CME Group Inc. Reports Second-Quarter 2020 Financial Results

July 29, 2020

CHICAGO, July 29, 2020 /PRNewswire/ -- CME Group Inc. (NASDAQ: CME) today reported financial results for the second quarter of 2020.

The company reported revenue of $1.2 billion and operating income of $638 million for the second quarter of 2020. Net income was $503 million and diluted earnings per share were $1.40. On an adjusted basis, net income was $583 million and diluted earnings per share were $1.63. Financial results presented on an adjusted basis for the second quarter of 2020 and 2019 exclude certain items, which are detailed in the reconciliation of non-GAAP results.[1]

"Despite the difficult circumstances the coronavirus pandemic has caused around the world, our markets have continued to help clients manage their risk and navigate uncertainty," said CME Group Chairman and Chief Executive Officer Terry Duffy. "I am extremely proud of the way our employees have ensured the resiliency of our systems and effective operations of our markets while working from home. During this time, we have continued to deliver innovative new products, including the reintroduction of our 3-Year Treasury Note futures earlier this month, as well as new options on our highly successful Micro E-mini Equity futures that will begin trading in August. We also remain focused on the increased value we will provide to market participants through the migration of our BrokerTec business to CME Globex in Q4. As we look ahead, we remain committed to promoting the safety of our employees while continuing to facilitate the risk transfer and price discovery needed to help business and economies everywhere recover from this crisis."

Second-quarter 2020 ADV was 17.6 million contracts, including non-U.S. ADV of 4.9 million contracts.

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 second-quarter 2020 totaled $940.2 million. The total average rate per contract was $0.731. Market data revenue totaled $134.7 million for second-quarter 2020.

As of June 30, 2020, the company had approximately $1.5 billion in cash (including $125 million deposited with Fixed Income Clearing Corporation (FICC) and included in other current assets) and $3.4 billion of debt. The company paid dividends during the second quarter of $304 million. The company has returned approximately $13.8 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 Second-quarter 2020 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 at substantially similar trading levels, 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; our dependence on third-party providers and exposure to risk through third-parties, including risks related to the performance, reliability and security of technology used by our third-party providers; 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, social, 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; the impact of the (COVID-19) pandemic and response by governments and other third parties; 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 brand and 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)

	June 30, 2020	December 31, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,405.4	$ 1,551.4
Marketable securities	88.1	83.2
Accounts receivable, net of allowance	532.1	491.8
Other current assets (includes $4.4 and $4.3 in restricted cash)	319.2	364.4
Performance bonds and guaranty fund contributions	79,441.4	37,077.0
Total current assets	81,786.2	39,567.8
Property, net of accumulated depreciation and amortization	538.6	544.0
Intangible assets—trading products	17,175.3	17,175.3
Intangible assets—other, net	4,931.7	5,117.7
Goodwill	10,742.5	10,742.5
Other assets (includes $0.7 and $0.9 in restricted cash)	2,040.5	2,068.0
Total Assets	$ 117,214.8	$ 75,215.3
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	$ 88.0	$ 61.9
Other current liabilities	672.5	1,384.8
Performance bonds and guaranty fund contributions	79,440.9	37,075.8
Total current liabilities	80,201.4	38,522.5
Long-term debt	3,440.9	3,743.2
Deferred income tax liabilities, net	5,607.3	5,635.2
Other liabilities	1,126.3	1,155.1
Total Liabilities	90,375.9	49,056.0
CME Group Shareholders' Equity	26,807.9	26,128.9
Non-controlling interests	31.0	30.4
Total Equity	26,838.9	26,159.3
Total Liabilities and Equity	$ 117,214.8	$ 75,215.3

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

	Quarter Ended June 30,		Six Month Ended, June 30,	
	2020	**2019**	**2020**	**2019**
Revenues				
Clearing and transaction fees	$ 940.2	$1,051.8	$ 2,219.0	$ 2,004.4
Market data and information services	134.7	128.3	266.2	258.4
Other	107.4	92.6	219.2	189.5
Total Revenues	1,182.3	1,272.7	2,704.4	2,452.3
Expenses				
Compensation and benefits	217.0	227.3	424.5	457.6

