an NTT Communications Company

Transcription

Title: Euronext 2016 Annual Results Presentation

Date: 15.02.2017

Speakers: Stéphane Boujnah, Giorgio Modica, Lee Hodgkinson and Anthony Attia

Duration: 01:07:06

Presentation

Stéphane Boujnah

Good morning everyone, ladies and gentlemen, and welcome to this presentation of our full-year results for 2016. I'm Stéphane Boujnah, CEO and Chairman of the managing board of Euronext, and with me today are Giorgio Modica, our Group Chief Financial Officer; Lee Hodgkinson, our Head of Markets and Global Sales; and Anthony Attia, our Global Head of Listing.

The agenda for today: we'll start with the business review for 2016, then Giorgio will go through the financial highlights for 2016 and then, together with Lee, Anthony and Giorgio, we will update you on the Agility for Growth strategic plans, which we released in May.

Let's start with the executive summary and the key takeaways of this morning's presentation. First, the Euronext team is very proud of the results we announced today for 2016. The environment in 2016 has been really challenging, with significant pressure on volumes. And this has clearly impacted our revenue, which decreased as we anticipated it during the release of our Q3 numbers in November. This has impacted our revenue by a mid-single-digit percentage, which in fact is minus 4.3% in top line.

As I told you in May during our investor day, cost discipline is part of the DNA of Euronext. Cost discipline is not a phase of post-carveout; it's a fundamental component of the DNA of Euronext. And this was proven true this year again: combined with the efficient yield management, the cost discipline has enabled Euronext to maintain the EBITDA in absolute terms at the same level as last year and, more broadly, to deliver a strong financial performance and a stronger EBITDA margin in percentage.

Second, 2016 was the year of the design, the launch and the initial deployment for the next three years of our Agility for Growth strategy, and some important milestones have been achieved and I will come back in more detail later on. But we have now not only a plan but also an operational roadmap in place with a clear identification of what is build, what is buy, what is partner, with decisions on each of the growth initiatives and a detailed to-do list for each of the growth initiatives.

Third, we are committed to undertaking a disciplined approach to deploy our capital, and we clearly intend to deploy the significant optionality that resides in our balance sheet in a very structured and pragmatic manner. Obviously, the teams are screening and scanning a significant number of external growth opportunities.

Finally, a few words on the potential acquisition of LCH.Clearnet SA, which is, as you know, subject to several conditions including the completion of the London Stock Exchange–Deutsche Börse merger. Clearly, this acquisition would create significant value to our shareholders, and it is definitely an important component of our strategy to build a clearing optionality for our clients. This was the rationale of the acquisition also of a 20% stake in EuroCCP. I will come back to that specific aspect of our strategy later.

Moving to slide 5, which illustrates the strong financial performance we delivered in 2016. On the revenue side first: 2016, as I mentioned in the introduction, saw pressure on volumes. Average daily volumes in cash trading decreased by minus 15.3% and by minus 7.2% in derivative trading. This results from lower volatility, in spite of some volume spikes around macro events such as the UK referendum in June, or the US elections at the end of 2016; was clearly impacted by those events. However, we managed to increase our cash yield by 7.8% compared to 2015, partially therefore offsetting the impact of lower volumes.

Our non-volume-related businesses achieved a very good performance, notably market data and indices as well as the part of our listing business which is not linked to IPOs. Our non-volume-related business now accounts for 44% of our top line, compared to 41% last year. So globally, our revenue for 2016 was just below €500 million; a minus 4.3% decrease compared to 2015.

A second component of our financial performance: the continuous cost discipline, which I also mentioned in the introduction. That translated into a minus 9.4% cost reduction compared to last year. This has been achieved thanks to reduced headcount, down now to 589 FTEs at the end of 2016, compared to 652 at the end of 2015. And clearly, the benefits of various cost reduction programmes in addition to headcount adjustment. We have delivered since 2016 €15.6 million of gross cost reduction out of the €22 million gross reduction target for the end of 2019. And although some releases of accruals havefurther reduced the cost base, Giorgio will come back to that specific point later.

So, overall this performance on revenue and costs led to a stable EBITDA in absolute terms compared to 2015, and a very strong increase EBITDA margin by 245 basis points, at 57.2% compared to 54.7% in 2015. Because precisely as mentioned several times, the decrease in costs offset the decrease in revenue, as you can see on this slide.

Finally, the strong improvement in operating results, together with significant release of tax provisions, resulted in an EPS of €2.83 compared to €2.47 in 2015. So, based on our consistent dividend policy of 50% of reported net earnings, the dividend that will be proposed for the approval of our annual general meeting in May is €1.42; a 14.6% increase compared to the €1.24 paid last year.

Before leaving the floor to Giorgio for the full details of financial statement, I would like just to highlight key milestones of our strategic plan that have been achieved since the announcement in May. You will probably remember this slide, which represents the framework of our strategic plan presented on 13th May 2016. So, clearly the ambition of Agility for Growth is to capture the opportunities arising from the environment. Our talented people launched new products leveraging the environment; for example, we launched compliance services for Market Abuse Regulation and MiFID II, that are on the top of everyone's mind in this industry. We also ramped up various innovative projects: we invested in Tredzone, a low-latency technology provider that we're using to accelerate the development of Optiq, our new trading platform. We've decided to create a proper operational Blockchain consortium working on post-trade solutions for SMEs with leading market participants in Europe. We identified an opportunity to expand our fixed income offering with a long-term partnership agreement with Algomi to form a joint venture with them, whereby they will supply their technology and we will create a new MTF operated by Euronext to become a centralised marketplace for pan-European corporate bond trading.

