Transcription

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Presentation

Operator
Hello, and welcome to the Euronext Q1 Results. Throughout the call, all participants will be in the listen only mode. And afterwards, there will be a question-and-answer session. Just to remind you, this call is being recorded. I will now hand you over to Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext. Please begin your meeting.

Stéphane Boujnah
Good morning, everybody and thank you for joining us this morning for the Euronext Q1 2018 Results conference call and webcast. I am Stéphane Boujnah, CEO and Chairman of the Managing Board of Euronext. And now we'll start with the highlights of the first quarter 2018. Giorgio Modica, Euronext CFO will then further develop the main financials and business drivers for the year before I conclude with my final remarks. We will both welcome your questions at the end of the presentation with Anthony Attia member of the Managing Board of Euronext.

Let us start with the slide five. First, the first quarter was marked by the return of volatility which translated into double-digit volumes growth, in all asset classes. Cash, derivatives and spot FX. In addition, our market share remained very strong as well as our revenue captured across all key markets, contributing to the strong performance of the quarter.

Second, transition to MiFIDII was another highlight of this first quarter. Five months after its implementation, I would like to share with you a few key takeaways. First, Euronext was ready in day one without any major disruption. Second, the full impact of the new regulation is unfolding over time. For example, the cap on dark pool was postponed to 12th March. Following the announcement, hundreds of stocks have been forbidden to be traded on dark pools. For the moment, we don't see massive transfers from OTC to lit venues. We rather observe a shift of OTC flows to systematic internalizers. Third, as far as M&A is concerned, we closed this quarter, the acquisition of the Irish Stock Exchange, which was signed in November last year. The Irish Stock Exchange is now rebranded as Euronext Dublin and integration is proceeding according to plan. Deirdre Somers, the former CEO of the Irish Stock Exchange will join the managing board of Euronext after regulatory and shareholders' approval and lead the Euronext Centre of Excellence for Debt and Fund Listings and ETF. Euronext Dublin will start contributing Euronext P&L from the second quarter of 2018.

Fourth, we added a new product to the corporate services suite, with the acquisition of 80% of InsiderLog in January, a Swedish company specialised in insider list management. Finally, in April, we achieved another important milestone, securing the €500 million long term funding that will serve as the key pillar of our capital optimisation strategy. The new financing extends the maturity of our financial liabilities to 2025. It reduces the cost and diversifies the financing mix of the group. With an order book oversubscribed 4.4 times at €2.2 billion, the success of our inaugural €500 million bond 7-year bond, A rated by S&P, shows clearly the confidence of bond investors in the Euronext model. On this occasion, S&P has released the first rating of Euronext at single A stable outlook. Showing the confidence of this third party in our business model and strategy.

Moving to slide six, here are the main figures of the quarter. First, revenue increased by €20 million to €146.7 million, driven by strong yield, strong market share, strong volumes in cash trading, the strong performance of market data and indices and FastMatch as well as contribution from Agility for Growth initiatives. Only listing revenue was slightly down due to the mixed environment despite the strong IPO pipeline but annual fees and corporate services remained strong.

Second, our cost efficiency improved our operating leverage and as a consequence, EBITDA increased by 25.1% to €88.2 million, much faster than revenue. And EBITDA margin reached 60.1% at the group level. The EBITDA performance remains very solid, even if there was a positive net one-offs of €1.5 million impact on cost this quarter. Third, on the core business and on the Agility for Growth perimeter excluding clearing, the May 2016 perimeter, the reporting margin reached 63.5% this quarter, paving the way to reach our 61-63% EBITDA margin target for 2019 for this perimeter. Agility for Growth initiative generated €0.5 million of EBITDA this quarter.

Fourth, we recorded around €16.2 million of cost savings, up by almost €5 million compared to the end of December. As a consequence of all those good results and the lower impact of exceptional items, reported EPS increased by 30.5% to €0.82 per share.

