TMX Group Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 11, 2021

This Management's Discussion and Analysis (MD&A) of TMX Group Limited's (TMX Group) financial condition and financial performance is provided to enable a reader to assess our financial condition, material changes in our financial condition and our financial performance, including our liquidity and capital resources, for the quarter ended March 31, 2021 (Q1/21), compared with the quarter ended March 31, 2020 (Q1/20) and as at March 31, 2021 and December 31, 2020. This MD&A should be read together with our unaudited condensed consolidated interim financial statements as at March 31, 2021 and December 31, 2020, and for the quarters ended March 31, 2021 and 2020 (the interim financial statements), our audited annual consolidated financial statements for the years ended December 31, 2020 and December 31, 2019 (the financial statements) and the 2020 Annual MD&A.

Our interim financial statements and this MD&A for the quarter ended March 31, 2021 are filed with Canadian securities regulators and can be accessed at www.tmx.com and www.sedar.com. The financial measures included in this MD&A are based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), unless otherwise specified. All amounts are in Canadian dollars unless otherwise indicated.

Additional information about TMX Group, including the Annual Information Form, is available at www.tmx.com and www.sedar.com. We are not incorporating information contained on our website in this MD&A.

OUR RESPONSE TO COVID-19 PANDEMIC

The global pandemic first declared in 2020 has altered the world and the way we operate. Its impact on individuals, communities, businesses, and the political landscape is far reaching. In these extraordinary times, we rely on our core organizational values, enterprise strategy, risk management practices and our talented people to guide us through this rapidly changing and complex situation. Powered by the dedicated and collaborative efforts of employees, the vast majority of whom are working remotely, we continue to focus our efforts on our client first vision to be an indispensable solution for companies around the world to raise capital and the preferred destination for traders and investors to prosper. In 2020 and Q1/21, we experienced unprecedented levels of demand on our systems and services during the pandemic with record activity, trading, messaging levels and client support demands. Our team rose to the challenge and ensured the market and our participants were effectively supported during these challenging times.

The health and safety of our people, our clients and the entire capital markets community has been and continues to be our top priority in this time of great uncertainty, and consistently guides the decisions that we make. Our offices have been readied with the highest health, safety and security standards for those critical staff who need to be onsite and for when other employees will be able to return to office. The COVID-19 Response Team is closely monitoring and following the counsel of Public Health and Government officials.

We deployed various IT and human resources tools to support both our employees working from home as well as our limited recovery staff who are on site performing critical duties. We also provided each employee with special IT allowances to facilitate the transition to remote work. Today, approximately 95% of our workforce continues to work remotely, and will continue to do so until Government and Health officials indicate remote work is no longer required. TMX Group continues to reassess our return to office date as new information becomes available.

In April 2020, we conducted our first successful all-remote disaster recovery (DR) test on most of our critical systems. There were subsequent tests in September 2020, October 2020 and April 2021. As we look into the future, despite prevailing uncertainty looming in our operating environment as the business world prepares to emerge from the

COVID-19 pandemic, TMX Group remains firmly focused on serving our clients with excellence, providing our markets with continuity, and executing against our global growth strategy.

INITIATIVES AND ACCOMPLISHMENTS

Capital Formation[1]

AST Canada transaction

In September 2020, we announced an agreement to acquire AST Investor Services Inc. (Canada), and its subsidiary AST Trust Company (Canada) (collectively, AST Canada), a leading provider of transfer agency, corporate trust and related services to Canadian public and private companies for $165 million in cash consideration, which includes $30 million of cash in their businesses, subject to customary closing conditions and working capital adjustments.

The transaction is expected to close within 12 months from the date of signing the agreement (September 25, 2020), subject to receipt of regulatory approval under the Trust and Loan Companies Act (Canada). We have received regulatory approval under the Competition Act (Canada). For further details, please see "Initiatives and Accomplishments - Capital Formation - AST Canada transaction" in our 2020 Annual MD&A.

Equities and Fixed Income Trading and Clearing[2]

Market On Close (MOC) Modernization

In October 2020, TSX published and filed for regulatory approval a proposed new Closing Auction model, the first substantive changes to the MOC since its introduction in 2004. The MOC Modernization proposal was developed after two years of extensive consultation from market participants unified in supporting a best-in-class closing auction that effectively meets the liquidity and execution needs of Canadian and global investors. The new TSX MOC facility will provide an improved trading experience for market participants, better serve stakeholder needs for enhanced liquidity at the close, and enhance efficiencies in determining closing prices in Canada. The new MOC model has received regulatory approval from the Ontario Securities Commission (OSC), the British Columbia Securities Commission (BCSC), and the Alberta Securities Commission (ASC) and is expected to be launched Q4/21.

TSX DRK

The expansion of TSX's Dark Trading offering continued throughout 2020 with the successful introduction of new pricing programs and targeted sales campaigns. As a result, TSX DRK made substantial gains in this market segment, increasing its continuous trading market share in TSX listed securities from 18% in 2019 to 26% in Q1/21. Planned expansion initiatives and investments to increase user adoption, introduce new offerings, and support continued market share growth are expected to be added, beginning in Q4/21.

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[1] The "Capital Formation" section contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainty related to such statements.

[2] The "Equities and Fixed Income Trading & Clearing" section contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainty related to such statements.

Sustainable Bonds Posted for Trading on TSX

In March 2021, we embarked on an initiative to post Sustainable Bonds to trade on the TSX. The initiative, pending regulatory reporting requirements, looks to offer governments and quasi-governmental entities a means to expand their investor reach by making the bonds readily available on TSX to retail investors.

Derivatives Trading and Clearing [3]

In October 2018, MX launched extended trading hours from the previously 6:00 a.m. ET open to a 2:00 a.m. ET open. Initially, this included MX's interest rate products[4]. Beginning in February 2019, MX offered clients the ability to also trade its equity index futures[5] in these extended hours. For Q1/21, volumes during extended trading hours represented approximately 6% of total volumes in these products. MX is preparing for the next phase of extended hours to align with trading hours in Asia in the second half of 2021.

Global Solutions, Insights and Analytics (GSIA)[6]

Trayport

Trayport is the primary connectivity network and data and analytics platform for European wholesale energy markets. Trayport's solutions enable price discovery, trade execution, post-trade transparency and post-trade straight through processing.

Asset Class and Geographic Expansion

In Q1/21, Trayport expanded the use of its Joule platform in refined oil following the signing of an agreement with a leading global inter dealer broker to use Trayport technology. We are now in the process of rolling this out to trading desks in London and Singapore. Ten brokers also use Trayport's Joule platform to display pricing for refined oil.

