



Euronext Q2 2018 Results Presentation

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Participants

Stéphane Boujnah – CEO & Chairman of the Managing Board

Giorgio Modica – CFO

Anthony Attia – CEO, Euronext Paris & Global Head of Listing

Operator: Hello, and welcome to the Euronext Q2 Results Call. Throughout this call, all participants will be in listen-only mode, and afterwards there'll be a question and answer session. And just to remind you, this conference call is being recorded.

I will now hand the call over to Stéphane Boujnah. Please begin your meeting.

Stéphane Boujnah: Good morning everybody and thank you for joining us for – this morning for the Euronext Q2 2018 Results Conference Call and Webcast. I'm Stéphane Boujnah, CEO and Chairman of the managing board of Euronext and I will start with the highlights of Q2 2018. Giorgio Modica, Euronext CFO will then further develop the main financials and business drivers for the quarter. We will both welcome your questions at the end of the presentation, together with Anthony Attia, member of the managing board of Euronext.

Let's start with slide five with the main figures of the quarter. Euronext reported a solid Q2 2018. First, revenue increased by €20 million to €157.3 million in Q2 2018, driven first by the consolidation of Euronext Dublin and FastMatch, but also by a solid performance across all business lines. In Q2 2018 our revenue diversification continued to pay off with Euronext Dublin and FastMatch contributing together €14.4 million of the total incremental revenue.

Second, this good performance combined with our continued cost discipline translated into an 11.9% increase in EBITDA, reaching €88.6 million. The lower pace of growth of EBITDA against our revenue is mainly explained by the integration of our recent acquisitions.

Despite the impact of acquisitions and some negative one-off costs this quarter, Euronext reported a 56.3% EBITDA margin. So, for the first half of 2018, this represents a 58.1% EBITDA margin. Furthermore, for the perimeter of our Agility for Growth strategic plan, released in May 2016 – Euronext reported within this perimeter a 60% margin for the quarter, or 61.8% for the first half of 2018, within the 61–63% target range in May 2016.

The cost discipline continued to be an inherent part of our strategy, with cumulative cost savings reaching €18.8 million at the end of the quarter, out of the targeted €22 million by 2019. As a result, this good performance translated into a 5% increase in reported net income due to higher restructuring costs, partly offset by the consolidation of our LCH SA stake, as an associate. Adjusted for these exceptional items and the PPA related to our recent acquisitions, the Q2 2018 adjusted EPS increased by 14% compared to last year.

Moving on to slide six, at the end of June Euronext successfully completed the migration of its cash markets to Optiq, our new proprietary trading platform. This major milestone reinforces

Euronext as a technology leader within the industry and creates long-term sustainable value for all our stakeholders.

For our clients, first, Optiq brings immediate benefits on performance, on capacity, on stability, on scalability. Our new platform, developed in house and co-designed with market participants, provides with a harmonised access through all asset classes, allowing a variety of market models and easing the launch of new products and services over time. But also, for shareholders, Optiq reinforces Euronext's positioning as a market infrastructure technology leader. Our new proprietary platform enhances our independence, for sure, but also strengthens the value proposition of our federal model to new exchanges who might be willing to join Euronext, or who might be willing to use this platform. And clearly, at the operating level, the high performance of Optiq also allows for a significant optimised hardware footprint.

Also, the migration of our cash markets represents a new step in the deployment of Optiq, following, first, the successful launch of a market data gateway last year on Optiq, the migration of fixed income products earlier this year on Optiq. Now, this new milestone on cash equity markets paves the way for new developments: first, the planned migration of Euronext Dublin to Optiq, the launch of our MTF for ETFs as part of our Agility for Growth initiatives that will be deployed on the Optiq platform later this year, or earlier next year and the migration of the Euronext derivatives market.

I now leave the floor to Giorgio Modica for the presentation of our Q2 financial results.

