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PRESENTATION

Operator

Hello, and welcome to the Euronext Q2 Results Call. (Operator Instructions) 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 - *Euronext N.V. - CEO & Chairman of the Managing Board*

Good morning, everybody, and thank you for joining us for this morning for the Euronext Q2 2018 results conference call and webcast. So 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 driver for the year. 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 5 with the main figures of the quarter. Euronext reported a solid Q2 2018. First, revenue increased by EUR 20 million to EUR 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 EUR 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 EUR 88.6 million.

The low pace of growth of our EBITDA against our revenue is mainly explained by the integration of all recent -- our recent acquisitions. Despite the impact of acquisitions and some negative one-off costs in this quarter, Euronext reported a 56.3% EBITDA margin. So for the first half of 2018, this represents 58.1% EBITDA margin.

Furthermore, the perimeter of our Agility for Growth strategic plan released in May '16, Euronext reporting within this perimeter a 60% margin for the quarter or 61.8% for the first half of 2018 within the 61% to 63% target range announced in May '16.

The cost discipline continue to be [integral] part of our strategy with cumulative cost savings reaching EUR 18.8 million at the end of the quarter, out of the targeted EUR 22 million by 2019. As a result, this good performance translated into a 5% increase in reported net income due to higher restructuring cost, 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 6. At the end of June, Euronext successfully completed the migration of its cash markets to Optiq, our new proprietary trading platform. These major milestones reinforces Euronext as a technology leader within the industry and creates long-term sustainable value for all our stakeholders. For all clients first, Optiq brings immediate benefits and performance on capacity, on stability, on scalability. Our new platform developed in-house and codesigned with market participants provides with a [harmonized] access to all asset classes allowing a variety of market models and easing the launch of new products and services over time.

But also for our shareholders, Optiq reinforces Euronext's positioning as a market infrastructure technology leader. Our new proprietary platform enhance our independence, for sure, but also strengthened the value proposition of our federal model to new exchanges who might be willing to join Euronext or might be willing to use this platform. And clearly, at the operating level, the high performance of Optiq also allows for a significant optimized hardware footprint.

Also the migration of our cash markets represents a new step in deployment of Optiq following first successful launch of 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 market paves the way for new development. First, the planned migration of Euronext Dublin to Optiq, the launch of our MTFs to 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 Euronext derivatives markets.

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

Giorgio Modica - *Euronext N.V. - CFO*

Thank you, Stéphane. Good morning and welcome, everybody. Let's start on Slide 8. In the second quarter 2018, Euronext consolidated revenue increased EUR 20 million or 14.6% to EUR 157.3 million, mainly thanks to the growing importance of our revenue diversification initiative with Euronext Dublin contributing to the top line EUR 8.7 million; FastMatch, EUR 5.6 million; and Agililty for Growth, EUR 4 million. Listing revenue increased 20.3% as a result of the consolidation of Euronext Dublin, Corporate Services contribution into primary markets offsetting sales flow activity in the secondary market.

Despite relatively stable market this quarter, year-on-year trading revenue reported good performance, thanks to the improved revenue capture notably on cash trading, which generated and translated into additional EUR 3.6 million in revenues. Our year-on-year top line growth continue to benefit from the base effect related to FastMatch acquisition in the third quarter of 2017 with spot FX trading generating EUR 5.6 million this quarter. Market data and indices performance was strong as well, revenue up 12.9% to EUR 29.4 million as a result of the new market data agreement and a good performance on indices.

Finally, nonvolume-related revenues remained stable at 44% of total group revenue. As a matter of fact, the addition of fixed revenue from Corporate Service and Euronext Dublin are offset by the consolidation of FastMatch trading revenues and the good performance of cash and derivative trading activities. Operating cost coverage ratio for the quarter was 100%.

Moving to Slide 9 for listing. In the second quarter of 2018, listing revenue increased 20.3% to EUR 28.4 million. This performance was supported by the first contribution of Euronext Dublin to the group P&L with EUR 6.1 million, Corporate Service incremental revenues and group primary market activities balancing the weak performance of follow-on. This quarter, you find a new breakdown of listing revenues 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 market. We reported 10 new listing in the second quarter of 2018 compared to 9 listing last year. 7 out of these 10 listing 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 unfavorable comparison with the second quarter of 2017, which was a record quarter for secondary equity issues.

Moving to debt. Our franchise record a strong increase in revenues, thanks to the consolidation of Euronext Dublin that position Euronext as the world leading listing venue for debt. Finally, Corporate Services, part of our Agility for Growth initiatives, generated EUR 3.8 million in revenues supported by the continued intense commercial activity.

