# TMX Group to Acquire VettaFi: Accelerating TMX's Growth as a Global Information Business

December 13, 2023

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# Introduction

**TMX to acquire remaining ~78% of the common units of VettaFi for ~US$848 million**

**VettaFi is a leading platform in a large and growing market:** data-driven analytics and indexing solution for a global client base of issuers and advisors

**We know VettaFi well:** TMX has had two board seats since our initial strategic investment and commercial agreement in the first half of 2023

**Highly complementary franchise:** clear path to drive enhanced value creation and a team with a proven ability to execute

**Financially compelling:** expected to be accretive to adjusted earnings per share[1] in year one, excluding any synergies

[1] Adjusted EPS excludes the impact of acquisition related costs, integration costs, fair value gain on contingent consideration, gain on BOX, and amortization of purchased intangibles. See discussion under "Non-GAAP and Non-U.S. GAAP Financial Measures" and "Forward Looking Information".

# TMX Group to Acquire VettaFi

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Strategic Vision: Operate global markets and build digital communities and analytic solutions that facilitate the funding, growth and success of businesses, traders and investors

TMX THE FUTURE IS YOURS TO SEE.® + VettaFi

**Accelerates long-term growth strategy, as well as financial and transformational objectives**

VettaFi

- ✔ End-to-end scalable indexing platform from index creation to post-launch distribution support
- ✔ Investor behavioural intelligence data tools based on proprietary datasets
- ✔ Thought leadership and curated high-impact event hosting
- ✔ Meaningful engagement across financial advisors and institutional and individual investors
- ✔ Leading position in large and attractive market with favourable secular trends

# VettaFi Overview:

## Leading data and analytics business that delivers full-service solutions from index ideation to post-launch distribution support

- End-to-end scalable indexing platform with digital distribution, differentiated proprietary data and powerful analytics
- The only one-stop shop partner for asset managers
- Clients include ETF issuers, mutual fund managers, structured product providers, and ecosystem service providers globally
- Attractive financial profile underpinned by strong recurring revenue base and high operating leverage
- US-based with 113 employees

**29 of 30**
Largest ETF Issuers are Clients

**US$31B+**
Assets tracking VettaFi Indices

**200k**
Unique Investor Profiles

**80%+**
Sep 2023 LTM Recurring Revenue[1]

**~16%**
Revenue CAGR 2020 – Sep 2023 LTM[1]

**~60%**
2024E Adjusted EBITDA Margin[1]

[1] VettaFi revenue and Adjusted EBITDA margin are compilations of financial information provided to us for the VettaFi entities as of December 13, 2023. The financial information for 2023 revenue are based on Sep 23 LTM from VettaFi management. 2024E Adjusted EBITDA margin is based on projections from VettaFi management. This financial information includes pro forma financials of their previous acquisitions. Actual results may vary materially from these projections and are subject to inherent uncertainties, and assumptions outside our control and there is no assurance that these projections will be realized. The VettaFi financial information is unaudited and may not be prepared in accordance with IFRS for public companies. Adjusted EBITDA margin is a non-GAAP ratio. See discussions under “Non-GAAP and Non-US GAAP Measures” and “Forward Looking Information”.

# Large Market Opportunity with Favourable Secular Trends

| | Market Size | Market Growth | |
|---|---|---|---|
| Indexing[1] | US$5B | 13-18% | • 13-18% expected ETF market CAGR through 2027<br>• ETF as % of total fund assets expected to increase from 17% to 24% in 2027<br>• Thematic ETF AUM growth driven by increased adoption of AI, Robotics and ESG |
| Digital Distribution[2] | US$29B | 7%+ | • Growing share of digital spend with ~US$29B of total spend on distribution by asset managers<br>• Intensifying competition drives demand for more efficient tools with measurable impact |
| Analytics[3] | US$260M | 14% | • AUM with registered investment advisors (RIAs) expected to grow at a CAGR of 14% through 2026<br>• Growing RIA footprint increases demand for VettaFi's content which in turn leads to more behavioural data and enables unique predictive analytical products |

Note: All figures in U.S. Dollars

[1] Market size based on Total Addressable Market ("TAM"), sourced from Burton-Taylor International Consulting. Market growth rate sourced from Oliver Wyman.

