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Transcription

Title: Euronext Q1 2017 Results Presentation

Date: 19.05.2017

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Conference Ref. No: EV00056057

Duration: 54:08

Presentation

Operator

Ladies and gentlemen, welcome to the Euronext Q1 Results Presentation. For the first part of this call, all participants will be in a listen-only mode, and afterwards, there will be a question and answer session. I would now like to give the floor to the speakers. Speakers, please begin your meeting.

Stéphane Boujnah

Good morning, ladies and gentlemen, and welcome to this presentation of our first quarter 2017 results. I am Stéphane Boujnah, CEO and Chairman of the managing board of Euronext. And with me today to present our results are Giorgio Modica, our Group CFO; Lee Hodgkinson, our Head of Markets and Global Sales; and Anthony Attia, our Global Head of Listing.

Let's start with slide 3, with the executive summary. Firstly, we reported this morning a resilient first quarter of 2017, with stable revenue of €126.6 million. Clearly, a strong listing business with plus 33% in revenue, and efficient yield management mitigated lower trading volumes. Average daily volumes for cash trading decreased by 16%. Therefore, we managed to deliver a 55.7% EBITDA margin this quarter, in spite of additional costs incurred from the development of our 'Agility for Growth' strategic plan and the related initiatives that have started to show up in our P&L. So, strong resilience of the business.

Second, Euronext decided to improve upon its current dividend policy. As per our current dividend policy that has been established at IPO time, we distribute 50% of our reported net earnings. Clearly, it enables us to distribute a significant portion of the income we generate, while at the same time maintaining financial and strategic flexibility. We have decided to introduce a floor to our dividend for the remaining years of our strategic plan at €1.42 per share, which is a dividend we ask our shareholders to approve during the AGM to take place this morning. This floor, that will be in place until the 2020 AGM, will provide shareholders with a minimum remuneration, and will reduce for them the risk of downside volatility. So, I now hand over to Giorgio for the financial review of the first quarter 2017.

Giorgio Modica

Thank you, Stéphane, and good morning, everyone. I will provide you with a review of our financial performance in the first quarter. As Stéphane mentioned, we recorded stable revenue despite lower trading volumes, mainly thanks to stronger yield and listing activities. The EBITDA remains healthy with a margin of 55.7%, despite expected increase of operating expenses excluding D&A, mainly driven by the ongoing IT project and business initiatives. The headcount at the end of the quarter increased to 629 FTEs, and this compares to 589 at the end of 2016. The delta is mainly related to the consolidation of Company Webcast, starting from the first quarter of 2017. With respect to key projects, I would highlight the fact that, as planned, Belfast IT centre closed at the end of March. During the first quarter, Agility for Growth contributed for €1 million to the revenues of the quarter, and generated €1.8 million in operating costs.

Getting to bottom-line results, net profit for the first quarter was €43.9 million or €0.63 per share, down from €48 million or €0.69 per share of the first quarter of 2016. And the delta is mainly related to exceptional items related to the attempted acquisition of LCH.Clearnet SA. Our net cash position at the end of the quarter was €141.2 million, following the repayment of our long-term debt. As a reminder, debt was, at the end of 2016, €70 million. Finally, we also set up a new revolving credit facility of €250 million, that replaces the previous one of €390 million and improves the cost of the facility and the flexibility of its use.

Now, let's move to the next slide, slide 5. As mentioned by Stéphane, in the first quarter of 2017 we had lower trading activity, with cash volumes down 15.9% and derivatives down 8% year-on-year. In total, volume-related revenue represented 56% of Euronext total revenue in the first quarter of 2017, compared to 58% in the first quarter of 2016. However, thanks to efficiency of management, as well as a strong performance in listing, we were able to deliver resilient revenue up 0.1% to €126.6 million, versus €126.5 million as of the first quarter of 2016. All non-volume related segments reported a positive quarter, with the only exception of market data and indices, but that was mainly due to the lower contribution of audit finding in the first quarter.

The anticipated increase in operating cost is mainly driven by two factors. The first one is the deployment of our agility for growth strategic plan and, as discussed, this represents for the quarter €1.8 million of cost; and two, the ongoing key projects such as the development of our new trading platform, Optiq, and the MiFID II project. Now, the onboarding of costs linked to the execution of those initiatives is accelerating and will accelerate, both organically and as a result of the acquisitions, as Company Webcast is an example.

