# CME Group Inc. Reports First-Quarter 2019 Financial Results

May 1, 2019

CHICAGO, May 1, 2019 /PRNewswire/ -- CME Group Inc. (NASDAQ: CME) today reported financial results for the first quarter of 2019.

The company reported revenue of $1.2 billion and operating income of $631 million for the first quarter of 2019. Net income was $497 million and diluted earnings per share were $1.39. On an adjusted basis, net income was $579.2 million and diluted earnings per share were $1.62. Financial results presented on an adjusted basis for the first quarter of 2019 and 2018 exclude certain items, which are detailed in the reconciliation of non-GAAP results.[1]

"Despite low levels of volatility in several product areas, we delivered our third-highest quarterly volume in our history during the first quarter, driven by continued product innovation and a growing proportion of our volume from customers outside the U.S.," said CME Group Chairman and Chief Executive Officer Terry Duffy. "In addition, we continue to focus on the NEX integration and have been heavily engaged with clients about our expanded offerings. Lastly, our expense control remained solid during the first quarter of 2019."

First-quarter 2019 average daily volume (ADV) was 18.6 million contracts, which was the third-highest quarter ever, down from a record first-quarter 2018. Non-U.S. ADV also marked the third-highest quarterly ADV ever with 4.7 million contracts, down compared with a record first-quarter 2018.

**1. A reconciliation of the non-GAAP financial results mentioned to the respective GAAP figures can be found within the Reconciliation of GAAP to non-GAAP Measures chart at the end of the financial statements and earnings presentation materials.**

Clearing and transaction fees revenue for first-quarter 2019 totaled just over $952.6 million and the total average rate per contract was $0.713, up 2 percent compared with $0.697 in fourth-quarter 2018. This was driven in part by increased activity in higher priced products. Market data revenue totaled $130.1 million for first-quarter 2019.

As of March 31, 2019, the company had $1.1 billion in cash (including $100 million deposited with Fixed Income Clearing Corporation (FICC) and included in other current assets) and $4.3 billion in debt. The company paid dividends during the first quarter of $892 million, including the annual variable dividend for 2018 of $624 million, which was paid in January 2019. The company has returned approximately $11.5 billion to shareholders in the form of dividends since the implementation of the variable dividend policy in early 2012.

**CME Group will hold a Q&A conference call to discuss first-quarter 2019 results at 8:30 a.m. Eastern Time today. A live audio webcast of the Q&A call will be available on the Investor Relations section of CME Group's website at www.cmegroup.com. An archived recording will be available for up to two months after the call.**

As the world's leading and most diverse derivatives marketplace, CME Group (www.cmegroup.com) enables clients to trade futures, options, cash and OTC markets, optimize portfolios, and analyze data – empowering market participants worldwide to efficiently manage risk and capture opportunities. CME Group exchanges offer the widest range of global benchmark products across all major asset classes based on interest rates, equity indexes, foreign exchange, energy, agricultural products and metals. The company offers futures and options on futures trading through the CME Globex® platform, fixed income trading via BrokerTec and foreign exchange trading on the EBS platform. In addition, it operates one of the world's leading central counterparty clearing providers, CME Clearing. With a range of pre- and post-trade products and services underpinning the entire lifecycle of a trade, CME Group also offers optimization and reconciliation services through TriOptima, and trade processing services through Traiana.

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*Statements in this press release that are not historical facts are forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied in any forward-looking statements. We want to caution you not to place undue reliance on any forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Among the factors that might affect our performance are increasing competition by foreign and domestic entities, including increased competition from new entrants into our markets and consolidation of existing entities; our ability to keep pace with rapid technological developments, including our ability to complete the development, implementation and maintenance of the enhanced functionality required by our customers while maintaining reliability and ensuring that such technology is not vulnerable to security risks; our ability to continue introducing competitive new products and services on a timely, cost-effective basis, including through our electronic trading capabilities, and our ability to maintain the competitiveness of our existing products and services, including our ability to provide effective services to the swaps market; our ability to adjust our fixed costs and expenses if our revenues decline; our ability to maintain existing customers, develop strategic relationships and attract new customers; our ability to expand and globally offer our products and services; changes in regulations, including the impact of any changes in laws or government policy with respect to our products or services or our industry, such as any changes to regulations and policies that require increased financial and operational resources from us or our customers; the costs associated with protecting our intellectual property rights and our ability to operate our business without violating the intellectual property rights of others; decreases in revenue from our market data as a result of decreased demand or changes to regulations in various jurisdictions; changes in our rate per contract due to shifts in the mix of the products traded, the trading venue and the mix of customers (whether the customer receives member or non-member fees or participates in one of our various incentive programs) and the impact of our tiered pricing structure; the ability of our credit and liquidity risk management practices to adequately protect us from the credit risks of clearing*

