Q3 2018 Results

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Operator: Hello and welcome to the Euronext Q3 2018 Results Call. Throughout the call, all participants will be in listen-only mode. And afterwards, there will be a question-and-answer session. Just to remind you, this conference call is being recorded. Today, I am pleased to present Mr Stéphane Boujnah, CEO and Chairman of the managing board of Euronext. Please go ahead with your meeting.

Stéphane Boujnah: Good morning everybody and thank you for joining us this morning for the Euronext Q3 2018 results conference call and webcast. I am Stéphane Boujnah, CEO and Chairman of the managing board of Euronext and I would start with the highlights of Q3 2018. Giorgio Modica, Euronext CFO, will then develop the main financials for the third 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 me start with slide five. As you may have noticed when you received the various materials this morning, we have applied this quarter IFRS 15 like some of our peers. In brief, part of our listing revenues have been deferred according to the principles of IFRS 15 for a period ranging between three and five years. In this respect, I would like to highlight that all the Q3 2018 figures in this presentation are displayed including the impact of IFRS 15.

In addition for the sake of clarity, we have highlighted the changes excluding the impact of IFRS 15. And we have added in the appendix a reconciliation table detailing all changes to the P&L and opening balance sheet. We will be happy to take any questions during the Q&A.

Moving back to the performance of the quarter. Clearly, Euronext reported a strong Q3 2018. First, revenue increased by plus 17.2% or plus 22 million to 150.9 million in Q3 2018 thanks to the growth across all business lines. In our core equity franchise, market share and cash trading remains strong at 65.7% and the yield remained robust at 0.52 bps.

Second, core business costs are down minus 8.2% year-on-year. This decrease in core business cost offset part of the cost increase linked to the consolidation of the newly acquired businesses and the deployment of ongoing projects.

Third, as a result, group EBITDA increased this quarter by plus 26.4% compared to Q3 2017 to €87.8 million. EBITDA margin was at 58.2%, up 4.2 points compared to last year.

Finally, the good revenue performance of the quarter coupled with continuous cost control translated into a plus 31.6% increase in reported net income to €50.5 million. Adjusted for exceptional items and the PPA related to recent acquisitions, Q3 2018 adjusted EPS increased by plus 31% compared to last year to €0.85. If we look at the performance since the beginning of the year, EBITDA margin is above 58% at 58.4% and adjusted EPS is at €2.63 per share, up plus 25%.

Moving to slide six. I would love to share with you four key takeaways in relation to the statuses of the various 2019 targets announced in May'16 as part of our agility for growth strategic plan.

You will remember that in May'16, we set four main objectives for 2019. First, deliver value to shareholders through a targeted 61% to 63% EBITDA margin for the core business excluding clearing and selected growth initiatives. Second, strengthen the resilience of the core business with a targeted average market share of 60% on cash trading. Third, enhance agility which was translating into a targeted gross cost savings of 22 million by the end of

2019. And grow in selected segments with seven growth initiatives with targeted objectives to generate 55 million of revenues at 50% EBITDA margin.

Out of these four targets, we wanted to let you know where we stand today. First, we are delivering value to shareholders. We are very proud to announce that over the last 12 months, EBITDA margin on the core business excluding clearing and selected growth initiatives reached for the first time and one year in advance the 61% level which is within our 2019 target.

Second, we have strengthened our resilience in the core business with a strengthened position in our core cash trading business. Since 2017, our market share in cash trading improved to above 65% on average and our yield grew to above 0.50 bps. These metrics are both higher than the initial targets set in May '16.

Third, we have enhanced our agility with more than 24 million of cumulative savings since May'16, above the initial 22 million target for the end of 2019. This objective was reached one year in advance whilst spending significantly less restructuring costs than originally anticipated.

Fourth, with regards to our selected growth initiatives, two growth initiatives – first the Synapse MTF and the European Family of indices with Morningstar are live but they have not generated nor are making progress in line with our expectations. For that reason, we do not expect them to contribute the 20 million incremental revenue in 2019 as originally planned.