Giorgio Modica: Thank you Stéphane. Good morning and welcome everybody. Let's start on slide eight. In the second quarter 2018, Euronext consolidated revenue increased €20 million, or 14.6%, to €157.3 million, mainly thanks to the growing importance of our revenue diversification initiative, with Euronext Dublin contributing to the top line €8.7 million, FastMatch €5.6 million and Agility for Growth €4 million. Listing revenues increased 20.3% as a result of the consolidation of Euronext Dublin, Corporate Service contribution and improved primary markets, offsetting a still slow activity on secondary markets. Despite a relatively stable market this quarter, year on year trading revenue reported a good performance thanks to the improved revenue capture, notably on cash trading which translated into additional €3.6 million in revenues.

Our year-on-year top line growth continued to benefit from the base effect related to FastMatch acquisition in the third quarter of 2017, with spot FX trading generating €5.6 million this quarter. Market Data and Indices performance was strong as well, revenue up 12.9% to €29.4 million as a result of the new Market Data agreements and a good performance of indices.

Finally, non-volume related revenues remain stable at 44% of total group revenue. As a matter of fact, the additional fixed revenue from corporate service and Euronext Dublin are offset by the consolidation of FastMatch revenues and the good performance of cash and derivative trading activities. Operating cost coverage ratio for the quarter was 100%.

Moving to slide nine, for Listing, in the second quarter of 2018, Listing revenue increased 20.3% to €28.4 million. This performance was supported by the first contribution of Euronext Dublin to the Group P&L for €6.1 million, Corporate Services incremental revenues and improved primary market activity, balancing a weak performance of follow-ons. This

quarter you can see the new breakdown of Listing revenue to better present the activity, following the integration of Euronext Dublin.

As far as our Equity franchise is concerned, primary equity activity improved both year on year and quarter on quarter, supported by the return of large cap IPOs on Euronext markets. We reported ten new listings in the second quarter of 2018, compared to nine listings last year. Seven out of these ten listings were tech companies, highlighting the attractiveness of our tech offering in Europe.

Follow-on revenues decreased nearly 40%, suffering from both the slow market environment and an unfavourable comparison with the second quarter of 2017, which was a record quarter for secondary equity issues.

Moving to debt, our franchise recorded a strong increase in revenues thanks to the consolidation of Euronext Dublin that positioned Euronext as the world's leading listing venue for debt.

Finally, Corporate Services, part of our Agility for Growth initiative, generated €3.8 million in revenues, supported by the continued intense commercial activity.

Moving to slide ten, cash trading revenue increased 7.1% to €53.9 million on the back of improved revenue capture and market share in a stable volume environment. Euronext cash ADV decreased 2.5% to €8.4 billion, as volatility remained subdued. We also need to consider that last year, during the second quarter, volumes were also supported by the election cycle in Europe.

Our market share remained strong, at 66.1%, up 1.9 points thanks to Euronext's superior liquidity and quality of execution supported by the continued optimisation of the SLP programme, the non-member Omega pack and Best of Book programme for retail flows. Average yield increased to 0.51 basis points, a good increase year on year and a level in line with the first quarter of 2018.

ETFs continued to be impacted by the persisting low volatility, with on-exchange volumes down 7.1% compared to the second quarter of 2017.

I'm now on slide 11. Derivative revenues increased 4.3% to €10.9 million. The yield is up to €0.29 per lot compared to €0.27 in the second quarter of 2017. In this respect, I would like to remind you that the second quarter of 2017 was impacted by the migration of TOM open positions to Euronext, which was executed at marginal rates. Furthermore, derivative ADV is down 4.5% to 602,000 lots, again suffering from the base effect with the second quarter of 2017. On the other side, commodity revenues recorded strong growth, with ADV up 22.8% compared to last year. The New Market Participant programme, designed to develop the non-physical market, also continued to gain traction and contributed to the good performance of the quarter.

Finally, FastMatch generated €5.6 million this quarter, driven by a good activity, with spot FX ADV up 6.2% to €21.8 billion.