Algorithmic Trading and Data Analytics Products

The trend of algorithmic power trading in European intraday markets continues to grow.

This algorithmic trading trend is also developing across the rest of the markets Trayport serves in Europe. Trayport has responded to this demand by launching a Data Analytics product to store and analyze customers data sets, which is now live. Trayport is also expanding its AutoTrader algorithmic design and execution product to cover these additional forward and futures markets. Together, these products provide an end to end solution for customers to design, back test, and execute algorithmic strategies.

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[3] The "Derivatives Trading and Clearing" section contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainty related to such statements.
[4] BAX - Three-Month Canadian Bankers' Acceptance Futures, CRA - Three-month Canadian Overnight Repo Rate Average (CORRA) Futures (launched June 12, 2020), CGZ - Two-Year Government of Canada Bond Futures, CGF - Five-Year Government of Canada Bond Futures and CGB - Ten-Year Government of Canada Bond Futures.
[5] SXF - S&P/TSX 60 Index Standard Futures and SXM - S&P/TSX 60 Index Mini Futures.
[6] The "Global Solutions Insights and Analytics" section contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainty related to such statements.

Tradesignal transaction

In May 2021, we announced that Trayport Limited has entered into an agreement to acquire Tradesignal, a leading producer of rule-based trading and technical chart analysis software based in Germany. In addition to selling enhanced charting and analytics capabilities to its client's base, the acquisition will provide a strategic link between Trayport's algo trading and analytics offerings. The transaction is expected to close in Q2/21, subject to customary closing conditions.

TMX Datalinx

Co-location Services

To meet client demand, we plan to increase capacity at our co-location facility by approximately 25%, or 50 cabinets, by Q3/21. In Q1/21, we made 15 of the 50 cabinets available which helped alleviate some pent up demand from clients.

Update on Modernization of Clearing Platforms[7]

In 2017, we commenced work on an initiative to modernize the technology platforms for our CDS and CDCC clearing and settlement businesses as well as for our entitlement systems. We have separated the modernization of our clearing houses into two phases. In phase one, we focused on the CDCC risk management element of the project that went live in Q2/19.

Phase two of this project involves the replacement of other legacy systems at CDS including those related to clearing and settlement, as well as an expanded scope to address entitlement payment systems. In March 2017, we implemented an Issuer Services Program that included a number of fee changes in anticipation of the investment that would be required to modernize the entitlement payments system. We spent $43.8 million up to the end of 2019 on capital expenditures related to phase two, $27.8 million in 2020 and $7.8 million in Q1/21. Overall, we expect to incur between approximately $110 and $120 million in capital expenditures during Phase two of this project. We expect to complete this project in the second half of 2022. We will continue to provide updates on estimates for capital expenditures and timing as this complex project progresses.

ORGANIZATIONAL CHANGE

On April 20, 2021, we announced the appointment of David Arnold as Chief Financial Officer (CFO), effective June 1, 2021. Mr. Arnold is a financial services industry leader and 20-year veteran of CIBC where he held increasingly senior positions in Finance and Administration, most recently as Executive Vice President, Enterprise Programs, Technology and Operations.

Frank DiLiso, Vice President, Corporate Finance and Administration, who assumed the role of interim CFO on August 17, 2020, continues as interim CFO until May 31, 2021 and will remain a senior leader in the organization.

[7] The "Update on Modernization of Clearing Platforms" section contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainties related to such statements.

MARKET CONDITIONS AND OUTLOOK[8]

The COVID-19 pandemic has had an unprecedented impact on market and general economic conditions. A rise in retail trading activity has led to significantly higher trading and clearing volumes for cash equities markets, particularly in the TSX Venture Exchange (TSXV). At this point it is difficult to project the longer term impact from the trends in retail trading and retail activism, if or when it may subside, and the implications for our cash equities markets. The average CBOE Volatility Index (VIX) was 23.2 in Q1/21 compared with 31.2 in Q1/20. Overall, Canadian equities trading volumes were up 80% in Q1/21 compared with Q1/20.[9] Across all of our equities markets, overall trading volumes were up 50% in Q1/21 compared with Q1/20 with trading volumes on Toronto Stock Exchange (TSX), TSX Alpha Exchange (Alpha) and TSX Venture Exchange (TSXV) increasing by 5%, 84% and 175%, respectively. In Canadian derivatives trading, the volume of contracts traded on MX was up 2% in Q1/21 compared to Q1/20. In Q1/21, we continue to see reduced trading in short-term interest rate contracts offset by increases in long-term interest rate products, equity options and share futures.

On TSX, the total amount of financing dollars raised increased by 109% from Q1/20 to Q1/21, and the total number of financings increased by 43% over the same period. On TSXV (including NEX) there was a 216% increase in the total amount of financing dollars raised, and a 48% increase in the total number of financings in Q1/21 over Q1/20.

On April 21, 2021, the Bank of Canada (the Bank) announced that it was maintaining the target overnight rate at ¼ percent. Effective the week of April 26, weekly net purchases of Government of Canada bonds will be adjusted to a target of $3.0 billion. The Bank said this adjustment of incremental stimulus reflects the progress made in the economic recovery. Activity has proven more resilient than expected in the face of the COVID-19 pandemic, and the rollout of vaccines is progressing. The Bank added that the recovery remains highly dependent on the evolution of the pandemic and the pace of vaccinations. After a contraction of 2 ½ percent in 2020, the Bank now projects global GDP to grow by just over 6 ¾ percent in 2021, about 4 percent in 2022, and almost 3 ½ percent in 2023. The recovery in the United States has been particularly strong, owing to fiscal stimulus and rapid vaccine rollouts. The global recovery has lifted commodity prices, including oil, contributing to the strength of the Canadian dollar.

In Canada, substantial job gains in February and March boosted employment, however, new lockdowns will pose another setback and the labour market remains difficult for many Canadians, especially low wage workers, young people and women. As vaccines roll out and the economy reopens, consumption is expected to rebound strongly in the second half of this year and remain robust over the projection. The Bank now forecasts real GDP growth of 6 ½ percent in 2021, moderating to around 3 ¾ percent in 2022 and 3 ¼ percent in 2023. The Bank expects CPI inflation to ease back toward 2 percent over the second half of 2021 as these base-year effects diminish, and inflation is expected to ease further because of the ongoing drag from excess capacity. As slack is absorbed, inflation should return to 2 per cent on a sustained basis some time in the second half of 2022. The Bank also said they remain committed to holding the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved. Based on the Bank's latest projection, this is now expected to happen some time in the second half of 2022.[10]

[8] The "Markets Conditions and Outlook" section contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainty related to such statements.
[9] Source: IIROC (excluding intentional crosses, includes all Canadian equities).
[10] Source: Extracted from Bank of Canada press release, April 21, 2021.