Let me emphasise three important caveats in this respect. First, some growth initiatives are performing in line with our expectations. In particular, corporate services is performing according to plan. The European tech hub for SMEs has been deployed and has a strong pipeline. The MTF for ETF, ETF access is planned to be live in 2019.

Second, Euronext will maintain a strong focus on the development of these initiatives, other initiatives in the FICC world and market data and indices spaces are also being explored. In particular, we have launched new indices that are working very well.

Third, I would like to emphasise that the company has significantly increased its size thanks to the acquisitions performed compared to what we were when we planned the agility for growth initial strategy in May 2016.

As usual, we will provide you with a full annual update on our strategic plan during the full year 2018 announcement next February. I now leave the floor to Giorgio Modica for the detailed presentation of our Q3 financial results.

Giorgio Modica: Thank you, Stéphane, and good morning everyone. Slide eight. As mentioned by Stéphane, I would like to highlight that in the third quarter of 2018, Euronext implemented an accounting change retrospectively as from 1st January 2018 leading to the reassessment of the time recognition of part of our listing revenues namely IPOs and follow-ons. As a result of the application of IFRS 15, the recognition of such revenues will be deferred for a period ranging between five and three years.

Going forward, this change will smoothen the P&L cyclicality of our listing business today characterised by stronger Q2s and Q4s and softer Q1s and Q3s. In the third quarter of 2018, the impact of this accounting change is 4.3 million positive on the P&L and minus nearly 57 million on the opening equity. You will find a full reconciliation table in the appendix of this presentation.

Including the impact of IFRS 15, Euronext consolidated revenues increased 22 million or 17.2% to 150.9 million mainly thanks to the growing contribution of our revenue diversification initiative with Euronext Dublin contributing 8.1 million, FastMatch 5.4 and the new selected growth initiative, 4.4 million. Excluding the impact of IFRS 15, revenues would have grown 13.9% to 146.7 million this quarter.

Looking now at the different businesses. Listing revenues increased significantly to 27.8 million, up 37.6% versus last year as a result of the consolidation of Euronext Dublin and the performance of corporate services. Trading performance was good across all of our asset classes with more than 7.7 million increased revenues year-on-year. Post-trade revenues were up 1.9 million thanks to the good performance of clearing, custody and settlement. Market data and indices performance were strong with revenue up 16.7% to 29.4 million as a result of the new market data agreement and Euronext Dublin.

Finally, volume-related revenue accounted for 54% of total group revenues while the operating cost coverage ratio reached 110%.

Now, move to slide nine and listing. Listing profited for the contribution of Euronext Dublin for 5.4 million and of corporate service for 1.2 million. This translated into a 37.6% revenue increase to 27.8 million. Excluding the impact of IFRS 15, listing revenues would have grown by nearly 17% to 23.5 million.

Let’s focus now on equities. Primary market activity and follow-ons were soft this quarter as the market environment remains mixed and investors adopted a more cautious and selective approach towards IPOs. Euronext had seven new SME listings this quarter.

On the debt front, our franchise benefitted from the consolidation of Euronext Dublin that as I highlighted contributed significantly to the growth of revenues.

Moving now to the cash trading in slide ten. As usual, Q3 suffered from the drop of trading activity linked to the summer break. However, cash trading revenues increased 9.2% to 48.5 million thanks to higher volumes, yield and market share. More specifically in the third quarter of 2018, ADV increased 4.7% to 7.2 billion. Market share was strong as well at 65.7%, up 0.5%. Yield was up 4.2% to 0.52 basis points.

Conversely, ETF trading suffered from the poor volatility of the market while the number of ETFs listed on our market increased to 1,125 at the end of September.

Slide 11, double-digit growth for derivatives with revenues increasing 11.6% to 11 million thanks to the improvements registered in both volumes and revenue capture. The yield is up this quarter to €0.31 compared to €0.30 in the third quarter of 2017 and ADVs are up 8.5% mainly driven by the growth in individual equity option and the strong performance of commodity with ADV up 27.1% compared to last year. In this respect, the New Market Participant programme designed to develop the non-physical commodity market was instrumental to that performance.

