TMX Group Limited
Second Quarter 2026 Analyst Conference Call Transcript

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Speakers: **John McKenzie**
Chief Executive Officer

David Arnold
Chief Financial Officer

Amanda Tang
Director of Investor Relations, TMX Group

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Operator:
Welcome to the TMX Group Q2 2026 Analyst Conference Call.

As a reminder, all participants are in listen-only mode, and the conference is being recorded. Should you need assistance during the conference call, you may signal an Operator by pressing star then zero. I would now like to turn the conference over to Amanda Tang, Director of Investor Relations.

Please go ahead, Ms. Tang.

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

Thank you for joining us today to discuss the 2026 second quarter results for TMX Group and last night's joint press release with MEMX, a U.S.-based equities and options exchange, announcing the strategic combination of MEMX and BOX into MEMX Group.

Last night, we also announced our results for another outstanding quarter, highlighting double-digit revenue growth across all of our segments. Copies of our press releases, MD&A, and the investor presentation for the announcement of MEMX Group are available on investors.tmx.com.

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

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

Finally, figures referenced in today's call are in Canadian dollars unless otherwise specified.

I will now turn the call over to John.

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John McKenzie:

Thanks, Amanda, and good morning, everyone. Thank you, as always, for joining our call today, especially on a beautiful Friday morning.

As Amanda mentioned, we announced our financial results for the second quarter last night, and as she also mentioned, they were another outstanding quarter in what has been a tremendous first half of the year. This company has continued to build on the impressive momentum of the last few quarters, with year-over-year double-digit growth in overall revenue, highlighted by key contributions from our core markets and recent areas of expansion.

Our results reflect the balanced strength that we set out to achieve when we embarked on our long-term TM2X growth strategy. Today's TMX is a deep and diverse enterprise made up of complementary assets integrated into a national champion and global powerhouse, and very much now built to compete around the world. While our performance in the first half of the year showcases its strength, more than any growth metric, 2026 will be remembered for the work we have done to push the evolution of TMX. To serve the needs of clients and stakeholders across the crucial capital markets ecosystem, to compete globally, and ultimately, to lead Canada's markets to the sustainable future of success.

Now suffice to say, it's been an intense spring and summer, and so before I go any further, I want to express my deepest gratitude to the phenomenal team we've got behind the scenes here at TMX. Our people around the world have done a tremendous job providing excellent service to our diverse and global client base, while pursuing innovation and expansion opportunities and executing against our global growth strategy. For anyone who's followed our story closely, we've kept you very busy lately as well. We've been taking some exciting steps forward in the execution of our growth strategy and in pursuit of our transformative TM2X objectives.

This morning, I want to briefly cover off our first half performance highlights, and then turn my focus to the major progress we have made in our global expansion in 2026, including yesterday's announcement of our strategic investment in MEMEX Group, the acquisition of RAFI Indices, and the CBOE Australia and CBOE Canada acquisitions. Together, these investments in both traditional and non-traditional business, domestic and international jurisdictions, are designed to build on a track record of leadership and innovation, responsiveness and resilience.

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Now, turning to our results for the first six months of the year. Overall revenue grew 16%, driven by strong performance in all segments across transaction-based businesses, as well as recurring revenue streams. Our organic revenue, excluding last year's Global Insights acquisitions of Bond Indices, ETF Stream, Verity and the Nuclear Sector Indices, increased 14% when compared to the first six months of 2025, and adjusted diluting earnings per share increased 27%. Revenue from capital formation increased 20% compared to the first half of 2025, due to higher revenue from both listing fees and TSX trusts.

In the listings business, performance was driven by a continued upward momentum in financing activity on both TSX and TSX Venture. Overall capital raised increased 51% compared to the first six months of 2026, led by a surge in corporate financing in the mining sector on both exchanges. Equity capital raised on the TSX Venture totaled $6.9 billion in the first six months of 2026. This is a 108% increase from last year, including some major mining investments highlighted by Blue Moon Metals' $156 million public offering and private placement in May.

In addition to the sustained growth in financing activity, we continue to add new listings to the ecosystem. We welcomed a total of 251 new listings to our exchanges in the first half of the year, which is a 44% increase from the same period last year. First half new listings included some major IPOs, including Corum Mining, AGT Food, Xanadu Quantum Technologies, Meditech Group, and Apotex, a Canadian-based global health company which joined TSX with a $1.5 billion IPO in June, which is the largest life science IPO in Canadian history, and Lumina Metals, which debuted in April with a $406 million IPO, Canada's largest mining IPO since 2021.

On the heels of a record year in 2025, Canada's ETF market also continues to reach new heights in 2026. Total net inflows in Canadian ETFs totaled more than $104 billion in the first half of the year, nearly double last year's first half inflows. Year-to-date assets under management have grown more than 23% from the end of 2025.