Results of Operations

Non-IFRS Financial Measures

Adjusted earnings per share, adjusted diluted earnings per share and adjusted net income are non-IFRS measures and do not have standardized meanings prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other companies. We present adjusted earnings per share, adjusted diluted earnings per share, and adjusted net income to indicate ongoing financial performance from period to period, exclusive of a number of adjustments. These adjustments include amortization of intangibles related to acquisitions, increase in deferred income tax liabilities relating to a change in U.K. tax rate, and transaction related costs. Management uses these measures, and excludes certain items, because it believes doing so results in a more effective analysis of underlying operating and financial performance, including, in some cases, our ability to generate cash. Excluding these items also enables comparability across periods. The exclusion of certain items does not imply that they are non-recurring or not useful to investors.

Quarter ended March 31, 2021 (Q1/21) Compared with Quarter ended March 31, 2020 (Q1/20)

The information below reflects the financial statements of TMX Group for Q1/21 compared with Q1/20.

(in millions of dollars, except per share amounts)	**Q1/21**	Q1/20	**$ increase / (decrease)**	**% increase / (decrease)**
Revenue	**$252.0**	$220.3	$31.7	14%
Operating expenses	**119.3**	109.3	10.0	9%
Income from operations	**132.7**	111.0	21.7	20%
Net income	**96.4**	70.1	26.3	38%
Adjusted net income[11]	**106.4**	87.0	19.4	22%
Earnings per share				
Basic	**1.71**	1.25	0.46	37%
Diluted	**1.70**	1.24	0.46	37%
Adjusted Earnings per share[12]				
Basic	**1.89**	1.55	0.34	22%
Diluted	**1.88**	1.53	0.35	23%
Cash flows from operating activities	**78.6**	79.0	(0.4)	(1)%

[11] See discussion under the heading "Non-IFRS Financial Measures".
[12] See discussion under the heading "Non-IFRS Financial Measures".

Net Income and Earnings per Share

Net income in Q1/21 was $96.4 million, or $1.71 per common share on a basic and $1.70 per common share on a diluted basis, compared with a net income of $70.1 million, or $1.25 per common share on a basic and $1.24 on a diluted basis, for Q1/20. The increase in net income reflected an increase in income from operations of $21.7 million. The increase in income from operations from Q1/20 to Q1/21 was driven by an increase in revenue of $31.7 million, offset by an increase in operating expenses of $10.0 million driven by an approximately $5.1 million increase in short term employee performance incentive plan costs and sales commissions. The increase in operating expenses also included approximately $0.6 million (1 cent per basic and diluted share) in transaction related costs related to the proposed AST Canada transaction in Q1/21. There was also an increase in our share of income from BOX in Q1/21, and an increase in deferred income tax liabilities relating to change in U.K. tax rate that increased income tax expenses in Q1/20, partially offset by higher net finance costs.

Adjusted Earnings per Share[13] Reconciliation for Q1/21 and Q1/20

The following is a reconciliation of earnings per share to adjusted earnings per share:

	Q1/21		Q1/20	
(unaudited)	**Basic**	**Diluted**	Basic	Diluted
Earnings per share	**$1.71**	**$1.70**	$1.25	$1.24
Adjustments related to:				
Amortization of intangibles related to acquisitions	**0.17**	**0.17**	0.17	0.16
Increase in deferred income tax liabilities relating to a change in the U.K. tax rate	**—**	**—**	0.13	0.13
Transaction related costs[14]	**0.01**	**0.01**	—	—
Adjusted earnings per share[15]	**$1.89**	**$1.88**	$1.55	$1.53
Weighted average number of common shares outstanding	**56,237,215**	**56,634,332**	56,280,284	56,730,840

Adjusted diluted earnings per share increased by 23% from $1.53 in Q1/20 to $1.88 in Q1/21 largely driven by increased revenue, partially offset by higher operating expenses. There was also an increase in our share of income from BOX partially offset by higher net finance costs.

[13] See discussion under the heading "Non-IFRS Financial Measures".
[14] Includes costs related to the AST Canada transaction in Q1/21. See Initiatives and Accomplishments - Capital Formation - AST Canada transaction for more details.
[15] See discussion under the heading "Non-IFRS Financial Measures".

Adjusted Net Income[16] Reconciliation for Q1/21 and Q1/20

The following is a reconciliation of net income to adjusted net income:

(in millions of dollars) (unaudited)	**Q1/21**	Q1/20	$ increase / (decrease)	% increase / (decrease)
Net income	**$96.4**	$70.1	$26.3	38%
Adjustments related to:				
Amortization of intangibles related to acquisitions	**9.5**	9.5	—	—%
Increase in deferred income tax liabilities relating to a change in the U.K. tax rate	**—**	7.4	(7.4)	(100%)
Transaction related costs[17]	**0.5**	—	0.5	n/a
Adjusted net income[18]	**$106.4**	$87.0	$19.4	22%

Adjusted net income increased by 22% from $87.0 million in Q1/20 to $106.4 million in Q1/21 largely driven by increased revenue, partially offset by higher operating expenses. There was also an increase in our share of income from BOX partially offset by higher net finance costs.

Revenue

(in millions of dollars)	**Q1/21**	Q1/20	**$ increase / (decrease)**	**% increase / (decrease)**
Capital Formation	**$61.1**	$40.1	$21.0	52%
Equities and Fixed Income Trading and Clearing	**68.7**	58.2	10.5	18%
Derivatives Trading and Clearing	**37.5**	40.5	(3.0)	(7)%
Global Solutions, Insights and Analytics	**85.0**	79.8	5.2	7%
Other	**(0.3)**	1.7	(2.0)	(118)%
	$252.0	$220.3	$31.7	14%

Revenue was $252.0 million in Q1/21, up $31.7 million or 14% compared with $220.3 million in Q1/20 attributable to increases in revenue from *Capital Formation, Equities and Fixed Income Trading and Clearing* as well as *Global Solutions, Insights and Analytics* partially offset by decreases in *Derivatives Trading and Clearing* and *Other* revenue.

[16] See discussion under the heading "Non-IFRS Financial Measures".
[17] Includes costs related to the AST Canada transaction in Q1/21. See Initiatives and Accomplishments - Capital Formation - AST Canada transaction for more details.
[18] See discussion under the heading "Non-IFRS Financial Measures".