Now moving to slide 6, that provides a side-by-side waterfall of Euronext P&L in the first quarter of 2017 compared to the same quarter of the previous year. Now, the key message of this slide is that the P&L of the first quarter looks very similar to the P&L of the same period of the previous year, up to the EBIT level, while the gap in bottom-line profitability is mainly linked to non-recurring items that we will review together in a minute. Furthermore, I would highlight the fact that the figures of Q1 2017 are not fully comparable to Q1 2016, as they include the full consolidation of Company Webcast, which represents €0.8 million in revenues and €0.7 million of costs for this quarter. As discussed, EBITDA was €70.5 million in the quarter versus €71.8 million in the first quarter of 2016, with a margin of 55.7% versus 56.8% respectively.

Now, below EBITDA, we booked €3.1 million of exceptional costs this quarter, mainly related to the attempted acquisition of LCH.Clearnet. And it's important to highlight as well that we recorded a net financial expense of €1.1 million, which compares to a positive €0.9 million in the first quarter of 2016, mainly driven by foreign exchange gains. The €0.7 million of results from equity investment is related to the dividend from LCH Group. while no dividend income was received in the first quarter of 2016. So, overall, as you can see, while reporting a lower net profit, our operating performance in the first quarter of 2017 remains comparable to the first quarter of 2016 despite significantly lower volumes.

Moving to slide 7, this slide illustrates some of the key features of Euronext, namely: a strong cash flow generation and healthy liquidity position. Our net operating cash flow increased 5.4% or €2.9 million on the back of positive changes in working capital, offsetting the decrease in operating profit before tax in the first quarter of 2017. The EBITDA cash conversion increased to 81% from 75% in the first quarter of 2016, mainly due to two elements. The first one was some restructuring one-off costs in the first quarter of 2016, and lower accruals for bonuses in the first quarter of 2017. Now, moving to the top right table, as you can see, Euronext is now debt free following the repayment of our long-term debt facility. Now, as of the end of the first quarter, Euronext had cash and cash equivalent of €141.2 million. Finally, on the bottom left of this slide, you have an overview of the capital we have deployed since the beginning of our strategic plan. Now, you should know that the €30 million that you see in the slide refers only to the cash component of our investments, and does not include other long-term financial liabilities that we recorded in our balance sheet, and that are linked to liquidity rights provided to the minority shareholder in some of our investments.

Now, finally, let me conclude with slide 8 that covers the adjustment to our dividend policy as announced this morning. As you know, and as Stéphane said, Euronext established the current policy at the time of the IPO, mid-2014. This policy has enabled us to distribute a significant portion of the income generated on a yearly basis to shareholders, while maintaining a strong financial and strategic flexibility. Now, Euronext has decided to improve this policy in order to strengthen shareholders' value proposition, reducing future dividend volatility by introducing a minimum shareholder remuneration equivalent to the dividend to be approved later today at the annual general meeting, meaning a floor dividend set at €1.42 per share. Now, going forward, and for the remaining years of Agility for Growth 2017–2019, Euronext will distribute the highest of 50% of reported EPS and €1.42 per share. Clearly, dividends will remain subject to the approval of the shareholders at the AGM. Now, I will leave the floor to Anthony and Lee for our review of the business performance.

Anthony Attia

This is Anthony speaking. Thank you, Giorgio, and good morning everyone. So, slide 9 for the listing. All listing segments recorded a strong performance during the first quarter of 2017. The listing activity generated €18.8 million of revenues in Q1 2017, a 33% increase from €14.2 million in Q1 2016, supported by an increase in IPO revenues, follow-on revenues and annual fees, as we recorded for the first time the full impact of the increase in annual fees introduced in January 2016. This quarter saw the reopening of the IPO markets; six new listings took place in Q1 2017 compared to one in Q1 2016. Within these new listings, four were SMEs, raising €184 million compared to one SME last year raising €3 million.

We also announced on 17th May the rebranding of our markets, with the Free Market, Marché Libre and Easynext becoming Euronext Access, and Alternext becoming Euronext Growth. Furthermore, we introduced a new market model dedicated to mid-caps, aiming at enhancing their visibility and liquidity. I'll now leave the floor to Lee.