The first six months also featured very strong growth in trading activity on our equities and derivatives markets. Revenue from equities and fixed income trading increased 25% year-over-year, largely due to a 32% year-over-year increase in combined volumes, led by a 60% increase in volume traded on TSX Venture Exchange. Derivatives trading and clearing revenue at MX and CDCC increased 26%

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compared to the sixth month of last year, driven by increased activity in short-term interest rates and bond futures and increase in rates per contract.
MX sustained the upward momentum in trading activity in key products throughout the first half of the year, with average daily volume of 1.1 million contracts and set a new all-time record and overall open interest of 35.6 million contracts on June 18. Some of the other MX highlights included record volumes and open interest across our Canadian bond futures portfolio in Q2, and a 34% year-over-year increase in volumes in the CRA, further solidifying its status as the flagship short-term interest rate product as participants continue to navigate uncertainty regarding interest rate policy expectations.

Now, turning to our Global Insights franchise, revenue increased 16% compared to the first six months of 2025, reflecting higher revenue from all of TMX VettaFi, TMX Datalinx, and TMX Trayport. Revenue from TMX VettaFi increased 23% year-over-year, or 25% in U.S. dollars, driven by organic growth in assets under indexing, as well as revenue from three 2025 acquisitions, again, bond indices, ETF stream, and the nuclear sector indices.

TMX Datalinx revenue increased 21% from the first six months of 2025, reflecting the inclusion of Verity, which we acquired in October of 2025, and higher organic revenue from subscriber and uses-based sources, co-location, and data feeds.

First half revenue from TMX Trayport grew 7% compared to last year, or 6% in pound sterling, largely due to an increase in the number of licensees, which has been somewhat muted by lower non-recurring revenue when you compare it to 2025. David's going to unpack this a little bit later as he gets into the discussion.

TMX performance overall reflects the consistency, resiliency, and again, the bound strength of our business model. It's also powerful evidence of an effective long-term growth strategy and a proven execution mindset. But we can't do it alone, and we're fortunate to serve as the center of a powerful and adverse ecosystem. I want to pause here for a moment to give credit where credit is due. We've talked for years about the importance of activating TMX's voice at the center of the market to advocate for the interests of our stakeholders across the capital markets ecosystem. Specifically, we've called on policymakers to evolve tax and regulatory policy in order to take other support measures to help spur domestic and international investments.

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Today I'd like to take the moment to thank the Ontario Finance Ministry, the Federal Finance Ministry, and our partners at the OSC and the broader CSA for advancing the Passport Program with Ontario's commitment to join, which was announced earlier this month. This simply is another way to remove trade barriers in Canada, reduce the costs and complexity for companies raising public money, and helping them to expand, grow, and build prosperity in this nation.

Now, in this year marked by milestone operational successes as we've already talked about, I want to turn our attention now to some of the game-changing initiatives we have undertaken, driven by our purpose to make markets better and empower bold ideas, to the benefit of both our domestic and global client base.

A few years ago, we embarked on a strategy to expand our capabilities and broaden the presence of the ETF industry, and to better serve a key segment of the marketplace of an area that we know very well. Beginning with our minority investment in VettaFi in January of 2023, and the acquisition of the company a year later, we've made a series of targeted moves to build the business, expanding the geographic presence and portfolio, leading to the acquisition of the RAFI Indices. Not only will this acquisition, which we expect to close by the end of the third quarter, expand VettaFi’s presence in the key fundamental space, it will more than triple the total assets under indexing.

We continue to invest in our core market ecosystem as well, domestically and internationally, and we are excited about what the future holds in the expansion of our markets business. We anticipate the first leg of the CBOE transaction, the expansion into Australia, which we announced in April, will close imminently. Australia is a market that we know very well, and we see a phenomenal potential, and we're committed to pursuing new inter-market linkages and bringing what TMX does really well in terms of operational expertise and innovation to Australia's market ecosystem. We look forward to welcoming Emma Quinn, the current president of CBOE Australia, and her team to what will soon be known as TMX Australia.

Now, turning to the news of last night. As Amanda mentioned, we issued a joint press release with MEMX, a U.S.-based equities and options exchange, announcing the combination of MEMX and BOX to create MEMX Group. As Amanda mentioned, we've posted an investor presentation on our website as well.

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Now, David is going to cover the financial components of this deal in a moment, but this is a strategic investment, and it is an exciting step forward, increasing our stake in the U.S. options and equity market, which is the most competitive marketplace in the world, and one we know very well. The TMX has operated alongside the U.S. market for almost 175 years. We see the landscape from a unique vantage point. We compete every day for listings, for capital, for liquidity flows, and specifically on the options side, we are a longtime investor and founder in BOX, and originally built their exchange technology. Our biggest clients today operate across borders, and this investment will help us to serve them better over the long term.

It's a transformative deal for MEMX and BOX, and positions the combined entity to build on a track record of innovation and pursue further growth. The total transaction is valued at $2.3 billion U.S. dollars, or approximately $3.2 billion in Canadian dollars, and we are contributing approximately U.S. $800 million in cash and our current ownership stake in BOX. The transaction is expected to close in the second half of 2027, subject to regulatory approval, and upon which TMX will be the majority owner with approximately 59% of the combined entity, supported by leading MEMX and BOX participants, rolling their equity into minority stakes in the two companies into the new combined group.

