

9 October 2020

London Stock Exchange Group plc

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

FOR IMMEDIATE RELEASE

### **Proposed Divestment of the Borsa Italiana Group to Euronext N.V. for €4.325 billion**

Further to the announcement on 18 September 2020 regarding London Stock Exchange Group plc (**LSEG**) entering into exclusive discussions with Euronext N.V. (**Euronext**) in relation to the sale of the Borsa Italiana group (**Borsa Italiana**), LSEG confirms it has agreed to sell its entire shareholding in London Stock Exchange Group Holdings Italia S.p.A (**LSEG Italia**), the parent company of Borsa Italiana, to Euronext for an equity value of €4.325 billion, plus an additional amount reflecting cash generation to completion (the **Transaction**). The Transaction is conditional upon, amongst other things, the divestment of Borsa Italiana or any material part thereof (including MTS S.p.A. (**MTS**)) being a condition of any European Commission (**EC**) clearance decision for the Refinitiv transaction (the **Refinitiv Transaction**).

#### **Background**

LSEG announced on 31 July 2020 that, in the context of the EC's Phase II review of the Refinitiv Transaction, it had commenced exploratory discussions which may result in a sale of LSEG's interest in MTS or potentially Borsa Italiana as a whole. Having launched a sale process for each of MTS and Borsa Italiana and having weighed the merits of the divestment of each in the context of the EC's Phase II review of the Refinitiv Transaction, LSEG concluded it was in the best interests of shareholders to divest Borsa Italiana as a whole. LSEG also noted the additional benefits of keeping the MTS and Borsa Italiana businesses together for their customers and stakeholders. As a result, and having received and reviewed a number of competitive proposals from several parties for each of MTS and Borsa Italiana, LSEG announced on 18 September 2020 that it had entered into exclusive discussions with Euronext. Those discussions led to the signing of a Share Purchase Agreement (the **SPA**) between LSEG and Euronext on 9 October 2020.

#### **Reasons for the Transaction**

While the EC's review of the Refinitiv Transaction is still ongoing, it is LSEG's expectation that a divestment of Borsa Italiana or a material part thereof (including MTS) will be a condition to any EC clearance for the Refinitiv Transaction. The entry into the SPA, the approval by the EC of Euronext as the acquirer of Borsa Italiana and the receipt of certain other approvals for the Transaction, are therefore expected to be critical factors in the successful attainment of merger control clearance for the Refinitiv Transaction from the EC.

Whilst the principal benefit of the Transaction is to facilitate the completion of the Refinitiv Transaction, the divestment, which represents an enterprise valuation multiple of 16.7x 2019 adjusted EBITDA,<sup>(1)</sup> allows LSEG to achieve an attractive valuation for Borsa Italiana. The Board believes that the overall strategic rationale for, and financial benefits of, the Refinitiv Transaction remain compelling notwithstanding the divestment of Borsa Italiana.

LSEG is expected to receive proceeds in cash on closing (before deductions of applicable taxes and other transaction related costs) of €4.325 billion plus an additional amount reflecting cash generation to completion. It is LSEG's intention to use the net proceeds from the Transaction to repay indebtedness related to the Refinitiv

Transaction and for general corporate purposes. This will allow LSEG to reduce leverage following completion of the Refinitiv Transaction, bringing LSEG closer to its target net debt to adjusted EBITDA ratio of 1.0-2.0x within a desirable timeframe.

**Commenting on the Transaction, David Schwimmer, CEO, LSEG, said:**

*“We continue to make good progress on the highly attractive Refinitiv transaction and we are pleased to have reached this important milestone. We believe the sale of the Borsa Italiana group will contribute significantly to addressing the EU’s competition concerns. The Borsa Italiana group has played an important part in LSEG’s history. We are confident that it will continue to develop successfully and contribute to the Italian economy and to European capital markets under Euronext’s ownership.”*

**Commenting on the Transaction, Raffaele Jerusalemi, CEO, Borsa Italiana S.p.A, said:**

*“We have enjoyed a long and successful relationship with LSEG, which has invested in and developed our business over the last 12 years. We look forward to embarking on the next phase of our history, working in partnership with Euronext, CDP Equity and Intesa Sanpaolo to further develop our business and to contribute to the development of European capital markets.”*

**Terms of the Transaction**

As Euronext is an 11.1 per cent shareholder of LSEG’s subsidiary LCH S.A., Euronext is deemed to be a related party of LSEG for the purposes of the Listing Rules. The Transaction is therefore considered a related party transaction and is conditional upon the approval of LSEG’s shareholders at a General Meeting. The Transaction also constitutes a Class 2 transaction under the Listing Rules.

The sale of Borsa Italiana to Euronext is supported by the Board of LSEG who intend to recommend that shareholders vote in favour of the resolution to approve the Transaction at a General Meeting to be convened in due course.<sup>(2)</sup> The Company will shortly publish a shareholder circular setting out further details of the Transaction and including a Notice of General Meeting, which is expected to be held in early November 2020.

