



CME Group Inc. Reports Third-Quarter 2019 Financial Results

October 30, 2019

CHICAGO, Oct. 30, 2019 /PRNewswire/ -- CME Group Inc. (NASDAQ: CME) today reported financial results for the third quarter of 2019.

The company reported revenue of \$1.3 billion and operating income of \$685 million for the third quarter of 2019. Net income was \$636 million and diluted earnings per share were \$1.78. On an adjusted basis, net income was \$679 million and diluted earnings per share were \$1.90. Financial results presented on an adjusted basis for the third quarter of 2019 and 2018 exclude certain items, which are detailed in the reconciliation of non-GAAP results.¹

"Clients continued to turn to CME Group markets to manage their risk during this period of increased volatility and geopolitical uncertainty," said CME Group Chairman and Chief Executive Officer Terry Duffy. "Our third-quarter average daily volume surpassed 20 million contracts per day, driven by strong, double-digit growth in interest rates, equity index and metals products, as well as robust trading volumes outside of the U.S. Likewise, our options products and newer, innovative contracts, like SOFR and Micro E-mini Equity futures, contributed to substantial volume growth during the quarter."

Third-quarter 2019 average daily volume (ADV) grew 30% from third-quarter 2018 to 20.2 million contracts per day. CME Group's ADV transacted outside the U.S. reached 5.3 million contracts during the quarter, up 40% compared with third-quarter 2018, including 34% growth in Europe, 61% growth in Asia and 87% growth in greater Latin America.

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 third-quarter 2019 totaled \$1.0 billion and the total average rate per contract was \$0.693, in line with second-quarter 2019. Market data revenue totaled \$130 million for third-quarter 2019.

As of September 30, 2019, the company had \$1.3 billion in cash (including \$100 million deposited with Fixed Income Clearing Corporation (FICC) and included in other current assets) and \$3.9 billion in debt. The company paid dividends during the third quarter of \$268 million. The company has returned over \$12 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 third-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)

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,210.1	\$ 1,374.5
Marketable securities	80.1	72.9
Accounts receivable, net of allowance	545.7	553.3
Other current assets (includes \$5.1 and \$1.5 in restricted cash)	695.1	430.5
Performance bonds and guaranty fund contributions	41,161.3	39,455.5
Total current assets	43,692.3	41,886.7
Property, net of accumulated depreciation and amortization	517.3	448.7
Intangible assets—trading products	17,175.3	17,175.3
Intangible assets—other, net	5,161.2	5,500.1
Goodwill	10,774.4	10,805.3
Other assets (includes \$0.9 and \$1.2 in restricted cash)	2,097.1	1,659.6
Total Assets	<u>\$ 79,417.6</u>	<u>\$ 77,475.7</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	\$ 61.5	\$ 116.0
Short-term debt	—	574.2
Other current liabilities	691.6	1,126.9
Performance bonds and guaranty fund contributions	41,160.4	39,455.5
Total current liabilities	41,913.5	41,272.6
Long-term debt	3,873.3	3,826.8
Deferred income tax liabilities, net	5,614.4	5,665.9
Other liabilities	1,203.1	745.1
Total Liabilities	52,604.3	51,510.4
CME Group Shareholders' Equity	26,783.2	25,918.5
Non-controlling interests	30.1	46.8
Total Equity	26,813.3	25,965.3
Total Liabilities and Equity	<u>\$ 79,417.6</u>	<u>\$ 77,475.7</u>

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

	<u>Quarter Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues				
Clearing and transaction fees	\$ 1,040.7	\$ 752.5	\$ 3,045.1	\$ 2,632.2
Market data and information services	129.8	110.7	388.2	319.4
Other	106.8	41.0	296.3	121.2
Total Revenues	1,277.3	904.2	3,729.6	3,072.8
Expenses				
Compensation and benefits	223.5	144.9	681.1	448.4
Technology	52.7	24.7	148.4	75.4
Professional fees and outside services	43.2	31.3	124.3	105.8