Moving now to the slide 12, market data and indices performance went well this quarter, with revenue up nearly 13% to €29.4 million supported by the new market data agreements and a good performance of indices. Revenue from market solutions and others increased 7.4% to €9 million. The business benefited from the first commercial releases of Optiq for our

international clients and some increased activity for SFTI and Colo services. Clearing revenues increased to 10.3%, or €14.6 million, reflecting stronger contribution and stronger activity of our commodity derivatives. In this quarter, revenue from custody and settlement increased 6.4% to €5.6 million, driven by an increase of public debt and equity under custody at Interbolsa. We're also pleased to report that Interbolsa is among the first CSDs licensed to operate according to the new CSD regulation.

Moving to slide 13, EBITDA grew nearly 12%, to €88.6 million, with a margin of 56.3% only down 1.4 points from the second quarter of 2017. Operational expenses, including D&A, grew by 18.3%, mainly due to two elements: the acquisitions – the new acquisitions, namely Euronext Dublin and FastMatch – and the negative one-off of around €1.5 million, which consists of several items and on which €1.7 million of stamp duty for the acquisition of Euronext Dublin.

Our continued cost discipline is key to this performance, with saving in the core business partially offsetting additional costs coming from the acquired companies and related one-off integration costs.

Cumulative cost saving amounted to €18.8 million this quarter, up €2.6 million compared to the end of 2018. I remind you that our objective for 2019 is €22 million of savings, gross of inflation. If we look at our Agility for Growth EBITDA target of 61–63% in the second quarter of 2018, the margin reached 60%, up 1.2 points compared to the same period last year. We will continue our cost saving effort in the remaining part of the year, with a progressive run down of IT costs following the migration of our cash markets to Optiq.

Depreciation and amortisation increases are mainly due to the €1.8 million of PPA we recorded this quarter for FastMatch, iBabs and Euronext Dublin. Exceptional items were up to €6.2 million this quarter as a result, primarily, of restructuring costs linked to Euronext Dublin and from restructuring costs within other Euronext locations. Results from equity investment are up 37% thanks to the consolidation of our 11% stake in LCH SA as an equity associate. Euronext net income increased 5% to €56.6 million, or an EPS of €0.81, while adjusted EPS is up nearly 14% in the second quarter of 2018, at €0.90 per share compared to €0.79 per share in the second quarter of 2018.

Finally, a quick word on taxes, which accounted €24.3 million in the second quarter of 2018, representing an effective tax rate for the quarter of €29.8 million, slightly down year on year also thanks to the favourable tax rate of Euronext Dublin.

Let's move now to slide 14. I think you are getting used to this table and I hope it helps to track our performance, despite the changes of our perimeter. As you remember, the 61–63% EBITDA margin target includes the core business, Agility for Growth initiative and excludes Clearing. For the first half of 2018, based on that definition, Euronext reached 61.8% EBITDA margin. In this respect, I would like to make a few considerations. First, I would like to highlight that also this result strengthens our confidence in our ability to deliver our target of profitability in 2019, this cannot simply be extrapolated for the next quarters. Second, the reduction of Agility for Growth EBITDA margin is not related to a reduction of profitability of Corporate Services but due to the roll-out and cost of the other initiatives. And third, the low profitability of the new perimeter, which is basically FastMatch and Euronext Dublin, was

affected by approximately €1.5 million of one-off costs, without which the EBITDA margin of the new perimeter would be around 40%.

Moving to slide 15, the net operating cash flow to EBITDA ratio decreased to 30% of the EBITDA in the second quarter of 2018, down from 56% in the second quarter of 2017. This decrease is explained by a few elements: the higher changes in working capital impacted by one-off items due to the consolidation of Euronext Dublin and by a higher tax paid related to the 2017 fiscal exercise as the profits of 2017 have significantly increased versus the profits of 2016.

As you can see, despite our €500 million bond issuance, in April, our net leverage remains limited, leaving us with sufficient and strong flexibility around our balance sheet. Looking at the bottom-right of the slide, you can see as well that our liquidity position remained strong at the end of the second quarter, with more than €600 million of available liquidity.

I now leave the floor, for his final remarks, to Stéphane Boujnah.

Stéphane Boujnah: Well, I'll be very brief. Thank you Giorgio and before moving to the Q&A, I just wanted to remind you that our next presentation will take place on 12th November for the Q3 results. But let's move to the Q&A. Anthony Attia, Giorgio Modica and I are available for your questions. Thank you.