Capital Formation

(in millions of dollars)	**Q1/21**	Q1/20	**$ increase**	**% increase**
Initial listing fees	**$4.0**	$2.6	$1.4	54%
Additional listing fees	**29.8**	14.5	15.3	106%
Sustaining listing fees	**18.5**	16.8	1.7	10%
Other issuer services	**8.8**	6.2	2.6	42%
	$61.1	$40.1	$21.0	52%

- *Initial listing fees* in Q1/21 increased from Q1/20 due to a rise in the amount of deferred *initial listing fee* revenue recognized in Q1/21 compared with Q1/20 on both TSX and TSXV. We recognized *initial listing fees* received in 2020 and 2021 of $3.5 million in Q1/21 compared with *initial listing fees* received in 2019 and 2020 of $2.3 million in Q1/20.

- Based on *initial listing fees* billed in Q1/21, the following amounts have been deferred to be recognized in Q2/21, Q3/21, Q4/21 and Q1/22: $3.7 million, $3.0 million, $2.0 million and $0.6 million respectively. Total *initial listing fees* revenue for future quarters will also depend on listing activity in those quarters.

- *Additional listing fees* in Q1/21 increased compared to Q1/20 reflecting an increase in *additional listing fee* revenue on TSX and TSXV where there was an increase in both the number of financings and total financing dollars raised. The increase in *additional listing fee* revenue on TSX reflected an increase of 100% in the number of transactions billed at the maximum listing fee of $250,000 from Q1/20 to Q1/21, and a 28% increase in the number of transactions billed below the maximum fee.

- Issuers listed on TSX and TSXV pay annual *sustaining listing fees* primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. There was an increase in sustaining listing fees on both TSX and TSXV from Q1/20 to Q1/21 reflecting an increase in the market capitalization of issuers at December 31, 2020 compared with December 31, 2019. We continue to estimate that this increase in market capitalization will result in an increase in *sustaining listing fee* revenue of approximately $5.0 million for 2021.

- *Other issuer services* revenue in Q1/21 was higher compared to Q1/20 reflecting increased revenue from TSX Trust primarily due to higher transfer agent fee revenue and an increase in recoverable revenue. The increases were somewhat offset by a decrease in margin income revenue driven by lower interest rates.

Equities and Fixed Income Trading and Clearing

(in millions of dollars)	**Q1/21**	Q1/20	**$ increase**	**% increase**
Equities and fixed income trading	**$40.9**	$33.2	$7.7	23%
Equities and fixed Income clearing, settlement, depository and other services (CDS)	**27.8**	25.0	2.8	11%
	$68.7	$58.2	$10.5	18%

- There was an increase in *Equities and Fixed Income Trading* revenue in Q1/21 compared with Q1/20 driven by significantly higher overall volumes across all of our exchanges. The impact from the higher volumes was somewhat offset by a less favourable product mix in Q1/21 compared with Q1/20. There was also an increase in *fixed income trading* revenue reflecting increased activity in swaps.

- The overall volume of securities traded on our equities marketplaces increased by 50% (69.3 billion securities in Q1/21 versus 46.3 billion securities in Q1/20). There was an increase in volumes of 5% on TSX, 175% on TSXV and 84% on Alpha in Q1/21 compared with Q1/20.

- Excluding intentional crosses, for TSX and TSXV listed issues, our combined domestic equities trading market share was approximately 66% in Q1/21, unchanged from Q1/20.[19] We only trade securities that are listed on TSX or TSXV.

- Excluding intentional crosses, in all listed issues in Canada, our combined domestic equities trading market share was 51% in Q1/21, down 10% from 61% in Q1/20[20].

- CDS revenue increased from Q1/20 to Q1/21 reflecting higher clearing and settlement revenue due to higher volumes, increased depository fee revenue as well as higher international revenue. The increases in revenue were partially offset by higher rebates.

Derivatives Trading and Clearing

(in millions of dollars)	**Q1/21**	Q1/20	**$ (decrease)**	**% (decrease)**
	$37.5	$40.5	$(3.0)	(7)%

- The decrease in revenue was driven by a 5% decrease in revenue from MX and CDCC. While volumes on MX were up 2% from Q1/20 to Q1/21 (38.3 million contracts traded in Q1/21 versus 37.5 million contracts traded in Q1/20), there was lower revenue per contract attributable to an unfavourable product mix.

- The decrease in *Derivatives Trading and Clearing* revenue was also partially attributable to reduced revenue of approximately $0.9 million from BOX relating to our agreement to provide transitional services, which ended on June 30, 2020.

[19] Source: IIROC.
[20] Source: IIROC.

Global Solutions, Insights and Analytics

(in millions of dollars)	**Q1/21**	Q1/20	**$ increase**	**% increase**
Trayport	**$37.3**	$33.7	$3.6	11%
GSIA (excluding Trayport)	**47.7**	46.1	$1.6	3%
	$85.0	$79.8	$5.2	7%

The increase in *Global Solutions, Insights and Analytics (GSIA)* revenue in Q1/21 compared with Q1/20 was primarily driven by increased revenue from Trayport.

Trayport

The following table summarizes the average number of Trayport subscribers (excluding VisoTech) over the last eight quarters:

	Q1/21	**Q4/20**	**Q3/20**	**Q2/20**	**Q1/20**	**Q4/19**	**Q3/19**	**Q2/19**
Trader Subscribers[21]	5,391	5,258	5,149	4,998	5,191	5,072	4,863	4,834
Total Subscribers[22]	25,907	25,258	24,661	24,276	24,711	24,116	23,201	22,823
Revenue (in millions of GBP)	£21.1	£20.4	£19.6	£19.7	£19.4	£18.0	£18.2	£17.8

Total Subscribers means all chargeable licenses of core Trayport products in core customer segments including Traders, Brokers and Exchanges. Trader Subscribers are a subset of Total Subscribers. Trader Subscribers revenue represents over 50% of total Trayport revenue.

In GBP, revenue from Trayport, was £21.1 million in Q1/21, up 9% over Q1/20. The increase in Trayport revenue was driven by a 5% growth in total subscribers, increased sales of additional products and higher enterprise license renewals in Q1/21 compared with Q1/20. There was also a favorable impact from a weaker Canadian dollar relative to the GBP in Q1/21 compared with Q1/20.