Moving to Slide 10. Cash trading revenue increased 7.1% to EUR 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 EUR 8.4 billion as volatility remains subdued. We also need to consider last year during the second quarter volumes were also supported by the election cycle in Europe.

Our market share remains strong at 66.1%, up 1.9 points, thanks to Euronext's superior liquidity and quality of execution, supported by the continued optimization of the SLP program, the nonmember OMEGA pack and Best of Book program for retail flows. Average yields increased to 0.51 basis points, a good increase year-on-year and a level in line with the first quarter of 2018. EPS continue 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 EUR 10.9 million. The yield is up to 0.29 euro per loss 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's open position to Euronext, which was executed at marginal rate. Furthermore, derivative ADV is down 4.5% to 602,000 loss, 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 program designed to develop the nonphysical market also continue to get traction and contributed to the good performance of the quarter.

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

Moving now to Slide 12. Market data and indices performance went well this quarter with revenue up nearly 13% to EUR 29.4 million, supported by the new market data agreements and the good performance of indices. Revenue from market solution and others increased 7.4% to EUR 9 million. The business benefit from the first commercial releases of Optiq for our international clients and from increased activity for SFTI and colo services.

Clearing revenues increased 10.3% to EUR 14.6 million, reflecting stronger contribution and stronger activity of commodity derivatives in this quarter. Revenue from custody and settlement increased 6.4% to EUR 5.6 million, driven by increase of public debt and equity under custody of Interbolsa. We are also pleased to report that Interbolsa is among the first CDS (sic) [CSDs] licensed to operate according to the new CSD regulation.

Moving to Slide 13. EBITDA grew nearly 12% to EUR 88.6 million with a margin of 56.3%, only down 1.4% from the second quarter of 2017. Operational expenses, including D&A, grew by 18.3%, mainly due to 2 elements: the acquisition -- the new acquisition, namely Euronext Dublin and FastMatch; and the negative one-off of around EUR 1.5 million, which consists of several items, among which EUR 1.7 million of stamp duty for the acquisition of Euronext Dublin.

Our continued discipline is key to this performance with saving in the core business partially offsetting the additional costs coming from the acquired companies and related one-off integration costs. Cumulated gross cost saving amounted to EUR 18.8 million this quarter, up EUR 2.6 million compared to the end of 2018. I remind you that our objective for 2019 is EUR 22 million of savings, gross of inflation.

If we look at our Agility for Growth EBITDA target of 61% to 63% in the second quarter of 2018, the margin reached 60%, up 1.2% 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 cost following the migration of our cash markets to Optiq.

Depreciation and amortization increased mainly due to the EUR 1.8 million of PPA we recorded this quarter for FastMatch, iBabs and Euronext Dublin. Exceptional items were equally up to EUR 6.2 million this quarter as a result primarily of restructuring costs linked to Euronext Dublin and from restructuring costs within other Euronext location.

The result from equity investments are up 37%, thanks to the consolidation of our 11% stake in LCH SA as an equity associate. Euronext net income increased 5% to EUR 56.6 million or an EPS of EUR 0.81, while adjusted EPS is up nearly 14% in the second quarter of 2018 at EUR 0.90 per share compared to EUR 0.79 per share in the second quarter of 2018.

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

Let's move now to Slide 15 (sic) [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% to 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 although these results strengthen our confidence in our ability to deliver our targeted profitability in 2019, this cannot be simply extrapolated for the next quarter. Second, the reduction of Agility for Growth EBITDA margin is not related to a reduction of profitability of Corporate Services, but due to the rollout 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 EUR 1.5 million of one-off of 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 consolidation of Euronext Dublin and by higher tax paid related to the 2017 fiscal exercise as the profit of '17 have significantly increased versus the profit of 2016. As you can see, despite our EUR 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 remains strong at the end of the second quarter with more than EUR 600 million of available liquidity.

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

Stéphane Boujnah - *Euronext N.V. - CEO & Chairman of the Managing Board*

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 the 12th of 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.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question is from the line of Philip Middleton from Merrill Lynch.

Philip David Middleton - *BofA Merrill Lynch, Research Division - Analyst*

So I wonder could 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 would have expected operating margin and Q2 a bit lower.

Stéphane Boujnah - *Euronext N.V. - CEO & Chairman of the Managing Board*

Thank you, Philip. Giorgio is going to take your 2 questions.

Giorgio Modica - *Euronext N.V. - CFO*

Yes, let me start. The seasonality is mainly within Corporate Services and this is linked to mainly pre- and post-listing services where 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 the -- 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 developments 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 EUR 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.