Finally, FastMatch generated €5.4 million this quarter in revenues with spot FX ADV up nearly 6% in the third quarter of 2018 to $19.4 billion supported by the summer volatility in emerging markets.

Moving to slide 12, market data and indices performed well this quarter up nearly 17% to €29.4 million supported by the new market data agreements and the consolidation of Euronext Dublin.

Revenue from market solutions and other increased 10.4% to €9.1 million. The business benefitted from the first commercial releases of Optiq for international clients and from increased activity in SFTI and colo services.

Clearing revenue increased 11.6% to 14.2 million reflecting the good performance of commodities during the quarter and higher treasury income. Revenue from custody and settlements increased 7.4% to 5.4 million driven by an increase of public debt and equity under custody at Interbolsa.

Let's move now to slide 13 and start with the EBITDA bridge. EBITDA grew by 26.4% to 87.8 million with a margin of 58.2%, up 4% versus the third quarter of 2017. The key drivers of this performance are revenue up 22 million and cost saving on the core business which partially compensated the additional costs of the new perimeter.

Operational expenses excluding D&A grew 6.5% mainly due to the impact of new acquisitions namely Euronext Dublin and FastMatch while the core business cost decreased above 8%. In this respect, it is important to realise that the targeted 8 million savings expected for Euronext Dublin are not yet reflected in the reported figures.

Cumulated core gross cost savings amounted to 24.2 million this quarter with an increase of more than 5 million versus the second quarter of 2018. As Stéphane reminded, with this performance, our cost saving target for the core business is achieved one year ahead of schedule.

If we look at the margin of the core business and of the selected growth initiative perimeter excluding clearing and new perimeter of course, the EBITDA margin reached 62% this quarter up seven percentage points. Furthermore, for the last 12 months, the EBITDA margin for this perimeter reached for the first time 61% within our 61 to 63% 2019 target.

Moving now to the net income bridge. D&A are negatively impacted by 2.1 million of PPA for FastMatch, iBabs and Euronext Dublin as well by the D&A of the acquired businesses.

Exceptional items show a small reduction despite they remain elevated at 8.8 million this quarter versus 9.7 in the third quarter of 2017. This quarter, exceptional items derived mainly from the agreement for the early termination of the trading services contract provided by Deutsche Börse to the Irish Stock Exchange, advisory costs and some impairments linked to Synapse.

Results from the equity investments amounted to 0.9 million as the income of our 11.1% stake in LCH SA accounted as an associate since 2018 only partially offset the deferred capital gain on LCH Group recorded last year for €1.7 million.

The increase of taxes is due to the increase of the taxable income despite a decrease of the marginal tax rate down to 30.7% mainly due to the consolidation of Euronext Dublin.

For the third quarter of 2018, this translates into a reported net income increase of 31.6% to 50.5 million. Adjusted for these exceptional items and PPA, adjusted EPS is up 31% up €0.85 compared to €0.65 in the third quarter of 2017.

Moving to slide 14, in the third quarter of 2018, the net operating cash flow increased from 69.5 million to 87.8 million while the EBITDA conversion ratio decreased to 80.6%. This slight reduction of EBITDA cash conversion is mainly to the increase of the tax paid as a result of the increase of taxable income between 2017 and 2016. As far as leverage is concerned, our net debt remains limited providing for significant strategic and financial flexibility.

Looking at the bottom of the slide, as of the end of the third quarter of 2018, our liquidity position remains strong with more than €650 million of cash, including our undrawn RCF for €250 million.

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

Stéphane Boujnah: Thank you, Giorgio. Before moving to the Q&A, I'd like to share with you a few points of conclusion. First, Q4 has started very well. October volumes are up 20.2% to 8.9 billion cash ADV with clearly the return for the moment of volatility on all markets.

Second, as I said earlier, we will provide you as usual with a full annual update on our agility for growth strategic plan during the full year 2018 announcement on 15th February 2019.