[2] Market size based on TAM and market growth (CAGR from 2017 – 2021) sourced from McKinsey Performance Lens Survey, 2021.

[3] Market size based on Serviceable Addressable Market ("SAM") of behavioral analytics, sourced from VettaFi Management. TAM is expected to be significantly larger. Market growth rate sourced from Cerulli Associates.

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# Compelling Strategic Benefits to Accelerate Growth

| | |
|---|---|
| **997** Listed ETFs (up 7% YoY) | **+43%** (ETFs listed on TSX in last 5 years) |
| **$384B** ETF AUM (up 16% YoY) | **+91%** (growth in ETF AUM in last 5 years) |

Note: Stats and YoY growth % as of November 30, 2023.

## Significant Growth Opportunities to Drive Value Creation

✓ Expands ability to deliver a comprehensive suite of investable indices

- Opportunity to white label indices for Structured Products

✓ Broadens access to large indexing and digital distribution markets with favourable secular growth dynamics

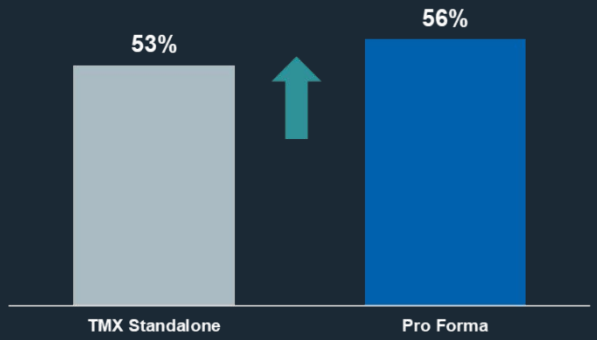
✓ Enhances portfolio of proprietary behavioural insights and analytics solutions to drive index distribution

- Global equity coverage for index data used in risk management and performance measurement

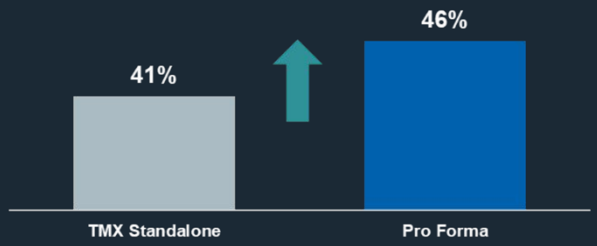
**Complementary to TMX's Growth Portfolio by Strengthening Our Position as the Leading ETF-Issuer in Canada While Expanding Suite of Solutions and Access to New Clients and Markets**

# Highly Aligned with TMX's Long Term Transformational Objectives

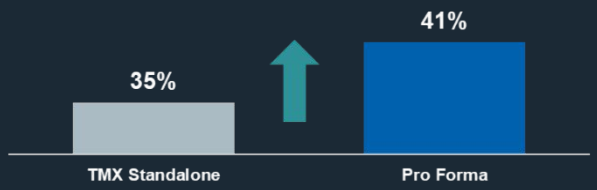
### Recurring Revenue[1,2]




### Revenue Outside of Canada[1,3]




### GSIA Revenue as a % of Total Revenue[1,4]




Source: Company filings. VettaFi Management.

[1] TMX Standalone based on Sep 23 LTM revenue. Pro forma based on TMX Sep 23 LTM plus VettaFi's Sep 23 LTM revenue estimates. The VettaFi financial information is unaudited and may not be prepared in accordance with IFRS for public companies. VettaFi revenue converted at average USD/CAD exchange rate for the last twelve months ended September 30, 2023 of 1.3485.