Slide seven describes the recent development since March with Euronext Dublin. Euronext is now present in six core countries across Europe. As planned, Deirdre Somers has been appointed CEO of Euronext Dublin and is to join the managing board after regulatory and shareholders' approval. She has the responsibility for the group Centre of Excellence for Debt and Fund listings and ETFs. The combined group is now a real global leader on many fields. Number one, in debt listings, with more than 37,000 listed bonds, number one in fund listing with 5600 funds and a major players in ETS with 1050 listings. ETF and debt are really core elements of the ambitions of our Agility for Growth strategy, and we are convinced that Euronext Dublin will serve as an accelerator for projects like Synapse and the new MTF for ETFs called ETF Access. From a P&L perspective, Euronext Dublin will be consolidated starting in Q2 2018 as transaction was closed at the end of Q1.

A few words though on Euronext Dublin, standalone Q1 results. Revenue increased by around 15% driven by good listing volumes in debt and funds and annual fees, and this, despite volatility. Second, EBITDA margin was at 32% down compared to last year, mainly due to the impact of significant one-off staff costs and acquisition costs related to the transaction with Euronext. Please also note that Q1 2017 margin was exceptionally high, marked by low IT and MiFIDII costs. So, on the EBITDA margin of the Irish Stock Exchange, there is base effect for Q1 2017. As a reminder, we plan to achieve six million of cost synergies by 2021 on Euronext Dublin and progressively bridging the profitability gap with the rest of the Euronext group. Integration works are progressing very well, according to plan, supporting by the engaging energy of our new Irish colleagues. I now leave the floor to Giorgio Modica for the presentation of our Q1 financial results.

Giorgio Modica

Thank you Stéphane, and good morning everyone. Let's start with slide nine. Euronext consolidated revenues increased €20 million or 15.9% in the first quarter of 2018, to €146.7 million, mainly thanks to stronger volumes in both cash and derivatives, the positive impact of Agility for Growth initiatives, accounting in the quarter €4.2 million and the acquisition of FastMatch contributing €5.2 million to the top line. The first quarter of 2018 saw a favourable trading environment with the return of volatility and a supportive macro environment in Europe. The only disappointment of an otherwise excellent quarter was listing revenues at €18 million. This decrease 4.3% versus the first quarter of 2017 was driven by weaker performance on IPOs despite the pipeline, which remain very strong, and a decline in follow-ons activity. Corporate services and annual fees partially mitigated those impacts and positively contributed to the result of the business.

Cash market share remains strong at 65.3% and volume growth on both derivatives and cash contributed to the good performance of trading. In addition, the cash trading yield farther strengthened at 0.52 basis points. I would come to that later on in the presentation. Our year-on-year top line growth still benefits from the base effect related to FastMatch acquisition in the third quarter of 2017, with spot FX trading generating €5.2 million this quarter. Market data indices performed extremely well with revenues up 15.4% to €29.7 million as a result of new market data agreement and the good performance of indices.

In total, Agility for Growth initiative generated €4.2 million in revenues in the first quarter of 2018, thanks to corporate services along with the first revenues from APA/ARM services. The non-volume related revenues amounted to 42% of total group revenues with the additional fixed corporate service revenues being offset by the consolidation of FastMatch trading revenues and the strong cash trading performance. The operating cost coverage ratio reached 104% in the first quarter of 2018.

Moving to the next slide let's discuss about the listing. The mixed listing environment translated into a reduction of revenues of 4.3% to €18 million. On the one hand, volatility pushed part of the IPO pipeline to next quarters, as last year, six new listing were completed with €0.8 billion raised versus €0.2 billion last year, including two large cap companies, NIBC and B&S. As a reminder, the first quarter of 2017 was marked by jumbo transaction like the direct listing of TechnipFMC in our market. Euronext continues to attract tech SMEs from non-Euronext markets, the Q1 2018 saw the listing of a UK-based company, Acacia Pharma, and an Italian company, Media Lab, on Euronext Access. Follow-ons revenues decreased 41.4% compared to a very high level in the first quarter of 2017. That quarter was marked by large transactions such the one of EDF.