GSIA (excluding Trayport)

Revenue from GSIA (excluding Trayport) increased by 3% from Q1/20 to Q1/21. There were higher revenues related to an increase in both professional and non-professional subscribers, usage based quotes, benchmarks and indices as well as co-location. The higher revenue was partially offset by an unfavourable impact of approximately $1.4 million from a stronger Canadian dollar relative to the U.S. dollar in Q1/21 compared with Q1/20.

- The average number of professional market data subscriptions for TSX and TSXV products was up 3% from Q1/20 to Q1/21 (103,706 professional market data subscriptions in Q1/21 compared with 100,330 in Q1/20.)
- The average number of MX professional market data subscriptions increased 2% from Q1/20 to Q1/21 (19,225 MX professional market data subscriptions in Q1/21 compared with 18,767 in Q1/20).

[21] Previous amounts have been restated based on current data.
[22] Previous amounts have been restated based on current data.

Other

(in millions of dollars)	**Q1/21**	Q1/20	**$ (decrease)**	**% (decrease)**
	$(0.3)	$1.7	$(2.0)	(118)%

- The decrease in *Other* revenue reflected net foreign exchange losses on net monetary assets in Q1/21 compared with net foreign exchange gains in Q1/20 driven by the unfavorable impact from a stronger Canadian dollar relative to the U.S. dollar in Q1/21 compared with Q1/20.

Operating expenses

(in millions of dollars)	**Q1/21**	Q1/20	**\$ increase / (decrease)**	**% increase / (decrease)**
Compensation and benefits	**$64.9**	$56.2	$8.7	15%
Information and trading systems	**14.6**	12.7	1.9	15%
Selling, general and administration	**18.4**	20.6	(2.2)	(11)%
Depreciation and amortization	**21.4**	19.8	1.6	8%
	$119.3	$109.3	$10.0	9%

Operating expenses in Q1/21 were $119.3 million, up $10.0 million or 9%, from $109.3 million in Q1/20. The increase reflected higher costs related to our short term employee performance incentive plan and sales commissions of approximately $5.1 million, increased severance costs of approximately $1.2 million, higher headcount and payroll costs, increased software licensing, information security and information technology professional services expenses. In addition, we incurred $0.6 million (1 cent per basic and diluted share) in total transaction related costs related to the proposed AST Canada transaction.

The increases were somewhat offset by a decline in long term employee performance incentive plan costs, travel and entertainment expenses, legal fees and marketing costs.

Compensation and benefits

(in millions of dollars)	**Q1/21**	Q1/20	**\$ increase**	**% increase**
	$64.9	$56.2	$8.7	15%

- The increase in *Compensation and benefits* expenses reflected higher short term employee performance incentive plan costs and sales commissions costs of approximately $5.1 million, increased severance costs of approximately $1.2 million, transaction related costs for the proposed AST Canada transaction of $0.3 million, higher headcount as well as COVID-19 pandemic related costs, somewhat offset by lower long term employee performance incentive plan costs.
- There were 1,385 TMX Group employees at March 31, 2021 versus 1,304 employees at March 31, 2020 reflecting an increase in headcount attributable to investing in the various growth areas of our business.

Information and trading systems

(in millions of dollars)	**Q1/21**	Q1/20	**\$ increase**	**% increase**
	$14.6	$12.7	$1.9	15%

- The increase in *Information and trading systems* expenses from Q1/20 to Q1/21 reflected higher costs related to software license subscriptions, information security software, and information technology professional services.

Selling, general and administration

(in millions of dollars)	**Q1/21**	Q1/20	**$ (decrease)**	**% (decrease)**
	$18.4	$20.6	$(2.2)	(11)%

- *Selling, general and administration* expenses decreased by $2.2 million in Q1/21 compared with Q1/20 primarily due to lower legal fees, travel and entertainment expenses, and marketing costs.
- The decreases in S*elling, general and administration* expenses were partially offset by transaction related costs for the proposed AST Canada transaction of $0.3 million.

Depreciation and amortization

(in millions of dollars)	**Q1/21**	Q1/20	**$ increase**	**% increase**
	$21.4	$19.8	$1.6	8%

- There were higher *Depreciation and amortization* costs reflecting increased amortization on new intangible assets.
- The *Depreciation and amortization* costs in Q1/21 of $21.4 million included $11.9 million related to amortization of intangibles assets related to acquisitions (17 cents per basic and diluted share).
- The *Depreciation and amortization* costs in Q1/20 of $19.8 million included $11.9 million related to amortization of intangibles assets related to acquisitions (17 cents per basic and 16 cents per diluted share).

Additional Information

Share of income from equity accounted investees

(in millions of dollars)	**Q1/21**	Q1/20	**$ increase**	**% increase**
	$6.5	$1.8	$4.7	261%

- In Q1/21 our share of income from equity accounted investees increased by $4.7 million primarily due to an increase in our share of income from BOX reflecting higher revenues driven by a 146% increase in volumes from Q1/20 to Q1/21.

Net finance costs

(in millions of dollars)	**Q1/21**	Q1/20	**$ increase**	**% increase**
	$9.1	$8.4	$0.7	8%

- The increase in net finance costs for Q1/21 compared to Q1/20 reflected higher net interest expense largely due to lower finance income as a result of lower interest rates.

Income tax expense and effective tax rate

Income Tax Expense (in millions of dollars)		**Effective Tax Rate** (%)	
Q1/21	Q1/20	**Q1/21**	Q1/20
$33.7	$34.3	**26%**	33%

Excluding adjustments, primarily related to the items noted below, the effective tax rate would have been approximately 26% for Q1/20.

- In Q1/20, there was an increase in deferred income tax liabilities and a corresponding increase in income tax expense of $7.4 million relating to the U.K. corporate income tax rate. In Q1/20, it was announced that the U.K. corporate income tax rate would not decline as previously anticipated; therefore, we were required to revalue deferred income tax liabilities related to acquired intangible assets.

Total equity

(in millions of dollars)	**As at March 31, 2021**	As at December 31, 2020	**$ increase**
Total equity	**$3,647.2**	$3,611.5	$35.7

- As at March 31, 2021, there were 56,181,593 common shares issued and outstanding and 1,282,279 options outstanding under the share option plan.
- At May 3, 2021, there were 56,215,395 common shares issued and outstanding and 1,241,312 options outstanding under the share option plan.
- The increase in Total equity is primarily attributable to the inclusion of net income of $96.4 million, proceeds received on the exercise of options of $6.7 million, less dividend payments to shareholders of TMX Group of $39.4 million. In addition, 226,600 of our common shares were repurchased in Q1/21 under a normal course issuer bid for $28.9 million.

Segments

The following information reflects TMX Group's segment results for Q1/21 compared with the Q1/20.