Going forward, MEMX group will be powered by a management team ready to build and grow, with strategic partners around the table ready to guide. As we outlined in the press release, we have a number of like-minded industry partners in this transaction, including existing MEMX and BOX investors, and I want to thank them all for their shared commitment to building the new MEMX group.

Now, I want to ensure we leave enough time for your questions, but before I turn over the call to David, I want to emphasize a point around our 2026 initiatives. While the acquisitions of CBOE Canada and CBOE Australia, RAFI Indices, and the plans to create MEMX Group each have compelling dynamics and distinct value propositions on their own, together they stand as a clear representation of an enterprise focus on pushing the evolution of TMX, leveraging our strong balance sheet to seize on opportunities to strengthen crucial capital markets ecosystems here in Canada, accelerate our global expansion, create competitive advantages for our diverse and growing client base, and generate increased shareholder value.

With that, I look forward to updating you on our progress in the fall, and I'll turn the call over to David. Thank you very much.

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

I'm very pleased to report that for the eighth consecutive quarter, TMX Group has delivered double-digit increases in both total and organic revenue. We continue to build on upward momentum across our entire global enterprise in the second quarter. Our business model is firing on all cylinders, delivering outstanding results.

We achieved outstanding top-line performance with total revenue of $487.5 million, representing a robust 16% increase year-over-year. This growth was driven by strong performance across all of our segments, including 18% growth in global insights, 15% growth in derivatives trading and clearing, and a 13% growth in capital formation, and a 13% increase in equities and fixed income trading and clearing.

We reported an increase of 96% in our diluted earnings per share, which included a net foreign exchange non-cash accounting gain on our U.S. dollar-denominated intercompany loans in Q2 of 2026, compared with a non-cash accounting loss in Q2 of last year. Our adjusted diluted earnings per share grew 19%, driven by a $35 million or 18% increase in our income from operations, compared with Q2 of last year.

Turning now to our businesses, beginning with the segment that saw the largest year-over-year increases. Revenue from our Global Insights segment grew by 18% this quarter. TMX VettaFi delivered outstanding results in the second quarter, with revenue growing 40% in Canadian dollars and 37% in U.S. dollars. This growth included $4.1 million of revenue contribution from recent acquisitions, namely ETF Stream and the Nuclear Sector Indices. Revenue excluding these acquisitions increased 29% in the second quarter, reflecting organic growth in assets under indexing. TMX VettaFi's assets under indexing sustained its robust growth momentum, finishing the second quarter just shy of $90 billion U.S. dollars.

TMX Datalinx revenue was up 22% in the second quarter, driven by the inclusion of Verity. Excluding the $8.2 million of revenue contribution from Verity, revenue increased 8% from Q2 of last year, driven by growth in subscribers and usage, co-location services and revenue from data feeds.

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This quarter, TMX Trayport's revenue growth can be broken down into two distinct dynamics. First, a solid 8% expansion in recurring revenue. TMX Trayport ended the quarter with an annual recurring revenue of $293.5 million Canadian dollars, or $157.6 million in pound sterling, which reflects the average recurring revenue for the quarter on an annualized basis. This expansion was supported by a 6% increase in total licensees, reflecting the count of unique, chargeable licensees for core TMX Trayport products under our trader, broker and exchange customer segments. This performance tracks solidly within our long-term growth objectives.

Second, a component of the Trayport revenue is non-recurring, and while not material in aggregate, changes year-over-year can have a noticeable impact on the aggregate Trayport revenue growth percentages. Non-recurring revenue was $1.7 million in pound sterling in Q2 of last year, or 4% of total Trayport revenue, compared with $0.4 million in pound sterling, or 1% of Trayport revenue in Q2 of this year. Therefore, this quarter was noticeable, as we saw a £1.3 million sterling decrease in non-recurring revenue, primarily driven by consulting services delivered in Q2 of last year. Increased revenue from data and analytics and other trader products and annual price adjustments also contributed to Trayport's performance in the second quarter.

Derivatives trading and clearing revenue at MX and CDCC grew 23% from Q2 of last year, including a 26% growth in Montreal Exchange and an 18% growth in CDCC revenue, primarily driven by continued strength in derivatives trading volumes, which increased 18% from Q2 of last year. We also benefited from a higher rate per contract relating to the sunset of the CORRA and the two-year Government of Canada bond futures market making programs in 2025. Revenue from BOX increased 5% this quarter, driven by a higher rate per contract reflecting a favorable product mix, partially offsetting by a 3% decline in BOX volumes.

Turning to capital formation, we saw broad-based revenue growth across the segment. TMX Corporate Solutions grew 15%, driven by higher dealer services and transfer agency fees at TSX Trust, alongside increased volumes of press releases in Newsfile. Sustaining listing fees and initial listing fees grew compared to last year due to increased activity on TSX and higher revenue from ETFs. Additional listing fees grew 6% year-over-year, reflecting a combination of higher number of transactions billed and higher average fees for secondary financing activities on TSX Venture.