So, in order to enhance agility, which was another ambition of the strategic plan, we have further reduced our cost base as I indicated, because agility means lower cost base. It's the starting point of performance, it's the starting point for growth. Achieving overall 70% of our cost reduction programme of the €22 million gross reduction, I mentioned earlier. So, I think that 2016 has been a year of intense focus on technology capability, which is a fundamental part of agility enhancement.

I just want to mention two items. The first one is the relocation of our IT operations from Belfast to Porto, which is being delivered on time and within budget. As of 31st December 2016, 88 people have been on-boarded in Porto, and the Belfast office will be closed as planned at the end of March 2017. The development of Optiq, our new trading platform, is the second ambition on the technology front and is taking shape, with the customer test platform open as scheduled in November 2016 for market data, and the other features and functionalities being released in the course of 2017.

Agility also means seizing M&A opportunities. I will come back in the next slide on how our structured approach of M&A translated into first deals since the IPO, and since the release of our Agility for Growth strategy.

Our team has been very focused on third pillar of the plan, which is all about strengthening resilience of our core business. Many new services have been designed and rolled out in 2016. I will not enter into details of all the services mentioned on this slide, but just to mention, for example, the latest announcements which are an illustration of that momentum in our core business: the creation of a new pan-European block trading service in partnership with AX Trading, which we have announced this morning; and the launch of Euronext Chequers services in the post-trade business.

So, we will deep-dive into the growth initiatives later, and we'll go through the major milestones that have been achieved in 2016, but clearly even if the impact on our finances has been limited so far – less than €1 million of revenues and €2.1 million of costs – clearly the implementation of these initiatives is progressing as expected.

Finally, on the right hand of the slide: as any listed company, we have to deliver value to our shareholders. This is reflected in the increased dividends yield in spite of stable average stock price in 2016 compared to 2015. This is due to basically significant improvement in our operational gearing, which is one of the fundamental pillars of the Euronext performance. And therefore, we confirm all the targets for 2019 that were mentioned in our investor day a few months ago. Lastly, we have a strong balance sheet and we have started to deploy capital, as we will see on the next slide.

Slide 7 provides you with a snapshot of the various transactions announced since May 2016, some key milestones and what's ahead of us in 2017. The first four boxes are both on acquisitions that are enablers to accelerate the deployment of our strategy. However, the potential acquisition of LCH.Clearnet in the last box is potentially a much more transformational deal, as everyone understands.

I'll be back on the investment in EuroCCP in a minute, but just to mention that following the closing of the acquisition of a 20% stake in December in EuroCCP, we expect the first trade to be cleared through EuroCCP in the course of the second quarter this year. I already mentioned Tredzone; we entered into a technology partnership to accelerate the development of our new trading platform. The launch will be in 2017 for market data and cash trading. We have created, as I mentioned earlier, a joint venture with Algomi; the first trade should take place in the third quarter this year. And finally, a deal was announced yesterday evening: the acquisition of 51% of the shares in Company Webcast, a Dutch company which is a real market leader in webinars and webcasts, for a cash consideration of €3.6 million. This acquisition represents a key milestone in the build-up of our corporate service offering.

A few words on the potential acquisition of LCH.Clearnet SA, that would deliver our ambitions to diversify our top line and which would add new growing classes of assets in our portfolio of operations. As you know, the possible closing is expected by the end of June, and is subject to the closing of the London Stock Exchange–Deutsche Börse merger.

Let's focus for a few minutes on clearing on slide 8. Some of you may remember that page which was presented in May. As we explained during the investor day, our strategic plan is organic and excludes the clearing operations, as our clearing agreements with LCH.Clearnet SA are set to expire at the end of 2018. Now, both the investment in EuroCCP and the potential acquisition of LCH.Clearnet SA are part of the same strategic ambition: building clearing optionality for our clients. So, on the cash side with EuroCCP, we will implement a preferred CCP model followed by fully interoperable services, and on the derivatives side and beyond derivatives, LCH.Clearnet SA would cover all classes of assets, including new ones. Euronext and Clearnet combined would deliver clearly powerful multi-asset CCP based in the Eurozone. Once again, this transaction is subject to various conditions. However, irrespective of the completion of this transaction, we remain committed to delivering the best long-term solutions for our post-trade activities in the interest of our clients and shareholders.

I'll now leave the floor to Giorgio, who will cover the financials.

Giorgio Modica

Thank you, Stéphane, and good morning to everyone. Let's go now to slide number 9. I will provide with a review of our financial performance for the year 2016, as well as with an update of our financial situation at the end of the period. The first thing I would like to mention is, as Stéphane said, I'm proud to confirm that we met all the objectives for 2016 we communicated at the end of the third quarter, in terms of revenues, costs and margins. Despite the declining revenues to the lower volumes, we reported a very strong profitability thanks to the proactive yield management and cost discipline, that allowed us to achieve 70% of our gross cost reduction targeted for 2017.

The head count for the year end remained below 600; as Stéphane said, 589 versus 590 at the end of Q3. This is a very low level, a level lower than expected due to the faster and more efficient relocation of our IT operation from Belfast to Porto. Our operational expenses were positively impacted by the release of some accruals for €3.3 million. As you know, as customary in Euronext, we do not adjust our audited financial results neither upside nor downside to take into consideration costs that are one-off in nature, like project costs such as the one of Optiq.

D&A decreased by 11.6% to €15.1 million, mainly due to the end of the accelerated depreciation of our asset in our former Euronext location. Operating performance before tax and before exceptional items was €268.8 million, with an increase of 0.8% from 2015.