On the other hand, annual fees increased 6.1% to €8.3 million and corporate services generated €3.7 million of revenues benefiting from the acquisition of iBabs and Company Webcast in the course of 2017. The revenue of Corporate services this quarter is slightly down versus the Q4 2017, mainly due to some seasonality in the activity of Company Webcast. Commercial efforts continue to be strong, with more than 50 new clients signed this quarter.

Moving to slide 11, cash trading revenues increased nearly 20% to €55.7 million on the back of strong revenue capture and market share in the volatile environment. Euronext cash trading ADV increased nearly 22%, to €8.5 billion compared to the first quarter 2017; and we reached on 16th May 2018 nearly €20 million traded value which is the second most active day since 2010.

The average yield increased, despite the stronger volumes, to 0.52 basis points, and this is mainly thanks to new fee schemes, reducing the sensitivity of the yield to volumes. The new market share remained pretty strong at 65.3%, up 3.9 points year on year, thanks to the success of those new fees schemes such as the non-member Omega pack and Best of Book, now used by all retail brokers. Euronext remained at the forefront of innovation. Euronext Fund Services launched last May onboarded 33 asset managers. Euronext block, our MTF block-trading platform, connected the first wave of brokers. We issued technical documents for ETF access, our new MTF for ETF to be launched at the end of the year, and we are currently building the strong pipeline for Euronext Synapse, the MTF for corporate bond with many members already signed in Europe.

Moving to the next slide, let's look at derivatives. Revenue increased 4.5% to 10.6 million. The yield is slightly down to 0.28 basis points on the back of a less-favourable product mix. Derivative ADV is 14.9% up, mainly thanks to increased volatility and improved market position on the Dutch market following the migration of option contracts from the TOM platform in June 2017. The decrease in commodities volumes was due to the poor condition in the physical market. The new market participant programme designed to develop the non-physical market now involves more than 450 trading firms with more than 40 attracted by the new NMP programme which was launched in January this year. Finally, FastMatch generated 5.2 million in revenues this quarter driven by spot FX ADV up 14.3% to USD20.2 billion.

Moving to the next slide, as I was commenting before, market data and indices performed well this quarter. It is up 15.4% to nearly €30 million revenues due to the new market data agreement and the good performances of indices. The revenues from market solution increased by 5.2% in the first quarter to nearly nine million. The business continues to benefit from new project and revenues are supported by the delivery of the first commercial releases of Optiq to international clients. Clearing revenues increased 10.3% to €15 million in the first quarter of 2018, reflecting stronger derivative trading activity as well as higher treasury income. Revenue from Interbolsa in Portugal increased 9.3% to 5.4 million in the first quarter of 2018, driven by an increase of public debt and equity under custody compared to the first quarter of 2017. Other post-trade revenues of 0.1 million were recorded in the first quarter of '18 accounting for the first revenues generated by the APA/ARM initiative part of Agility for Growth.

Moving to slide 14, the Euronext EBITDA grew 25.1% this quarter to 88.2 million with a margin of 60.1%, up 4.4 points versus the first quarter of 2017. The good operating leverage and cost efficiency are key to this performance. With the reduction of cost in the core business, compensating the additional cost coming from the acquired companies. Operating expenses excluding D&A grew only 4.3% mainly due to the impact of new acquisition, mainly iBabs and FastMatch, savings on the core business and net positive one-off as mentioned by Stéphane of around €1.5 million. Cumulated core gross savings amounted to €16.2 million this quarter as compared to the end of December. I remind you that the objective for 2019 is €15 million of saving net of inflation, €22 million gross of inflation.

Agility for Growth initiatives generated an EBITDA of 0.5 million this quarter. If we look at the margin of the core business and Agility for Growth excluding clearing, which is the perimeter used for our 61-63% EBITDA target for '19, in this quarter, we reached a margin of 63.5% up 6.8 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 rundown of IT costs in the course of the second half of 2018. We recorded €1.5 million of PPA for FastMatch and iBabs this quarter, while we will start accounting for Euronext Dublin PPA in the second quarter of 2018. The net income increased 30.6% in the first quarter of '18 to €57.3m mainly driven by EBITDA growth and less-exceptional cost in financing expenses than last year.