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In our equities and fixed income trading and clearing segment, revenue is up 13% in the quarter, driven by a 16% increase in our equities and fixed income trading business and a 9% increase in our clearing business compared with Q2 of last year. The increase in equities and fixed income trading and clearing reflected 15% higher volumes in our equities marketplaces, including 17% on TSX and 25% on TSX Venture Exchange, while volumes on Alpha decreased 25%.

Our combined equities trading market share for TSX and TSX Venture listed issues was approximately 59% this quarter, down 3% from Q2 of 2025. TSX auction volumes, which typically have higher yields, grew at a slower rate compared to continuous volumes this quarter, resulting in a lower proportion of auction trading overall. On the fixed income trading side, revenue decreased from Q2 last year, primarily reflecting lower activity in Government of Canada bonds and lower swap activity.

Now, taking a closer look at our operating expenses, which increased by 13% in the second quarter and included the following items. First, we incurred $15.6 million of additional expenses related to acquisitions, namely $7.7 million of higher operating expenses related to ETF Stream, Verity and Nuclear Sector Indices, $5.7 million of higher acquisition, integration and related items, and finally $2.2 million of higher amortization related to acquired intangibles.

Second, we incurred $1.6 million of higher litigation dispute and related items, and partially offsetting these increases were $7.4 million related to strategic realignment expenses in Q2 of last year. Excluding these items, our operating expenses increased by approximately 10% on a comparable basis, largely due to four drivers. First, 4% higher costs related to merit increases, increased headcount and related costs, and higher short-term performance incentive plan costs on the heels of our very strong results to date in 2026.

Second, a 3% impact from non-cash adjustments, including a write-down of an intangible asset, increased bad debt expenses, which factors in the reversal of our provision in Q2 of last year, and a gain on an asset retirement obligation recorded in the same period last year. The net residual is largely driven by increased investments in technology.

Turning to our sequential performance, we successfully carried our momentum from Q1 into the second quarter of 2026. Total revenue remained essentially flat, holding steady at our record levels reported in Q1. We saw growth in our Global Insight segment, reflecting increases in TMX VettaFi and TMX

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Trayport, as well as strength in capital formation from the seasonality of AGM activity in our TSX Trust business. However, these gains were mostly offset by softer trading volumes across our equities, fixed income, and derivatives trading and clearing segments.

Now turning to our sequential expenses and the analysis, operating expenses in Q2 increased $10.8 million, or 4%, on a reported basis from Q1, primarily reflecting higher employee performance incentive plan costs, higher acquisition integration and related costs, and a non-cash write-down of an intangible asset in Q2 of this year. Higher revenue-related expenses are largely related to the seasonality of TSX Trust business and higher BOX expenses. These sequential increases in operating expenses were partially offset by VettaFi's final annual exchange conference expenses recorded in Q1.

Now on the balance sheet front, we finished the second quarter in a very strong position. Our debt-to-Adjusted EBITDA ratio at June 30 was 1.9 times. As of June 30, we also held over $517 million in cash and marketable securities, which is approximately $273 million in excess of the approximately $244 million we target to retain for regulatory purposes. Net of excess cash, our leverage ratio was 1.6 times.

I'm pleased to share that our Board of Directors approved an 8% increase to our quarterly dividend last night. The new dividend of $0.26 per common share is payable on August 28 to Shareholders of record as of August 14. This brings our payout ratio to 42% for the quarter, which remains well within our 40% to 50% target range and continues our long-term trend of dividend growth and delivers on our commitment to drive Shareholder returns.

But we aren't just returning capital, we're also investing in our future. The Board has also approved our strategic investment in MEMX Group. I want to echo John's sentiments here. This is a very exciting investment for TMX and a transformative move for us in the U.S., one that directly underscores our long-term global growth strategy.

Now we have been long-term equity holders of BOX and with this investment of approximately $800 million U.S., or $1.1 billion in Canadian dollars as John referenced, and contributing our existing interest in the BOX entities into the combined $2.3 billion U.S. dollar MEMX Group, our investment will result in an ownership stake of approximately 59%. The remaining 41% of the combined platform will

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be owned by key equity holders who are existing stakeholders of either or both MEMX and BOX and other strategic partners, including many of the leading U.S. brokerages and trading firms.

Three years following the closing of this transaction, or in mid-2030, our ownership structure provides a pathway for further evolution as TMX will be granted call rights and the minority equity holders will be granted put rights. This framework reflects our long-standing interest in expanding our ownership stake in BOX, supporting our strategic goal of broadening our footprint in the U.S., and remains consistent with our goals around geographic expansion.

In 2025, MEMX and BOX delivered a combined revenue of approximately $280 million U.S. dollars and Adjusted EBITDA of approximately $134 million U.S. dollars. The implied valuation is approximately 17 times the combined 2025 Adjusted EBITDA. Over the last three years, the combined revenue has grown at an average rate of approximately 27% per year, reflecting both rapid expansion within the business and naturally benefiting from higher market volatility.

Now, the incremental impact to TMX's results will be net of our existing stake in BOX Holdings, which is currently consolidated into our financial results. Had this investment been made on January 1, 2025, the net contribution to TMX's 2025 revenue would have been roughly $120 million, with a corresponding net impact of approximately $44 million to Adjusted EBITDA.

