



## Add a bourse to your watchlist

**G**lobal equity markets have been particularly volatile this year, with the volatility index (VIX) averaging more than 25 year-to-date (a VIX level above 20 is considered high).

As markets rise and fall more sharply, the gap between those making money and those losing money widens. But there is one participant that always makes money, and even more so when trading activity rises – the stock exchange itself. Let's have a look at some publicly listed stock exchanges around the world.

### London Stock Exchange Group

This group owns (and is listed on) its namesake stock exchange. It also owns data provider Refinitiv, index specialist FTSE Russell, LCH (a clearing house) and Tradeweb (an over-the-counter, or OTC, marketplace). In addition, it offers its Millennium IT system to other exchanges, including the JSE. The London Stock Exchange was founded in 1801 and, notwithstanding its name, allows for trading in not only stocks, but also bonds, derivatives, currencies and other securities.

These days, you could say the most valuable asset it trades in is data. For the 2021 financial year, more than two-thirds of the group's total income was generated by data and analytics services, with capital market and post-trade services contributing less than a third. It has a market cap of \$53bn and a forward p:e of 26 times, which seems fair.

### Hong Kong Exchanges & Clearing

The holding company for the Stock Exchange of Hong Kong, Hong Kong Futures Exchange and London Metal Exchange has a market cap of \$52bn and a forward p:e of 38. This might seem expensive, but the company has a strong growth profile as a potential beneficiary of the long-term growth (and liberalisation) of China's financial sector. The Stock Connect programme, which allows for trading of Shenzhen and Shanghai stocks via Hong Kong (and vice versa), already accounts for 13% of the company's total revenue. The so-called homecoming of Chinese variable-interest entities, which are typically companies registered in the Cayman Islands but listed in the US, has also seen a substantial boost to share trading activity in Hong Kong.

### Nasdaq Inc

Best known for its technology-heavy bourse in New York, Nasdaq operates 10 stock exchanges: three in the US, four in Nordic countries and three in the Baltics. It is also a provider of trading systems and market infrastructure technology to many other stock exchanges. Over the past few years, Nasdaq has diversified further into data services, to the extent that revenues from market trading activity are now less than 40% of total revenue. With a market cap of \$30bn and a forward p:e of roughly 22, Nasdaq offers a solid investment proposition.

### Euronext

Euronext can trace its origins back to the world's first stock exchange, formed in Bruges, Belgium in 1285. Today, the group owns the stock exchanges of Amsterdam, Brussels, Lisbon, Dublin, Milan, Oslo and Paris (where it is listed). The group is substantially smaller than the other exchanges discussed here, at a market cap of \$8bn, but it is probably the most attractive, at a forward p:e of less than 15. Euronext has been a takeover target a few times before – it merged with the New York Stock Exchange (NYSE) in 2007 to form NYSE Euronext, which, in turn, was acquired by Intercontinental Exchange (ICE) in 2013. As part of the deal, Euronext was spun off from ICE in 2014, coming full circle to being a separately listed exchange once again.

### Deutsche Börse AG

The owner of the Frankfurt Stock Exchange also owns the largest European futures & options exchange, Eurex, which is its biggest money-spinner. It has a market cap of \$32bn and a forward p:e of roughly 22. Like many of its rivals, the group has had strong growth from data and analytics services, especially after the acquisition of Institutional Shareholder Services in 2021. Deutsche Börse has tried (and failed) to merge with both the London Stock Exchange and with NYSE Euronext multiple times over the past two decades. Don't be surprised if it takes another tilt at Euronext at some point – in the exchange business, bigger is always better.

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