In 2016 we booked €10 million of exceptional items versus €28.7 million in 2015. This mainly consists of restructuring cost as well as M&A cost, and we recorded as well €6 million result from equity investment thanks to the increased dividend paid by Euroclear and the LCH Group. Euronext net profit benefited in 2016, as well as it did in 2015, from the release of uncertain tax provision for €16.3 million due to the lapse of the statute of limitation. As a result, the effective tax rate for the year was 25.4% against 27.6% in 2015.

Finally, I would like to highlight that the contribution of Agility for Growth for the year 2016 was €0.8 million in terms of revenues, and €2.1 million when it comes to costs.

Let's focus now on revenues, and let's move to slide 10. Just a few highlights on that slide, because then Lee and Anthony will give you more details on the breakdown. As mentioned by Stéphane, the low market activity impacted our volume-related revenues. Now, in this business line we include cash, derivative trading revenues, clearing revenues and part of the listing business. Now, those businesses declined in terms of revenues 9.5% versus the previous year, whereas non-volume-related revenues remained resilient with a growth of 2.8% over the year, mainly driven by market data and the indices performance. Finally, as you can see at the bottom right of the slide, our volume-related activities represent now 56% of our total revenues against 59% in 2015.

Moving now to slide 11, I would like to highlight the fact that operating expenses, excluding D&A, are down 9.4% to €212.5 million, resulting from the strict execution of our cost saving plan. Since the second quarter of 2016, or since the announcement of the Agility for Growth plan, we achieved €15.6 million of gross cost saving out of the €22 million target for 2019. This represents a 70% rate. These savings allow us to offset the impact of declining revenues and to report a stable EBITDA in absolute terms at €283.9 million; basically, the same EBITDA as 2015. This represents a margin of 57.2%, with an increase of 245 basis points versus 215. Moreover, thanks to that our fixed costs coverage ratio is today 103%. In other words, it means that non-volume-related revenues now exceed our fixed costs. And what is important to realise is that for that computation we assume all costs of Euronext to be fixed, regardless that a part of that is clearly related to bonds and associated charges attached to that.

As previously said by Stéphane, we are reporting for the year 2016 an EPS of €2.83 per share, with an increase of 14.6% from the last year. In compliance with our dividend policy of 50% of the reported net earnings, we will submit to the approval of the AGM a dividend proposal of €1.42 per share.

Moving now to slide 12. This slide illustrates some of the key features of Euronext: on the one side the very strong cash flow generation, and on the other the healthy liquidity position. So, our net operating cash flow recorded a very strong increase – it's 29.4%, or €41.4 million in absolute terms – on the back of four key elements. Number one, a very strong operating performance, as already commented; number two, more limited extraordinary costs with respect to 2015; number three, lower tax rate as already mentioned; and a reduced negative charge in working capital versus 2015. With respect to this last element, I would like to assert that this is coming from mainly, number one, the cash-in of VAT tax refund from the French tax authorities, partially offsetting the cash outflows related to the French restructuring plan. While in 2015, the negative charge of working capital was mainly related to the restructuring of the Cannon Bridge House.

The EBITDA cash conversion ratio increased to 64%, up from 49% last year. Then, following the partial repayment of €40 million of debt in Q3, Euronext gross debt stands today at €69 million at the end of 2016. This represents a 0.24 gross leverage ratio, while net debt was minus €105.5 million, representing a minus 0.37 leverage ratio.

Finally, as of December 2016 Euronext had a cash and cash equivalent position of €174.5 million and a revolving credit facility of €390 million. Now, considering what management has set as a minimum requirement for cash operations, which €110 million, the available liquidity at the end of the year is €454.4 million.

This is all for that slide; now I would leave the floor to Lee.

Lee Hodgkinson
Or Stéphane? Yeah.

Stéphane Boujnah
Thank you, Giorgio. Let's move to slide 14. I already commented on market trends for 2016. For this year, 2017, we anticipate a number of volatility spikes linked to the election periods in Europe and to new developments in the Brexit momentum. So, the global environment should be marginally better as the Eurozone demand, in our view, continues to improve.

On the regulatory front, I already mentioned the product that we launched to be compliant with Market Abuse Regulation and MiFID II in 2016. We have identified another opportunity for 2017, linked to the implementation of benchmark regulations that will translate in an offering in our market data business.

On the innovation front, 2017 will be marked by the continuity and the development of our relationship with Tredzone, the delivery of our Optiq platform, the implementation of the Blockchain project – which is an operating project – and obviously, our screening of innovative companies to develop additional technology-driven partnerships will continue and will be further enhanced.

Next slide, on page 15: I already mentioned the progress we've made on our cost reduction objective, which is a part of the agility strategy. As I said, the closing of Belfast IT centre will be effective at the end of March, and we'll pursue the renegotiation of several IT contracts in 2017. After the intense focus on IT capabilities in 2016, clearly 2017 will be a crucial year with the launch of our market data infrastructure for cash and derivative products in May, and the migration to Optiq for our cash business in October, which will be fully MiFID II compliant and embedded in the new Optiq platform.

I will not comment again on what happened in the field of M&A last year. Here again, efforts will continue in the very disciplined manner in 2017, with a structured screening of opportunities to fuel our growth initiatives.

I will now leave the floor to Lee to review our businesses.

Lee Hodgkinson

Thank you, Stéphane. I'm starting on slide 16 with the global macro slide that depicts the environment in which we operate. Stéphane and Giorgio have already mentioned our volumes; as you can see, we're in a long volatility down-trend that started in mid-Q1 2016, with spikes of volatility specifically in June around the UK referendum and during November and December in conjunction with the US elections.

The chart at the bottom shows that, while the relative return premium between European and US blue chips dropped dramatically between December 2015 and March 2016, it is significantly improving, which is supportive of the European equity story regardless of some of the political noise ahead. And in that context, if you think about 2017, our view is that the Eurozone upturn is set to continue as the domestic Eurozone demand is improving, and an abrupt end to the ECB asset-purchasing programme in Europe is unlikely. We should see some spikes of volatility given all of the elections in France, Netherlands and Germany, which we believe will be positive for volumes.