Now, looking ahead, we expect the transaction will be accretive to adjusted earnings per share within the first 12 months of the closing date, before any synergies. This transaction is anticipated to close in the second half of 2027, subject to regulatory approvals, including the SEC as well as the HSR filing in the U.S., and customary closing conditions. We intend to finance this investment through debt. We have a thoughtful deleveraging strategy aimed at rapidly returning this ratio back within our long-term target range of 1.5 to 2.5 times.

Now, as you'll recall, our leverage has exceeded our target range at various points in our history, including following the acquisitions of Trayport back in 2017, and again following the acquisition of VettaFi in 2024. In both instances, we successfully delevered back to our target range within 12 to 24 months, fueled by our ability to generate strong free cash flows. On a pro forma basis, our leverage ratio could increase to up to 3.4 times. However, we expect the actual ratio to be lower. This 3.4 times

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projection is our most conservative view, and accounts for this strategic investment as well as our pending acquisitions.

It assumes CBOE Australia and CBOE Canada are funded by debt and cash, while RAFI and MEMX Group are funded by debt. All three transactions close simultaneously. The actual leverage ratio is expected to be lower at closing, because closing dates will likely be staggered, allowing for interim deleveraging between transactions. There will also be earnings growth both organically and from the acquired assets. The actual leverage may vary depending on the closing dates of these previously announced transactions, as well as financial results at closing. Given our history of rapid deleveraging and strong cash generation, we are confident in our ability to return to our target range within two years of closing.

Our capital allocation strategy remains focused on three key priorities. Investing in organic growth, pursuing strategic acquisitions, and returning capital to shareholders through dividends and buybacks. Driven by our strong balance sheet and robust free cash flow, we remain well positioned to execute on these priorities, while maintaining the financial flexibility to capitalize on market opportunities as they arise. Following our announcement last night, Morningstar DBRS confirmed our AA low credit rating and stable trend in their press release. Morningstar DBRS views the leverage driven by these transactions to be both manageable and temporary, crediting our proven ability to delever following prior acquisitions.

This investment marks another meaningful step in the execution of our TM2X strategy. As a majority shareholder, we are contributing to the evolution of a more global platform and broadening the competitive footprint in the U.S. MEMX Group establishes a more scaled and competitive U.S. exchange platform that is well positioned to attract new clients and launch new products under the leadership of Jonathan Kellner and the newly merged management team and backed by strategic partners.

By uniting two scaled options platforms with complementary capabilities, we are delivering a comprehensive suite of execution solutions designed to compete and thrive globally. Ultimately, this investment accelerates TMX's global growth strategy, deepening our presence in a key international jurisdiction and fulfilling our purpose to make markets better and empower bold ideas.

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

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Amanda Tang:
Thanks, David. Rocco, could you please outline the process for the Q&A session?

Operator:
Absolutely. 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're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star then two.

Today's first question comes from Bart Dziarski with RBC. Please go ahead.

Bart Dziarski:
Hi, good morning. Thanks for taking the question. Congrats on the MEMX BOX acquisition. I just wanted to ask, maybe more on the operational side how are you thinking about juggling the three acquisitions?

John McKenzie:
Yeah, thanks, Bart. It's, I mean, that's a really important question. It's actually what we've spent a lot of time on both as a Management team and a Board. When you think about capacity, it's not just your dollar capacity, your balance sheet capacity, but that capacity of the team to execute with excellence. There's two pieces that are the consideration on why we believe with this really set up for success.

The first is that of the three major transactions that we're working through closing right now, which is the CBOE transaction, the RAFI transaction, and the new MEMX BOX merger. First of all, they don't all happen at the same timeframe. That's really important because it allows us to be appropriate both pre-planning and execution. Both CBOE Australia and RAFI, we believe are very close to closing. We'll be moving those ahead. The CBOE Canada piece is a different timeframe because of the regulatory review processes in Canada. As we mentioned in the call, we expect that the combination of BOX and MEMX, which is subject to SEC review and approval is essentially around a year from now. Then we'll be able to give more data on that as we get closer to, and we work through that process. That's part number one.

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Number two, we're always quite thoughtful that we're really utilizing different parts of our franchise in terms of the teams, the business teams that are leading a lot of the integration execution work. The teams that are doing the work on integrating in the RAFI indices, once we close that, it's a very different part of our organization that's working on building out the team with TMX Australia with Emma Quinn and her team there. We're also thoughtful when you have transactions that bring talent in with them as well. Our team gets enhanced by talent on the ground in a lot of these organizations.

Those are the considerations we went through. You're absolutely right on the question. It was one of the most important things we talked about because we're very keen on the fact that we've built a strong track record on execution and we want to continue that going forward.

Bart Dziarski:
Very helpful. Thanks, John. Then a follow-up on the leverage. Definitely historical track record of delivering pro forma to deals. The leverage comes at a time where there's more debates around TMX, I'd say, just tokenization, AI and perp futures if you will. Notwithstanding that, the core business keeps chugging along and you're obviously signaling confidence in that core business trajectory. Can you just maybe unpack that for us in light of some of these key debates?