Operator: Thank you and ladies and gentlemen, if you do wish to ask a question, please press zero and then one on your telephone keypad now. If you wish to withdraw your question, you may do so by press 02 to cancel. And there'll be a brief pause while questions are being registered.

Operator: And the first question is from the line of Philip Middleton from Merrill Lynch. Please go ahead, your line is now open.

Philip Middleton (Bank of America Merrill Lynch): Morning. Thank you very much for that. I wondered, could you talk me through a little bit about the seasonality of Agility for Growth? Because it looks like the revenues there are a bit – have slowed down in the second quarter. And also could you talk me through a little bit about how the timings of one-offs seem to have gone throughout the half because it looks to me like Q1 had a higher-than-I'd-have-expected operating margin and Q2 a bit lower? Thanks very much.

Stéphane Boujnah: Thank you Philip. Giorgio is going to take your two questions.

Giorgio Modica: Yeah, let me start. The seasonality is mainly within Corporate Services and this is linked to mainly pre and post-listing services, whereas there are other components of the business which are stable over time. Now, the message is that, when we look at our trajectory to achieve the objective of 2019, we don't see a major deviation and therefore we are not worried about the deviation that you correctly highlighted. This is as far as your first question is concerned.

With respect to your second question, your assessment is correct. I would say that looking at the margin of the first half is more relevant than the one of the first and the second quarter because we had positive news in the first and negative in the second, which are linked to the development of our core business, as well as the development and integration of new acquisitions.

Given the size of our P&L, even small elements become visible in terms of margin. For example, this quarter the €1.7 million of stamp duty depressed the profitability of the quarter, as well as the profitability of the new perimeter. So, bottom line, I feel that overall the margin of the first half is more representative than the margin of the first and second quarter.

Philip Middleton: Okay, thank you. That was very clear.

Operator: And the next question is from the line of Ron Heijdenrijk from ABN Amro. Please go ahead, your line is now open?

Ron Heijdenrijk (ABN Amro): Can you hear me? Hello, can you hear me?

Giorgio Modica: Yes.

Ron Heijdenrijk: Perfect, it's Ron Heijdenrijk here at ABN Amro. A few quick questions, please. In – so you're talking about – sorry, the one-off in the EBITDA, so in the operating cost, was that €1.5 million or was it €1.7 million in stamp duty and are there any other elements in there, in the other cost line? My second question is on market data. Have you seen any large audit findings this quarter? Then I have a third question on the listing revenues. €6.6 million from the debt line, are those annual fees or are those placing fees? And if I may, a fourth question: can you maybe run us through any developments in the M&A wallet? Thank you.

Stéphane Boujnah: Okay, so Giorgio will take your first three questions and I'll answer the M&A one.

Giorgio Modica: Okay, so let's start. So the €1.5 million takes into consideration several elements but I would say that, in the negative one-off, the stamp duty is by far the largest, €1.7 million. So the two numbers are both correct, net-net with all the different elements, the one-off is €1.5 million, out of which the stamp duty is the most relevant element.

Can you remind me your second question?

Ron Heijdenrijk: That was on the market data revenue, audit findings?

Giorgio Modica: Okay, the market data, yes. Audit findings, no. The answer in this respect is that this is rather a clean quarter, without any significant audit finding.

Then, on your third question, it's on debt.

Anthony Attia: Yeah, it's Anthony here speaking. It's – the €6.6 million covered both placement and the yearly fees for that.

Ron Heijdenrijk: So those are all yearly fees?

Anthony Attia: Yes. No, they're both.

Giorgio Modica: No, it's a combination of the two.

Ron Heijdenrijk: And then could you perhaps, for us, split those out?

Giorgio Modica: No, this is the – I mean this is the way we intend to present it going forward. I mean, we appreciate that there could be further details but we stick to that representation for the moment.

Ron Heijdenrijk: Okay, that's clear.