Net financial expenses for the first quarter of '18 were 0.4 million compared to net financial expenses of 1.1 million in the first quarter of '17, that was marked by one-off items related to the previous term loan as well as the potential acquisition of LCH SA. Please note as well that we consolidate for the first time our 11.1% stake in LCH SA and we record €1.5 million in equity investment. As a reminder, we received last year at the same period €0.7 million as dividend from LCH Group. Income tax for the first quarter of 2018 was €25.2 million representing an effective tax rate for the quarter of 30.4% stable versus last year. Adjusted EPS is up 28.1% year on year at €0.85 compared to €0.65 in the first quarter of 2017.

Let's move to slide 15. Since the release of Agility for Growth, Euronext has changed significantly. The perimeter of activity has changed, new targets have been set and therefore, we decided to provide you with a table aiming at simplifying the tracking of

Euronext performance. I believe this table is sufficiently self-explanatory and useful. As you remember and as we discussed, the 61-63% EBITDA margin included the core business, Agility for Growth initiatives and excluded clearing. In the first quarter of 2018, based on that definition, Euronext reached a 63.5% EBITDA margin, I would just like to add a few consideration on that margin. First, this EBITDA margin benefit from roughly €3.5 million of positive one-off cost, without which the margin would be closer to the lower end of the range. Although these results strengthen our confidence in our ability to deliver the target of profitability in 2019, that level of profitability cannot be simplistically extrapolated and applied to the next quarter of 2018. On the other hand, what we call new perimeter which is basically FastMatch and Euronext Dublin, recorded a very low margin at 6.2% impacted by two million of one-off cost related to the Dublin acquisition. Without that, the profitability of FastMatch remains extremely solid at around 45%. Should you have any question on this table, please let me know during the Q&A session.

Moving to slide 16, I would like to start with a few words on inaugural bond. In April, Euronext significantly restructured its liability through the launch of its 500 million inaugural bond. With that strategy, we have secured four objectives. First, we will reduce the P&L cost of funds versus the previous term loan. The new cost of funding is going to be Euribor plus around 40 basis points. Second, we have extended the maturity of our liability to seven years or 2025, which is a prerequisite for any capital optimisation strategy. Third, we have diversified our financing mix outside of the banking channel, which provides additional financing flexibility. Fourth, we secured resources for growth. Within this framework, we use the proceeds from the bond to refinance our existing debt raised to acquire FastMatch, iBabs and Euronext Dublin, that was a total of €338 million at the end of March 2018.

Moving now to cash flow, the net operating cash flow to EBITDA ratio increased to 85% in the first quarter of 2018, up from 81%, same quarter last year, mainly thanks to the good performance of EBITDA this quarter. Looking at the bottom right of the slide, you can see that our liquidity position remains healthy at €365.3 million, thanks to our strong cash generation, and despite the acquisition of Euronext Dublin last March. Let me now leave the floor to Stéphane Boujnah.

Stéphane Boujnah
Thank you, Giorgio. As you have understood, Q1 2018 was a very strong quarter driven by strong volatility impact on volumes, strong revenue capture and strong operating leverage. A few words on the initial trends we are seeing so far. First, clearly volatility has been softening those last weeks and volumes have been less dynamic than the very strong first quarter we experienced on all our businesses. While one must notice that April 2017 was marked by high volatility related to political elections in some of our markets, so there is clearly a base effect in the comparison between Q2'17 and Q2'18. We will continue to be very active in our yield management to ensure the robustness of this business. Second, listing pipeline remains strong and we expect some IPOs at the end of the Q2 and Q3 2018 depending obviously on volatility development and investor appetite. We should continue to benefit from the good dynamic of annual fees and development of Corporate Services, which represent an increasing part of our listing business.

