes, perfect. Thank you for that.

One of the other themes out there is around a shift to semi-annual reporting. Maybe you can share some of your early discussions and thoughts around that as well?

John McKenzie:
I mean, I'll start with the top line, which as much as I like talking to all you guys, if we could do that twice a year instead of four times a year, it'd probably be better. We wouldn't talk about the quarterly trends as much and we'd look more long term, but that's just the thematic piece.

This is an area where as an advocate for markets, we've been advocating this, particularly for smaller companies, for over seven years. We didn't wait for Trump to have this idea, because at the end of the day, especially for smaller companies when you think about the cost and burden and resources around doing reporting every quarter, and that also goes to audit resources which are in scarce supply for smaller companies, it's an unnecessary burden compared to the value of the disclosure that the investor needs. These companies are small, their stories don't change on a material basis, and if any company has any material change, they are required to disclose that whether you're on a quarter or not.

We've advocated this for all venture companies already. There was a move to put it in the strategic plan of the CSA earlier this year. There is now some piece out for public commentary on a proposal from the CSA to pilot this for companies under $10 million. Our response to that is going to be that we appreciate that this is now being made a priority, but there actually isn't a need to pilot something that's being used in two-thirds of the global capital markets of the world - it's already piloted and tested, and $10 million is too small. We should make this available for all venture companies, and should the U.S. move, we should make this available to all companies immediately and it'd be voluntary, because it really then becomes a discussion between the company and their shareholders as to what's appropriate. Just because it's voluntary semi-annual, doesn't mean you can't do more if that's what's appropriate for your business.

The last simple piece is in addition to reducing cost and burden for small companies, it actually lets companies engage with their investors more. Any company has quiet periods as soon as their quarter ends, which could be five or six weeks that you really can't engage with the investor community. When you take two of those cycles out, you're essentially giving three months back to a company every year to engage with investors, with analysts, asset managers, etc. and tell their stories, so. We think this would be really positive in terms of meaningfully changing the burden for small issuers, helping them ease the burden of being a public company without really degrading investor access to information in a meaningful way.

Jaeme Gloyn:
Okay, thank you.

Operator:
The next question will come from Graham Ryding with TD Securities. Please go ahead.

Graham Ryding:

Hi, good morning. Wondering if I could discuss just the topic of regulation in the U.S. It looks like they are moving towards getting rid of the order protection rule and trying to set the stage for the trading of tokenized equities on Blockchain-type platforms. I just wanted to get your view and your opinion on if the U.S. market does go in that direction, what's the implication for the Canadian equity market and yourselves? Do we need to follow suit in some respect, and if so, how would that process play out?

John McKenzie:
Yes, those are great questions. I'm going to separate the two of them, because the order protection rule (inaudible 0:49:13), our regime is already more liberal than the U.S. regime as it is, so the Canadian regime is probably closer to where they are going as opposed to the other way around. We've been able to provide some input into the SEC in terms of what's worked and not worked in the Canadian marketplace.

I do see as the subject on tokenization, particularly tokenization of equities to be a different topic of conversation. Sorry, I'm just going ask you—could you just mute the line for a second, because your typing is really, really strong? All right, perfect, thank you.

Graham Ryding:
No problem.

John McKenzie:
The tokenization piece, there are a couple components to it, and this is going to be a regulatory discussion for a while. In the U.S. market, people have been clear that if you tokenize a security, it is still a security, and that's a really important component because the rules around investor protection need to apply, and we need to have a level playing field between marketplaces. However, they are exploring whether or not there are caveats or carve-outs or exemptions for some new platforms that foster innovation, and that's an area where regulators have to be very careful because there's unintended consequences when you start to open that out without the same rules of the game. I know the Canadian regulators are also right on top of this.

When it comes to tokenization itself, this is an area as a firm we've been looking at this for a number of years. We've got pilot projects in different parts of the franchise, either ones we've done on the trading side in terms of the ability to trade on exchange, things we've looked at on both the custody side and the clearing side, and we're continuing to do that, but it is a little bit of a solution that's looking for a problem. It's not clear what the benefits are of tokenization of an existing equity to the actual retail

audience, so a lot of these things have got to be driven by demand in terms of what's the benefit to the marketplace.

A lot of what's getting done in the U.S. right now is actually more serving the ability to get U.S. equities that are demanded in foreign markets, in overseas time zones, the ability to trade them over-the-counter. That's a very limited opportunity because it's really around a handful of equities that are globally interested in the Asian time zone, so it also intersects with 24/7 discussions. But, that's the watch-out - we want to make sure that tokenization is done smartly. Having just a token on a security that's then traded outside the regulatory system is not a technology innovation, it's an arbitrage and it actually takes risks around investor protection, it impacts liquidity, and can have unintended consequences around price discovery and capital formation. These are all the things that the industry needs to consider.

There are some smart proposals that are on the table right now in the industry to look at. To your point, I would say that Canada, again, would be a fast follower here if the U.S. moves, that we would be able to move with it; but again, driven by what is the actual demand from a trading standpoint.