Finally, the perimeter of the company has significantly changed since May 2016 with new asset classes and new businesses. So it is important for us to grow Euronext on the basis of this new perimeter. Accordingly, we will present a new strategic plan for the years to come next spring. We will soon communicate the exact date.

So now, Anthony Attia, Giorgio Modica and I are available for your questions. Thank you.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. If you wish to withdraw your question, you may do so by pressing 02 to cancel. There will be a brief pause while questions are being registered. So we have our first question from Ron Heijdenrijk from ABN Amro. Please go ahead, sir.

Ron Heijdenrijk (ABN Amro): Good morning. It's Ron Heijdenrijk, ABN Amro. Two quick questions. One is the IFRS 15 impact, the 4.3 million, which exact P&L line and listing does that fall into? And secondly, could you maybe give us a breakdown of the 8.8 million in exceptionals between the impact of the Deutsche Börse - ISE settlement and – what was it again – the additional advisory cost?

Giorgio Modica: Yeah, absolutely. So let me start with IFRS 15. This impacts only one line which is listing and more specifically equity, IPOs and follow-on and bond listing.

For the second question, out of the 8.8 in line with the press release that we issued earlier this year in September, the portion related to DB is slightly less than 50% of that, slightly more than 4 million. Then you have three impacts with nearly the same size and those are the impairments, the advisory cost and a small restructuring for the ongoing activity of Euronext.

Ron Heijdenrijk: Very clear. Thank you.

Operator: So we have another question from Anil Akbar from Kempen. Please go ahead.

Syed Anil Akbar (Kempen): Hi, guys. I have two questions. One is regarding your yield that the yield, if you look at it in the past few years, it has ticked upwards. How exactly is that happening? And is that like an impact of MiFID2? What exactly is going on over there?

And how is the yield so strong for you guys especially in an environment where like most of the trading exchanges are facing pressures on their yield maintenance?

The other question is on your market data revenue. Over there, you guys have pointed out that the – or as we discussed earlier in earlier calls that basically this revenue has increased right now because of the new pricing plan. But in the future, you expect sort of a normalisation. So what do you see over here as where do you see this going? Should we consider the current like 16% as sort of maintainable or what do we expect going forward? Thank you.

Giorgio Modica: Yeah. Thank you for your question. Let me get the two questions. So when it comes to the yield, the improvement is mainly linked to a better segmentation of the volumes and to the programmes that we launched now more than one year ago and more specifically the Omega Pack and the Best of Book that pretty much are priced on average at premium with respect to the cheapest liquidity scheme that we have in our fee grid which is the SLP programme. So we have, to a certain extent, improved the segmentation adding more quality into our fee schemes.

When it comes to the market data, you are exactly right. So we expect going forward an optimisation of data consumption. But clearly, we, as a management action, always try to minimise that and to further improve revenues.

So when it comes to the 16%, this come mainly from a base impact year-on-year as the change starts January 2018. So you should not expect a further 15%, 20% increase next year. However, clearly, one of the objective or our objective is to maximise those revenues. And therefore, we hope to have an increase also next year. But you should not look at 16% as a run rate for growth of our market data revenues.

Syed Anil Akbar: Okay. Thank you very much.

Operator: So we have another question from Anil Sharma from Morgan Stanley. Please go ahead.

Anil Sharma (Morgan Stanley): Good morning guys. Two questions. So I hear what you're saying about a strategy update in spring or summer next year. But just could you help me understand. So you're saying the Synapse MTF and European Family of indices you don't expect 20 million of contribution. So what do you expect? Is the number zero or is there some positive number at all?

And then secondly obviously on the EBITDA margin, you're at the lower end of the range. Is it reasonable for us to expect that you should still be getting towards the upper end of the range by 2019 because you mentioned also, Giorgio, you said some of the Irish Exchange synergies weren't in the numbers yet?

Stéphane Boujnah: Okay. I'll reply to the strategic question and the selected growth initiative performance for 2019 and Giorgio will give you a precise answer to your question about the target for the EBITDA margin for the core business excluding clearing between 61 and 63%.