Operator

And next question is from the line of Ron Heijdenrijk from ABN AMRO.

Ron Heijdenrijk - *ABN AMRO Bank N.V., Research Division - Analyst*

Can you hear me? Hello, can you hear me?

Stéphane Boujnah - *Euronext N.V. - CEO & Chairman of the Managing Board*

Yes.

Ron Heijdenrijk - *ABN AMRO Bank N.V., Research Division - Analyst*

Oh, perfect. It's Ron Heijdenrijk,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 EUR 1.5 million or was it EUR 1.7 million in stamp duty? And are there any other elements in there in other cost line? My second question is on market data. Have you seen any large audit files this quarter? Then I have a third question on the listing revenues, the EUR 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?

Stéphane Boujnah - *Euronext N.V. - CEO & Chairman of the Managing Board*

Okay. So Giorgio will take your first 3 questions and I'll answer the M&A one.

Giorgio Modica - *Euronext N.V. - CFO*

So let's start. So the 1.5 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. So the 2 numbers are both correct. Net-net, with all the different elements, the one-off is 1.5, after which the stamp duty is the most relevant element. Can you remind me your second question?

Ron Heijdenrijk - *ABN AMRO Bank N.V., Research Division - Analyst*

That was on the market data revenues, audit files.

Giorgio Modica - *Euronext N.V. - CFO*

The market data, yes. Audit files, 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 - *Euronext N.V. - Global Head of Listing, Member of Managing Board & CEO of Euronext Paris*

Yes, it's Anthony speaking. The EUR 6.6 million covers both placements and the yearly fees for debt.

Ron Heijdenrijk - *ABN AMRO Bank N.V., Research Division - Analyst*

So those are all yearly fees?

Anthony Attia - *Euronext N.V. - Global Head of Listing, Member of Managing Board & CEO of Euronext Paris*

Yes. No, no, both.

Giorgio Modica - *Euronext N.V. - CFO*

No, it's a combination of the 2.

Ron Heijdenrijk - *ABN AMRO Bank N.V., Research Division - Analyst*

And could you perhaps for us split those out?

Giorgio Modica - *Euronext N.V. - CFO*

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.

Stéphane Boujnah - *Euronext N.V. - CEO & Chairman of the Managing Board*

On your question about M&A, the ambition of Euronext remains the one we have stated over the past 2 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 acquisition that can contribute to achieving this objective, we are closely monitoring those situations.

Operator

Next question is from the line of Arnaud Giblat from Exane.

Arnaud Maurice Andre Giblat - *Exane BNP Paribas, Research Division - MD & Research Analyst*

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?

Giorgio Modica - *Euronext N.V. - CFO*

Yes. 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 therefore, the revenues are going -- not to be recorded all upfront but spread over time. And therefore, clearly, it gives further solidity to that line. But you should not expect a 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 2 big initiatives, which will make out for the most significant part of our targets are 2. The first one is sign-ups 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 2 initiatives that will contribute the most to our EUR 55 million target in '19.

Operator

And next question is from the line of Anil Sharma from Morgan Stanley.

Anil Kumar Sharma - *Morgan Stanley, Research Division - Equity Analyst*

It's Anil Sharma from Morgan Stanley. Just 2 questions, please. First, the Optiq platform, is everything any cost savings you anticipate from that as you 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 net savings, looks like you're already almost at EUR 19 million of cost savings. So I mean, the EUR 22 million cost-saving target by sort of next year looks pretty light. You should be potentially beating that. So just wondering if you could give us an update on that and how we should be thinking about that cost-saving target?

Stéphane Boujnah - *Euronext N.V. - CEO & Chairman of the Managing Board*

Giorgio?

Giorgio Modica - *Euronext N.V. - CFO*

Yes. I will take the 2 questions. So if on the one side, as you -- you correctly highlighted, Optiq is going to be a trigger for further cost saving. At the moment, those cost saving will fall within the EUR 22 million bucket debt finance at the beginning of Agility for Growth program. And this pretty much answer also your second question, i.e. at the moment, we restate our target of EUR 22 million to be reached by the end of '19. And clearly, we will cost until over time much further opportunity to reach cost savings and communicate those in due time.

Operator

And next question is from the line of Owen Jones from Citigroup.