Anthony, would you like to comment on listing?

Anthony Attia

Thank you, Lee. Now, listing on slide 17. Primary markets in 2016 were impacted by global uncertainty; the various spikes of volatility that Lee just mentioned. It was a contrasted year for listing, and revenue was €68.7 million in 2016; a decrease of minus 2.6% compared to the €70.5 million achieved in 2015. The decrease was driven by the fall in IPO fees and also the reduced listing fees for exchange-traded products, ETPs, in order to boost trading on this product.

In 2015, large transactions as LafargeHolcim, Altice, Amundi and ABN AMRO were key contributors to the listing revenue performance. In 2016, much uncertainty and volatility induced low activity on primary markets, even though two benchmark transactions took place in our market: Coca Cola European Partners here in Amsterdam, and ABInBev in Brussels. 28 new listings took place in 2016 compared to 52 listings in 2015. Although the number of new SME listings decreased from 36 in 2015 to 23 in 2016, these companies raised €1,430 million in 2016 compared to €1,370 million in 2015. Euronext continued to be the venue of choice for SMEs, and tech SMEs in particular. In 2016, Euronext saw an all-time high on secondary issues and, in total, €140.7 billion in equity and debt was raised on our markets compared to €111.7 billion in 2015.

As Lee mentioned, we anticipate improving market conditions, and for listing, first deals will be key. We have a solid pipeline for IPOs and for jumbo follow-on deals, although timing is hard to predict. We announced earlier this month the launch of a series of initiatives dedicated to family businesses, aiming at promoting listings and increasing the visibility towards investors. We have other initiatives in mind, such as a roll-out of a centralisation offer in Portugal and other Euronext countries. Some deals were successfully achieved in Portugal in 2016. And the revamp of the Free Market. Lee, back to you.

Lee Hodgkinson

Thank you, Anthony. So, let's talk about cash trading which is on slide 18. Full-year 2016 volumes in cash were down due to the macro factors that we've previously mentioned. Average daily volumes across the year were €7 billion, down 15.3% versus 2015, but efficient yield management enabled us to minimise the impact on our top line, with the yield averaging 0.5 basis points in 2016 compared to 0.47 basis points in 2015. This is a 7.8% increase.

2016 revenues were down by 8.4% to €180.7 million. Our average market share for the year was 61%. We ended the year strongly, with December market share of 65.2% following lows in October of 58.6%, thanks to several initiatives as highlighted on the bottom left of this slide. While we recorded a similar trend on ETFs, we saw a record number of 137 new ETFs listed on our markets, bringing the total number of ETFs listed to 790 by year end, up 13.5% versus previous year. Our client alignment and engagement is amply demonstrated by Euronext winning four awards during 2016, being consistently recognised as the best ETF exchange in Europe.

Looking ahead into 2017, our focus will remain on strengthening the resilience of our business. We will continue to deepen client intimacy, working with them to provide a compelling value proposition as well as innovative products and services. You can already witness the first evidence of this with the partnership with AX we announced this morning, to launch a new equity block trading platform to assist buy side in executing blocks effectively.

Moving on to the next slide, slide 19, derivative trading: revenue decreased by 9.8% to €40.1 million in 2016, resulting from lower volatility. While financial derivatives were directly impacted by this low volatility, volumes in commodity products declined by 4.1% across the year, impacted by a materially substandard French wheat harvest. 2016, our financial derivative franchise saw the launch of new products, such as single-stock dividend futures, as well as additional equity options and futures. And at the request of our members, we also introduced longer expiries on some key contracts, as well as weekly expiries. In addition, our commodities franchise saw the resumption of the new market participant programme, which brings in fresh uncorrelated flows. This programme will intensify in 2017, with the onboarding of new firms targeting more than 100 new traders. In 2017, we will be working on consolidating our market share for financial derivatives, as well as strengthening our non-Euronext underlying product franchise through our partnership with DeGiro. The delivery of AtomX flow automation and requests for cross-functionalities will be some of the key areas of focus as well, and we will of course prepare future growth plans in the context of the potential acquisition of LCH.Clearnet SA.

Moving on to our non-transactional business on slide 20, you can see that market data and indices delivered a strong performance across the year, with revenue up 6% compared to 2015 to €105.7 million, benefiting from the positive impact of new products and services launched in 2015 as well as from some fee adjustments. The number of end users continued to decline, with the continuing automation of trading functions across the market, while our indices activity saw an increase in revenue. Looking into 2017, we will continue to introduce new products, capturing regulatory and environment opportunities.

Market solutions revenue decreased by 3.3% to €33 million in 2016. The decrease in software solution revenue during our transition to the Optiq platform was partially offset by the introduction of a new MAR compliance service in July. The next steps in 2017 will be the start of the delivery to our first Optiq clients, as well as the expansion of our managed services portfolio.

Post-trade activity: clearing revenues in line with the trend in derivative trading, as previously mentioned, decreased by 7.6% to €48 million. Settlement and custody revenues are stable at €19.6 million, compared to €19.7 million the previous year, and in 2016 we saw the successful implementation of T2S and the optimisation of Interbolsa’s systems and services. Looking ahead into 2017, the key point of focus will be to deliver clearing optionality, as mentioned by Stéphane.

