Bolsas y Mercados Argentinos
3Q26 Earnings Call Transcript

PRESENTATION

[Alejandro Berney — Investor Relations Officer, BYMA]:

Good morning, everyone. We will give it a couple of minutes for more of the registered participants to join the webinar. One second, please.

Very well. Thank you all for joining. This is Alejandro Berney, Investor Relations Officer for BYMA, and welcome to our third-quarter earnings presentation. As usual, please take note of your questions and hold them until the end of the presentation, when we will open the floor for Q&A. With that, let's begin.

This quarter, we continue to see the same trends as in previous quarters, with the depository growing faster than the exchange. We will go over the reasons behind that trend in the next few pages. We did see volume growth on the exchange, but there was an adjustment that we will also explain later.

In the summary, you will see that the exchange was practically flat compared with the same quarter of last year. Revenues did grow, but the adjustment we will explain later caused total revenue to be flat versus the previous year in historical terms; adjusted for inflation, that was a drop.

Expenses were slightly higher than last year — there were some one-offs in the quarter that raised them, and we will go over that as well. Gross margin grew 12% in historical terms; adjusted for inflation, we saw a drop. However, we had a good quarter in the other operating income line compared with last year, so, net-net, the net operating result grew in line with inflation, as you can see in both the historical and the inflation-adjusted figures.

The hit we took this quarter was exclusively on financial income, which dropped quite significantly both in historical terms and adjusted for inflation. We will go into the reasons later, but it has to do mostly with a very flat FX during the quarter — there was practically no devaluation in the third quarter. As a result, net income dropped 8% in historical terms, and the drop was smaller adjusted for inflation. We still maintain relatively high margins, although the margin dropped slightly, from 74% to 71%.

So let's go into the reasons behind this summary. The Central Securities Depository (CSD) continues to show very healthy growth in assets under custody (AUC), and we continue to see all asset classes grow. This quarter in particular, we saw the same as what happened in the first quarter: bills grew much more than the rest of the public debt. Once again, bills reached 10% of total assets, after their share had dropped in the second quarter. And although they are smaller in size, we continue to see good growth in CEDEARs as well as in corporate debt.

Year-over-year, CSD revenues grew faster than AUC, at 96%, basically because we were charging differently for equity last year. The third quarter of last year was the last quarter in which we charged custody on equity based on nominal values; in the fourth

quarter we started charging on market values. That explains the larger difference in growth compared with AUC.

On the exchange, as you can see in the breakdown, trading, clearing and settlement fees grew 5% year-over-year. It was a small increase, and it also reflects the fact that equity was charged differently: in the third quarter of last year we were charging 7 basis points on trading, and in the fourth quarter of last year we reduced that to 5 basis points. On a comparable basis, equity — the largest portion of total revenues — would have grown 24% instead of 5% year-over-year. That is quite a significant difference, and we will start seeing that normalization from the fourth quarter onwards.

Market data: as you may recall, most of those contracts are in dollars, so the small FX variation implies very small growth in that line.

Finally, other fees merit some explanation. You can see a drop of 33%, or 2.3 billion pesos. Most of that was due to an arrangement we made with Vantek, our provider of the OMS (order management system). Previously, we would charge the client, and Vantek would charge us for maintaining that platform. Under the new arrangement, we became a shareholder in Vantek, they took over the OMS services, and we will receive a share of the profit they make. This technology line had very thin margins — as you know, technology services typically have smaller margins — and it was not contributing much to our bottom line, so we preferred to focus on our core business and outsource this to Vantek, where we are now a shareholder.

So this adjustment in other fees is mostly explained by Vantek. There was also a smaller impact from penalties we had invoiced in the second quarter. As you may recall, we introduced BYMACLEARING, a new clearing system, and together with its implementation we started charging higher fees for fails. In the third quarter, we decided to refund the amounts charged in the second quarter, because we wanted to give clients the opportunity to start clearing via DVP, which was not the case before and required adjustments to their back offices. In the end, the penalties charged in the second quarter were returned to clients — meaning local brokers — as part of their transition to this new type of clearing. So, of the 2.3 billion, 2 billion was related to Vantek and the remaining 300 million pesos to the refund of fines charged in the second quarter.

Moving to equity, we see trends similar to past quarters, with the CEDEAR segment growing much more significantly. You can see on this page that total volume growth in ADTV was higher than revenue growth, because of what I mentioned about charging differently in the same quarter of last year. If it weren't for that, we would have made 24 billion pesos instead of 19 billion in equity.

Fixed income trading shows a negative year-over-year movement. We had an exceptional third quarter last year — you may recall that the Central Bank was very active in our market, using different types of trading practices to reduce rates and to influence the implied FX, the "dólar MEP" as we call it. So year-over-year it shows negative growth; quarter-over-quarter is a much better comparison. Volumes did grow, but mostly in bills, where we charge a tenth of what we charge on bonds. So the same effect of T-bills growing slightly impacted revenue growth quarter-over-quarter.

On-exchange repo continues to be a very good business line. We mentioned in the last earnings call that volumes were dropping because of changes to the allowed leverage on the broker-dealer side; we have seen that volume come back, so we continue to see good year-over-year growth in this business line. Market data, as I mentioned in the summary, grew at low rates, basically due to small FX differences in the quarter.