Lee Hodgkinson

Thanks, Anthony, and good morning everyone. Let's get started with cash trading on slide 10. Volumes were down in Q1 2017, with ADV reduced by 15.9% to €7 billion. That's compared to a very strong first quarter last year. However, we were able to partially offset this impact on our top line thanks to our efficient yield management, recording revenue of €46.7 million, down 4.9% compared to Q1 2016. The yield averaged 0.51 basis points this quarter, which is a 6.3% increase compared to 0.48 basis points in Q1 2016. Average market share for the quarter was 61.4%, up from 61% in Q1 2016, and we ended the quarter with 61.8% market share, notably supported by the new non-member proprietary fee scheme that continued to attract incremental volumes, as well as our equity best of book service, which now serves 25 members and helps to retain a diverse flow on Euronext markets. The trends were similar on ETF, although new listings continued to be strong, with 25 new products listed on our markets, bringing the total number of ETF products listed to 808 at the end of March, and our client alignment also continued to yield results, with the on-boarding of Source, a new ETF issuer.

Moving on to slide 11, for derivative trading. Revenue decreased by 7.8% to €10.1 million in the first quarter of 2017, compared to €11 million in the first quarter of 2016, resulting from lower trading activity in both derivative and commodity products. Within our financial derivatives franchise, ADV on individual equity derivatives decreased by 3.2%, while equity index derivatives were down 10.6%. Commodity products recorded a significant decline in average daily volumes of 17%, as trading activity continue to be strongly impacted by the worst wheat crop since the Second World War, driving down French non-EU exports.

It’s worth adding a few comments on the recent evolution in the competitive landscape. As you will have heard, TOM, our main competitor on the Dutch derivative market, announced it is winding down, and we expect this to boost our market share in Amsterdam from late Q2 of this year. We expect the TOM migration to begin in early June. Furthermore, we saw the commodities threat rescinding somewhat from CME’s European closure.

Moving on to slide 12, a review of our non-transactional businesses, where you can see market data and indices revenue decreased by 1.9% from €26.2 million to €25.7 million this quarter. This continued increase seen in the use of Euronext data in automated trading applications offset much of the reduction in the number of professional users viewing data on traditional trading screens. Market solutions revenue increased by 3.9% to €8.4 million, benefiting from the positive impact of the launch of MiFID II projects in Q4 2016. We also announced a partnership with Atos to be our sales and delivery partner for the new Optiq platform, enabling us to extend our sales reach and scale in delivery capabilities ahead of the commercial availability of the Optiq platform in 2018.

To conclude, settlement and custody revenue increased by 2.4% in the quarter to €4.9 million, and clearing revenues were aligned with the trend seen in derivative trading, decreasing by 9.1% to €11.8 million. As you know, Euronext committed to focus on delivering clearing optionality for its cash and derivative markets. Thus, following the acquisition of a 20% stake in EuroCCP, we implemented a preferred clearing service model for cash markets to provide trading participants with a choice of CCP on cash equity and equity-like instruments, with no impact on Euronext’s profitability. And additionally, we’re announcing on 3rd April the signing of heads of terms with ICE Clear Netherlands for a ten-year agreement covering financial and commodity derivatives, providing comparable income streams for us with the existing agreement with LCH.Clearnet. Overall, this represents a long-term, open-access, sustainable and innovative Eurozone-based clearing proposition for Euronext and our customers. And I’ll now hand over to Stéphane for conclusion.

Stéphane Boujnah

Thank you, Lee. Before taking your questions, I would like to turn to the final page to outline the key points of today’s publication. The first key takeaway message is that despite lower volumes, Euronext delivered once again a resilient quarter, thanks to strong operating performance driven by our listing business, which develops very well, and continuous operating efficiency. Going forward, the outlook for the second quarter is good, as you may have observed it, with quarter-to-date ADV volumes up 30% for cash trading and up 24% for derivative trading.

The second takeaway is that we continue to deploy our strategy with consistency and discipline. Our various growth initiatives related to the agility for growth ambition are on track, and our state-of-the-art technology platform, Optiq, will be production ready in Q4 2017, with precise timing subject to consultation with clients. So, the full Euronext team is now ready to take your questions.

Q&A

Operator

Ladies and gentlemen, we are now ready to take your questions. If you wish to ask a question, please press 01 on your telephone keypad. That's 01 on your telephone keypad to ask a question. Please stand by while we register the first question.

And the first question comes from the line of Arnaud Giblat with Exane. Please go ahead, your line is open.

Arnaud Giblat

Yeah, good morning. It's Arnaud Giblat from Exane. I've got three questions please. First, on market data, I was wondering if you could give us a bit more detail as to why there is a sequential decline in that segment's revenues? And more specifically, I was wondering as well if the contribution from Company Webcast was going into that division? So, if I take out that contribution, I suppose the decline is a bit wider than what we're seeing.