On slide 21, we’ll move to the growth initiatives that we released back in May, and it is clear that we’ve achieved very significant milestones for all of these initiatives. We have discussed extensively with all stakeholders and have finalised the value propositions; we’ve defined a clear roadmap for all of the initiatives; we have chosen the pattern of build, buy or partner; we’ve initiated the regulatory and IT-related components of each initiative. Let’s have a quick look at each one. The one-stop shop for ETFs: we will offer the ETF community a solution for multinational listing and trading in ETFs and investment products. We conducted in-depth discussions with more than 40 financial institutions over Q3 and Q4 to finalise the platform design. The specifications, including NAV trading and requests for quote services, are now complete and included in the Optiq build, and IT development will start in May for a launch in November.

On the European indices, we are partnering with an independent investment research provider and will launch in Q2 2017 the open-source European indices, in which clients will be able to create exchange-traded products. First revenues are expected in Q3 2017, and in addition we will launch futures and options linked to the indices. And the partnership will include, at a later stage, smart beta indices.

In commodities, our intention remains to become the European content provider of reference on agricultural products and related markets. We will provide economic analysis, training and established price-reporting services for the European agricultural markets. We’re currently conducting a European-wide target screening to find the suitable acquisition targets, and we’ll expand our trading instruments by entering the OTC-cleared market for these products. The target operating model has been finalised with the CCP, instrument batches and price reporting agents are identified, and the detailed technical requirements have been completed. Implementation will start in Q2 for a go-live at the end of 2017.

Moving to the expansion of our fixed-income offering; Stéphane already mentioned our partnership with Algomi. The plan is to launch a new trading facility to improve liquidity in pan-European corporate bond trading. Revenue from the licensing agreement already started in January, while revenue from trading on the MTF is expected in the third quarter of 2017.

On slide 22, you can see our initiatives in the post-trade business. We announced this morning the launch of a new service, Euronext Chequers, that will provide risk analytics, inventory management and a collateral transformation platform, supporting commodities in the first instance then fixed income and equities. Chequers will be rolled out in stages throughout 2017, starting with electronic silo warrants in the next few months.

We have now deployed the first major phases and features of Euronext RiskGuard pre-trade risk management solution, and we continue to develop its suite of collateral management services; we're in the process of onboarding firms, and will commence billing in Q2 of this year.

In addition, our intention is to deliver a MiFID II-compliant system for trade reporting and transaction reporting. This will require authorisation as an approved publication arrangement, known as APA, and an approved reporting mechanism, known as ARM under MiFID II; the launches of these solutions will be in Q4 2017.

On the initiatives designed to add value to issuers, I leave the floor to Anthony.

Anthony Attia

Thank you, Lee. The two key initiatives for issuers: the first one is a European tech hub for SMEs. We have identified four target countries – Germany, Switzerland, Italy and Spain – to set up and roll out dedicated offer to attract tech SMEs on our market. The aim is to become the number one exchange for European tech SMEs in Continental Europe. Following an in-depth market study and interviews with more than the 150 local stakeholders, the value proposition is now finalised, with specific services identified to boost visibility towards investors and support roll-out in the respective markets. Local recruitments have been launched, and our new sales representatives started on 1st February in Munich, Frankfurt and Zurich. Seven technology companies headquartered in these European countries are already listed on Euronext, and the pipeline is building up; two companies pre-filed for listing in H1 2017, and we have six additional prospect identified for later in 2017.

Second initiative is corporate services. Euronext's ambition is to unlock the full potential of capital market for its issuers, through the creation of a comprehensive suite of corporate services. We conducted a survey and qualitative interviews with approximately 40 issuers across its four domestic market in all segments, in order to understand their main needs in terms of investor relations and financial communications. The definition of the offering is finalised as a flexible and case-by-case approach for each one of the services to be provided, meaning organic growth, acquisitions, as well as external partnerships. The first component has been launched with a roll-out of pre- and post-listing services. We achieved in 2016 16 post-listing mandates in France, and one executed mandate for pre-listing.

We announced yesterday evening the acquisition of Company Webcast, a Dutch company, market leader in webinars and webcasts. The acquisition of the majority stake of 51% in Company Webcast represents a key milestone in the context of corporate services offering. The cash consideration for the transaction is €3.6 million. The company serves 260 clients already, and has revenues of €3.6 million in 2016. The acquisition of Company Webcast represents the second step in building a comprehensive suite of corporate services. I now leave the floor to Giorgio.

Giorgio Modica

Many thanks, Anthony. And very quickly, before moving to Q&A. So, with slide 24, you see the framework that we're providing you and the submission of the next yearly result to track the progress made on Agility for Growth. A few things I would like to highlight. The first thing is that all the numbers you see as Agility for Growth are excluding clearing revenues and cost, to be consistent with the objectives set in May 2016. What you see in the slide are the CAGR targets announced at the investor day in May 2016, the delta in absolute amount and the recomputed CAGR based on the actual result in 2016.

Now, a few elements on each of the buckets. With respect to revenues, you remember that when we announced our target, we had two options, given the fact that 2015 was a very strong year in term of volumes: we could either, to a certain extent, adjust the starting point, the volume 2016; or the growth rate. We decided to use a lower growth rate, not adjusting the starting point.

And now, at the end of 2016, we are in a situation whereby the starting point is more normalised as well as the growth rate for the coming period.

When it comes to costs, most of the savings, as already commented, have been already achieved. 2016 needs to be considered as a low point in terms of OPEX for Euronext because now, clearly, the growth of the initiative and the costs related to those are going to display in our accounts going forward.

When it comes to the margin, a very strong profitability at 58.5% as of the end of 2016. So, we feel very confident in our ability to deliver the target EBITDA margin for 2019 between 61% and 63%. This is all, and I would give the floor to Stéphane before opening the floor to Q&A for final remarks.