Stéphane Boujnah: Now, on your question about M&A, the ambition of Euronext remains the one that we have stated over the past few months, which is that we closely monitor any opportunities that may arise in the market which could contribute to the diversification of the top line of Euronext. So the first priority is the diversification of the top line, and if there are any potential acquisitions that can contribute to achieving this objective, we are closely monitoring those situations.

Ron Heijdenrijk: Thank you.

Operator: Next question is from the line of Arnaud Giblat from Exane. Please go ahead, your line is now open.

Arnaud Giblat (Exane): Good morning, it's Arnaud Giblat from Exane. A couple of quick questions, first on the Luxembourg exchange. So you signed a contract to provide Optiq to them; are the revenues from this transaction visible in the P&L today, or will they become in the coming quarters? And perhaps if you could give us a bit of an idea of what the magnitude of the impact is?

And second, on Agility for Growth, so I understand that you're on the verge of rolling out some of the bigger objectives that you're looking for. Could you outline, perhaps, the ones you're most excited about, the ones you think could have a near-term impact on the P&L?

Thank you.

Giorgio Modica: Yeah, so let me start from your first question. So, the contract we signed on the – with Luxembourg is going to provide long-term revenues and the further revenues are going not to be recorded all up front but spread over time. And therefore, clearly, it gives a further solidity to that line but you should not expect strong improvement next quarter related to those specific items. And when it comes to Agility for Growth, so we have a strong contribution coming from Corporate Services and the other two big initiatives which will make out for the most significant part of our target are two. The first one is Synapse that we are currently rolling out and we have, at the moment, around 25 members signed. And second one is the improvement of our indices franchise through the partnership with Morningstar, so those are the two initiatives that will contribute the most to our €55 million target in 2019.

Arnaud Giblat: Thank you.

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

Anil Sharma (Morgan Stanley): Hello. Hello, morning, it's Anil Sharma from Morgan Stanley, just two questions, please. Just, the Optiq platform, is there any cost savings you anticipate from that as we go forward and particularly as you include derivatives on that?

And then secondly, on your slide 19, with the sort of targets and where you are versus those targets, on the savings it looks like you're already almost at €19 million of cost savings, so I mean the €22 million cost saving target by sort of next year looks pretty light. You should be potentially beating that, so I'm just wondering if you could give us an update on that and how we should be thinking about that cost saving target?

Stéphane Boujnah: Giorgio?

Giorgio Modica: Yeah, I will take the two questions. So, if, on the one side, as you correctly highlighted, Optiq is going to be a trigger for further cost saving, at the moment those cost savings will fall within the €22 million bucket that's part of the beginning of our Agility for Growth programme.

And this pretty much answers also your second question: i.e. at the moment we reiterate our target of €22 million to be reached by the end of 2019 and clearly we will constantly look, over time, at further opportunities to reach cost savings and communicate those in due time.

Anil Sharma: Okay, thank you.

Operator: And next question is from the line of Owen Jones from Citigroup. Please go ahead, your line is now open.

Owen Jones (Citigroup): Hi, good morning, thank you. I have a couple of questions, please. The first one is with regards to the revenue per lot from your derivatives business. I think you said at the time of the transfer from TOM that you had no intention to change dramatically their pricing model. I was wondering, firstly, if that was still the case and then the increase that we've seen in terms of revenue per lot during the period, is that just a function of, I think as you mentioned, the marginal rates at the transfer and then, I guess, as you see a slightly lower level of activity you tend to see a higher capture rate anyway. Is that the correct interpretation?

And then the second question, with regards to market data, the sizeable jump in the period, I think you mentioned that comes from a new agreement. Is there any significant concentration within that? I.e. is it coming from mostly one customer, and should we use that now as a credible run rate, going forward, for our modelling? Thank you.

Giorgio Modica: Yeah, perfect. So let's start with your question around the fee per lot. So, what you see is the result of different impacts. So the first one is that after the migration we are – we have more contribution of equity options, which are slightly dilutive to the margin.

On the other side this quarter we had a good performance of commodities, which on the other side are more margin accretive and clearly this quarter we do not have the negative impact of the marginal rates of the migration. If you combined the three elements, this should give you a good idea of what happened between the second quarter of 2017 and the second quarter of 2018.