[2] 80%+ of VettaFi revenue is recurring for Sep 23 LTM.

[3] ~98% of VettaFi revenue is generated outside of Canada.

[4] Pro forma GSIA revenue includes 100% revenue from VettaFi.

# GSIA Segment Pro Forma

TMX's fastest growing segment

41% of Total TMX revenue

10% CAGR (2020 - Sep 2023 LTM)

~60% operating margin

90%+ recurring revenue

**Trayport** + **TMX Datalinx** + **VettaFi**

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Note: Pro forma financials based on TMX's and VettaFi's last twelve months revenue ended September 30, 2023. The VettaFi financial information is unaudited and may not be prepared in accordance with IFRS for public companies. VettaFi revenue converted at average USD/CAD exchange rate for the last twelve months ended September 30, 2023 of 1.3485.

# Transaction Overview

| | |
|---|---|
| Purchase Price | • Acquisition of remaining ~78% of the common units for ~US$848 million ($1.15 billion*).<br>• Brings our total investment for 100% of the common units to ~US$1.03 billion ($1.40 billion*), after including strategic investments made in the first half of 2023 for ~22% of the common units<br>• Expected tax benefit with net present value of approximately US$170 million ($231 million*) primarily representing amortizable acquired goodwill and intangibles. Implied total valuation net of expected tax benefit of ~15.4x 2024E Adjusted EBITDA[1,5,6]<br>• The transaction is expected to be accretive to Adjusted EPS[3,5,6] in year one, excluding any synergies |
| Financial Detail | • 2020 - Sep 2023 LTM revenue CAGR of ~16%<br>• Expected to be one of our High Growth businesses, generating over US$100 million ($136 million*)[2,6] of revenue in 2024E with Adjusted EBITDA margin of ~60%[1,5,6]<br>• 80%+ recurring revenue (Sep 23 LTM) |
| Financing and Balance Sheet | • Expected to be financed through debt with leverage of approximately 3.5x[4,5,6] after closing and repayment of VettaFi debt, with plans to return to target leverage range two years post-close<br>• TMX intends to maintain its current target range for dividend payout ratio[5,6]<br>• TMX to assume ~US$100 million ($136 million*) of VettaFi debt and plan to retire with funds made available to TMX under new term loan |
| Timing / Conditions | • Expected to close in January 2024, subject to customary closing conditions |

* Based on CAD/USD exchange rate of 1.3574 at December 12, 2023. Actual amounts in Canadian dollars subject to change.

[1] Adjusted EBITDA is a non-GAAP measure and Adjusted EBITDA margin is a non-GAAP ratio. VettaFi presents Adjusted EBITDA and Adjusted EBITDA margin from income before income taxes, finance income/costs, depreciation and amortization, acquisition-related costs, integration costs, and amortization of purchased intangibles.

[2] VettaFi revenue and Adjusted EBITDA margin are compilations of financial information provided to us for the VettaFi entities as of December 13, 2023. The financial information is based on projections from VettaFi management and includes pro forma financials of their previous acquisitions. Adjusted EBITDA is a non-GAAP ratio.

[3] Adjusted EPS excludes the impact of acquisition and related costs, integration costs, amortization of purchased intangibles, and other items.

[4] Leverage is defined as Debt/Adjusted EBITDA. Debt is defined as term loan, commercial paper plus debentures. Debt/Adjusted EBITDA is a non-GAAP ratio.

[5] See discussion under “Non-GAAP and Non-U.S. GAAP Financial Measures”.

[6] See discussion under “Forward Looking Information”.