*members and other counterparties, and to satisfy the margin and liquidity requirements associated with the BrokerTec matched principal business; the ability of our compliance and risk management methods to effectively monitor and manage our risks, including our ability to prevent errors and misconduct and protect our infrastructure against security breaches and misappropriation of our intellectual property assets; volatility in commodity, equity and fixed income prices, and price volatility of financial benchmarks and instruments such as interest rates, credit spreads, equity indices, fixed income instruments and foreign exchange rates; economic, political and market conditions, including the volatility of the capital and credit markets and the impact of economic conditions on the trading activity of our current and potential customers; our ability to accommodate increases in contract volume and order transaction traffic and to implement enhancements without failure or degradation of the performance of our trading and clearing systems; our ability to execute our growth strategy and maintain our growth effectively; our ability to manage the risks, control the costs and achieve the synergies associated with our strategy for acquisitions, investments and alliances, including those associated with the acquisition of NEX; our ability to continue to generate funds and/or manage our indebtedness to allow us to continue to invest in our business; industry and customer consolidation; decreases in trading and clearing activity; the imposition of a transaction tax or user fee on futures and options on futures transactions and/or repeal of the 60/40 tax treatment of such transactions; our ability to maintain our reputation; and the unfavorable resolution of material legal proceedings. For a detailed discussion of these and other factors that might affect our performance, see our filings with the Securities and Exchange Commission, including our most recent periodic reports filed on Form 10-K and Form 10-Q.*

**CME Group Inc. and Subsidiaries**
**Consolidated Balance Sheets**
(in millions)

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 997.4 | $ 1,374.5 |
| Marketable securities | 82.4 | 72.9 |
| Accounts receivable, net of allowance | 559.5 | 553.3 |
| Other current assets (includes $1.6 and $1.5 in restricted cash) | 345.7 | 430.5 |
| Performance bonds and guaranty fund contributions | 33,620.2 | 39,455.5 |
| Total current assets | 35,605.2 | 41,886.7 |
| Property, net of accumulated depreciation and amortization | 467.7 | 448.7 |
| Intangible assets—trading products | 17,175.3 | 17,175.3 |
| Intangible assets—other, net | 5,380.6 | 5,500.1 |
| Goodwill | 10,850.3 | 10,805.3 |
| Other assets (includes $1.1 and $1.2 in restricted cash) | 2,135.4 | 1,659.6 |
| Total Assets | $ 71,614.5 | $ 77,475.7 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | $ 65.3 | $ 116.0 |
| Short-term debt | — | 574.2 |
| Other current liabilities | 622.8 | 1,126.9 |
| Performance bonds and guaranty fund contributions | 33,614.6 | 39,455.5 |
| Total current liabilities | 34,302.7 | 41,272.6 |
| Long-term debt | 4,292.0 | 3,826.8 |
| Deferred income tax liabilities, net | 5,662.7 | 5,665.9 |
| Other liabilities | 1,170.6 | 745.1 |
| Total Liabilities | 45,428.0 | 51,510.4 |
| CME Group Shareholders' Equity | 26,157.6 | 25,918.5 |
| Non-controlling interests | 28.9 | 46.8 |
| Total Equity | 26,186.5 | 25,965.3 |
| Total Liabilities and Equity | $ 71,614.5 | $ 77,475.7 |

**CME Group Inc. and Subsidiaries**
**Consolidated Statements of Income**
(dollars in millions, except per share amounts; shares in thousands)

| | Quarter Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Revenues** | | |
| Clearing and transaction fees | $ 952.6 | $ 973.6 |
| Market data and information services | 130.1 | 94.9 |
| Other | 96.9 | 40.5 |
| **Total Revenues** | 1,179.6 | 1,109.0 |
| **Expenses** | | |
| Compensation and benefits | 230.3 | 152.7 |
| Technology | 47.1 | 25.5 |
| Professional fees and outside services | 39.4 | 42.6 |
| Amortization of purchased intangibles | 80.7 | 23.7 |
| Depreciation and amortization | 32.9 | 28.1 |
| Licensing and other fee agreements | 40.5 | 49.5 |

| | | |
|---|---|---|
| Other | 77.7 | 46.0 |
| **Total Expenses** | 548.6 | 368.1 |
| **Operating Income** | 631.0 | 740.9 |
| **Non-Operating Income (Expense)** | | |
| Investment income | 178.7 | 156.4 |
| Interest and other borrowing costs | (48.1) | (30.1) |
| Equity in net earnings (losses) of unconsolidated subsidiaries | 40.5 | 40.1 |
| Other non-operating income (expense) | (161.9) | (118.6) |
| **Total Non-Operating Income (Expense)** | 9.2 | 47.8 |
| **Income before Income Taxes** | 640.2 | 788.7 |
| Income tax provision (benefit) | 144.3 | 189.9 |
| **Net Income** | 495.9 | 598.8 |
| Less: net (income) loss attributable to non-controlling interests | 1.0 | — |
| **Net Income Attributable to CME Group** | $ 496.9 | $ 598.8 |
| **Earnings per Common Share Attributable to CME Group:** | | |
| Basic | $ 1.39 | $ 1.76 |
| Diluted | 1.39 | 1.76 |
| **Weighted Average Number of Common Shares:** | | |
| Basic | 356,886 | 339,305 |
| Diluted | 358,047 | 340,747 |