Our commercial efforts will continue on Corporate Services but also on various initiatives towards potential issuers. Third, from a technological standpoint, after the migration to the market data gateway for cash and derivatives last year, we achieved another significant milestone with the migration of bond regulated markets trading to Optiq Order Entry Gate and matching engine. This first step on the trading platform allowed us to fix many usual bugs and we continue more active preparation for the migration of other cash trading markets in June on the Optiq platform. Fourth, our AGM will take place in a few minutes and we will propose a dividend of €1.73 per share this year to be paid after approval on the 24th May. Our next presentation will take place on the 3rd August for the Q2 results. Anthony Attia, Giorgio Modica, and I are now available for your questions. Thank you.

Q&A

Operator
Thank you. Ladies and gentlemen, if you do wish to ask a question, please press zero one on your telephone keypad. If you would like to cancel your question, you may do so by pressing zero two to cancel. There will now be a brief pause whilst questions are being registered. And our first question comes from the line of Martin Price from Credit Suisse. Please go ahead Martin. Your line is open.

Martin Price

First question was just on the cost base. And apologies if I missed this, but I think you indicated there was a one-off cost benefit of €3.5 million in the first quarter. Could you just provide a little bit more detail on that please? Secondly, I was just wondering if you could provide some indication as to how much expense you incurred for MiFID II and the Optiq implementation costs in the first quarter, would just be keen to understand how the expense basically change as those projects draw to a close. Thank you.

Giorgio Modica

Okay. So, when it comes to the exceptional items, really, there are a number of those which are mainly related to release of provisions for many amounts, including releases for bonus provision and the accruals. The amounts are small but the number of items is significant and they total up to around 3.5 million. When it comes to the exact breakdown of Optiq costs, we actually do not provide that, however, what we usually indicate is looking at the two lines, which are communication and professional services. Those are actually the two P&L lines where most of those costs are recorded. And if you look in terms of trend, the evolution, you might have seen an increase of this cost throughout 2017 and in '16 as well. Well, those are the two lines that we hope are going to reduce throughout 2018. And the other point there I believe is useful is to look at the target in terms of savings. So, we are at around 16 million, which means that to achieve the target now, we will need pretty much to beat inflation against consideration that the objective for '19 is 15 million net of inflation.

Martin Price

That is very helpful. Thanks, Giorgio.

Operator

Thank you. Our next question comes from the line of Rosine Van Velzen from ING Bank. Please go ahead, your line is open.

Rosine Van Velzen

Let's start with the softer guidance for the second quarter volumes. Could you give us an update on the FastMatch market in specific and what developments do you see there compared to last year and then maybe as a follow-up question on your statements of the IPO pipeline is building up, what is your view on the outlook for the rest of capital raising, so in follow-on activities and bond revenues? And then a last, if I may, a third one, the yield was down to 0.28 basis points due to the product mix, and do you expect to reverse this if the volatility remains at the current levels? Thank you.

Stéphane Boujnah

So, Giorgio will answer your first and third questions and Anthony Attia, who is our Group Head of Listing, will answer your specific questions about outlook for the rest of the year on listing.

Giorgio Modica

Yeah. So, let me start with FastMatch. When it comes to growth, our ambition to growth are linked to a number of new initiatives that we will put into place. First, clearly, it is worth thinking to launch new products. Second is new data analytics to improve the use of the platform, and third, potentially, is geographical expansion. So, those are the three key areas that we would like to capitalise to further expand the franchise of FastMatch. When it comes to the question on the derivative yield, this is simply a mechanical effect of the fact that the contribution of volumes coming from TOM comes mainly on the option products which are marginally dilutive in terms of yield, which means that if the mix remains similar to what it is today, you should not expect significant changes. However, clearly, we are always looking ways to optimise our fee schemes and clearly, we will think of what is the best way to improve the performance of that business line.