The second question is: at the previous call, you'd mentioned that you had a number of potential targets identified to complement the offer from Company Webcast and to, I suppose, build out your corporate solutions business. I was wondering if you could give us a bit of an update as to how the talks are going there?

And finally, on the closing of TOM, I was wondering what you're seeing currently, what your expectations were for the number of lots of Dutch-traded options moving towards you? Thank you.

Stéphane Boujnah

Thank you, Arnaud. I'll take the question on M&A, and then I'll give the floor to Lee for your question on market data and the implications of the TOM situation. As you know, we are committed to deploy €100–150 million of development CapEx in M&A and in in-house CapEx, to accelerate the deployment of our Agility for Growth ambitions. In this context, we are exploring various alternatives for each initiative: buying, making, partnering. And in the context of analysing potential targets, we are exploring the various options for targets similar to the Company Webcast situation. And when discussions will be ready, they will be announced. But it's clearly an avenue, the M&A related to Agility for Growth, which complements, and which is a fundamental complementary part of our organic growth. Lee?

Lee Hodgkinson

Yeah. Hi, Arnaud. I'm not entirely sure I would agree that there's been a continued decline in market data and indices revenues, if I look back historically. But one thing that is happening, and it's the general trend in the industry, is that the global user community – and remember, I think we have somewhere in the region of 150,000 users worldwide, or kind of pairs of eyeballs on our data – the global community is always looking for ways to reduce terminal fees and general data fees. And so, you're seeing the number of human users reduce; that's an industry-wide phenomenon. But what we've been doing over time is shifting our policies to balance that for recording data in automated trading applications, and it's offsetting much of that reduction. And we've got some other policies coming in around MiFID for non-display derivative data and those kinds of things. And I think the other thing to remember is that there's always a reasonable audit and compliance element to these figures, which can fluctuate. So, I don't think you should see it as a general trend, to be perfectly honest.

Your question on TOM, was that about the number of lots or the kind of trading volume?

Arnaud Giblat

Yeah, the trading volume you expect to capture from TOM.

Lee Hodgkinson

Yeah, so TOM has currently about three million lots of open interests, and we expect that to migrate to us over the course of the summer. And so, once that's migrated, we'll see the benefits of that business; so will our clients because, of course, they'll get better margining because the collateral pool increases, and then that activity will start to flow on our markets. The core products that will benefit are the AEX Options, the Index Option, where our market share will return to about as close to 100% as you can get; and of course, the Dutch segment of individual equity options businesses. So, I think there's a positive outlook for the Dutch segment of both our index options and our individual options businesses.

Arnaud Giblat

Thank you.

Lee Hodgkinson
The final point I should just make for clarity is that Company Webcast is included in listing, not in the market data segment.

Arnaud Giblat
That's helpful. Thank you.

Operator
Thank you very much. Moving on to the line of Michael Werner with UBS. Please go ahead, your line is open.

Michael Werner
Thank you. Two questions here. Number one, on the closing of the IT centre in Belfast in March 2017: can we expect lower expenses now that you've consolidated that business into the Porto operations, as we go through the rest of this year in Q2, Q3 and Q4?

And then secondly, on the commission yield in your cash trading business. You talk about how efficient yield management helped to offset essentially the decline in volumes year-on-year; I was just wondering if you could give us a little bit colour as to what that yield management was, and how it was able to essentially limit the decline in revenues from that part of the business? Thank you.

Stéphane Boujnah
Thank you very much. The move from Belfast to Porto was more than a cost decision, and in a minute, Giorgio will comment on the cost component of this decision. It was all about refocusing the resources of Euronext in the core markets of Euronext. And it was more a strategic decision than anything else, but it was also a very important decision in terms of P&L optimisation. So, Giorgio will comment on that. And on your question about yield management, Lee will take the point.

Giorgio Modica
Yeah. So, let me start from the cost question. So, the first element I would like to highlight is the fact that, yeah, it is true that today our operation in Porto provides us with a saving with respect to our operation in Belfast. And this saving contributes to the €22 million gross saving target, which is embedded in our plan. However, we are doing more than the simple transition from Belfast to Porto, because we did find a very active local environment. So, we are rebalancing the activity among our different centres. So, the 125 FTEs that we have today in Porto are not only the transition from Belfast to Porto.