**CME Group Inc. and Subsidiaries**
**Quarterly Operating Statistics**

| | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 | 1Q 2019 |
|---|---|---|---|---|---|
| **Trading Days** | 61 | 64 | 63 | 64 | 61 |

**Quarterly Average Daily Volume (ADV)[1]**
**CME Group ADV (in thousands)**

| **Product Line** | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 | 1Q 2019 |
|---|---|---|---|---|---|
| Interest rates | 11,948 | 9,200 | 7,798 | 10,919 | 10,313 |
| Equity indexes | 4,096 | 3,086 | 2,671 | 4,510 | 3,161 |
| Foreign exchange | 1,100 | 1,035 | 944 | 942 | 885 |
| Energy | 2,754 | 2,630 | 2,199 | 2,665 | 2,331 |
| Agricultural commodities | 1,593 | 1,734 | 1,348 | 1,248 | 1,381 |
| Metals | 713 | 674 | 623 | 547 | 561 |
| **Total** | 22,204 | 18,359 | 15,584 | 20,831 | 18,633 |
| **Venue** | | | | | |
| CME Globex | 19,796 | 16,644 | 14,082 | 19,024 | 16,576 |
| Open outcry | 1,556 | 1,066 | 938 | 1,128 | 1,284 |
| Privately negotiated | 851 | 649 | 564 | 680 | 773 |
| **Total** | 22,204 | 18,359 | 15,584 | 20,831 | 18,633 |

1. ADV includes futures and options on futures only.

**Average Rate Per Contract (RPC)**
**CME Group RPC**

| **Product Line** | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 | 1Q 2019 |
|---|---|---|---|---|---|
| Interest rates | $ 0.464 | $ 0.491 | $ 0.493 | $ 0.475 | $ 0.481 |
| Equity indexes | 0.781 | 0.797 | 0.761 | 0.715 | 0.757 |
| Foreign exchange | 0.762 | 0.741 | 0.743 | 0.720 | 0.763 |
| Energy | 1.140 | 1.142 | 1.187 | 1.150 | 1.159 |
| Agricultural commodities | 1.246 | 1.274 | 1.258 | 1.261 | 1.246 |
| Metals | 1.367 | 1.403 | 1.379 | 1.428 | 1.488 |
| Average RPC | $ 0.706 | $ 0.757 | $ 0.753 | $ 0.697 | $ 0.713 |

**CME Group Inc. and Subsidiaries**
**Reconciliation of GAAP to non-GAAP Measures**
(dollars in millions, except per share amounts; shares in thousands)

| | Quarter Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| **Net Income Attributable to CME Group** | $ 496.9 | $ 598.8 |
| Restructuring and severance | 3.3 | 1.4 |
| Amortization of purchased intangibles | 80.7 | 23.7 |
| Litigation matters | — | 8.9 |
| Acquisition-related costs(1) | 7.9 | 9.5 |
| Foreign exchange transaction (gains) losses(2) | 7.6 | 1.6 |
| Unrealized and realized (gains) losses on investments | 3.4 | (1.1) |
| Loss on real estate sublease and related costs | 0.4 | — |
| Loss on derivatives | 14.4 | — |
| Income tax effect related to above | (27.8) | (9.3) |
| Other income tax items | (7.6) | — |
| **Adjusted Net Income Attributable to CME Group** | $ 579.2 | $ 633.5 |
| **GAAP Earnings per Common Share Attributable to CME Group:** | | |
| Basic | $ 1.39 | $ 1.76 |
| Diluted | 1.39 | 1.76 |
| **Adjusted Earnings per Common Share Attributable to CME Group:** | | |
| Basic | $ 1.62 | $ 1.87 |
| Diluted | 1.62 | 1.86 |
| **Weighted Average Number of Common Shares:** | | |
| Basic | 356,886 | 339,305 |
| Diluted | 358,047 | 340,747 |

1. Acquisition-related costs include professional fees and stock-based compensation.
2. Results include foreign exchange transaction net gains and losses principally related to cash held in British pounds within entities whose functional currency is the U.S. dollar.

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