Amortization of purchased intangibles	79.8	23.7	236.6	71.0
Depreciation and amortization	41.4	30.2	120.6	85.8
Licensing and other fee agreements	45.6	33.4	130.9	122.8
Other	105.9	66.1	272.9	205.9
Total Expenses	592.1	354.3	1,714.8	1,115.1
Operating Income	685.2	549.9	2,014.8	1,957.7
Non-Operating Income (Expense)				
Investment income	172.3	161.5	490.3	559.8
Interest and other borrowing costs	(42.8)	(45.0)	(136.0)	(108.2)
Equity in net earnings (losses) of unconsolidated subsidiaries	48.0	37.1	132.3	113.6
Other non-operating income (expense)	(139.5)	(141.7)	(435.9)	(415.6)
Total Non-Operating Income (Expense)	38.0	11.9	50.7	149.6
Income before Income Taxes	723.2	561.8	2,065.5	2,107.3
Income tax provision (benefit)	86.9	150.0	418.7	530.6
Net Income	636.3	411.8	1,646.8	1,576.7
Less: net (income) loss attributable to non-controlling interests	—	—	0.2	—
Net Income Attributable to CME Group	\$ 636.3	\$ 411.8	\$ 1,647.0	\$ 1,576.7
Earnings per Common Share Attributable to CME Group:				
Basic	\$ 1.78	\$ 1.21	\$ 4.61	\$ 4.64
Diluted	1.78	1.21	4.60	4.62
Weighted Average Number of Common Shares:				
Basic	357,211	339,586	357,054	339,453
Diluted	358,369	341,035	358,201	340,907

CME Group Inc. and Subsidiaries
Quarterly Operating Statistics

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

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

Product Line	3Q 2018	4Q 2018	1Q 2019	2Q 2019	3Q 2019
Interest rates	7,798	10,919	10,313	11,593	10,868
Equity indexes	2,671	4,510	3,161	3,480	3,931
Foreign exchange	944	942	885	874	850
Energy	2,199	2,665	2,331	2,498	2,456
Agricultural commodities	1,348	1,248	1,381	1,839	1,320
Metals	623	547	561	633	821
Total	15,584	20,831	18,633	20,918	20,247
Venue					
CME Globex	14,082	19,024	16,576	18,505	18,282
Open outcry	938	1,128	1,284	1,501	1,177
Privately negotiated	564	680	773	912	788
Total	15,584	20,831	18,633	20,918	20,247

1. ADV includes futures and options on futures only.

Average Rate Per Contract (RPC)
CME Group RPC

Product Line	3Q 2018	4Q 2018	1Q 2019	2Q 2019	3Q 2019
Interest rates	\$ 0.493	\$ 0.475	\$ 0.481	\$ 0.476	\$ 0.500
Equity indexes	0.761	0.715	0.757	0.676	0.612
Foreign exchange	0.743	0.720	0.763	0.713	0.720
Energy	1.187	1.150	1.159	1.139	1.137
Agricultural commodities	1.258	1.261	1.246	1.222	1.234
Metals	1.379	1.428	1.488	1.455	1.414
Average RPC	\$ 0.753	\$ 0.697	\$ 0.713	\$ 0.693	\$ 0.693

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net Income Attributable to CME Group	\$ 636.3	\$ 411.8	\$ 1,647.0	\$ 1,576.7
Restructuring and severance	4.1	0.2	14.4	1.9
Amortization of purchased intangibles	79.8	23.7	236.6	71.0
Litigation matters	—	—	—	10.3
Acquisition-related costs ⁽¹⁾	8.2	6.7	22.7	21.0
Foreign exchange transaction (gains) losses ⁽²⁾	(0.7)	15.6	1.7	64.5
Acceleration of contractual commitments	(1.3)	—	(1.3)	0.7
Unrealized and realized (gains) losses on investments	(6.6)	3.4	20.1	(85.9)
Loss on real estate sublease and related costs	—	—	5.4	—
Loss on derivatives	1.2	14.5	17.9	51.4
Realized and unrealized (gains) losses on assets ⁽³⁾	46.6	11.0	78.8	11.0
Debt costs related to acquisition	—	13.3	—	16.8
Income tax effect related to above	(36.0)	(17.1)	(93.3)	(32.6)
Other income tax items ⁽⁴⁾	(52.4)	11.9	(60.0)	13.1
Adjusted Net Income Attributable to CME Group	<u>\$ 679.2</u>	<u>\$ 495.0</u>	<u>\$ 1,890.0</u>	<u>\$ 1,719.9</u>
GAAP Earnings per Common Share Attributable to CME Group:				
Basic	\$ 1.78	\$ 1.21	\$ 4.61	\$ 4.64
Diluted	1.78	1.21	4.60	4.62
Adjusted Earnings per Common Share Attributable to CME Group:				
Basic	\$ 1.90	\$ 1.46	\$ 5.29	\$ 5.07
Diluted	1.90	1.45	5.28	5.05
Weighted Average Number of Common Shares:				
Basic	357,211	339,586	357,054	339,453
Diluted	358,369	341,035	358,201	340,907

1. Acquisition-related costs primarily include professional fees related to the NEX transaction.

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.

3. Results include net gains and losses on intangible assets, fixed assets and assets held for sale.

4. Income tax benefit primarily from the deduction for income derived from servicing foreign customers.

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