Another thing: when it goes to the outlook, you also need to consider that in the remaining quarter of 2017 we will need to complete two of the key projects of Euronext. One is the completion of the Optiq platform, and the second one is the project which will bring Euronext to be fully MiFID compliant. And therefore, clearly, we will have additional cost in the remaining quarter. So, it's very difficult to consider all the elements, and we do not provide that kind of breakdown.

So, to summarise: yes, the move to Porto will provide us with savings. Those savings will contribute to the €22 million of global savings. However, in the next quarter those savings are going to be, to a certain extent, offset or partially offset by other costs, which will be related to the completion of other key projects for Euronext. Lee?

Lee Hodgkinson
Yeah. Hi, Michael. So, as you know, in respect to yield in cash trading – so, we have a very disciplined, rigorous and focused effort on our cash markets on a daily basis. Essentially, we look at three things: market share, volume and yield. Yield in this context for Q1 is essentially about three things, really: best of book, which is our best execution service for retail orders, embedded within our regulated central limit order book market with some dedicated liquidity providers. And that brings in kind of price improvement for retail flow. That's a very, very strong value proposition for those clients; we get a higher yield from it in return. We have the Omega non-member proprietary scheme, which is also a great value product, and we get very strong yields from that as well. And finally, in many cases very importantly and critically, is the SLP programme, our core liquidity provision programme. We control that very, very carefully, and we make sure that we're paying away for low levels of liquidity contribution. So, it's those three factors in Q1 that have been important. We've continued that work, of course, into Q2, and market share, as we stand as of yesterday, is now running at 63% for quarter-to-date. And I'd say we're pretty pleased with the performance and, as Stéphane mentioned, volumes are very strong as well this quarter.

Michael Werner
Excellent. Thank you.

Operator
Thank you very much. Moving on to the line of Kyle Voigt with KBW. Please go ahead, your line is open.

Kyle Voigt
Hi, good morning. Just on the agreement to move the derivatives clearing to ICE that was announced during the quarter: can you just talk a little bit about the decision process here? It seems like maybe a bit of an operational risk, and some work for your clients, to move clearing to a different clearing house, but I was wondering if you can talk about the decision process?

And then if you could just address whether there have been any discussions with LSE for Clearnet SA, after the LSE–Deutsche Börse deal broke.

Stéphane Boujnah
Yes. The clearing strategy of Euronext has been constant for the past 18 months. We wanted to create optionalities for our clients, and the decision to offer optionality for our clients by offering them an opportunity to clear cash with EuroCCP, the deal we announced in May last year. We explored all sorts of alternatives, etc. And at the same time as we were exploring clearing alternatives for our clients, we expressed our constant commitment to integrate, if and when it was going to be possible, Clearnet back within Euronext. But we have just pursued that strategy in parallel for the past 18 months.

On the Clearnet front, we expressed our desire to buy back Clearnet before the merger between DB and LSE. We expressed that interest at the beginning of the process, when it became clear that this would become a remedy demanded by the European Commission to approve the transaction. Then an auction process was started, and we were part of this auction. We did win the process, we agreed on the price and on terms. The deal was announced on 3rd January. This deal had several components; one of it was that it was subject to the completion of the merger between Deutsche Börse and LSE. When it became clear that the merger between DB and LSE was not going to be completed, we offered explicitly to the board of LSE and to the board of LCH Group to proceed with the transaction, because we thought that there were some benefits for both groups to consider the completion of the sale irrespective of the outcome of the merger between DB and LSE. The CEOs of LSE and of LCH Group informed that they had considered our interest for the acquisition of Clearnet, and that they have decided not to proceed and not to sell us Clearnet.

So, we are where we are, and this is the status of the discussions with LSE. In parallel, we have explored for client solutions to be available to them beyond 31st December 2018, which you know is the date of termination of our current agreement with Clearnet. And following that process of benchmarking all sorts of alternatives, of appraising the certainty of the economics for us, the certainty of operating performance, the certainty of strategic alignment, etc., we have decided to enter into the head of terms, the binding head of terms that were announced in 31st March with ICE Clear Netherlands. So, that's the way the process developed, and that's the status of discussions with the LSE Group.

Kyle Voigt
Okay, thank you. And then if I could just have one follow-up, more on a regulatory topic, with respect to the financial transaction tax. I think on the last earnings call, you sounded relatively confident that the financial transaction tax that was proposed on intra-day transactions may not be implemented in 2018 if the French elections were to have a favourable outcome. Could you just give us some updated thoughts here around the FTT?