John McKenzie:
Yeah. I mean, that's also an important consideration. When you think about long-term planning and we think about both our ability to delever, our stress testing, our scenario analysis, we need to deal with reality and not what's become kind of media speculation in the marketplace. The business is very well insulated. We've got very good guard rails. Some of these factors are factors that we've got more upside than risk in. The adoption of AI in the franchise is creating new opportunities, new efficiencies, new chances to develop new products. Even in the areas you talked about around things like tokenization, that's another area we're going to integrate that into things like our clearinghouse and provide better services to our clients.

Anytime you're thinking about deleveraging, you think about future scenario analysis. To your point, you said right in the premise of the question, we're highly confident in our growth prospects that we're going to be able to delever just as fast as we have in the past.

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Operator:
Thank you. Our next question today comes from Stephen Boland at Raymond James. Please go ahead.

Stephen Boland:
Morning, everyone. Sorry, busy night. I don't know if this is public, but you mentioned accretive before synergies. Are we talking about expense synergies or revenue synergies? If you could explain that, please.

David Arnold:
No, that's great, Stephen. Yes, it is going to be accretive before any synergies. As we said, within the first 12 months. Yeah, there'll be a number of synergy opportunities, but our focus is on growth, right? Naturally, there will be some expense synergies, but I think the more meaningful and material will be the revenue growth synergies by bringing these two very powerful platforms together in the U.S.

Stephen Boland:
Just the process, I'm just wondering if this was an option, like how did the two of you get together?

John McKenzie:
Yeah, sometimes it's nice to say you date a long time before you get married. This is both platform of BOX and the platform of MEMX, has some very strong and market leading shareholders on both sides that have driven these business along. We've been engaged as shareholders and market participants with the shareholders of BOX and of MEMX over a period of time to explore the best opportunity to bring these together. That's why you're seeing a culmination of a process that is a merger that sees a lot of the leading market participants also stay in the transaction and strategically support its success.

It's been a long time coming. When you're working with so many parties, it's not as easy a process that creates a certain degree of complexity. No, this was not an auction process. This was actually a process that was put together by the combined shareholders to create a better opportunity for all of us.

Operator:

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Thank you. Our next question today comes from Aravinda Galappatthige with Canaccord Genuity. Please go ahead.

Aravinda Galappatthige:
Good morning. Thanks for taking my questions and congrats on yet another transaction. Maybe just to set the stage, John, can you talk to what your U.S. position would look like? I know BOX had about 6% market share, but together, how substantial would your market position be? Perhaps in terms of the prospects in front of you, I know David mentioned 27% growth. What are the prospects of sustaining that double-digit growth momentum? I'm not sure if that 27% is all organic and how competitive the market is, but just a picture of what the outlook would look like.

John McKenzie:
I'm sorry. I'm just getting a bit of feedback there. Okay. All great questions. I just apologize. We're getting a bit of feedback on my line. I'm going to switch mics. All right. I hope you can hear me now.

A number of great questions that are in there. I want to be thoughtful in terms of how we share here and also recognize that this is a process of putting together a company of while we are the leading and large shareholder, we are not the only shareholder and the management team of the combined company will be doing a lot of the work going forward in terms of that strategic plan under the direction and guidance of a broad shareholder base of which we will be the lead and the chair of the organization.

With that, we've talked for years about our intention of being a more meaningful player in the U.S. and really taking in all the things that makes TMX strong and unique into the U.S. market. As we're already doing a lot of things in the U.S. already, be it from our U.S. ATS, our strong position in terms of indexing ETF, some of our data products like Wall Street Horizon and Verity. We have more recently put some of those together in our flagship office in the U.S. to create more synergies in terms of how our teams work together. That when you think about the context of what we've been doing, this is actually a very natural extension.

Now, so the combined platform based on today be approximately 10% of the U.S. option market and also a growing percentage of the U.S. equity markets. BOX, as you know, has been options only, MEMX is options and equities. We're doing some work in equities around our U.S. ATS. This is all

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designed to continue that trajectory, and we would put this investment in our high growth bucket when we give that kind of forward guidance in terms of long term growth. I'm not going to be able to give you details in terms of kind of where that shakes out and we've got work to do, but that's how we would look at it as it's a high growth opportunity.

But more importantly, that is a platform to do more. That's always been our position. I've talked about this in the beginning. We always lead from the client base. The largest clients for TMX today are global traders and global issuers. When you think about how do we best serve them, when we serve them from only one side of the border, we're missing part of their need set. We're really looking at what are the unique things that we can do in the long term to create a service offering to service these clients in a way that they're not served today.

Very much symbolic of how we've talked about the Australian initiative in the past by our investment in Australia, really focusing on issuers, on mining sector, on ETF, we can create new value for international players that want to engage in both marketplaces. It's the same kind of thinking as we focus on how we build out in the U.S. If I had my vision at the end of the day, that someday there would be a TMX U.S. that looks a lot like TMX in Canada in terms of a service offering that has the breadth of what we bring to the clients here.