Stéphane Boujnah

Thank you, Giorgio, and thank you everyone. Just a few final words. First, I would like to highlight that the Agility for Growth strategic plan is already bearing its first fruits and delivering enhanced shareholder value. Second message, which is I think quite strong for shareholders, is that if approved during the annual general meeting of 19th May 2017, the dividend paid of €1.42 per share will represent an increase 14.6% on dividend compared to last year.

And finally, I believe that stronger profitability combined with consistent dividend policy translates into increased shoulder remuneration, while Euronext maintains significant optionality, flexibility to deploy capital. So, 2016 has been the first year of capital deployment since IPO. Euronext will pursue the implementation of its strategy in 2017, where organic milestones and various products and services launches will be combined with additional acquisitions and partnerships.

The full Euronext team is now ready to take your questions.

Q&A

Stéphane Boujnah

Somebody is going to give you a microphone. If you could introduce yourself, please.

Speaker

Yes, my name is Evan[?] [Inaudible], I work for [inaudible]. And Mr Boujnah, I have a question on the London Stock Exchange–Deutsche Börse merger. You seem rather confident that it’s going to go through, and also that you can do your own acquisition in that respect. A lot of the commentators see among[?] Euronext and your situation as being a very small number two besides a very big number one. And some threats might be that blue-chip companies might be tempted to [inaudible] from a Euronext venue to a [inaudible] London Stock Exchange–Deutsche Börse venue. Is that something you’re worried about, or [inaudible]? Because you sound rather optimistic about the prospects, and that’s different from the view of commentators, the prospects for your company.

Stéphane Boujnah

Thank you for your question. I’m not in the business of being either optimistic nor pessimistic, nor confident or sceptical. Our mandate is to maximize the optionalities for our clients and our shareholders. So, irrespective of the outcome of this transaction, our mandate is to strengthen Euronext. And that’s what we are trying to do – and I think that is what we have achieved – with this conditional acquisition of the Clearnet SA. If the Deutsche Börse–London Stock Exchange transaction is approved by the various competition authorities that have a say in that process – in Brussels, in Germany, potentially in London – then Euronext, in this new environment, will be strengthened by the integration of the post-trade businesses of Clearnet. If this Deutsche Börse–London Stock Exchange is not completed, the competitive environment will be different; Euronext will proceed with alternative plans for clearing, and the competitive environment will be fundamentally different from what it could be in the merger of Deutsche Börse with London Stock Exchange. That’s what I can tell you about what we do: just maximize optionalities for shareholders and for our clients.

Speaker

On the prospect of the two companies, in terms of [inaudible]?

Stéphane Boujnah

I mean, it's a very speculative question. I don't know. What I observe is that – and again, I don't want to comment too much about competitor strategy – but what I observe is that the focus of our two large competitors in Europe has not been distinct for the past few years. They tend to focus on market data, on post-trade, and the share of the equity-related business including listed components is not as significant as it is in our model. We are definitely mandated by our shareholders and by the supervisory board to power pan-European capital markets to finance real economy. Our focus on listing, on tech SMEs and family business is very strong. The single order book and the united trading platform and the Optiq platform is cutting-edge. We believe that we can continue to attract liquidity for both for the blue chips and the SMEs in Europe better than any other platform.

Operator

And ladies and gentlemen, if you do wish to ask an audio question, please press 01 on your telephone keypad.

Our first question comes from the line of Peter Lenardos from RBC. Please go ahead, sir, your line is now open.

Peter Lenardos

Good morning, gentlemen. It's Peter from RBC in London. I have two questions. The first one would be if you could give us any commentary, please, on the FTT proposals in France? I know that they're proposing a potential increase in the rates and a potential intra-day FTT; I guess thoughts on that, please.

And the second one would be, Stéphane, that you've been pretty vocal in the past about your opposition to the ongoing sector M&A. Despite this, you're saying that the potential LCH SA acquisition creates significant value for your shareholders. I guess, do you still retain your opposition to the proposed merger between Deutsche Börse and London Stock Exchange Group? Thanks.

Stéphane Boujnah

Okay. On the FTT, as you know, the French parliament voted a marginal increase of the percentage of the existing 'stamp duty', and voted the implementation of an intra-day tax to take effect on 1st January 2018. This has been a heavily debated proposal. There are many constituencies in France that are opposing it, including an internal debate within the current majority, and therefore there is a clear expectation that in July this year, when a new parliament is elected and after a new president has been elected, this issue will be debated again, probably in a different environment. So, we are confident that the new debate will allow for the possibility to revisit this vote that took place at the end of last year.

On the second item, the question now is not about the opposing or not opposing; the question is that there is deal which is now submitted to various regulatory authorities. Whatever has to be said has been said. And now, the deal is in the desk of the DG Comp and, ultimately, the European Commission; the deal is going to be in the desk of various regulators in Germany, and potentially in London. So, we try to maximise the outcome for Euronext irrespective of the result of this transaction. It is not a question of voicing opinions; it's a question of protecting the optionalities for shareholders and our clients irrespective of the outcome of this transaction.

Peter Lenardos

Great. Thanks, Stéphane, for that. I have two other questions, but I'll get back in the queue. Thank you.

Operator

Our next question comes from the line of Philip Middleton from Bank of America Merrill Lynch. Please go ahead, sir, your line is open.

Philip Middleton

Yes, thanks very much for that. That's very, very clear. I wonder, could you talk a little bit more about the direction of costs through 2017? It looks like you're doing what you said you'd do, which is phase in the Agility for Growth costs and hope that the revenues come in somewhat behind, but not massively. But is that a reasonable expectation for 2017, that the costs go up from the €2 million to whatever, a multiple of that, with revenues sort of following a couple of quarters behind?