Q1/21

(in millions of dollars)	Capital Formation	Equities and Fixed Income Trading & Clearing	Derivatives Trading & Clearing	Global Solutions, Insights & Analytics	Other	Total
Revenue from external customers	$ 61.1	$ 68.7	$ 37.5	$ 85.0	$ (0.3)	$ 252.0
Inter-segment revenue	—	0.5	—	0.1	(0.6)	—
Total revenue	61.1	69.2	37.5	85.1	(0.9)	252.0
Income (loss) from operations	38.5	39.2	17.9	53.9	(16.8)	132.7

Q1/20

(in millions of dollars)	Capital Formation	Equities and Fixed Income Trading & Clearing	Derivatives Trading & Clearing	Global Solutions, Insights & Analytics	Other	Total
Revenue from external customers	$ 40.1	$ 58.2	$ 40.5	$ 79.8	$ 1.7	$ 220.3
Inter-segment revenue	—	0.4	—	0.1	(0.5)	—
Total revenue	40.1	58.6	40.5	79.9	1.2	220.3
Income (loss) from operations	18.0	31.8	23.5	54.1	(16.4)	111.0

Income (loss) from operations

The increase in *Income from operations* from *Capital Formation* primarily reflected higher revenue from *additional listing fees* in Q1/21 compared with Q1/20. There were also increases in revenue from *initial listing fees*, *sustaining listing fees*, and TSX Trust.

The increase in *Income from operations* from *Equities and Fixed Income Trading and Clearing* was largely driven by significantly higher revenue from *Equities trading* due to substantially higher volumes across all of our exchanges. In addition, there was an increase in revenue from CDS and *Fixed income trading.* The higher revenue was partially offset by higher operating expenses in Q1/21 compared with Q1/20 driven by increased compensation and benefits costs.

The decrease in *Income from operations* from *Derivatives Trading and Clearing* primarily reflected lower revenue from *Derivatives Trading and Clearing* driven by lower revenue per contract due to an unfavorable product mix in Q1/21 compared with Q1/20. There was also a decrease in *Derivatives Trading and Clearing* revenue attributable to reduced revenue of approximately $0.9 million from BOX relating to our agreement to provide transitional services, which ended on June 30, 2020. In addition, there were higher operating expenses in Q1/21 compared with Q1/20.

The decrease in *Income from operations* from *Global Solutions, Insights and Analytics* reflects higher operating expenses driven by increased compensation and benefits costs, somewhat offset by higher revenue from Trayport and TMX Datalinx. The increase in Trayport revenue reflected higher total subscribers, increased sales of additional products, and enterprise license renewals in Q1/21 compared with Q1/20. Within TMX Datalinx, there were higher revenues related to an increase in both professional and non-professional subscribers, usage based quotes, benchmarks and indices as well as co-location. The higher revenue was partially offset by an unfavourable impact of approximately $1.4 million from a stronger Canadian dollar relative to the U.S. dollar in Q1/21 compared with Q1/20.

Other includes *c*ertain revenue as well as corporate and other costs related to initiatives, not allocated to the operating segments. Revenue related to foreign exchange gains and losses and other services are presented in the *Other* segment. Costs and expenses related to the amortization of purchased intangibles, along with certain consolidation and elimination adjustments, are also presented in *Other*. The decrease in *Other* revenue reflected net foreign exchange losses on net monetary assets in Q1/21 compared with net foreign exchange gains in Q1/20 driven by the unfavorable impact from a stronger Canadian dollar relative to the U.S. dollar in Q1/21 compared with Q1/20. The *loss from operations* for the *Other* segment was higher in Q1/21 compared to Q1/20, reflecting approximately $0.6 million (1 cent per basic and diluted share) in transaction related costs for the proposed AST Canada transaction.

LIQUIDITY AND CAPITAL RESOURCES

Q1/21 compared with Q1/20

(in millions of dollars)	**Q1/21**	Q1/20	**$ increase / (decrease) in cash**
Cash flows from operating activities	**$78.6**	$79.0	$(0.4)
Cash flows from (used in) financing activities	**30.5**	(34.9)	65.4
Cash flows from (used in) investing activities	**—**	6.6	(6.6)

- In Q1/21, *Cash flows from operating activities* decreased compared with Q1/20 reflecting a decrease in cash related to trade and other payables and an increase in income taxes paid, largely offset by higher income from operations (excluding depreciation and amortization).
- In Q1/21, *Cash flows from financing activities* were higher than in Q1/20 when we used cash in financing activities. In Q1/21, we received proceeds from the issuance of our Series F Debentures of $250.0 million. This increase was partially offset by an increase in net repayments of Commercial Paper of $152.1 million, an increase in share repurchases under our normal course issuer bid program of $18.4 million, a net decrease in credit and liquidity facilities drawings, and a decrease in proceeds from exercised options.
- In Q1/21, C*ash flows from investing activities were lower than* in Q1/20. This was largely due to a decrease in cash of $7.8 million from lower net sales of marketable securities in Q1/21 compared with Q1/20. Partially offsetting the decrease, cash used for additions to premises and equipment and intangible assets decreased by $1.7 million from Q1/20 to Q1/21.

Summary of Cash Position and Other Matters[23]

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)	**As at March 31, 2021**	As at December 31, 2020	**$ increase**
	$381.2	$277.9	$103.3

We had $381.2 million of cash, cash equivalents and marketable securities as at March 31, 2021. There was an increase in cash, cash equivalents and marketable securities primarily reflecting proceeds from the issuance of Series F Debentures of $250.0 million, cash flows from operating activities of $78.6 million, proceeds from exercised options of $6.7 million, and cash flows from dividends received of $5.7 million. Offsetting these increases in cash and cash equivalents were a net decrease in Commercial Paper of $160.0 million, cash outflows for dividends to our shareholders of $39.4 million, repurchases of our shares under a normal course issuer bid of $28.9 million, and additions to premises and equipment and intangible assets of $11.4 million. Based on our current business operations and model, we believe that we have sufficient cash resources and access to financing to operate our business, make interest payments, as well as meet our covenants under the trust indentures governing our Debentures and the terms of the Credit Agreement (as defined in our 2020 Annual MD&A) and commercial paper program (Commercial Paper Program) (see **LIQUIDITY AND CAPITAL RESOURCES - Commercial Paper, Debentures, Credit and Liquidity Facilities**), and satisfy the capital maintenance requirements imposed by regulators.