Now, it's a long road to get there, but you get there step by step. We are thrilled that we've making this step today because it's such a big building block on what we like to do.

Aravinda Galappatthige:
Thanks, John. A quick follow up for David on the transaction metrics. If you use the Canadian dollar number, the $3.2 billion, I'm still not clear exactly what the valuation that's ascribed to BOX within that transaction, just so that we can sort of calculate what the multiple is for what you are vending into the combined entity. Any clarification you can provide there?

David Arnold:
Yeah, so we're not actually breaking down both components. We're really speaking to the aggregate Aravinda, but you can do some back of the envelope calculations to kind of get there, right? You can take the full purchase price divided by our previous equity ownership stake, if you will, or at least the amount we've picked up from an earnings perspective. Then you could probably back out our $800

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million USD investment and then do some proxy calculations. But I would guide you that we're not actually disclosing the individual componentry. That's the best way to kind of look at it. The combined EBITDA multiple, which I spoke of around 17 times, is really the thing to guide you at. John?

John McKenzie:
Yeah, and I'll just add a little colour as to in terms of why we're proceeding this way. I remember in a transaction like this, there are buyers, there are sellers, and there are rollers. We've got both Shareholders that are buying stakes up. We are not the only one that's expanding our position. We have sellers that are less strategic that are using this as their liquidity opportunity. We have folks that are rolling their equity into both franchises. There's a robust price discovery process in terms of what's the overall value in the mix that makes this work for everyone involved.

Candidly, we talked a little bit about synergies earlier on. We do believe that there's going to be synergies in putting these operations together, and they only accrue through the merger. They really aren't a value to be ascribed to either side of a transaction. That's why we've really focused this on the entirety of what we're building in terms of a combined entity.

Operator:
Thank you. Our next question today comes from Jaeme Gloyn with National Bank Financial. Please go ahead.

Jaeme Gloyn:
Yeah, thanks. Just first one, staying on the BOX, MEMX deal, you talked about the opportunity that MEMX provides. What is it that MEMX has that BOX doesn't have already? Is it technology? Is it client base? What's the big driver here that you couldn't just naturally grow through the BOX and through the U.S. ATS that you have in place today?

John McKenzie:
Yeah, that's a great question. There's a number of pieces there. I want to start first of all with the talent that's in both of these teams. We're going to be able to bring the best talent in both in terms of client service. We're getting a new team within MEMX that's got extremely good connectivity in the U.S. in terms of what they have built. The recency and the innovation and the technology platform there is excellent, is highly regarded throughout the industry, and it will become the basis of how we bring these

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platforms together in terms of a next-gen offering for the U.S. market. Those are just a piece of some of the highlights.

To your point as well, is there is already a development in terms of multiple market licenses in terms of both the market and the equity piece and building that initial stake in the U.S. in terms of more of what I'll call the high-volume liquidity in the U.S. Even the types of things that we're doing with our own ATS in the U.S. is actually targeting different parts of the marketplace than what MEMX does today. These things are all very complementary.

Jaeme Gloyn:
Okay, understood on that. I'm just going to Trayport and it's another, let's say, slower quarter. What can you break down in that growth? I see revenue, the current revenue is up 8%, but if you kind of look at licenses, growth isn't there, connections, growth isn't there. As we kind of look forward, is this sort of a new trend for Trayport growth is to be more in the mid-single digits or what do you see in the pipeline that gives you confidence Trayport will remain in that high-growth bucket?

David Arnold:
Excellent question. As I covered in some of my remarks and as you've seen, we've enhanced some of our disclosures and I'm really going to unpack that in a second, but I want to answer the last part of your question, which is absolutely, it's still a high-growth business segment for us at Trayport. This year is somewhat anomalous. Every three to four years, depending on the renewal cycle of our site license agreements and possibly some macroeconomic conditions that really might impact the non-site licenses, right? Remember, site licenses are multi-year agreements averaging between three and four years. Depending on the renewal cycle that occurs for those, you could actually see higher or lower up sell in any given particular year.

This year is kind of, we knew this going in, we obviously don't disclose our forward-looking guidance in terms of our budgeted revenue and so on and so forth. But Trayport is very much tracking to what we had budgeted and forecasted internally for this year. This was something that was very much on the radar for us, and it's really got to do with a mix of who is renewing this year on the various site license agreements.

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Let me talk a little bit to some of the components and really help you unpack it. Eight percent expansion in recurring revenue, which is why we've kind of pulled it out, really gives you the comfort that the core engine of the Trayport revenue producing top line is still strong. Eight percent is very much in one quarter, tracks very much to our long-term guidance. But as you've heard us say many, many times, we don't manage quarter-by-quarter. We really manage through the medium to long-term, and that really kind of guides us there. It's tough when you've had multiple years where you've had 12%, 13%, 14%, sometimes even higher than 18%. Then you deliver an eight or a nine or a seven. The question is, what's wrong? The short answer is nothing. It's time through the cycle.