As far as your first question is concerned, what we said is that by May or June'19, we will release a new strategic plan for the years to come. And that will take into account the new perimeter of the company at that time as in any company which releases a new plan before the end for this one including during the transition year. We will provide you an update of agility for growth strategic plan during the annual rendezvous for the review of this plan in February'19. And clearly, we will observe the performance of the full plan in February'20 on the basis of full year results of 2019. So one strategic plan for the years to come beyond 2019 to be released in May/June. Annual point of assessment of the performance of the plan in February'18 and in February – sorry, in February'19 and in February'20.

As far as your particular concern – questions about the selected growth initiatives, we said that that's part of our agility for growth ambition which had the three other pillars I have described. One of them was to do some organic growth through six or seven selected growth initiatives. What we are saying is that two out of those initiatives will not contribute as expected and will not contribute roughly 10 million each in 2019. And therefore, the top line for those – the expected top line for those two initiatives will not be there in 2019. We don't say more than that. We are going to – we're deploying a lot of efforts to minimise the gap between the target which we released in February '18 which was 55 million of selected growth initiatives or organic growth revenues and the reality. But we will provide you with a full update in February'19. On the EBITDA.

Giorgio Modica: Yeah. Let me get that, Stéphane. So clearly, the 61% being last 12 months includes the fourth quarter of 2017. There is a profitability of 56% which is on average lower than the profitability we have at the moment and the profitability we registered in the first three quarters. So, I mean, the 61 with the, I mean, with the new quarters, it should go up. And clearly, our cost discipline will remain there. But this is all what I can say. We will not release a new target at the moment.

Anil Sharma: Okay. That's helpful. Thank you, guys.

Operator: So we have another question from Arnaud Giblat from Exane. Please go ahead.

Arnaud Giblat (Exane): Yeah. Good morning. Three questions please. First on agility for growth, so you're saying because you didn't give the split previously that six to seven initiatives made up 55 million. You're not going to get the contribution from two of them which will lack 20-million contribution. In your 55 million assumption, was that – were you assuming 100% contribution from each initiative or was there some leeway for some mixed successes? My question is basically, should we be chopping 20 million off the 55 million target?

The second question is on M&A. So you were in the final rounds of bidding for MarkitSERV. The price rumoured seems pretty high. And well, there was no deal. I suppose it looks like buyer's and seller's expectations were not met. How far away were you from closing on that deal? What sort of ROICs were the prices – the seller looking for on your side? What did the ROICs look like for you to stop that deal? And is there anything else out there that you – are you working proactively on other deals? Thank you.

Stéphane Boujnah: Okay. I'll take the M&A question and then Giorgio will give you a precise answer to your questions about the selected growth initiatives that were part of our agility for growth plan.

We don't comment on market rumours. What I can tell you is that Euronext is a company which is very disciplined on operating performance and very disciplined on acquisition. And we're not going to pay for an asset value that will not reflect our ambitions for growing this – any company. So the decision taken by IHS Markit to not to proceed with the sale is the decision that they have taken up on their own. So we don't – I'm not in a position to make any further comment. That's for the M&A.

Giorgio Modica: Yeah. On the M&A, the general principle which is not specific to any transaction remains the same. So our return on invested capital is always, in terms of target, is always between 8 and 9%. So you should not expect pricing of any asset that significantly moves away from that interval.

And when it comes to agility for growth, I understand where you're coming from. But the reason why we released that statement that we no longer expect the 20 million is exactly because in the regular assessment of those two initiatives, it seemed to us that we were not able to reach the target. And we felt the need to communicate that to the market. But that doesn't mean that at the moment, we have done a complete reassessment of all the initiatives and all the opportunities we have to mitigate the gap with respect to the 55.

So for this quarter, this update is the 20 million which does not mathematically translate in the new target. As far as the new target is concerned, we will proceed as we always did, i.e., with an annual update as of February 2019.

Arnaud Giblat: Okay. And could you also – I forgot the question. With regards to the synergies on the Irish Stock Exchange, you mentioned that these haven't been fully realised yet. How much is left to be realised next year? Thanks.