[23] The "*Summary of Cash Position and Other Matters*" section above contains certain forward-looking statements. Please refer to *"Caution Regarding Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

We will also have cash outlays related to the modernization of our clearing platforms (see - **INITIATIVES AND ACCOMPLISHMENTS - Update on Modernization of Clearing Platforms**) and to fund the AST Canada transaction, which will be financed with a combination of cash and debt capacity (see - **INITIATIVES AND ACCOMPLISHMENTS - Capital Formation - *AST Canada transaction***)

Our ability to obtain funding in the future will depend on the liquidity and condition of the financial markets, including the credit market, and our financial condition at the time, the covenants in the Credit Agreement and the trust indentures governing the Debentures, and by capital maintenance requirements imposed by regulators. At March 31, 2021, there was no Commercial Paper outstanding.

Total Assets

(in millions of dollars)	**As at March 31, 2021**	As at December 31, 2020	**$ (decrease)**
	$32,445.0	$36,098.6	($3,653.6)

- Our consolidated balance sheet as at March 31, 2021 includes *Balances of Participants and Clearing Members* related to our clearing operations. These balances have equal amounts included within *Total Liabilities*. The decrease in *Total Assets* of $3,653.6 million from December 31, 2020 reflected lower collateral balances in both CDS and CDCC at March 31, 2021.

<u>Commercial Paper, Debentures, Credit and Liquidity Facilities</u>

Commercial Paper

(in millions of dollars)	**As at March 31, 2021**	As at December 31, 2020	**$ (decrease)**
	$0.0	$160.0	$(160.0)

There was no Commercial Paper outstanding under the program at March 31, 2021 reflecting a net reduction of $160.0 million from December 31, 2020. Commercial paper is short term in nature, and the average term to maturity from the date of issue was 26 days in Q1/21. The Commercial Paper Program is fully backstopped by the TMX Group credit facility.

On April 28, 2021, TMX reduced the size of its Commercial Paper Program from $500.0 million to $400.0 million (or the US equivalent). The Commercial Paper continues to be issued in various maturities of no more than one year and bears interest rates based on the prevailing market conditions at the time of issuance.

For additional information on our credit facilities, please see **Credit Facilities** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2020 Annual MD&A.

Debentures

As of March 31, 2021, TMX Group had the following Debentures outstanding:

(in millions of dollars)	**As at March 31, 2021**	As at December 31, 2020	$ increase
Series B - Non-Current Debentures	**$249.7**	$249.8	$(0.1)
Series D - Non-Current Debentures	**$299.1**	$298.7	$0.4
Series E - Non-Current Debentures	**$199.1**	$199.0	$0.1
Series F - Non-Current Debentures	**$248.7**	$—	$248.7
	$996.6	$747.5	$249.1

On February 12, 2021, TMX Group completed a Canadian private placement offering of $250.0 million aggregate principal amount of 2.016% senior unsecured debentures due February 12, 2031 ("Series F Debentures") to accredited investors in Canada. The Series F Debentures received a credit rating of A (high) with a Stable trend from DBRS Limited. TMX Group incurred financing costs of $1.3 million for the initial issuance of Series F Debentures, and these costs are offset against the initial carrying value of the Series F Debentures. The Series F Debentures may be redeemed, in whole or in part, at the option of TMX Group, at the redemption price together with accrued and unpaid interest to the date fixed for redemption. The redemption price is equal to the greater of the Canada Yield Price (as defined in the relevant indenture) and 100% of the principal amount of the Series F Debentures redeemed plus accrued and unpaid interest to the date of the redemption. If redeemed on or after the date that is three months prior to the maturity date, the redemption price will be equal to 100% of the aggregate principal amount outstanding on the debentures, together with accrued and unpaid interest to the date of such redemption.

In Q1/21, a portion of the proceeds from the Series F Debentures were used to repay TMX Group's commercial paper.

For additional information on the Debentures, please see **Debentures** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2020 Annual MD&A.

TMX Group Credit Facility

The TMX Group Limited credit facility continues to provide 100% backstop to the commercial paper program and can also be used for general corporate purposes. The amount available to be drawn under the TMX Group Limited credit facility at March 31, 2021 was limited to $500.0 million less the aggregate amount, at any point in time, of: (i) Commercial Paper outstanding and (ii) inter-company notes payable outstanding to CDS Clearing, CDCC, Shorcan Brokers Limited and CDS Limited.

On April 28, 2021, TMX Group amended the terms of the TMX Group Limited credit facility to decrease the size of the facility from $500.0 million to $400.0 million, and extended the term from May 2, 2021 to May 2, 2024.

For additional information on our credit facilities, please see **Credit Facilities** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2020 Annual MD&A.

As at March 31, 2021, all covenants were met under the Credit Agreement governing the TMX Group credit facility..

Effective Interest Rates

The effective interest rates as at March 31, 2021 for the Debentures are shown below:

Debentures	Principal ($CAD millions)	Maturity	All-in Rate
Series B Debentures	250.0	Oct. 3, 2023	4.461%
Series D Debentures	300.0	Dec. 11, 2024	2.997%
Series E Debentures	200.0	Jun. 5, 2028	3.779%
Series F Debentures	250.0	Feb. 12, 2031	2.016%

Other Credit and Liquidity Facilities

CDCC maintains a $27,012.0 million REPO uncommitted facility ($27,012.0 million at December 31, 2020) that is in place to provide end of day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. On February 26, 2021, CDCC extended this facility to February 25, 2022. The facility would provide liquidity in exchange for securities that have been received by, or pledged to, CDCC.

CDCC also maintains a $320.0 million syndicated revolving standby liquidity facility ($320.0 million at December 31, 2020) to provide end of day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. Advances under the facility are secured by collateral in the form of securities that have been pledged to or received by CDCC. On February 26, 2021, this facility was extended to February 25, 2022.

As at March 31, 2021, CDCC had drawn $10.9 million to facilitate a failed REPO settlement. The amount is fully collateralized by liquid securities included in cash and cash equivalents and was fully repaid subsequent to the reporting date.

CDS Clearing maintains a secured standby liquidity facility of US$720.0 million, or Canadian dollar equivalent, that can be drawn in either United States (US) or Canadian currency. On March 23, 2021, CDS Clearing extended the maturity date to March 22, 2022.

CDS Clearing also has a secured standby liquidity facility of $2.0 billion or US equivalent that can be drawn in either Canadian or US currency. On March 23, 2021, CDS Clearing extended the maturity date to March 22, 2022.

MANAGING CAPITAL

Our primary objectives in managing capital and our capital maintenance requirements are described in our 2020 Annual MD&A.

