

CME Group 1Q19 Earnings Call Introduction

John Peschier

Good morning and thank you for joining us. I am going to start with the safe harbor language. Then I will turn it over to Terry and John for brief remarks, followed by questions. Other members of our management team will also participate in the Q&A.

Statements made on this call – and in the other reference documents on our website – that are not historical facts, are forward-looking statements. These statements are not guarantees of future performance. They 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 statements. More detailed information about factors that may affect our performance can be found in our filings with the SEC, which are on our website.

Also, on the last page of the earnings release, you will find a reconciliation between GAAP and non-GAAP measures.

With that, I would like to turn the call over to Terry.

Terry Duffy

- ♦ **Thank you John and thank you for joining us today. We appreciate your interest in CME Group. My comments today will be very brief, so we can get right to your questions. We released our executive commentary this morning, which provided extensive details on the first quarter.**

- ♦ **During our last call, I mentioned that we had strong tailwinds to finish the year, we had we made the most of it also. Market conditions changed significantly from the prior quarter, and volatility did drop across virtually every asset class. Despite the change in the trading environment, we were able to post our third highest futures and options quarter in our history, while we kept our expenses relatively flat.**

- ◆ **More importantly, we continued to execute on our long-term strategy to attract new clients and to launch new innovative products.**

- ◆ **We had significant customer engagement. We ran strategic targeted campaigns, educating market participants on new, non-core products and product extensions as well as cross-selling through all our product lines and into new cash markets and optimization services. During the first quarter, all 6 product areas had an increase in the proportion of their business from outside the US.**

- ◆ **We continue to launch innovative new products, tools and services to support customer needs, and to create capital and operational efficiencies for market participants. In Q1, we had multiple volume and OI records including:**
 - **SOFR futures,**
 - **FX Link,**
 - **Bitcoin futures,**
 - **Treasury futures invoice spreads,**
 - **Copper options,**
 - **and our new WTI Houston product.**

- ◆ **Within the NEX markets business, the combined EBS and BrokerTec monthly revenue in Q1 came in fairly close to the Q4 results. That is despite much lower volatility.**

- ◆ **On the core futures and options side, our open interest rose from 118 million in mid- March to more than 134 million contracts last week. And today it sits just north of 132 million contracts which is not too far from our peak in 2018. We remain very excited about the opportunities in front of us.**
- ◆ **With that short summary, we'd like to open the call for your questions. Based on the number of analysts covering us, please limit yourself to one question, and then feel free to jump back into the queue. Thank you.**

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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 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.