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# Transaction Financing

## Financing Overview

- Committed financing for the full transaction provided by National Bank of Canada, Toronto-Dominion Bank, and Bank of Montreal
- Transaction will be funded through a loan facility of up to US$1.0 billion ($1.36 billion*) with three tenors (12, 18 and 24-months)
- We plan to convert approximately US$600 million ($814 million*) of term loan to debentures in year 1[1]

## Targeted Financing Plan

| | |
|---|---|
| New Term Loans | |
| 12 months | US$600 million |
| 18 months | up to US$200 million |
| 24 months | US$200 million |
| **Total Financing** | **up to US$1.0 billion** |

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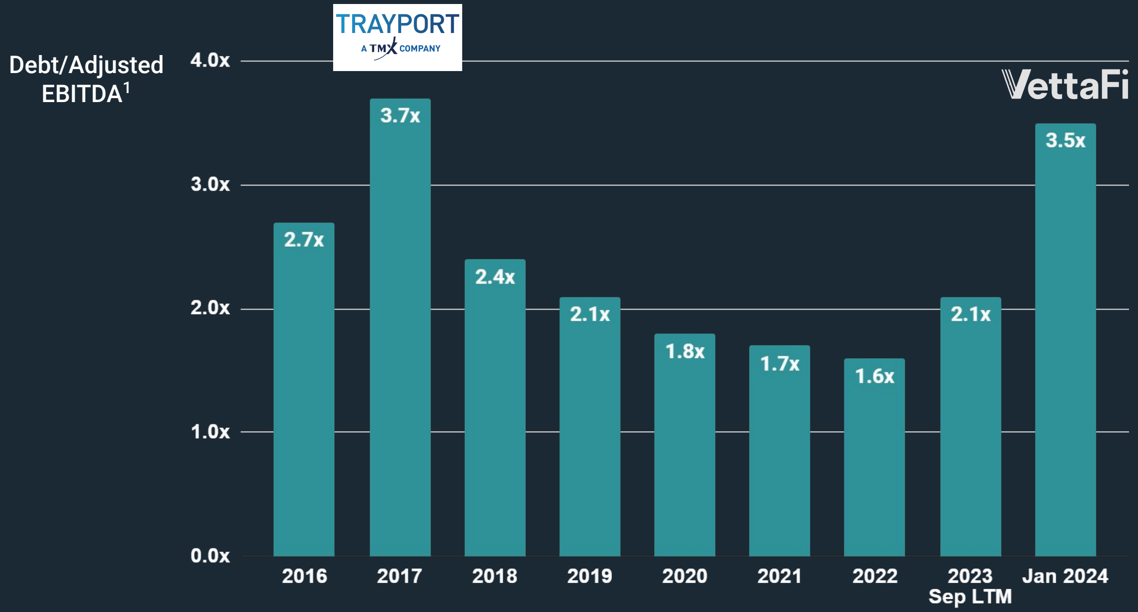
* Based on CAD/USD exchange rate of 1.3574 at December 12, 2023. Actual amounts in Canadian dollars subject to change.
1 See discussion under “Forward Looking Information”.

# Proven Track Record of Deleveraging and Continued Execution of Capital Allocation Strategy




## Rapid Leverage Reduction Plan ✔

Plan to return to target leverage range two years post-close[1]

## We Expect to Maintain Dividend Payout Range[2] ✔

Remain on track at 40 - 50%

[1] Debt/Adjusted EBITDA based on Debt at September 30, 2023, and pro forma Debt at January 31, 2024; divided by Adjusted EBITDA for the LTM ended September 30, 2023 and LTM ended January 31, 2024, respectively. Debt is defined as term loans, commercial paper plus debentures. Adjusted EBITDA is a non-GAAP measure, and Debt/Adjusted EBITDA is a non-GAAP ratio and do not have standardized meaning prescribed by GAAP, and therefore unlikely to be comparable to similar measures presented by other companies. See discussion under “Non-GAAP and Non-U.S. GAAP Financial Measures” and “Forward Looking Information”.

[2] See discussion under “Non-GAAP and Non-U.S. GAAP Financial Measures” and “Forward Looking Information”.