Anthony Attia

Good morning, Anthony Attia speaking. On the equity listing question, as we said before, the pipeline for Q2 is good for IPOs, companies are engaged in the process. However, market environment prompts us to remain cautious. On the follow-on activity, we also expect some significant operations in Q2. Nevertheless, we will remain cautious in the general trend as the capital increase operations are less important compared to last year. On the bond side, we are cautious on Euronext's domestic countries. Nevertheless, we expect some dynamism coming from Dublin.

Operator

Thank you. Our next question comes from the line of Arnaud Giblat from Exane. Please go ahead, your line is open.

Arnaud Giblat

Yeah, good morning. I have got three questions, please. First off, now that the Dublin is closed, I was wondering if you were looking at potentially re-domiciling some of the profits through Ireland. Secondly, in terms of M&A, there are a number of cash equity businesses out there potentially for sale in Europe. Could you remind us what sort of framework you think about when considering these acquisitions? You would have to be part of the Eurozone or the valuation is the key consideration, what is the key framework, and, particularly, how do you think of that in conjunction with other potential deals that could be down the line like LCH SA over time? So, maybe if you could help us frame your state of mind on M&A in cash equities, as that could be helpful. And thirdly, Agility for Growth seems to have made some improvements over the quarter with costs coming down. Is the current level of profitability in Agility for Growth sustainable? Thank you.

Stéphane Boujnah

Okay, Arnaud, thank you for your question. I will answer the first one and the second one and then Giorgio will answer the Agility for Growth margin question. First question, we have no intention whatsoever to reallocate profits to other locations. We pay taxes where we make revenues and profit. So, there will be no tax impact at group level of the acquisition of the Irish Stock Exchange.

Second, on M&A, the framework remains the same. We believe that organic growth is important, but we believe that that is capturing some of the growth opportunities is critical for the development of the group and we will continue to explore two avenues. One is the diversification of our top line to enter into new asset classes or into non-volume related businesses. Hence the acquisition of FastMatch, hence the dialogues we had on possible other targets and hence to a certain extent, the acquisition of the Irish stock exchange which has a significant listing business which is not volume-related. And that will remain a significant part of our external growth strategy.

The other avenue is to expand our federal model if and when opportunities arise in Europe to consolidate the European infrastructure world and to make it – when two conditions are met. Number one, when those independent exchanges are willing to consider consolidation. But as of today, there is no such dialogue and there is no such a situation because all the independent exchanges in Europe are very satisfied and happy with their current total independence. So, they don't see the need to consolidate. And that condition was different in the case of the Irish Stock Exchange, where the Irish Stock Exchange decided to start, to explore alternative strategy following the reading they had on Brexit. And the other condition is that if and when those situations arise, we must make sure that the equated value for the shareholders of Euronext and all these exchanges are different and some of those situations would create value, others would not create value. We are very happy with the acquisition of the Irish Stock Exchange both through a strategic decision and also because we believe that we can bring the current 32% EBITDA margin to the level of the core businesses of Euronext. Situation might be different for other exchanges. So, this is the framework of our external growth strategy. Giorgio –

Giorgio Modica

Yeah, I wanted to complement the answer of Stéphane on taxes. We have a mechanism whereby all the regulated exchanges within Euronext are equalised in terms of profitability. So, the profitability of each of the exchanges of Euronext have the same margin and we have an agreement with tax authorities whereby we pay taxes pretty much on the basis of the business, which is revenue, so the tax rate of the group Euronext is the weighted average tax rate of the Euronext countries weighted by revenues, which is perfectly in line with what Stéphane said. And when it comes to Agility for Growth, yes, we are very confident. We can also improve that level of profitability. And the other thing I wanted to highlight is twofold. The first one is that at the moment, we have no business in the portfolio of Euronext, which is not capable to generate a profitability in excess of 50%. And the second one is that today, the profitability of Corporate Services is pretty much funding the development of other initiative which are not yet generating revenues.

Arnaud Giblat

Okay. Just to follow on that. Excluding any further acquisitions in Agility for Growth, is it the case that any marginal revenue has no marginal cost attached?