Giorgio Modica: At the moment, the vast majority. So the integration is proceeding according to plan. So the new target operating model is defined and is being executed starting the fourth quarter this year and getting to the first quarter next year. The migration to Optiq is planned for the first quarter next year. And those elements will generate or will deliver the bulk of the synergies you're referring to. So at the moment, pretty much nothing is factored into the – into our numbers.

Arnaud Giblat: Thank you.

Operator: So we have another question from Mr Albert Ploegh from ING. Please go ahead.

Albert Ploegh (ING): Yes, good morning. Albert Ploegh from ING. Three questions from my end. First of all, I've heard what you mentioned on the M&A and on the strict criteria. If I'm not mistaken, you've also said in the past if nothing materialises, you could contemplate on some kind of special capital return. I've also heard what you said on an update in May/June a more strategic update. So should we, therefore, more think of anything let's say on the special capital return after that event or could there still be an event planned for February '19 when you come with the full year results?

The second question, I've also heard what you said on the cost savings, you're not giving a new target currently. But simply, you're now at 24 million realised. You say still the majority of the 8 million for Dublin should be still, yeah, being realised. So mathematically, you could have already said something like 32 could be a new target. So why did you refrain from this because I'm a bit struggling how you plan to communicate further on the cost efficiency?

And the third question is on the restructuring expenses. I think it was something 14 million also for Dublin and you still have on your budget where you're still – quite a big gap of 19 million for – to reach the 33 million. So can you help us a little bit on what to expect for Q4 and how that will phase in into 2019 in terms of the restructuring costs? Thank you.

Stéphane Boujnah: Okay. I'll take the first question on capital return and Giorgio will comment on cost and cost target expectations and on the restructuring expenses in the context of Dublin.

On capital return, we have always been very, very clear. The ambition of Euronext is to deploy capital to grow the company significantly albeit in a disciplined manner and to do it within this plan. This plan ends at the end of 2019. So we still have a full year to deploy, to make significant acquisitions, to deploy our capital. We will decide with the supervisory board where we are after the current plan is completed at the end of 2019 whether it is appropriate considering the situation of our – our capital situation at that time at the end of the 2019 plan to proceed with the special distribution.

As I said on many occasions, if by the end of 2019 we still are in a situation where we have not found financially attractive opportunities to deploy our capital, we will proceed after the end of the plan, after the end of 2019 towards a distribution of special dividends.

Now in terms of cost targets and the restructuring of expenses in Dublin.

Giorgio Modica: Yeah, absolutely. Let me clarify that. So we have two different forecasts and apology for the complexity but as Stéphane reminded, today we are very different from where we were. So now, we have a different set of objectives. So the objective released in May'16 was that the core business and the target was to achieve 22 million of saving, spending restructuring costs for 33 million.

Now with respect to that very specific objective, today, we have 24 saving achieved and having spent around 13, 14 million out of the initial pocket of 33 so with a significant saving of around 20 million. And on that part of the business, we don't provide an update at the moment.

Then when it comes to the Irish Stock Exchange, this comes with a different set of objectives in terms of cost savings and as you rightly pointed out, the 8 million. The 8 million are to be achieved with a spend of 14 million in terms of restructuring cost. Now, where are we on those targets?

As I said, out of the 8 million, a very small fraction of that has been achieved so far. So you should expect the bulk of it coming in the next two, three quarters. Conversely, when it comes to restructuring cost, around two-thirds of the restructuring cost have been already provisioned in the P&L through exceptional items in the last quarters. So restructuring cost, pretty much everything was – two-thirds were already booked but the savings are not yet reflected in our P&L.

Albert Ploegh: Thank you very much.

Operator: So we have another question from Michael Werner from UBS. Please go ahead, sir.

Michael Werner (UBS): Thank you. Two questions for me, please. First, we saw quite a drop in the non-comp expense base in Q3 for Euronext versus Q2 by about – on my numbers, about 18%. I was just wondering what drove that decline and whether that's going to be sustainable, if there's any one-offs in there?