Now, on market data, clearly this is coming from the new agreement that we have signed. Now, these new agreements also provide the possibility for clients to optimise their consumption, taking advantage of the provision of MiFID II. So far we have seen that clients did not fully optimise their consumption, so on the one side we would have the thought of having a slight reduction in revenues in this quarter; that did not happen. So therefore the stability of that line really depends on the stickiness of our clients' consumption behaviours, which are difficult to predict. But we assume that, on a complete run-rate basis, the revenue should be slightly decreased going forward. On the other side, we would put in place other products and other initiatives to offset that impact.

I believe you had another question. Can you remind me your third one?

Owen Jones: That was my – that was the only question. The only follow-up would be in terms of pricing on the TOM book. Have you stuck by what you said initially in terms of you're not planning to put any pricing increases through on that particular piece of activity?

Giorgio Modica: I mean clearly pricing optimisation and finding ways to optimise margin is part of the core business of Euronext and this is something that we assess on – I would say on a weekly basis and definitely we are thinking of pricing throughout our whole product range. At the moment we do not have a specific communication to do with respect to derivatives – our derivative franchise.

Owen Jones: Okay, thank you.

Operator: And next question is from the line of Johannes Thormann from HSBC. Please go ahead, your line is now open.

Johannes Thormann (HSBC): Just three questions. First of all, a follow-up on Corporate Services. You mentioned the seasonality. Should we expect to see, still, this big jump in Q4 again or should we expect a lesser extent this year, like competitors on 2017. And secondly, if I remember correctly, when you announced the FastMatch acquisition, Lee was talking about promising double-digit volume growth rates. Now, we see only 6% growth year on year and you didn't even mention, for comparable reasons, the revenue growth. So could you elaborate on that business a bit? Is the growth stalling there?

And last but not least, I'm asking myself what is a good adjusted cost run rate for Q3 to look at? If you say we had the stamp duty and costs and everything, could you also break down what was in the €9 million so we get a feeling what has really been exceptional and what is not? Thank you.

Stéphane Boujnah: So, Anthony will answer your question on the top line of Corporate Services and Giorgio will answer your question on the FastMatch revenues and on the cost base.

Johannes Thormann: Thank you.

Anthony Attia: So I sort of – so about Corporate Services, so we – as you know, we have done a few acquisitions, we have integrated them and now the focus is on growing the top line and increasing commercial intensity. And so there is seasonality in the second quarter linked to some of these services that we have and we will find this seasonality on a regular basis, every year. Nevertheless, the trend is to grow the top line year after year. We are cross-fertilising our client base between traditional listing clients and non-issuers and so we should expect regular growth for the next two quarters.

Giorgio Modica: Yeah.

Johannes Thormann: Okay.

Giorgio Modica: Now, for your two questions, the first one is around – is on FastMatch. The first comment I would like to do is the profitability of the company has increased in the last 12 months around 50%, five-zero, since the day of the acquisition and it performs in line with our target. So we are extremely happy of the acquisition. The second element is that there are a number of initiatives that we are working on. Some of those are visible, like the consolidated FX tape that ticked over \$100 billion and has a run rate of around \$70 billion.

And this is a big success and we will see ways to monetise that. And we have a further project that we will communicate in due time.

On your last question, a few considerations. The first one is that, as a policy, we do not adjust numbers because we believe that this is kind of a subjective exercise, so we try to give an indication of whether the negative news, or positive news, in a specific quarter, we're overweight or underweight and this is what we did in the first and the second quarter. And as a result of that, we cannot actually provide you with a normalised EBITDA margin.

And when it comes to run rate and breakdown of restructuring cost, again we do not provide those outside of the usual guidelines that we provide in terms of our Agility for Growth target for 2019.

Johannes Thormann: Okay, thank you.

Operator: And the next question comes from the line of Anil Akbar from Kempen. Please go ahead, your line is now open.