Owen E Jones - *Citigroup Inc, Research Division - Analyst*

I have a couple of questions, please. The first one is with regards to the revenue per lot from your derivative business. I think you said at the time of the transfer from TOM that you had no intention to change dramatically that pricing model, and I was wondering firstly if that was still the case? And then the increase that we see in terms of revenue per lot during the period, is that just a function of, I think as you mentioned, the marginal rate of 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 sizable jump in the period, I think you mentioned that comes from a new agreement. Is there any significant concentration within, i.e. are they coming from mostly one customer? And should we use that now as a credible run rate going forward for our modeling?

Giorgio Modica - *Euronext N.V. - CFO*

Yes. Perfect. So let's start with the -- 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 good performance of commodities, which on the other side are more yield accretive. And clearly, this quarter, we do not have the negative impact of the marginal rates of the migration. If you combine the 3 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 possibility for clients to optimize their consumption taking advantage of the provision of MiFID II. So far, we have seen that clients did not fully optimize their consumption. So on the one side, we would have thought of having a slight reduction of revenues in this quarter which did not happen. So therefore, the stability of that client really depends on the stickiness of clients' consumption behaviors, 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 questions. Can you remind me your third one?

Owen E Jones - *Citigroup Inc, Research Division - Analyst*

That was my -- that was really the 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 not planning to put any pricing increases through on that particular piece of activity?

Giorgio Modica - *Euronext N.V. - CFO*

I mean, clearly, pricing optimization and finding ways to optimize 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 therefore, clearly, we are thinking of pricing throughout -- all product range. At the moment, we do not have specific communication to do with respect to the derivatives, our derivative franchise.

Operator

And next question is from the line of Johannes Thormann from HSBC.

Johannes Thormann - *HSBC, Research Division - Global Head of Exchanges and Analyst*

This is 3 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 compared to 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 -- you're still flat, 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 -- the adjusted cost run rate for Q3 to look at if you say we had the stamp duty and the cost and everything. Could you also break down what was in the EUR 9 million so we get a feeling what has really been exceptional and what is not?

Stéphane Boujnah - *Euronext N.V. - CEO & Chairman of the Managing Board*

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.

Anthony Attia - *Euronext N.V. - Global Head of Listing, Member of Managing Board & CEO of Euronext Paris*

All right. 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 the seasonality on a regular basis every year. Nevertheless, the trend is to grow the top line year after year. We are cross-fertilizing our client base between traditional listing clients and nonissuers. And so we should expect regular growth for the next 2 quarters.

Giorgio Modica - *Euronext N.V. - CFO*

Yes. Now for your other 2 questions. The first one is around FastMatch. The first comment I would like to do is the profitability of the company has increased in the last 12 months around 50%, 5-0, since the acquisition and it performs in line with our target. So we are extremely happy of the acquisitions. 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 peaked over USD 100 billion and then -- and has a run rate of around 70. And this is a big success and we will see ways to monetize that. And we have further projects that we will communicate in due time. On your last question, a few consideration. The first one is that as a policy, we do not adjust numbers because we believe that this is a kind of a subjective exercise. So we try to give an indication of whether the negative news or positive news in a specific quarter were 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 normalized EBITDA margin. And when it comes to run rate and breakdown of restructuring costs, again, we do not provide those outside of the usual guidelines that we provide in terms of Agility for Growth targets for 2019.

Operator

And the next question comes from the line of Anil Akbar from Kempen.

Syed Anil Akbar - *Kempen & Co. N.V., Research Division - Analyst*

One question regarding the ETF volumes. What exactly is happening that's why it hasn't been so weak? Because if you look at some of the other parties that report ETF volumes what they show is most of these have fallen onto RFQ platforms. Are you guys seeing the same thing and fewer volumes on the exchange as a result? Or is it something, just seasonal slowdown? And the other question is on the EUR 55 million Agility for Growth.

I still don't get, like, what -- how exactly are you going to reach that EUR 55 million target that you have by 2019 given the fact that you've just had, like, EUR 8 million in the first half? What exactly should we expect in the next 2 quarters a significant increase? And how exactly are you going to do this?

Giorgio Modica - *Euronext N.V. - CFO*

Okay. So first, I mean, our top line is partially related to volatility and the different asset classes have different correlation 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 trends as a part of our Agility for Growth, we -- with the finance target to launch an MTF to ETF, 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 will be a real innovation in Europe and within regulated exchanges, will include as well a refusal 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 EUR 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 that 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 result of the year. But I leave the floor to Stéphane.

Stéphane Boujnah - *Euronext N.V. - CEO & Chairman of the Managing Board*

Yes, 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 it was clearly articulated by Giorgio, there is a very diverse level of advancement. The most advanced one being Corporate Services, which is good news because this is by far the largest ambition out of the Agility for Growth things. There are other platforms that are clearly live and we do which has been getting.critical size of memberships but not yet enough traction and liquidity. So the developments ought 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 the annual results, as we have done at the beginning of this year when we announced the revision then launched from EUR 70 million to EUR 55 million. So let's keep that pace for update.