I got a really good reminder, and it came from a U.S. expert. They reminded us that in the existing system today, securities are all digital. The formation, the issuance of a security, the custody, the trading of it, it is digital end-to-end, so there is no traditional finance versus diversified finance here that actually differentiates. The tokenization of a security is actually less efficient than the current system because it takes that security out of the centralized system. You can no longer use it in terms of either collateral offsets, etc.

We're watching it closely. We're going to make sure Canada is prepared, our marketplaces are prepared, but the use case is still a question mark in terms of the value-add.

Graham Ryding:

Appreciate the thoughtful answer. You talked about the demand for this. Should we view this really as potential for competition from crypto-based platforms who are interested in moving into the equity trading market? Is that where the push or the demand is coming from?

John McKenzie:

Yes, I think it comes from two places. I think you're absolutely right - it's a supply side push, so organizations that are trying to, like you said, engage in the equity market, and my expectation is at the right point, regulators are going to say, that's fine but you're got to follow the same rules as other marketplaces, which in terms of fair access, DR capabilities, audit trail, capital preservation, those

components of separation of assets, the kind of things that got FTX in trouble with a number of years ago, so there's going to have to be a bit of a level-set in the playing field for those organizations to participate in that ecosystem, whether it's a token or not. Even if it's done on an exemption basis earlier on, this is going to get leveled out in terms of making sure we have fair, orderly marketplaces.

To my other point, the second area of demand is this over-the-counter piece on overseas trading. There are now, particularly on the U.S. market, a substantial portion of the assets of some large U.S. firms are held overseas and there's a lot of retail institutional trading interest in them when the U.S. markets are closed. So, tokenized or off-market securities are being used as another way to provide liquidity into that region. But it is a very limited set of securities that are being demanded, and it's really the 10 biggest names in the U.S. market that are where the demand side is for the investor trading activity.

Graham Ryding:
Okay, great. I'll leave it there, but just one quick question, if I could. Is this a topic that you are discussing at your Board meeting today?

John McKenzie:
Absolutely. In fact, this was a topic—I was at the World Federation of Exchanges last week, meeting with exchanges from around the world. This was a topic we were talking about in all jurisdictions. I think this is something that the industry is right on top of, and the most important thing is we remember what the value of central marketplace is for in terms of helping companies raise capital, price discover and build businesses, and always be thoughtful of what are the unintended consequences of fragmenting that. That's what everyone is trying to figure out in terms of what we think is the right market structure approaches going forward to get the benefits of new technology while you can still preserve the value that efficient centralized capital markets have created.

Graham Ryding:
I'll leave it there. Thank you.

Operator:
The next question will come from Bart Dziarski with RBC Capital Markets. Please go ahead.

Bart Dziarski:
Hi, good morning, and thanks for taking my questions. Congrats on a great quarter.

I just wanted to follow up on the AI theme and kind of hone in on Trayport specifically. You guys have done a good job in the past highlighting some opportunities around AI as it relates to Trayport, but I was hoping you could maybe dive a bit deeper into substantively, like why do you think that this business is defensible against some of the AI threats, and is it the network effect, is it other kinds of dynamics that ultimately gives you the comfort to continue that 10%-plus target revenue growth rate? Thanks.

David Arnold:
Hey Bart, it's David Arnold. I first want to welcome you for initiating coverage on TMX on behalf of RBC, so welcome to your first call—sorry, Bart, should I say.

The point that I wanted to make over here, and you actually somewhat answered your own question, it's really the network effect at Trayport that creates the defensible or opportunistic ability for growth in that business. But when you talk specifically about AI and so forth, we're actually—you know, the predecessor for this in the trading space would be algorithmic trading and large language models and so on and so forth. That is part of one of the premium offerings in our Trayport ecosystem, so the demand is currently not there from the clients to radically change the landscape for algorithmic trading.

But, we continue to work closely with our clients on the features and functionality that they need as they engage in trading in the natural gas and energy marketplace in Europe, and that's really a common theme, right? Most of our innovation is driven, if not all of it, by client demand, and as opposed to when John was speaking on the last question about, you know, it's not us trying to sell something, it's really trying to solve a problem for the clients, that the clients have either made clear to us or that we've highlighted and requested whether or not they think that that's something we should address. We're not getting a strong client demand right now to change the fundamental premise of the algorithmic trading features and functionality within the Trayport software-as-a-service platform.

Bart Dziarski:
Great. That's it for me. Thanks.

Operator:
This concludes the question-and-answer session. I would like to turn the conference back over to Mr. Mousavian for any closing remarks. Please go ahead.

Amin Mousavian:
If you have any further questions, contact information for Investor Relations as well as media is in our press release, and we'd be more than happy to get back to you. I know your valuable time is finite, and

we thank you for spending it with us this morning. It’s also a couple days early, but I wish you all a happy Halloween, and until next time, goodbye.

Operator:
This brings to a close today’s conference call. You may disconnect your lines. Thank you for your participation and have a pleasant day.