Completion of the Transaction will be dependent upon the divestment of a member of Borsa Italiana being a condition of any EC clearance decision for the Refinitiv Transaction, the EC having confirmed that it either approves or does not object to Euronext as the purchaser of Borsa Italiana and the Refinitiv Transaction closing in accordance with its terms (each of such conditions being waivable by LSEG). The Transaction is also subject to approval by LSEG’s and Euronext’s shareholders. With respect to Euronext’s shareholder approval, Euronext’s Reference Shareholders (which account for 23.3% of the Euronext issued share capital) have undertaken to vote their shares in favour of the shareholder resolution approving the Transaction. The Transaction is also conditional on required anti-trust and regulatory approvals including under Italy’s foreign direct investment regime.

The Transaction is expected to close in the first half of 2021. LSEG expects to complete the Refinitiv Transaction by the end of 2020 or early in 2021, ahead of completion of this Transaction.

**Description of Borsa Italiana**

Borsa Italiana, which comprises LSEG Italia and its subsidiaries, constitute a European financial markets and infrastructure business which comprises, inter alia: (i) Borsa Italiana S.p.A, the operator of the Italian stock exchange, in which LSEG Italia holds a 99.99% stake; (ii) MTS S.p.A., the European fixed income trading venue in which Borsa Italiana S.p.A holds a 62.53 per cent. majority stake; (iii) Cassa di Compensazione e Garanzia S.p.A., the Italian clearing house; and (iv) Monte Titoli S.p.A., an Italian-based custody and settlement business.

In the financial year ended 31 December 2019, Borsa Italiana contributed adjusted EBITDA of €280 million and profit before tax of €200 million to LSEG, and had gross assets of €1,843 million (excluding central counterparty clearing (CCP) assets).<sup>(3)</sup>

<sup>(1)</sup> Based on 2019 adjusted EBITDA of €280m, excluding intragroup EBITDA of €(16)m and non-underlying costs of €(5)m.

<sup>(2)</sup> As a consequence of their roles in Borsa Italiana, and Professor Sironi’s role in Intesa Sanpaolo, Raffaele Jerusalemi and Andrea Sironi did not take part in the Board’s consideration of the Transaction.

<sup>(3)</sup> Excluded from these figures are intragroup EBITDA of €(16)m, profit before tax of €(18)m and gross assets of €17m between Borsa Italiana and LSEG. Adjusted EBITDA excludes non-underlying costs of €(5)m.

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*This announcement has been prepared solely for the Transaction referred to in this announcement. A shareholder circular will be published by LSEG in connection with the Transaction in due course.*

*Certain figures contained in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly with the total figure given.*

*Goldman Sachs International (**Goldman Sachs**), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting as lead financial adviser to LSEG and no one else in connection with the Transaction and the matters set out in this announcement. In connection with such matters, Goldman Sachs, its affiliates, and its or their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Transaction or the contents of this announcement or any other matter referred to herein.*

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*Barclays Bank plc, acting through its investment bank (**Barclays**), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting as sponsor, corporate broker and financial adviser to LSEG and no one else in connection with the matters set out in this announcement and will not be responsible to anyone other than LSEG for providing the protections afforded to clients of Barclays nor for providing advice in relation to the contents of this announcement or any other matter referred to herein.*

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### **Forward looking statements**

*This announcement (including information incorporated by reference in this announcement), oral statements made regarding the Transaction and other information published in connection with the Transaction contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this announcement include statements relating to the expected effects of the Transaction on LSEG and its group, the expected timing and scope of the Transaction and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved.*

*Although LSEG believes that the expectations reflected in such forward-looking statements are reasonable, LSEG can give no assurance that such expectations will prove to be correct. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction of the conditions to the Transaction as well as factors such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of regulators and other factors such as changes in the political, social and regulatory framework, or in economic or technological trends or conditions. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors.*

*None of LSEG or any of its associates or directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Regulation Rules of the FCA), LSEG is under no obligation, and LSEG expressly disclaims any intention or obligation, to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.*

### **Transaction conditions**

*Completion of the Transaction is subject to the satisfaction of a number of conditions. Consequently, there can be no certainty that completion of the Transaction will be forthcoming.*

### **Transmission of this announcement**

*Neither this announcement, nor any copy of it may be taken or transmitted directly or indirectly into or from any jurisdiction where to do so would constitute a violation of the relevant laws or regulations of such jurisdiction. Any failure to comply with this restriction may constitute a violation of such laws or regulations. Persons into whose possession this announcement or other information referred to therein comes, should inform themselves about, and observe, any restrictions in such laws or regulations.*

**Compliance with laws**

*This announcement has been prepared for the purpose of complying with the applicable laws and regulations of the United Kingdom and information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and regulations of jurisdictions outside the United Kingdom.*