On the expenses side, most lines were below inflation. The only one with an impact was compensation. We had a headcount reduction of 50 people in the third quarter — roughly 10% of the workforce — across all areas, partly related to the Vantek change mentioned before. So in the third quarter we recognized severance of roughly 2 billion pesos, and we didn't see any of the savings, because this happened towards the end of September.

Financial income, as we saw in the summary, had quite a significant reduction. In this graph, we show FX gains in light blue and interest and mark-to-market in dark blue, and you can see a couple of things. First, we practically did not make any money on our own investments from FX differences this quarter, which was a significant reduction. In the third quarter of last year, we had seen very sizable gains because of market volatility ahead of the national midterm elections in October. Running up to that point, there was a lot of nervousness in the markets, and FX rose considerably, as you can see in the graph.

On interest and mark-to-market, some of our investments had a sizable reduction in value. The most notable one is our investment in A3, where we hold a little over 3% of the capital. That markdown was close to 4 billion pesos — quite significant, and a large reason why interest and mark-to-market is lower than last year.

Considering the growth in revenue and also in expenses, we still have an EBITDA margin very close to where we were. Our operating margin fell a little, but it should probably improve with fourth-quarter results, based on what I mentioned on the expenses line. These are our historical numbers, which you can also download in Excel from our website.

In summary: good year-over-year growth for the CSD, and relatively strong quarter-over-quarter as well. The exchange was flat versus last year, mostly due to the difference in how we charge for equity, plus the adjustment on the OMS service we provided to local brokers through Vantek. In terms of efficiency, we remain close to all-time highs.

In terms of updates, we launched the first local ETF this week, on Tuesday, and it has been working very well. We also reached a new record this week, driven by volatility. We had a record of 26 million offers from October of last year; that record stood for a long time until last month, when we reached 31 million, and this week we reached 41 million offers. That is quite sizable in terms of the algorithmic traders we have, and it was also related to a trading record: USD 545 million traded in equity, mostly CEDEARs. Although this data relates to October, we are still seeing global volatility feed into local prices, and therefore more activity.

And just a picture: this is our new bell, which we use to commemorate events such as the launch of the ETF. Last Tuesday was the first time we inaugurated the space, and

hopefully, when markets improve, we will start seeing some IPOs come through and use this space much more.

With that, I'll open the floor for questions. I see Pedro has his hand up — please go ahead.

Q&A

[Pedro Leduc]:

Thank you very much, Alejandro. Good morning, everybody. A question on the financial results, which were a bit more volatile. I know you already commented on it, but could you give us a little more detail on what drove the volatility? We know markets haven't been easier in the fourth quarter, so maybe a glimpse of what we can expect there. And could you remind us of the main drivers here and the company's investment policy allocation? Thank you.

[Alejandro Berney — Investor Relations Officer, BYMA]:

Absolutely, Pedro. It's interesting, and you will see this breakdown in our financial statements. The numbers are inflation-adjusted, but you can still see the effects. It was not our public debt that took the mark-to-market hit; it was really the private instruments we hold. When you look at the detail, most of the negative mark-to-market was related to the markdown of our strategic position in A3. We consider it part of our total investments, even though it is strategic, so you will see it in the same line — this is Note 13 in our financial statements.

When you analyze the breakdown, we made nearly the same amount from public debt as last year in terms of interest and mark-to-market; it was the private instruments that took the hit. But looking at the total, it really comes down to the fact that we had no FX difference this quarter, versus very sizable FX differences in the same quarter of last year. If you look at the consolidated nine-month results, you will see something similar: without the negative markdown on the private instruments, it looks flat year-to-date, but last year we made almost double what we made this year on our own portfolio due to FX differences. So it really comes down to FX being very stable this year.

Regarding the investment policy, it continues to be as always. This quarter we ended at roughly 65% in pesos and 35% in dollars. We are expecting more volatility — there is still a long time until next year's elections — so we keep a conservative portfolio. Our average maturity is 1.2 years, for example. We always keep our treasuries portfolio abroad very short, and we also keep our local portfolio very short, since we expect a lot of volatility around October of next year. If I remember correctly, almost 90% of our local investments mature before October of next year.

All right, thank you. Pedro Offenhenden, how are you?

[Pedro Offenhenden]:

Very well, thanks for the call. A couple of questions. First, on the severance payments you mentioned — were those departures completed in September, or should we expect more of these extra charges in the last quarter?

[Alejandro Berney — Investor Relations Officer, BYMA]:

There were a couple at the beginning of October, but on a much smaller scale. About 80% to 90% of the severance was recognized in the third quarter, towards the end of September, as I mentioned.

[Pedro Offenhenden]:

Perfect. I have one more, if I may.

[Alejandro Berney — Investor Relations Officer, BYMA]:

Absolutely.

[Pedro Offenhenden]:

On other operating income — how should we think about this line compared with the income on your own cash? I was a bit surprised: it is mainly dollarized, but it fell by about half from last quarter. Is it due to FX differences or mark-to-market? How should we think about this line?