Anil Akbar (Kempen): One question regarding the ETF volumes: what exactly is happening with that? Why has it been so weak? Because if you look at some of the other parties that have ETF volumes, what they show is that most of these have gone onto RFQ platforms. Are you seeing the same thing and fewer volumes on the exchange as a result? Or is it something – just seasonal slow-down?

And the other question is on the €55 million Agility for Growth. I still don't get like what – or how exactly are you going to bridge that €55 million target that you have by 2019, given the fact that you've just had, like, €8 million in the first half. What exactly should we expect in the next two quarters, a significant increase? And how exactly are you going to do this? Thank you.

Giorgio Modica: Okay, so first I mean our top line is partially related to volatility and the different asset classes have different correlations with volatility and clearly ETF has a stronger level of correlation to volatility with respect of other asset classes like within cash and derivatives. And therefore, clearly, when volatility remains subdued, like in the second quarter, there is an impact. So then, the other element is that, clearly, we see what is happening in the market and even before the recent trend, as a part of our Agility for Growth, we defined as a target to launch an MTF for ETFs. That project is clearly still alive and was slightly delayed because this project is going to be based on the Optiq platform that was released into production for cash in the second quarter of this year. That platform, that would be a real innovation in Europe and within regulated exchanges, will include as well an RFQ platform. And therefore I mean we are vigilant on the trend and we have strong support from clients and we believe that we will have – we will be able to exploit the trend that you just mentioned.

On the €55 million, unfortunately I believe that I cannot give you more details, so the message of this call is we are on track on what you can see, which is the Corporate Services. There are other initiatives that are more – that rely more on building a critical mass, and therefore you should not expect a linear growth. And we will clearly communicate, in due time, the development of those and give an update with the results of the year. But I leave Stéphane to comment on this.

Stéphane Boujnah: Yeah, the rules of engagement that we had mentioned when we started this Agility for Growth voyage in May 2016 was that we would provide an annual update on progress made because, as you can imagine and as it was clearly articulated by Giorgio, there is a very diverse level of advancement, the most advanced one being Corporate Services and which is good news because it's by far the largest ambition out of the Agility for Growth things. There are other platforms that are clearly live and we are getting critical size of memberships but not yet enough traction on liquidity, so the developments are to come in the coming months. So I think the right pace for posing and looking at what are the real numbers and the real delivery is with annual results, as we have done at the beginning of this year when we announced the revision downwards from €70 million to €55 million. So let's keep that pace for updates.

Anil Akbar: Okay, thank you very much.

Operator: And next question is from the line of Kyle Voigt from KBW. Please go ahead, your line is now open.

Kyle Voigt (KBW): Hi, good morning. Just one question on capital deployment: it looks like you have close to €240 million of excess cash in the balance sheet and that's before we consider cash flow in the back half of the year. Just wondering if we can get an update on capital deployment preferences? You know, would you consider increasing your purchases at some point or is this excess cash really earmarked for doing more M&A in the back half of the year? Thanks.

Stéphane Boujnah: Okay. The strategy on capital deployment is consistent over the past three years. We have a consistent dividend policy of distributing 50% of reported earnings with a dividend floor of €1.42, which is what we paid in 2016. And the ambition and the mandate we have from our supervisory board is to explore any opportunity to grow Euronext and make it more relevant and create value for shareholders by deploying its capital through external growth, in particular in projects or acquisitions that would allow us to diversify our top line and create ways to diversify away from the dominance of equity as an asset class and volume-driven business as a business model. So, this is what we do and this is how we intend to deploy capital.

Clearly if, at the end of the current strategic plan – so after 2019 is over – we are still in a situation where we are sitting on a significant amount of cash without having been in a position to capture the right acquisitions, we have made clear on a few occasions that we will propose to our supervisory board the right special distribution in whatever form makes most sense in due course: special dividends or a share buy back. But that's not the priority for the moment, until we have fully explored the dynamics of our sector.

Kyle Voigt: Understood. And then if I could just ask a follow-up on the tax rate of 29.8% in the quarter, I'm assuming this is lower primarily to reflect the consolidation of ISE but I just wanted to make sure that this was a good run rate, I guess, for the back half of the year as well? Thanks.