Giorgio Modica

On what segment, Agility for Growth?

Arnaud Giblat
Yes, yes.

Giorgio Modica
I mean Agility for Growth, it really depends on the business. When it comes to Corporate Services, I mean it is really business by business. There are companies that operate software or platforms like iBabs, in which it is fair to assume that the increase of revenues will not translate one to one to traditional cost. There are others in which variable costs are more significant like Company Webcast. But what I would say is that the only non-platform business of Euronext is into the corporate service space. When we look at other initiatives like Synapse, for example, this is clearly all the benefit in terms of operating leverage as the other business of Euronext.

Arnaud Giblat
Okay. Thank you. Can I just have a last follow up? I am sorry, on market data, just a last one, a very quick one, is the step-up in run rate revenues sustainable? It sounded like you have re-priced some contracts, so that means it might be the case?

Giorgio Modica
So, let me be clear on that one. There are several elements you need to consider. The first one, you have seen in previous quarters that there was a contribution from audit findings. This quarter, this contribution is zero practically, which means that this is not on the one side fully loaded quarter. On the other side, with MiFIDII, we have new products that allow further disaggregation of the market data we sell, which means this concept embeds the possibility for clients to optimise their data consumption, which means that over time, clients can take benefit from that opportunity and progressively reduce their spend. On the other side, what we have seen so far is that the proactiveness of clients to manage this new product has been limited and, therefore, you have seen the result in our P&L. So, which means that longer term there might be some optimisation. So far, the revenues continue to be strong.

Arnaud Giblat
Thank you.

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

Anil Sharma
Hello. Hey guys. I just have actually one question on slide 15. The Agility for Growth initiatives. I mean the Q1 number I appreciate is especially, you know, dangerous to extrapolate, but if I time that, annualise that, you are running quite a bit below the 2019 target. So, in terms of, you know, as it takes time to do deals, they don't just happen quickly, so I am just trying to think how you are going to bridge that gap in the next 18 months?

Giorgio Modica
Sorry, the gap in terms of what?

Anil Sharma
So, you got a 55 million target of revenues versus the 4.2 million you have done in Q1. So, I am just saying if I take the 4.2 and annualize it, you know, let's say you are at 17-18 million, there is a big gap, versus the 55, I appreciate you can't do M&A necessarily very quickly because it takes time to source deals, to close deals. I am just trying to understand how you are going to bridge that gap to 55 in the next 18 months.

Giorgio Modica
Yeah. It is twofold. On the one side, the way you should look at that is that the corporate service which is already delivering around 13-15 million on a run rate basis is increasing at a very fast rate, which means that we are comfortable that that part of the business is going to deliver in line or close to the regional target set May 2016. On the other side, we are working and we are pretty much ready on two platforms. And the key big ones are actually three. One is the new MTF for ETF, the second one is Synapse, and the third one is the partnership with Morningstar. Those are platform that needs to collect liquidity. We believe

that we are close to that point and we believe that each of those initiatives would be able to contribute for the gap. Again, it is less linear than the normal corporate service business; we believe that those platforms have the capability to bridge that gap.

Anil Sharma
Okay, got it. And sorry, and the second question was just around now that the ISE acquisition is sort of closed, is there any potential or kind of release some capital as you move the – even as you rebranded, obviously, Dublin, you moved into the federal structure, so is there any sort of balance sheet optimisation that can be done?

Giorgio Modica
I mean clearly balance sheet optimisation is one of our priorities, it is really too early to tell. We will start a number of discussions with regulators and we will see over time what are the possibilities to further improve the capital structure.

Anil Sharma
Okay. Thank you.

Operator
Thank you. Our next question comes from the line of Ron Heijdenrijk from ABN AMRO. Please go ahead, your line is open.

Ron Heijdenrijk
Hey, good morning, gentlemen. I have a few questions, starting off with could you basically talk through your market share developments in April and May, what have you seen there and what are the main drivers? Then secondly, your cash yield, you said you had some new fee schemes reducing the yield sensitivity to higher volumes. Would that therefore mean that the 0.52 basis points is more or less sustainable going forward? And then finally, you were talking about the ISE PPA starting from the second quarter onwards, could you guide us on the quarterly run rate there? Thank you.