Stéphane Boujnah
Sure. So, as you may have noticed, we have a new President of the French Republic in France. There is a new government, for two days now, with a new Minister of Economy in charge of the financial sector, Mr Le Maire, and there will be a new parliament with a new majority on 18th June. So clearly, although the Prime Minister, Mr Philippe, and the Minister of Economy Mr Le Maire haven't made any public statement in this respect, it's clear that one of their objectives is to position the French regulatory environment in the best way to be competitive in a post-Brexit environment. In this context, we expect the debate on the cleaning up of the FTT to be open after the general election's outcome on 18th June. And the only uncertainty is whether the issue will be addressed over the summer, in the context of an interim budget, or whether it will be addressed in

October/November for the 2018 budget. I mean, there is a current debate within the new French administration about whether or not some interim budget should be voted over the summer or not. We might be in a situation where it will not be the case, and where the whole issue will be addressed only in October/November with the regular budget. So basically, I'm reasonably confident that the FTT, at least on the intra-day issue, will reach a positive outcome. But I cannot speculate on the format it will take and the timing.

Kyle Voigt

Fair enough, thank you.

Operator

Thank you very much, and moving onto the line of Philip Stafford with the *Financial Times*. Please go ahead, your line is open.

Philip Stafford

Hi, Stéphane. Next month, the European Commission is going to make a decision on euro clearing after Brexit. Do you support some sort of forced relocation policy? Do you think it should be everything, derivatives as well as fixed income and repo markets? And if that is to be the case, what will you do to try and persuade that business to come to you as opposed to anywhere else?

Stéphane Boujnah

Let's be clear: the outcome of discussions within the European Union first, and afterwards between the European Union and the UK, about clearing – and beyond clearing, about the financial sector – are just one part of a much broader set of conversations, and none of us here is in a position to predict what will be the outcome, nor to influence alone the outcome of those conversations. I mean, the European Union and the United Kingdom are embarking into a very, very wide negotiation, where clearing is just one part of the financial sector, which is just one part of the basket to be negotiated.

If the current view, which is as decided by the ECB before the Court of Justice decision a few years ago; if this decision is taken to relocate clearing of euro-denominated assets within the European Union, then clearly, we will make sure that it has the best impact for the Euronext markets and for the Euronext players. But again, I believe that this option is likely to prevail. It's clear that the situation today, where the euro is the currency of Continental Europe plus the Republic of Ireland, but 40–70% of trading in euro-denominated assets is done in London, was fine in the previous environment. But in the new post-Brexit environment, it will become an anomaly, and it's normal that we should expect one way or the other to have relocation of the significant part of trading and clearing of euro-denominated assets. So, it's not a matter of supporting or not supporting; it's a matter of lucidity about the implications of Brexit. Brexit means Brexit in many respects; in particular, in terms of euro-denominated assets.

Philip Stafford

Okay, thank you very much.

Lee Hodgkinson

Wait, Philip, actually it's Lee here. Good morning. I thought, just to complement something that Stéphane was saying: if I play back, we've seen – our client base in terms of our own clearing migration is relatively concentrated into something like 15 to 20 firms, give or take. And most of that activity is domiciled in London, including a number of the big Eurozone banks that do that business, their hubs are in London. And what's interesting about the conversations we're having with them in the context of our own plan is that they're already talking about their Brexit hub strategies, and this kind of realisation that they'll – whilst the details are not clear, their expectations are that they'll need to clear more business in the Eurozone than previously. And we're having some very interesting conversations about where the opportunities for us to act as a solution provider lie. And there's, I think, a lot of potential there. So, I think what's happening now is that people really are starting to think about their plans not just for infrastructure, but booking structures and corporate structures around how the re-papering of clients would need to happen, and how the money flows and the risk flows will work in the future.

Philip Stafford

Okay, thanks Lee.

Operator

Thank you very much, and moving on to the line of Ron Heijdenrijk, ABN AMRO. Please go ahead, your line is open.

Ron Heijdenrijk
Good morning, gentlemen. Three questions from my side. Coming back to the earlier answer on Clearnet: when LSE said that they were not selling Clearnet to you, I was just wondering: was that before or after your announcement on ICE Clear Netherlands? Then related to that, is that ICE Clear Netherlands transaction exclusive?

Then secondly, my second question is on the comments on the yield management, and the comments that in Q2 quarter-to-date, the market share and cash markets were 63%. I was wondering: is that with a similar kind of yield as in the first quarter?