As at March 31, 2021, we were in compliance with each of these externally imposed capital maintenance requirements. See **Credit Facility** and **Other Credit and Liquidity Facilities** and **MANAGING CAPITAL** in our 2020 Annual MD&A for a description of the financial covenants imposed on us.

QUARTERLY FINANCIAL INFORMATION

(in millions of dollars except per share amounts - unaudited)	**Mar 31 2021**	**Dec 31 2020**	**Sep 30 2020**	**Jun 30 2020**	**Mar 31 2020**	**Dec 31 2019**	**Sep 30 2019**	**Jun 30 2019**
Capital Formation	$61.1	$50.6	$50.2	$48.1	$40.1	$42.6	$43.7	$52.6
Equities and Fixed Income Trading	40.9	30.6	28.5	34.7	33.2	22.7	23.5	25.6
Equities and fixed Income - clearing, settlement, depository and other services (CDS)	27.8	25.7	23.7	24.8	25.0	28.4	21.8	23.0
Derivatives Trading & Clearing	37.5	30.8	24.9	30.0	40.5	33.3	33.5	33.8
Global Solutions, Insights and Analytics	85.0	82.6	80.3	81.0	79.8	75.9	73.6	75.6
Other	(0.3)	(0.8)	—	(0.9)	1.7	(0.1)	0.2	(0.3)
Revenue	252.0	219.5	207.6	217.7	220.3	202.8	196.3	210.3
Operating expenses	119.3	113.4	107.2	119.3	109.3	106.3	104.7	106.2
Income from operations	132.7	106.1	100.4	98.4	111.0	96.5	91.6	104.1
Net income	96.4	71.8	70.0	67.8	70.1	47.5	61.7	77.2
Earnings per share								
Basic	1.71	1.27	1.24	1.20	1.25	0.85	1.10	1.38
Diluted	1.70	1.26	1.23	1.19	1.24	0.84	1.09	1.37

Q1/21 compared with Q4/20

- *Revenue* was $252.0 million in Q1/21, up $32.5 million or 15% from $219.5 million in Q4/20 attributable to increases in revenue across all our operating segments.
- *Operating expenses* in Q1/21 were $119.3 million, up $5.9 million or 5%, from $113.4 million in Q4/20. The increase in costs was primarily attributable to increased payroll taxes of $3.8 million, increased pension expenses of $2.9 million, higher headcount, higher short term employee performance incentive plan and sales commissions costs of $0.9 million, and higher long term performance incentive plan costs of $0.8 million. These increases in operating expenses were partially offset by lower severance costs of $2.8 million in Q1/21, the write-off of costs related to discontinued initiatives in Q4/20, and lower information technology professional services costs.
- *Income from operations* increased from Q4/20 to Q1/21 largely due to higher revenue partially offset by higher operating expenses.
- *Net income* in Q1/21 was $96.4 million, or $1.71 per common share on a basic and $1.70 on a diluted basis, compared with a net income of $71.8 million, or $1.27 per common share on a basic and $1.26 on a diluted basis, for Q4/20. The increase in net income and earnings per share from Q4/20 to Q1/21 was driven by an increase in *income from operations* of $26.6 million. There was also a significant increase in our share of income from BOX from Q4/20 to Q1/21.

For additional information on the seven previous quarters, please see Select Annual and Quarterly financial information in our 2020 Annual MD&A.

Accounting and Control Matters

Changes in accounting policies

In March 2021, the IASB amended IFRS 16, Leases, extending the practical expedient introduced in March 2020 in response to the COVID-19 pandemic, in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments due on or before June 30, 2022 (extended from June 30, 2021). TMX Group early adopted this amendment from January 1, 2021. This amendment did not have a significant impact on TMX Group's interim financial statements.

Changes in Internal Control over Financial Reporting

There were no changes to internal control over financing reporting (ICFR) during the quarter ended March 31, 2021 that materially affected, or are reasonably likely to materially affect, our ICFR.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A of TMX Group 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 MD&A. 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 us 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 MD&A include, but are not limited to, growth objectives; our target dividend payout ratio; the ability of TMX Group to de-leverage and the timing thereof; the modernization of clearing platforms, including the expected cash expenditures related to the modernization of our clearing platforms and the timing of the modernization; other statements related to cost reductions; the impact of the market capitalization of TSX and TSXV issuers overall (from 2020 to 2021) on TMX Group's revenue; future changes to TMX Group's anticipated statutory income tax rate for 2021; factors relating to stock, and derivatives exchanges and clearing houses and the business, strategic goals and priorities, market conditions, pricing, proposed technology and other business initiatives and the timing and implementation thereof, the proposed timing for the completion of the acquisition of AST Canada, including the ability to obtain the required regulatory approvals and financing required to complete this acquisition, the composition of AST Canada's client base and the products and services it will provide, the anticipated benefits and synergies of the AST Canada acquisition, including the expected impact on TMX Group's earnings and adjusted earnings per share and the timing thereof, financial results or financial condition, operations and prospects of TMX Group which are subject to significant risks and uncertainties.

These risks include, but are not limited to: competition from other exchanges or marketplaces, including alternative trading systems and new technologies, on a national and international basis; dependence on the economy of Canada; adverse effects on our results caused by global economic conditions (including COVID-19) 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 (including COVID-19); 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 close and effectively integrate acquisitions 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 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 GBP), 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, including the acquisition and integration of AST Canada; the amount of revenue and cost synergies resulting from the AST Canada acquisition; 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.

In addition to the assumptions outlined above, forward looking information related to long term revenue cumulative average annual growth rate (CAGR) objectives, and long term adjusted earnings per share CAGR objectives are based on assumptions that include, but not limited to:

- TMX Group's success in achieving growth initiatives and business objectives;
- continued investment in growth businesses and in transformation initiatives including next generation post-trade systems;
- no significant changes to our effective tax rate, recurring revenue, and number of shares outstanding;
- moderate levels of market volatility;
- level of listings, trading, and clearing consistent with historical activity;
- economic growth consistent with historical activity;
- no significant changes in regulations;
- continued disciplined expense management across our business;
- continued re-prioritization of investment towards enterprise solutions and new capabilities;
- free cash flow generation consistent with historical run rate; and
- a limited impact from the COVID-19 pandemic on our plans to grow our business over the long term including on the ability of our listed issuers to raise capital.

While we anticipate that subsequent events and developments may cause our views to change, we have 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 our views as of any date subsequent to the date of this MD&A. We have 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 us. A description of the above-mentioned items is contained in the section "***Enterprise Risk Management***" of our 2020 Annual MD&A which is incorporated by reference into this MD&A.