Giorgio Modica
Yeah, so, let me start. So, the first question was related to the evolution of the market share. The evolution of the market share is linked to further optimisation in our fee structure. And this is mainly due to the new programme that we introduced at the end of last year, the non-member Omega pack and the Best of Book, which proved to be extremely successful. Then when it comes to the impact on fees, it is not really that part of these new schemes that I just mentioned, we did not change any other major component. The fact is that we have to a certain extent moved existing client for more dilutive fee structure to less dilutive fee structure and less sensitive to volumes. So, another way to explain that is that we have fewer volumes running today through our SLP scheme and more volumes coming with these new liquidity pools.

And sorry, your final question was? The PPA, yeah, PPA, we are working with auditors. So, it is really too soon to tell, but this is an analysis that we will finalise within the second quarter. So, I don't have the element to guide you.

Ron Heijdenrijk
Okay. Thank you very much.

Operator
Thank you. Our next question comes from the line of Syed Akbar from Kempen. Please go ahead, your line is open.

Syed Akbar
Hi, good morning. Just one question on the volumes. So, we saw like significant increase in your market shares, 65%. How sustainable do you see this going forward? Especially considering that like there are others like systematic internalisers and other parties that are going to be entering the market. Do you see any pressures on this part or do you not see it in the near time future? Just that, thank you very much.

Giorgio Modica
Yeah. So, clearly, there are a lot of moving parts. And what you mentioned is right, but what we see today is that the systemic internaliser impact is not having a strong impact on the lit market, but rather on the OTC part of it. And we see our 65% market

share as sustainable. And clearly, we will need to see what are the developments but that level does not seem to us as unsustainable at the moment.

Syed Akbar
Okay, and if I may, just a follow-up on the ETF side. Other parties have reported that the volumes on MTFs have gone up versus the lit exchanges. Have you seen something like this also happening on yours?

Giorgio Modica
No, we didn't.

Syed Akbar
Okay. All right. Thank you.

Operator
Thank you. Ladies and gentlemen, if you do wish to ask a question, please press zero one on your telephone keypad now. And our next question comes from the line of Kyle Voigt from KBW. Please go ahead, Kyle, your line is open.

Kyle Voigt
Hi, good morning. Really just a follow-up for Giorgio. On the revenue capture side, I think there was a question maybe a few participants ago just on the sustainability of the revenue capture at the 52 basis point level. And maybe I missed the response, but I understand that there is dynamics in the quarter that just in terms of the pricing changes that you kind of put through, but as we are looking out in the sustainability I guess of that 52 basis points for the rest of the year, if you could just provide some more colour as to what you are seeing into the second quarter so far and if that is sustainable going forward? And just looking back historically, there has not been many periods on a year over year basis where we have seen this much volume growth and we have not seen compression in the yield. So, I guess going forward should we not expect as much compression in the yield if we do model volume growth in our models? Thank you.

Giorgio Modica
Yeah. So, let me be more – let me try to be more specific. Clearly, there are different price schemes and different pricing and what has changed is not actually – I mean we introduced the Omega pack and we introduced the Best of Book. And what has actually changed is that existing clients have moved within the price schemes that Euronext is offering. And that move of clients – those moves have been towards schemes which are more profitable for us. And therefore, we believe that those are – at the moment, the yield remains strong. So, we don't have elements to predict significant drop of the yield component. And yes, going forward, if client remains in using the same tariff that they are using today, you should predict in your model a reduced relationship between volumes and yield, which still exists but is less direct than it was in the previous quarters.

Kyle Voigt
All right, very clear, thank you.

Operator
Thank you. And as there are no further questions, I will hand back the conference to our speakers.

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

Operator
This now concludes our conference call. Thank you all for dialling in. You may now disconnect your lines.