I would expect as we go into 2027 and beyond with the renewal pipeline that we see that we return a little bit more to that high single to low double digits, if you will. That's kind of the best that I can do, but definitely keep note of what I said in the remarks and then what I've shown you in the disclosure. We do have some non-recurring revenue. It is relatively small, but year-over-year versus Q2 last year, and then we've given you history as well. You can see it kind of going forward. You'll really be able to key in on not just the top line, but the recurring revenue line, which really is the driver of the Trayport franchise.

Operator:
Thank you. Our next question today comes from Graham Ryding at TD Securities. Please go ahead.

Graham Ryding:
Good morning. Could you maybe just give us a bit of colour on the growth profile within MEMX specifically? What does that look like over the last 12 months or in 2025 from a sort of top line perspective? Then what, which are the pieces that are driving that growth? Is it predominantly options that are doing the heavy lifting or is it broad based?

David Arnold:
Yeah. I appreciate the question, Graham. We're looking at this as a combined business going forward. We haven't really spent any time giving disclosures and not going to do it on the call for individual componentry. What we really provided is it's averaging around 27%, if you look back over that kind of three-year kind of corridor. As John touched on, obviously, we don't see it being 27% in the long term,

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but we definitely would guide that it's going to be in our high growth segment, which is high single to double digits. But disclosing the information of a private enterprise's prior kind of growth revenue percentages is not something we're going to do today.

Graham Ryding:
Okay. Just to be clear, that 27% average that you're including BOX in that number?

David Arnold:
Correct. Correct. Graham, folks can reverse engineer and do math. I think one of your colleagues did some analysis last night as well.

Graham Ryding:
Okay. Understood. Then just focusing on BOX in particular, the volumes were, or the revenue was up, but the volumes in the market share is down this year. Is there anything in particular to call out that's driving softer volumes this year versus per BOX?

John McKenzie:
Yeah. We've talked about this in the past in terms of when you see either both upside in share and some downside in share. The BOX market itself has got a very strong offering, but it's also catered to certain parts of the market segment in terms of higher execution quality trading. Sometimes when you see large volume growth in different parts of the market segment for which those offerings aren't as strong, it's an overall change in terms of the kind of the mix in terms of where the share is growing and things like that.

It's actually one of the reasons why this is a really complimentary transaction, because even though both of BOX and MEMX participate in the options market, they do it with different offerings, different services that really different target, different users and client bases. When you have that broader spectrum of offerings; you can see growth in multiple market scenarios as opposed to being kind of subject to where that trend is are at the time.

The BOX business remains very strong. That's what you're seeing in terms of those changes. But I also want to reflect the fact that the Shareholders, as we move this along, is there a likelihood we have distracted staff over the short term? I'd be remiss to say that we haven't. I'm really glad that we have

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this out in the public domain now, and the teams are able to focus on what they do best, which is serving the clients.

Operator:
Thank you. Our next question today comes from Phil Hardie at Scotiabank. Please go ahead.

Phil Hardie:
Hey, good morning. Just maybe two quick questions on MEMX and BOX. First, how would you gauge the relative timing risk of the deal close of MEMX , particularly with the SEC? Then second, maybe you can just share a bit of colour, maybe on an approximate revenue split in MEMX between options and the equities business within that platform.

John McKenzie:
Okay, so I'm going to handle the second part of your question first, because it's going to be easy for you to handle. I hate to reiterate what David said, but as a private company, we're not going to be disclosing the details of the economics. Obviously, they're going to be commercially sensitive as well with other players in the industry. I can appreciate the ask, but hopefully you'll understand why we're not giving that level of detail today.

With the second piece, any both exchange combination and ownership change of this size is subject to an SEC approval. There will be a process for filings from both MEMX and BOX with respect to an SEC approval for these changes, both in the ownership size, the control stakes, and the governance structure. I can also tell you that from a process standpoint, that this transaction will not have come as a surprise to the SEC. There's been long dialogue in terms of the intentions of the parties to do this. The fact that we are collectively announcing this today should signify that we've got some confidence in that process.

Phil Hardie:
Okay, perfect. I'm going to change gears a little bit. Maybe a few modeling questions for David here. I think kind of revenue capture on cash equity trading; I think it actually may have looked a little bit better than the past few quarters. First, is that correct? What's driving that? Was that mixed venues? I know you mentioned higher yielding auction volumes were actually lower. A bit of colour on that revenue capture and equity trading.

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David Arnold:
Yeah. Actually, not much more to give you. I think you've got it. We obviously saw the part that you maybe just hinted at is that there is a mix, obviously, between the continuous limit order book, the lit market, midsection of the day, if you will, versus the auction process in the beginning and the end. We obviously do see if there's a shift between auction to the continuous limit order book time window. We have more market share clearly in the auction space because we run the only auctions in Canada. Yeah. There's nothing to add. I think you've got it.

Operator:
Thank you. This concludes the question-and-answer session. I'd like to turn the conference back over to Ms. Tang for closing remarks.

Amand Tang:
Thanks, Rocco.

We appreciate everyone for taking the time to join today's call. If you have any further questions, contact information for Investor Relations as well as media is in our press release. Thank you and have a wonderful day.

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

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