

CME Group 2Q19 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 all for joining us today. My comments today will be brief, so we can get right to your questions. We released our executive commentary this morning, which provided extensive details on the second quarter.**
- ◆ **In Q2, ADV grew to 21 million contracts per day, up 14 percent compared to last year. We had record quarterly average daily volume in Agricultural products, as well as Interest Rate, Agricultural and Metals options. Open interest reached an all-time high above 150 million contracts on June 13th.**
- ◆ **We continued to drive significant growth globally. During the second quarter, volume from outside the US totaled a record 5.4 million contracts. That included 28% growth from Asia and 22% growth in Europe.**
- ◆ **We continued to see success on the innovation front, with the launch of our new Micro E-mini contracts which began on May 6th. During June, we averaged more than 400,000 contracts per day, making this the most successful new product launch in the history of CME.**
- ◆ **We are pleased with how the NEX integration process is going so far. We have made great progress combining our sales forces as they begin to jointly**

engage with clients. We remain laser focused on this very strategic transaction and look forward to keeping you updated with our progress. With that, I will turn it over to John to provide some additional comments.

- ◆ **Thanks Terry. We have reached a number of milestones this quarter as we continue the integration process. We have completed the first phase of staffing the combined business. We moved the majority of the legacy NEX businesses to our administrative systems which will enable the streamlining of internal support functions. We moved the legacy NEX employees to our new facility in London, we consolidated our Hong Kong offices, and are on track to consolidate our offices in London and New York by year end. We are actively working on datacenter consolidations, systems consolidations and the customer migration of BrokerTec, which we announced will be in Q4 2020, and EBS, in 2021, to Globex.**
- ◆ **Based on our progress with the integration and our overall strong expense discipline, we are reducing our full year operating expense guidance by \$10 million to a range of \$1.64 to \$1.65 billion.**

- ◆ **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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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.