[Alejandro Berney — Investor Relations Officer, BYMA]:

It is not FX difference; it has to do with how it is invested. First of all, there is no FX difference because the exposure sits on both the asset and the liability side. Other operating income comes from client cash, which we account for on the liability side, and we don't take FX risk on those investments: what is in dollars as a liability is in dollars as an asset. So that line neither benefits nor takes a hit from FX differences — it is entirely interest-rate driven. As you said, a large portion is in dollars, but because Argentine interest rates are so much higher than dollar rates, returns are split almost half and half between dollar cash and peso cash. So peso volatility and rates will affect the returns on other operating income.

[Pedro Offenhenden]:

OK, perfect. Thank you.

[Alejandro Berney — Investor Relations Officer, BYMA]:

You're welcome. Pedro Gonzaga?

[Pedro Gonzaga]:

Hi, how are you? Thanks for taking my question. Again on financial income: you already said the policy has been consistent, but you do have the flexibility to change the proportion of pesos and dollars — last quarter it was the other way around. So, two questions. First, will this flexibility stay the same, and why change the allocation so much? Wouldn't it make more sense for the company to always hold more dollars with very low duration, to keep market risk on investments low, given all the other moving parts of the business? Second, the company has historically changed its allocation quarter to quarter, even month to month. Has that generated positive outcomes? Do you track whether those allocation changes have been positive for shareholders? Thanks.

[Alejandro Berney — Investor Relations Officer, BYMA]:

Sure, I'll go from the top down. First, we have an investment committee that reviews our investments against the approved investment policy. The committee meets at least monthly — more often if there is a lot of volatility — and it decides how much we hold in pesos and how much in dollars. All of this applies only to our own cash: as I

mentioned, no FX risk is taken on other operating income, so whatever is in pesos is invested in pesos and whatever is in dollars is invested in dollars. But for our own cash, the investment committee does take a view, and therefore the proportion of pesos and dollars will change.

In the last seven years, we have had periods at 70% in pesos and then moved to 100% in dollars. That proved to be very good foresight: we moved fully to dollars around November 2017, if I recall correctly, so when Macri's devaluation started to gain speed in April 2018, we were already 100% dollarized, and the entire period from then until 2023 was practically 100% in dollars. In 2022, I think, we began to change that a little.

In general, I would say we have taken a conservative view rather than seeking to outperform the market. In the last couple of years, with FX very stable and inflation high, we moved more to the peso side, especially after the two large dividends we paid in dollars — last year's dividend of USD 177 million and this year's of USD 126 million. All of that was paid in dollars, so our dollar portion fell very significantly. Since then, we reached 65% in pesos at the end of the second quarter, as I mentioned, and we ended this third quarter at 55% in pesos. So we had already started moving a bit, based on the investment committee's outlook.

[Pedro Gonzaga]:

OK. So you ended the quarter at 55% in pesos? Because in the presentation it's actually lower — or is that a more current view, after the end of the quarter?

[Alejandro Berney — Investor Relations Officer, BYMA]:

I'm going from memory — let me check, one second. Sorry about that. I think it is 55% in pesos; there seems to be a typo in the presentation, but we will confirm.

[Pedro Gonzaga]:

OK, thanks. I'll follow up on that. Thanks a lot.

[Alejandro Berney — Investor Relations Officer, BYMA]:

Thank you. Marcos?

[Marcos]:

Hi, thank you for taking my question. It is about the shareholder structure. BCBA holds about 31% of the stock. Is there any timeline to divest the portion exceeding the 20% regulatory cap, and do you see that happening in the short term? Thank you.

[Alejandro Berney — Investor Relations Officer, BYMA]:

You're welcome. Yes, correct — BCBA still holds almost 31% — 30.9% of total capital. By law, as you mentioned, any entity that is not another exchange can hold a maximum of 20%. However, there is no mandate as to when existing stakes above 20% need to be sold. This doesn't happen only at BYMA: something similar happens at A3 with Bolsa de Comercio de Rosario, and none of them have a deadline by which they need to sell their stake. I know of no such mandate, so at this point there is no timeline for that to change.

[Marcos]:

Thank you.

[Alejandro Berney — Investor Relations Officer, BYMA]:

Lisandro, I think you have a question — is that correct?

[Lisandro]:

Alejandro, a quick question: do you have any guidance for next year — maybe EBITDA or revenues for 2027?

[Alejandro Berney — Investor Relations Officer, BYMA]:

No, we do not provide guidance; it would be very difficult given the volatility we have. What we can say is that we expect that volatility to continue to grow, and in general, when we see volatility, we see more business. So we expect next year to be a volatile and good year for us. That is as much as we comment.

[Lisandro]:

OK, perfect. Thanks.

FINAL COMMENTS

[Alejandro Berney — Investor Relations Officer, BYMA]:

Thank you very much. Also here with us — as you may have seen — is Mora, who is part of the team and has been with us for a couple of months now, as well as Mario. The generic e-mail I mentioned reaches all three of us, so that is typically the best way to reach us if you have any questions, and we can always set up another call to go into more detail on anything you wish. Thank you again, and have a great weekend.