Operator

And next question is from the line of Kyle Voigt from KBW.

Kyle Kenneth Voigt - *Keefe, Bruyette, & Woods, Inc., Research Division - Associate*

Just one question on capital deployment. Looks like you have close to EUR 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 when you consider increasing repurchases at some point? Or is this excess cash really earmarked for doing more M&A in the back half of the year?

Stéphane Boujnah - *Euronext N.V. - CEO & Chairman of the Managing Board*

Okay. The strategy on capital deployment is consistent over the past 3 years. We have a consistent dividend policy of distributing 50% of reported earnings with a dividend floor of EUR 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 grow -- and create value for shareholders by deploying its capital through excellent 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 plans, so after 2019 is over, we are still in a situation where we are sitting on a significant amount of cash without having being in a position to capture the right acquisitions, we have made clear on a few occasions that we will propose to Supervisory Board the right special distribution in whatever form makes more sense in due course, special dividends or share buyback. But that's not the priority for the moment until we are fully explored the dynamics of our sector.

Kyle Kenneth Voigt - *Keefe, Bruyette, & Woods, Inc., Research Division - Associate*

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

Giorgio Modica - *Euronext N.V. - CFO*

Yes. So what you should consider as tax rate is something which is now closer to 30% and 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.

Operator

And next question is from the line of Martin Price from Credit Suisse.

Martin Price - *Crédit Suisse AG, Research Division - Research Analyst*

Most of my questions have been answered, actually, but just a quick follow-up on the Agility for Growth program. Are you still confident you can deploy the remaining capital within the scope of that strategic plan? And should we assume that this plays a significant role in derisking the EUR 55 million revenue target you have for next year?

Giorgio Modica - *Euronext N.V. - CFO*

I mean, there are 2 elements. So the first element is so far, we expensed around EUR 60 million out of the original envelope between EUR 100 million and EUR 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 role, which is to be financially disciplined, which means that, clearly, we -- this is a part in which we invest a lot of our time. We screen opportunities not only for more transformational deals, but also bolt-on acquisition for Agility for Growth. We have executed one that seems 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 will be able to find between now and the end of the plan.

Martin Price - *Crédit Suisse AG, Research Division - Research Analyst*

Okay. So I guess, you're still confident you could hit the EUR 55 million, absent any bolt-on M&A within the scope of Agility for Growth.

Giorgio Modica - *Euronext N.V. - CFO*

What we can say that is that we stick to our EUR 55 million target.

Operator

And next question is from the line of Gurjit Kambo from JPMorgan.

Gurjit Singh Kambo - *JP Morgan Chase & Co, Research Division - Head of Diversified Financials Research*

My name is Gurjit Kambo, JPMorgan. 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 and then return on investment sort of leverage targets should be [happy] to move up to? And also, is there a lot of opportunities out, but pricing is expensive, just to get a feel for how the landscape looks like for M&A?

Giorgio Modica - *Euronext N.V. - CFO*

Yes, 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's for certain assets, we might be a more suitable buyer than others. An asset that could make the difference from us would be relevant for others. So the way you should look at that is that it's not that there are limited possibility, but we see concrete chances for us to change our business profile in the next quarter. So opportunity are still available at the right price. When it comes to the financial metric we use, we stick to fundamental valuations. And the (inaudible) out of the different parameter that we apply is a return on invested capital in year 3 higher than our cost of capital. And at the moment, our cost of capital is assumed to be in a range between 8% and 9%.

Operator

Next question is from the line of [Darren Geller] from Bloomberg.

Unidentified Analyst

Just a question on any update, observations you've seen 7 months into MiFID II and in particular whether the SI regime may have taken some volumes away from exchanges?

Stéphane Boujnah - *Euronext N.V. - CEO & Chairman of the Managing Board*

This is Stéphane. Clearly, MiFID II had some ambitious objectives in terms of moving volumes from the top goals in the OTC world towards the intermediate market. MiFID II provided for 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 picking news beyond.(inaudible) pure flexibility too. 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 excise issues, but other ones as well. And so I will not consider that on the long run the current situation and the current framework is going to prevail. There will be secondary adjustment to. MiFID II try clarify the scope and the purpose of Systematic Internaliser 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 - *Euronext N.V. - CEO & Chairman of the Managing Board*

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

Operator

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