And then finally, on your other operating expenses; they went up €6 million Q-on-Q, and I was wondering: is there any seasonality in there? Thank you, that's all my three questions.

Stéphane Boujnah
Okay, let me answer your first two questions on clearing, and Lee will answer your questions on yield and market share, and Giorgio will take your question on operating expense. The deal with ICE was concluded and announced after we were told loud and clear by LSE and LCH Group that they were not interested in selling Clearnet to us. So, let me be clear: the integration of Clearnet within the Euronext Group remains a strategic priority of Euronext, but at the current time there is no willing seller.

Second: yes, the deal with ICE, when it is finalised and completed, will be exclusive. Let me pass the floor to Lee on yield and market share.

Lee Hodgkinson
Yeah. So, your question was about yield management so far this quarter, I think, Ron: we don't give yield data out except for the full quarter, so that will come when we do our second-quarter results.

Ron Heijdenrijk
Okay, thank you.

Giorgio Modica
Yeah. And when it comes to cost, the comparison between the fourth quarter of 2016 and the first quarter of 2017, a few remarks. The first one is that you remember that in the fourth quarter of 2016 we had some exceptional release of provision and accruals for around €3 million, this is one part. And then you also need to take into consideration that in the first quarter of 2017, we have €1.8 million related to Agility for Growth.

Ron Heijdenrijk
That is very clear, thank you.

Operator
Thank you very much. And moving on to the line of Rosine van Velzen, ING. Please go ahead, your line is open.

Rosine van Velzen
Yes, thank you for taking my question. Most of them already have been answered; I have just one left on the new revolving credit facility. You stated on slide 4 that it's increasing financial flexibility, so I was wondering if the leverage covenants in there are maybe less restrictive, and also comparing to the regulatory maximum leverage of 3.5 times? Thank you.

Giorgio Modica
No, I mean, when I made reference to flexibility, it's in terms of our possibility to use that; more specifically, we could use that also for M&A purposes.

Rosine van Velzen
But the covenant, how does it relate to the – is it not more restrictive than the regulatory leverage of 3.5 times?

Giorgio Modica
No, I mean, it's a – any covenant is below the regulatory requirement, so clearly it's below 3.5 times.

Rosine van Velzen
Okay. You cannot comment further on that issue?

Giorgio Modica
I mean, my comment would be that, taking into consideration our EBITDA last year, that was €285 million; even if we fully used the RCF, we would be below one time.

Rosine van Velzen
Okay, yeah. Now I see your point. Okay, thank you.

Operator
Thank you very much, and moving onto the line of Solenn Poullennec with Agefi. Please go ahead, your line is open.

Solenn Poullennec
Hi, Solenn Poullennec speaking. As I was just wondering: can you give us an update about your shareholder pact you signed three years ago just before the IPO? I apologise if you've already answered, but I was a bit late. So, what's going on with these shareholder pact?

And my second question will be: can you give us a bit more details about TOM winding down? What do you expect in terms of market share, please?

Stéphane Boujnah
Okay. I'll answer the first question, and Lee will answer the market share question. And as mentioned in the registration document, the lock-up of the reference shareholders expires in June. It is up to them to decide what they will do, and we don't have any comments to make on discussions among our shareholders.

Solenn Poullennec
Okay.

Lee Hodgkinson
What was your market share question? On TOM, was it?

Solenn Poullennec
Yeah, what do you expect in terms of market share for the derivatives market, the Dutch derivatives market, after TOM's winding down?

Lee Hodgkinson
Yeah, so I think, as I've mentioned earlier, on the AEX index option, I would expect market share to move materially back to the high 90s%. On the individual equity options businesses, we're not the only game in town in that market; it's competitive. I think it's worth me waiting for the migration to complete before making any public assessments. But I would say that we would expect to see a material improvement in our market share in that individual equity options segment.

Solenn Poullennec
Okay, thank you.

Operator
Thank you very much, and moving on to the line of Johannes Thormann with HSBC. Please go ahead, your line is open.

Johannes Thormann
Good morning everybody. Two questions left on my side. First of all, on your listing business, could you elaborate a bit more on IPO pipeline, how you see it? And also on your bonds listings, which has shown a remarkable pick-up of fees; can we expect this level to last in the next quarters and years?

And secondly, on your derivatives business and the clearing agreement with ICE; you mentioned that you benefit from the closing of CME's business: how have you managed to avoid conflict with ICE commodities business? Could you elaborate on this, please?