Giorgio Modica
Yeah. Giorgio speaking: clearly, the costs that are expected for next year are going to be much higher than the €2.1 million; that only relates, basically, to the last quarter or the last two quarters of 2016. And it fair to assume, provided that we don't provide phasing of revenues and cost, assume some delays in the delivery of revenues with respect to the on-boarding of costs.

Philip Middleton
Okay, thank you. That's helpful.

Operator
Our next question comes from the line of Ron Heydenrijk from ABN AMRO. Please go ahead, sir, your line is now open.

Ron Heydenrijk
Good morning all. That was indeed very clear on Clearnet LSE–Deutsche Börse. I have another follow-up question on the costs. You state that the rise in Q4 is that the Belfast team is moving to Porto, and it's going to be finalised in Q1. Does that mean that actually there you will have a small cost reduction from an ongoing basis, offset by these costs for new growth initiatives?

Giorgio Modica
So, what we said at the end of Q3 is that we were expecting an overlap between Porto and Belfast.

Ron Heydenrijk
Yeah.

Giorgio Modica
Now, this overlapping is there, as we speak, but it's lower than expected. So, we were able to switch between the two locations faster, with a more limited overlap. But there is still some overlap that is going to be terminated by the end of Q1. So yes, there is still some improvement that is still to be extracted from the complete transfer of the IT operation from Belfast to Porto.

Ron Heydenrijk
Okay, that's very clear. And then the €3.3 million accrual release in the fourth quarter: was that a restructuring provision that you released?

Giorgio Modica
No, it is actually the sum of many different small accruals that had no reason to remain on our accounts, and therefore were released. On an item-by-item basis, they were all small tickets, but the totality amounted to €3.3 million.

Ron Heydenrijk
Okay. And is this something that we should expect every year to come back, or is this basically a real one-off?

Giorgio Modica
No, no, this is a real one-off.

Ron Heydenrijk
And then finally, if I may: you talk about the end of the accelerated depreciation in the 16.3 tax release. Does that mean that 2017 will see more normalised taxes again?

Giorgio Modica
I mean, as you know – and this is very clear in our accounts – we have still on our books some provisions for uncertain taxes. Now, it depends what is going to be the evolution. So, it's very difficult to predict whether we would be able to release those or not. But still we have provisions for uncertain tax in our accounts as of the end of 2016.

Ron Heydenrijk
Thank you very much.

Operator

Our next question comes from the line of Daniel Garrod from Barclays. Please go ahead, sir, your line is now open.

Daniel Garrod

Yes. Good morning. Daniel Garrod from Barclays here. A couple of quick question from me. First: in the investor day, you indicated that the modular corporate services proportion of the Agility for Growth was about 40% of the total of €70 million. I wonder, with further work, whether you're still confident that that high a proportion of the revenues comes from that area? From the detail on your slides, it sounds like a further acquisition is likely in this area; is that likely to be more material in contribution compared to that Webcast one? Any more colour on the partnerships that you outlined there as well? Thank you.

Giorgio Modica

Yeah, you are right: in terms of revenue contribution, corporate service was the higher contributor to our Agility for Growth. Clearly, as we stated several times, Agility for Growth is a combination of organic deployments and acquisitions. And we said as well that the corporate services was one of the areas in which M&A would have been more active to a certain extent. Webcast is a first brick; others will follow. And so, what you should expect from that area is a combination of growing our acquisition, including Webcast and potentially new acquisitions.

Daniel Garrod

Thank you.

Operator

Our next question comes from the line of Arnaud Giblatfrom Exane. Please go ahead sir, your line is now open.

Speaker

Hi, yes, Arnaud Giblat. Three quick questions please. Firstly, on the cost savings; so, you're saying that you achieved €15.6 million of cost saves this year. Can I check if that's on a run rate basis, or is it just achieved? And secondly, I'm wondering on these costs: why – I mean, if there's potential for upsizing them? I mean, clearly you seem to be well ahead on your plan, so is there potential upside for further cost savings?

Secondly, on the announced bolt-on of corporate webcast services. You've given us the revenues, not the profits; I assume that this business must be marginally loss-making, and I'm wondering how fast you can grow the revenues or perhaps address the cost base there?

And finally, on ESMA: there's been some talk from ESMA on looking at blocking the SI regimes, systemic internalisers. Is this a large opportunity for you to do more business, and is this perhaps what's stemming your targeting of block trading? Thank you.

Stéphane Boujnah

So, Giorgio will answer your first three questions, and Lee the fourth one.

Giorgio Modica

Well, with respect to cost savings, the way we compute them is always the same, so it is the OpEx of the last three quarters of 2016 versus the OpEx of the last three quarters of 2015.

On your second question, whether there is upside or not: as we speak, clearly most of the savings have been achieved, but to a certain extent that was part of the plan, i.e. the savings had a different internal phasing with respect to the on-boarding of costs for Agility for Growth. So again, as of today we do not change our target for total savings for 2019.

With respect to your last question related to Company Webcast: the company is not loss making, so it's profit making. It's a market leader in the Netherlands, and we believe that the combination of the strong connection of Euronext's reputation and brand and issuer community, together with their technical skills, we'll be able to significantly grow revenues and increase significantly profitability as well. But again, the company as we speak is profit making and not loss making. Now, I leave the floor to Lee.

Lee Hodgkinson
All right. So, thank you for your question. So, I think there's been a letter from Markus Ferber to the ESMA Chair, Steven Maijoor, and Commissioner Dombrovskis around the SI proposals. And I think you're absolutely right that ESMA are taking a much more in-depth look at this issue. Our views, which I think are broadly supported in the various agencies that matter, are that systematic internalisers shouldn't be used to replicate broker crossing networks; that's certainly not the spirit and intent of MiFID II. And there are also concerns over the ability of SIs to interconnect with each other and essentially keep that business wholly dark. Fundamentally, we believe in the core principles of the regulatory drives since the financial crisis: increase transparency and reduce systemic risk, and that's why we feel strongly about this topic.