# Investor Day 2024

Q2
2024

TMX MARKET CENTRE™

120 Adelaide St. West,
Toronto, Canada

Invitations coming soon

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# Accelerating TMX's Growth as a Global Information Business

# Disclaimers

## Forward-Looking Information (FLI)

This presentation of TMX Group Limited ("TMX Group", "us", "we", "our") contains "forward-looking information" (as defined in applicable Canadian securities legislation) that is based on expectations, assumptions, estimates, projections and other factors that management believes to be relevant as of the date of this presentation. Often, but not always, such forward-looking information can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "budget", "scheduled", "targeted", "estimates", "forecasts", "intends", "anticipates", "believes", or variations or the negatives of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved or not be taken, occur or be achieved. Forward-looking information, by its nature, requires TMX Group to make assumptions and is subject to significant risks and uncertainties which may give rise to the possibility that our expectations or conclusions will not prove to be accurate and that our assumptions may not be correct. Examples of forward-looking information in this presentation include, but are not limited to, the anticipated benefits of the transactions to both TMX Group and VettaFi; the expected impact on TMX Group's earnings and Adjusted earnings per share; VettaFi's 2024 revenue, VettaFi's Adjusted EBITDA and Adjusted EBITDA margin; TMX Group's leverage ratio after closing and repayment of VettaFi's debt; TMX Group's dividend payout ratio; the ability to integrate VettaFi into TMX Group and the potential synergies; the acquisition of VettaFi bolstering TMX Group's strategy to shift towards recurring data and analytics revenue globally; the potential for geographic expansion; the ability for TMX Group to accelerate VettaFi's growth; the source and amount of funds to fund the acquisition; the ability of TMX Group to refinance the new credit facility or otherwise deleverage and the timing thereof; and the timeline for the completion of the transaction, each of which is subject to a number of significant risks and uncertainties. These risks include: competition from other exchanges or marketplaces, including alternative trading systems and new technologies, on a national and international basis; dependence on the economies of Canada and the United States; adverse effects on our results caused by global economic conditions or uncertainties including changes in business cycles that impact our sector; failure to retain and attract qualified personnel; geopolitical and other factors which could cause business interruption; dependence on information technology; vulnerability of our networks and third party service providers to security risks, including cyber attacks; failure to properly identify or implement our strategies; regulatory constraints; constraints imposed by our level of indebtedness, risks of litigation or other proceedings; dependence on adequate numbers of customers; failure to develop, market or gain acceptance of new products; failure to effectively integrate acquisitions, including the VettaFi acquisition, to achieve planned economics or divest underperforming businesses; currency risk; adverse effect of new business activities; adverse effects from business divestitures; not being able to meet cash requirements because of our holding company structure and restrictions on paying dividends; dependence on third party suppliers and service providers; dependence of trading operations on a small number of clients; risks associated with our clearing operations; challenges related to international expansion; restrictions on ownership of TMX Group common shares; inability to protect our intellectual property; adverse effect of a systemic market event on certain of our businesses; risks associated with the credit of customers; cost structures being largely fixed; the failure to realize cost reductions in the amount or the time frame anticipated; dependence on market activity that cannot be controlled; the regulatory constraints that apply to the business of TMX Group and its regulated subsidiaries, costs of on exchange clearing and depository services, trading volumes (which could be higher or lower than estimated) and revenues; future levels of revenues being lower than expected or costs being higher than expected.

Forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions with respect to the impact of the cost of acquisition financing on adjusted earnings per share; assumptions in connection with the ability of TMX Group to successfully compete against global and regional marketplaces; business and economic conditions generally; exchange rates (including estimates of exchange rates from Canadian dollars to the U.S. dollar or British pound sterling), commodities prices, the level of trading and activity on markets, and particularly the level of trading in TMX Group's key products; business development and marketing and sales activity; the continued availability of financing on appropriate terms for future projects; productivity at TMX Group, as well as that of TMX Group's competitors; market competition; research and development activities; the successful introduction and client acceptance of new products; successful introduction of various technology assets and capabilities; the impact on TMX Group and its customers of various regulations; TMX Group's ongoing relations with its employees; and the extent of any labour, equipment or other disruptions at any of its operations of any significance other than any planned maintenance or similar shutdowns. While subsequent events and developments may cause TMX Group's views to change, TMX Group has no intention to update this forward-looking information, except as required by applicable securities law. This forward-looking information should not be relied upon as representing TMX Group's views as of any date subsequent to the date of this presentation. TMX Group has attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward-looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect TMX Group. Important additional information identifying risks and uncertainties and other factors is contained in TMX Group's 2022 Annual MD&A under the headings entitled "Caution Regarding Forward-Looking Information" and "Enterprise Risk Management" which may be accessed at tmx.com in the Investor Relations section under Regulatory Filings.

## Non-GAAP and Non-U.S. GAAP Financial Measures

This presentation includes references to financial measures that are not defined by GAAP or U.S. GAAP. Although such non-GAAP and non-U.S. GAAP measures are calculated according to accepted industry practice, such measures disclosed in this presentation may be different from non-GAAP and non-U.S. GAAP measures used by other companies. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP or U.S. GAAP. While TMX Group believes these measures provide investors with greater transparency and supplemental data relating to the transaction, readers are cautioned that these non-GAAP and non-U.S. GAAP measures are not alternatives to measures determined in accordance with GAAP and/or U.S. GAAP and should not, on their own, be construed as indicators of TMX Group's or VettaFi's future performance or profitability. Readers should not rely on any single financial measure when evaluating TMX Group's business or that of VettaFi.

We use non-GAAP measures and non-GAAP ratios that do not have standardized meanings prescribed by GAAP and are, therefore, unlikely to be comparable to similar measures presented by other companies. Management uses these measures, and excludes certain items, because it believes doing so provides investors a more effective analysis of underlying operating and financial performance, including, in some cases, our ability to generate cash and our ability to repay debt. Management also uses these measures to more effectively measure performance over time, and excluding these items increases comparability across periods. The exclusion of certain items does not imply that they are non-recurring or not useful to investors.

Adjusted earnings per share provided above is a non-GAAP ratio and does not have a standardized meaning prescribed by GAAP and is therefore, unlikely to be comparable to similar measures presented by other companies. TMX Group presents Adjusted EPS and excludes, among other things, transaction costs, amortization of intangibles related to acquisitions and other items as disclosed in our Q3 2023 MD&A. For more information on Adjusted EPS and our dividend payout ratio, including definitions and explanations of how these measures provide useful information, refer to Non-GAAP Measures in TMX Group's Q3-2023 Management's Discussion and Analysis dated October 30, 2023.

Debt to Adjusted EBITDA ratio is a non-GAAP measure defined as total long term debt and debt maturing within one year divided by Adjusted EBITDA. Adjusted EBITDA is calculated as net income excluding interest expense, income tax expense, depreciation and amortization, transaction related costs, integration costs, one-time income (loss), and other significant items that are not reflective of TMX Group's and VettaFi's underlying business operations. For a reconciliation of TMX Group's Adjusted EBITDA please refer to our Q3 2023 Investor Brochure which may be accessed at tmx.com in the Investor Relations section under Why Invest in TMX.

VettaFi Adjusted EBITDA and Adjusted EBITDA margin is a compilation of financial information provided to us for the VettaFi entities as of December 13, 2023. The VettaFi financial information is unaudited and may not be prepared in accordance with IFRS for public companies. Adjusted EBITDA margin for VettaFi excludes integration costs, one-time income (loss), and amortization of acquired intangibles.

Reconciliations of forward-looking non-GAAP and other financial measures to comparable GAAP measures are not available without unreasonable effort due to the challenges and impracticality of estimating certain items including fluctuations in foreign currency rates, TMX Group's effective tax rate, and future expenses outside of TMX Group's normal course of business.