Anthony Attia

Hi, it's Anthony speaking for listing. We are reasonably optimistic about the upcoming IPO pipeline. As I said, we said the window, the IPO window, reopening. Of course, we do not comment on the non-public part of the pipeline, but I can say that we have some big public operations already announced, like ALD for Société Générale which will come in the coming weeks and months.

On the listing fees, we have announced a raise last year, at the end of last year, to be applicable for 1st January this year. And so, we are enjoying the increase of the fees this year. We will review these fees at the end of the year.

Lee Hodgkinson

What was your question in the commodities context? Was it about…?

Johannes Thormann

You said you had a threat from CME, but on some products, you overlap also with ICE. So, how do you – or you can probably, in the future, have problems with ICE. How do you manage those conflicts?

Lee Hodgkinson

Okay, so let's deal with the CME first. So, the CME wheat contract has had a very, very poor start. I mean, I think the trading activity has been maybe even sub 1%, and there's no open interest. So, I think what that shows is that physically delivered commodities market are very, very difficult to break into. We've been responding aggressively, of course, with the new member participant programme and a lot of client engagement. And CME's closure of their recognised investment exchange and their clearing house I think, in some part, reflects that, although their core agriculture business, of course, is in Chicago, and in America it's exceptionally powerful and to be respected and admired.

With regards to ICE: in fact, we don't really compete with ICE in the commodities environment. We have an agricultural focus and kind of green energy focus, renewables, etc. ICE, of course, do have some wheat contracts in North America, but in fact, in Europe we don't really compete with them at all on the commodity business. So, I think we're pretty relaxed about the whole thing.

Johannes Thormann

Yeah, for the time being, I know that there is no overlap, but do you have non-compete agreements on — that you don't want to start other products which they offer, or have you ignored this in this clearing agreement?

Lee Hodgkinson

We're working through the clearing agreement at the moment, but I wouldn't disclose the content of that in any case, so sorry.

Johannes Thormann

Okay, thank you.

Operator

Thank you very much, and moving on to the line Ade Oguntade with Morgan Stanley. Please go ahead, your line is open.

Ade Oguntade

Yes, good morning. Thanks for taking my question. I just have two questions here. So, just in terms of your cost line, I think you said previously that you expect additional expenses for the rest of the year to offset the savings you're expecting. So, just in terms of – what should we expect for costs for the rest of the year? Can we assume Q1 2017 run rates?

Also, the second question is relating to Company Webcast. So, you said you've integrated this in this quarter, or in Q1 2017. Should we also assume the same run rates for revenues and costs for the rest of the year? Thanks.

Giorgio Modica

Yeah, so let me answer your question. So, the first element is that, as you know, we provide targets for 2019, and clearly we stick to the targets that we defined and the targets are, as you very well know, to achieve €22 million of gross savings. Then, clearly – I mean, we will let some ups and downs in our cost base, but the ultimate objective is to get the target at the end of 2019. And unfortunately, there are many elements that will impact our cost base with pluses and minuses, and we do not provide specific guidelines on the phasing of each of those elements.

What I wanted to stress is that we are getting into a phase in which, potentially, the two largest projects for Euronext, which is the new IT platform and the MiFID II project, are going to be delivered in the next three quarters. And therefore, to a certain extent, we will have some additional cost. Then, this is going to be offset against other things, the savings like the one of Belfast, and other savings. Then to provide you exactly with the phasing of each of those elements, is impossible. What I can tell you is that, in general, and consistently with what we have said in the previous quarters, you should look at 2017 as a year of investment, where it is more likely that the cost related to the ramp-up of IT project and agility for growth initiatives is going to be higher than the revenues that we will deliver, as most of the projects will be finalised by the end of the fourth quarter.

Then when it comes to Company Webcast: again, I can tell you that the revenues in the first quarter is €0.8 million. There is a seasonality in the business, so it would not be correct to assume that the full-year forecast would be four times the first quarter. The only thing I can give you, because we are not providing guidelines for the end of the year, is to remind you that the company recorded €3.6 million of revenues in 2016. When it comes to their contribution to our cost in the first quarter of 2017, that was €0.7 million.

Ade Oguntade

Thank you.

Operator

Thank you very much. No further questions in queue. And with that, I would like to return the conference call to the speakers.

Stéphane Boujnah

Thank you very much, and have a good day.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you very much for attending, you may now disconnect your lines.