Giorgio Modica: Yeah, so what you should consider as tax rate is something which is now closer to 30% than 31%. So what you see in this quarter is slightly lower than what we expect going forward, so slightly above 30% is the new run rate.

Kyle Voigt: Thank you.

Operator: The next question is from the line of Martin Price from Credit Suisse. Please go ahead, your line is now open.

Martin Price (Credit Suisse): Most of my questions have been answered, actually but just a quick follow-up on the Agility for Growth programme. Are you still confident you can deploy the remaining capital within the scope of that strategic plan, and shall we assume that this plays a significant role in de-risking the €55 million revenue target you have for next year? Thank you.

Giorgio Modica: I mean there are two elements. So the first element is so far we have spent around €60 million out of the original envelope between €100–150 million. So there is still firepower in this respect that could help us to further boost the revenue in that area. But that does not change the key rule, which is to be financially disciplined, which means that, clearly, we – this is a part on which we invest a lot of our time. We've seen opportunities, not only for more transformational deals but also bolt-on acquisitions for Agility for Growth. We have executed the ones that seem to us more relevant. We still have firepower but this depends – I mean this is – our ability to invest the remainder of the envelope depends on the quality of the target that we would be able to find between now and the end of the plan.

Martin Price: Okay, so I guess you're still confident you could hit the €55 million, absent any bolt-on M&A within the scope of Agility for Growth?

Giorgio Modica: What we can say is that we stick to our €55 million target.

Martin Price: Understood, thank you.

Operator: And the next question is from the line of Gurjit Kambo from JP Morgan.

Gurjit Kambo (JP Morgan): Hi, it's Gurjit Kambo, JP Morgan. Again, most of my questions are answered but just sort of following up on M&A, obviously I know you want to diversify but how are you sort of thinking about sort of the key metrics, you know, return on investment, sort of leverage targets you'd be happy to move up to? And also are there a lot of opportunities out there but pricing is expensive? Just to get a feel for, you know, how the landscape looks like for M&A.

Giorgio Modica: Yeah, let me take this question. So, the first element is that clearly the market out there is very competitive. This is a fact. And also, we are smaller with respect to some of our other competitors. However, this limit is also a strength, which means that for certain assets we might be a more suitable buyer than others. An asset that could make the difference for us would be irrelevant for others. So the way you should look at that is that it's not that there are limited possibilities but we see concrete chances for us to change our business profile in the next quarters. So opportunities are still available at the right price.

When it comes to the financial metric we use, we stick to fundamental valuations and the stricter out of the different parameters that we apply is a return on invested capital in year three higher than our cost of capital. And at the moment our cost of capital is assumed to be in a range between 8–9%.

Gurjit Kambo: That's great, thanks very much.

Operator: Next question is from the line of Darren Geller from Bloomberg. Please go ahead, your line is now open. Darren Geller from Bloomberg, please go ahead, your line is open.

Darren Geller (Bloomberg): Hi, just a question on any update, observations you've seen seven months into MiFID II and in particular whether the SI regime may have taken some volumes away from exchanges?

Stéphane Boujnah: This is Stéphane, clearly MiFID II had some ambitious objectives in terms of moving volumes from the dark pools and the OTC world towards the lit market. MiFID II provided some flexibility with the SI regime. The way the SI regime is being used since MiFID II is implemented is being monitored by the supervisors. Clearly it's being used beyond a sole, pure flexibility tool. So we expect that, sooner or later, the regulators and supervisors will have a look at some of the issues related to the systematic internalisers, in particular the most obvious one being the famous tick size issues but other ones as well. So I would not consider that in the long run the current situation and the current framework is going to prevail. There will be secondary adjustment to MiFID II to clarify the scope and the purpose of systematic internalisers, of course.

Operator: And that was our final question for today so I will hand the call back to Stéphane Boujnah. Please go ahead.

Stéphane Boujnah: Well, thank you very much and we look forward to talking to you, at the latest, on 12th November for Q3 results.

Operator: And this now concludes the conference call. Thank you all for attending; you may now disconnect your lines.

[END OF TRANSCRIPT]