And then second, given the changing perimeter of Euronext, can you update us on your 2018 tax rate guidance for the full year? Thank you.

Giorgio Modica: Sorry, can you repeat your second question?

Michael Werner: Yeah. I was just wondering if you can update us on your guided tax rate for full year 2018.

Giorgio Modica: Yeah. So let me take your questions. So the decrease in cost is mainly coming from the conclusion of part of the Optiq works and through the release of a good portion of the consultants that have helped Euronext in deploying the IT platform that is running the core market since mid-2018. So yes, it is sustainable when it comes to the non-comp part of our costs.

When it comes to your second question, the tax rate for the end of the year should be around 30.5%, 30.7%, around that. So this is what we are targeting for the full 2018.

Michael Werner: Thank you very much.

Operator: So we have another question from Mr Martin Price from Credit Suisse. Please go ahead.

Martin Price (Credit Suisse): Good morning. I just wanted to come back quickly to the revenue growth initiatives within the scope of agility for growth. Could you just confirm that the other initiatives other than the two you've highlighted are still on track? Thank you.

Stéphane Boujnah: Yeah. No, as I said, those two initiatives will not contribute in 2019 to what was expected. But we have a much more positive outlook on the other initiatives. Clearly, we are extremely confident with the deployment of ETF access which is the MTF for ETF which will be live in '19. And we are extremely happy and enthusiastic about the growth of two initiatives which are in the listing world. The first one is the corporate services which are producing the revenues that were anticipated. And the other one is the European tech hub but I'll give the floor to Anthony Attia who is our global head of listing and who oversees both those initiatives.

Anthony Attia: Good morning everyone. A few words on the corporate services initiative. As Stéphane said, we delivered according to plan and the commercial intensity is there. As you remember, it's the combination of three acquisitions – Company Webcast, iBabs and InsiderLog – with some organic growth in order to service our issuers with post-listing, post-IPO services. And so the growth is coming from standalone growth from the acquisitions, cross-selling and also the commercial reach of the Euronext brand on these new services.

On the other initiatives that Stéphane has mentioned, it's called the European tech hub. We are also deploying Euronext brand in four selected countries – Spain, Italy, Switzerland and Germany. And we have a very strong pipeline and we already delivered on six new operations this year. And we are expecting more in the coming months to come.

Martin Price: That's very helpful. Thanks guys.

Operator: So we have another question from Johannes Thormann from HSBC. Please go ahead, sir.

Johannes Thormann (HSBC): Good morning everybody. Johannes Thormann, HSBC. Just little questions. First of all on Euronext Dublin, Irish Times reported that you are thinking about moving the settlement. Could you elaborate on this a bit or what your thoughts are behind this?

Secondly, looking at your past FastMatch margin as a simple calculation of revenues divided by volume, it seems we have seen a nice uptick in the third quarter versus the previous quarter without like FX explaining it fully. Have you changed pricing or what has driven this?

And the last thing is on your net financing income which was positive this quarter. Will it be positive also in the next quarter or do you expect it to come back to be negative again due to the regular interest expense? Thank you.

Stéphane Boujnah: I'll take the first question on Ireland and Giorgio will take the following two questions. So on Ireland, we have comprehensive dialogue with all the market participants in Ireland and with the various players in the clearing industry in Europe and with the European Commission and with the Irish authorities – the Central Bank of Ireland and the Department of Finance of the Republic of Ireland – to build together the most appropriate solution going forward post-Brexit for the settlement and custody of Irish securities.

This dialogue is very productive, is developing in a constructive spirit. And the objective of this dialogue is to maximise continuity and to minimise operational difficulties for the various users of settlement and custody services. And we are confident that within a very short timeframe, we will be able to go public with a solution that makes everyone comfortable.

Giorgio Modica: Yeah. Now, coming to your question on net interest income, what you should be aware is that we swapped our bonds into a variable which means that we have a derivative instrument that converts the fixed rate into a variable interest rate. Clearly, this is a – it's hedging the derivatives but there is a very tiny portion that every quarter is unaffected and that portion goes through the P&L. And this explains the slightly positive or negative result that you have seen in the last quarters. So you should expect a very small number either positive or negative next quarter.