It is supportive of our business. It will be supportive of our work with AX. I think, having said that, the exact shape and nature of how block trading and dark business is going to get reimagined around MiFID II is still unclear. What you can be sure of is that we're front and centre in that debate, and we are very, very clearly offering an attractive alternative. We've spoken to between 30 and 40 buy-side and sell-side clients around the design of the AX functionality. We've had a very, very good reception. So, nothing to fear from us. In fact, quite the contrary.

Arnaud GiblatGreat, thank you.

Operator
Our next question comes from the line of Martin Price from Credit Suisse. Please go ahead, sir, your line is open.

Martin Price
Good morning, thanks for taking my question. Just two quick queries on the LCH deal. First, I was wondering if you could confirm whether you have any non-compete arrangements with the LSE Group if the deal completes?

And second, do you anticipate any material changes to the working capital or regulatory capital needs of the Group once you integrate the clearing capability within the business? Thank you.

Giorgio Modica
Yeah, this is Giorgio speaking. Unfortunately, we are not in a position, due to our obligations, to answer your question. I mean, we are under certain confidentiality obligations, and your question cannot be answered.

Martin Price
Understood. Thank you.

Operator
Our next question comes from the line of Johannes Thormann from HSBC. Please go ahead, sir, your line is open.

Johannes Thormann
Good morning, everybody. Johannes Thormann, HSBC. Two questions if I may. First of all, the tax effect: is this now a repetitive effect we will see over the next years, or is this now a final effect after seeing it all in the last years?

And just on the other listing fees: they seemed a bit lumpy in Q4; was there any one-off in there from auditing or so, or is this a seasonal effect? Thank you.

Giorgio Modica
Giorgio speaking. I'll take your first question, and Anthony will take the second. I believe I already answered your question. So, Euronext as of the end of 2016 has still provisions for uncertain tax items. Now, it's very difficult to predict whether we will be able to release those provisions, or we will need to use those provisions. So, unfortunately I can only comment on the fact that there are still provisions that could be potentially released during the course of the next years.

Johannes Thormann
So, what is the size of those provisions?

Giorgio Modica
It is slightly lower than €30 million; it's around €27 million.

Johannes Thormann
Okay, thank you.

Operator
Our next question comes from the line of Anil Sharma from Morgan Stanley. Please go ahead, your line is now open.

Anil Sharma
Morning, guys, thanks for taking the questions. Actually, most of them have been answered; I just have two quick follow-ups, and they're both numbers. Just in terms of the deal with EuroCPP, I just wanted to check: is the joint share of profits and associates line – I think it was sort of €6 million in the year; is that likely to step up, and can you give us some guidance around what that number could be?

And on the Webcast acquisition, is there any cost saves from that? I think you mentioned, Giorgio, that it was modestly profitable. I'm just wondering if you can give us an idea if there's any synergies, and how we should be thinking about profit contribution from that business? Thanks.

Giorgio Modica
Yeah, so with respect to your first question: clearly, as of the end of 2016 there is no contribution from EuroCCP. But looking at the profit for 2016, the company did slightly less than €5 million. Our share is 20%, so it's pretty straightforward to make an assessment of the contribution in terms of net income.

With respect to your second question, I believe that the way you should look at Company Webcast is a company in which we believe we could have a significant impact in increasing the client base on other Euronext markets, thanks to our connection to the 1,300 issuers. And so, we are confident that we will drive a significant growth of revenues. So, it's more going to be a play of growth in terms of revenues, rather than a cost play. So, our ambition would be to replicate their leading market share in the Dutch market in other European markets, and getting a very significant share among our issuers.

Anil Sharma
That's helpful. Thank you.

Operator
Our next question comes from the line of Kyle Voigt from KBW. Please go ahead, sir. Your line is now open.

Kyle Voigt
Sure. So, just on the cash trading business, you've seen a meaningful uptick in market share more recently. I think in the release, you mentioned the new fees came from proprietary flow. Just wondering how sustainable you feel the market share gains are, and whether we should expect a negative impact to the yields, the revenue yield due to the pricing changes?

Lee Hodgkinson
Okay. So, just a couple of things, to be crystal clear. You shouldn't expect major deviations from yields; some deviation may be appropriate, but nothing material. And in terms of market share, I think what is appropriate is for you not to expect us to continue the 65% we saw in December but, over time, revert back to the kind of 61%-plus market share that we've been able to protect and defend over the years. So, the scheme for non-member proprietary flow is very, very important to the market share debate, but we will not sacrifice yield to any significant extent.

Kyle Voigt
Okay, thanks. And then just one follow-up. In the slide deck, you mention disaggregation of data under MiFID II: can you provide more details on how you expect that to impact your data revenues, if at all, in 2018?

Lee Hodgkinson
Yeah, we're not expecting material changes to the market data revenues post MiFID II. I think that, as is inevitable with wholesale regulatory change, there are always a number of big-ticket changes that don't necessarily live up to the original intentions of the draughtsmen and the industry, and I think the disaggregation of market data is one of those areas. We will be complying with the requirements; the Optiq delivery that's currently in train enables us to do that, and we are very relaxed on the resultant financial outcome.

Kyle Voigt
Thank you.

Operator
And I remind you that if you want to ask a question, you will have to press 01 on your telephone keypad now. There will be a further pause whilst we register your questions. As there are no further questions registered, I'll hand back the conference to the speakers.

Stéphane Boujnah
Thank you very much, everyone, and have a good day.