Technology	49.1	48.6	96.8	95.7
Professional fees and outside services	51.2	41.7	92.9	81.1
Amortization of purchased intangibles	76.6	76.1	153.9	156.8
Depreciation and amortization	36.7	46.3	72.0	79.2
Licensing and other fee agreements	55.4	44.8	129.3	85.3
Other	58.8	89.3	137.6	167.0
Total Expenses	544.8	574.1	1,107.0	1,122.7
Operating Income	637.5	698.6	1,597.4	1,329.6
Non-Operating Income (Expense)				
Investment income	32.1	139.3	128.0	318.0
Interest and other borrowing costs	(41.9)	(45.1)	(82.8)	(93.2)
Equity in net earnings (losses) of unconsolidated subsidiaries	48.8	43.8	100.0	84.3
Other non-operating income (expense)	(15.2)	(134.5)	(92.0)	(296.4)
Total Non-Operating Income (Expense)	23.8	3.5	53.2	12.7
Income before Income Taxes	661.3	702.1	1,650.6	1,342.3
Income tax provision	158.0	187.5	380.5	331.8
Net Income	503.3	514.6	1,270.1	1,010.5
Less: net (income) loss attributable to non-controlling interests	—	(0.8)	(0.6)	0.2
Net Income Attributable to CME Group	$ 503.3	$ 513.8	$ 1,269.5	$ 1,010.7
Earnings per Common Share Attributable to CME Group:				
Basic	$ 1.41	$ 1.44	$ 3.55	$ 2.83
Diluted	1.40	1.43	3.54	2.82
Weighted Average Number of Common Shares:				
Basic	357,691	357,060	357,607	356,973
Diluted	358,457	358,155	358,453	358,103

CME Group Inc. and Subsidiaries
Quarterly Operating Statistics

	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020
Trading Days	63	64	64	62	63

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

Product Line	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020
Interest rates	11,593	10,868	8,638	13,813	6,890
Equity indexes	3,480	3,931	3,252	6,498	5,568
Foreign exchange	874	850	839	1,079	725
Energy	2,498	2,456	2,213	3,228	2,586
Agricultural commodities	1,839	1,320	1,278	1,506	1,311
Metals	633	821	652	889	519
Total	20,918	20,247	16,872	27,013	17,599
Venue					
CME Globex	18,505	18,282	15,356	24,582	16,992
Open outcry [2]	1,501	1,177	867	1,281	—
Privately negotiated	912	788	650	1,149	607
Total	20,918	20,247	16,872	27,013	17,599

Quarterly Average Rate Per Contract (RPC)[1]
CME Group RPC

Product Line	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020
Interest rates	$ 0.476	$ 0.500	$ 0.507	$ 0.488	$ 0.510
Equity indexes	0.676	0.612	0.654	0.616	0.574
Foreign exchange	0.713	0.720	0.732	0.721	0.786
Energy	1.139	1.137	1.133	1.108	1.191
Agricultural commodities	1.222	1.234	1.242	1.260	1.316
Metals	1.455	1.414	1.344	1.429	1.518
Average RPC	$ 0.693	$ 0.693	$ 0.717	$ 0.676	$ 0.731

1. ADV and RPC includes futures and options on futures only.
2. The trading floor was temporarily closed in March 2020 in response to the stay-at-home orders. We plan a limited reopening in the third quarter.

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

	Quarter Ended June 30,		Six Month Ended, June 30,	
	2020	**2019**	**2020**	**2019**
Net Income Attributable to CME Group	$ 503.3	$ 513.8	$ 1,269.5	$ 1,010.7
Restructuring and severance	4.7	7.0	10.6	10.3
Amortization of purchased intangibles	76.6	76.1	153.9	156.8
Acquisition-related costs[1]	9.1	6.6	17.2	14.5
Foreign exchange transaction (gains) losses[2]	(0.1)	(5.2)	(3.7)	2.4
Unrealized and realized (gains) losses on investments	5.4	23.3	2.5	26.7
Loss on real estate sublease and related costs	—	5.0	—	5.4
(Gains) losses on derivatives	—	2.3	(1.5)	16.7
Realized and unrealized (gains) losses on assets[3]	3.5	32.2	26.1	32.2
Litigation matters	4.0	—	4.0	—
Trading floor enhancements	1.0	—	1.0	—
Income tax effect related to above	(23.3)	(29.5)	(59.6)	(57.3)
Other income tax items	(1.0)	—	(1.0)	(7.6)
Adjusted Net Income Attributable to CME Group	$ 583.2	$ 631.6	$ 1,419.0	$ 1,210.8
GAAP Earnings per Common Share Attributable to CME Group:				
Basic	$ 1.41	$ 1.44	$ 3.55	$ 2.83
Diluted	1.40	1.43	3.54	2.82
Adjusted Earnings per Common Share Attributable to CME Group:				
Basic	$ 1.63	$ 1.77	$ 3.97	$ 3.39
Diluted	1.63	1.76	3.96	3.38
Weighted Average Number of Common Shares:				
Basic	357,691	357,060	357,607	356,973
Diluted	358,457	358,155	358,453	358,103

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.

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