When it comes to the condition of the swap, what we are actually paying on the 500-million bond is Euribor six months plus 38 basis points.

Johannes Thormann: Okay. And the FastMatch margin, please?

Giorgio Modica: Yeah. Let me answer to that question. So what I can tell you is that we did not change the pricing. And if I look at the average fee per million in US dollar, it has not changed significantly in the last three quarters. So in the third quarter of '18, we are pretty much where we were in the first quarter of 2018, slightly up with respect to the second quarter. But this comes more from slightly different mix of clients quarter-by-quarter than by a change in fee by itself. So no, we did not implement any fee change in FastMatch.

Johannes Thormann: Okay, thank you. It helps.

Operator: So we have no more questions for the moment. As a reminder, ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. So we have another question. Please introduce yourself and ask your question.

Philip Stafford (Financial Times): Hi, Stéphane. It's Philip Stafford from the Financial Times here.

Stéphane Boujnah: Good morning.

Philip Stafford: Hi. Just a question just again about agility for growth here. We started off a few years ago with additional revenues of 70 million. Then it came down to 55. Now, it's down again somewhere. It kind of almost looks like it's produced almost as much cost as it has revenues. How can we be sure that the next set of forecasts will be any more credible than the last lot?

Stéphane Boujnah: Thank you for your question. I'm not sure the word credible is the most appropriate verb because the – we know – we wanted to be very transparent and be clear with you and with the market and to indicate clearly that 20 million out of the selected growth initiatives which were part of the agility for growth ambitions were addressed and that it was safe to guide the market towards the fact that those 20 million will not be generated by the end of 2019.

These selected growth initiatives were part of the agility for growth plan and ambition which was much bigger and which had various ambitions in terms of strengthening the core business, hence the effort done on the market share in terms of delivering value to shareholder, hence the EBITDA margin that we have reached one year ahead of schedule which was all about all sorts of objectives in terms of cost reduction to enhance agility where we have delivered a performance which was stronger than expected one year ahead of schedule.

So the company as a whole, not to mention the additional acquisitions that were made in 2016, is stronger and bigger and deliver more values than what it was in 2016. One part of this ambition was to develop organic growth where you're absolutely right is that we do not deliver organic growth with the level anticipated in May '16. Some initiatives were not – were more innovation than growth and we have explored them in an innovation format and they have not delivered. Others are live in terms of platform but the migration of liquidity is getting much slower than expected. And others are very successful as indicated in the numbers that you have already in the books today for mainly corporate services and are promising as indicated by Anthony Attia earlier.

So as much as we update real time about the development of the top line of those initiatives, we want to pose only once a year at the annual review of the overall agility for growth strategy in February'18 to give the full perspective above and beyond those organic growth initiatives. But you're right, we are not going to make 70. We said that in February. We are not going to make 55. I don't know for the moment because there are several projects ongoing what will be the gap between 55 and the guidance that we will deliver in February'19 considering on the one hand those two initiatives that don't yield 20 million and the developments that are ongoing for the moment.

Philip Stafford: Thank you.

Operator: So we have another question from Ellie Donnelly from Irish Independent. Please go ahead, ma'am.

Ellie Donnelly (Irish Independent): Hi there. Under the cost saving plans for Dublin, will there be any further redundancies?

Stéphane Boujnah: Giorgio.

Giorgio Modica: Yeah, let me take this question, Stéphane. No, the target operating model for Euronext Dublin has been defined earlier this year and is going to be implemented as planned. So there is no change with respect to what was originally planned.

Ellie Donnelly: So there will be no further redundancies other than what was confirmed earlier this year?

Giorgio Modica: Absolutely.

Ellie Donnelly: Perfect. Thank you.

Operator: So we have no further question.

Stéphane Boujnah: Thank you very much. Have a good day.

Operator: This now concludes our conference call. Thank you all for your participation and you may now disconnect your lines.

[END OF TRANSCRIPT]