

CME Group 4Q 2024 Earnings Introductory Script

February 12, 2025

Adam Minick

Good morning, and I hope you are all doing well today. We released our executive commentary earlier this morning, which provides extensive details on the fourth quarter 2024 which we will be discussing on this call. I will start with the safe harbor language, then I'll turn it over to Terry.

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 statement. Detailed information about factors that may affect our performance can be found in the filings with the SEC, which are on our website.

Lastly, in the earnings release, you will see a reconciliation between GAAP and non-GAAP measures following the financial statements.

With that, I'll turn the call over to Terry.

Terrence Duffy

Thanks Adam and thank you all for joining us this morning. I'm going to make a few brief comments about our record year in 2024 and some thoughts on the current business environment. Following that, Lynne will provide an overview of our financial results and our 2025 guidance. In addition to Lynne, we have other members of our management team present to answer questions after the prepared remarks.

2024 was the best year in CME Group's history and our fourth consecutive year of record volume, with average daily volume increasing 9% to 26.5 million contracts. This growth was broad-based, with volume increasing year-over-year in all six asset classes including all time volume records in our interest rate, foreign exchange, metals and agricultural complexes. It was also a record year for our International business, which averaged 7.8M contracts per day, up 14% from the previous record set in 2023.

In addition to our impressive volume results, we continue to provide unmatched capital efficiencies for our customers. We have previously discussed that within Interest Rates alone, the breadth of our offering results in margin savings in excess of \$20 billion per day for our clients. It is worth noting that this margin savings applies across all of the asset classes we clear. As you may have seen in the commentary we released this morning, our customers are now saving approximately \$60 billion per day across all six asset classes.

Commodities were the 3 fastest growing asset classes in 2024, with Metals volume up 23%, Energy up 17%, and Ags up 13%. These businesses combined to generate a record \$1.7 billion in revenue in 2024, up 16% versus 2023 and are off to another great start in 2025. Commodities growth came from every customer segment, led by the buy-side, where we've seen significant increases in activity by global, multi-strategy hedge funds as they expand into commodities-focused strategies. Geographically, the fastest growth came from EMEA where year-over-year volume was up 34% across the commodities businesses. Commodities Options also demonstrated strong growth with volumes up 29% versus 2023.

Our growth has also been driven by strong new client acquisition across both institutional and retail sectors. I've said many times in recent years that it is going to become more and more difficult to distinguish between retail and institutional trading behaviors. Technology is equalizing the access to data and improving the flow of information. This is bringing a new type of trader into our markets and will continue to grow the overall financial system. Over the last year, several large retail broker partners have joined our market to meet this customer demand. As discussed throughout this year, we have increased our allocation of expenses to marketing and education of potential new clients. Given the strong financial results, we further increased this investment during Q4. In total, new clients added in the last 5 years have generated approximately \$1 billion of revenue, including approximately 5% of transaction and clearing revenue in 2024.

Moving to 2025, we continue to see strong volumes to start the year with a new volume record in January and ongoing customer needs for efficient trading and hedging solutions. Shifting views around the global economy, persistent inflation, potential for

changes in tariffs, and ongoing geopolitical tensions all contribute to potential market movement and the need for effective risk management which we will continue to provide to our clients.

In addition to the impressive volume results I've outlined, we delivered record financial results. With that, I'll now turn the call over to Lynne to review these results in more detail.

Lynne Fitzpatrick

Thanks, Terry and thank you all for joining us this morning. As Terry discussed, we had very strong financial results delivering our third consecutive year of record revenues and earnings in 2024. Our revenue of \$6.1 billion grew 10% compared to 2023 and included all time annual revenue records in all six of our asset classes. Our annual adjusted expenses, excluding license fees, were approximately \$1.59 billion including \$85 million related to our cloud migration. Our adjusted operating margins for the year expanded to 68.3%, up over 140 basis points from 2023. We delivered \$3.7 billion in adjusted net income resulting in 10% earnings per share growth for the year.

During the fourth quarter, CME Group generated more than \$1.5 billion in revenue, a 6% increase from Q4 2023 on similar volumes. Market data revenue grew 9% from last year to \$182 million. Expenses were very carefully managed and on an adjusted basis were \$520 million for the quarter and \$436 million, excluding license fees. CME Group had an adjusted effective tax rate of 21.8%, which resulted in adjusted net income of \$919

million. Our adjusted EPS attributable to common shareholders was \$2.52, up 6% from the fourth quarter last year.

Capital expenditures for the fourth quarter were approximately \$28 million and cash at the end of the year was \$3.1 billion. CME Group declared dividends during 2024 of approximately \$3.8 billion, including the annual variable dividend of \$2.1 billion which was paid in January.

Turning to 2025 guidance, we expect total adjusted operating expenses, excluding license fees but including cloud migration expenses, to be approximately \$1.65 billion. Total capital expenditures net of leasehold improvement allowances are expected to be approximately \$90 million, and the adjusted effective tax rate should come in between 22.5% and 23.5%.

In December, we announced transaction fee adjustments, which became effective February 1st. Assuming similar trading patterns as 2024, the fee adjustments would increase futures and options transaction revenue by approximately 1.0%-1.5%. Market data fees were increased by 3.5% at the beginning of the year.

Additionally, we announced a 10 basis point non-cash collateral surcharge effective in April for participants that do not post at least 30% of their margin requirement in cash. This change will ensure a minimum level of cash for risk management purposes. The financial impact of this requirement will be dependent on customer decisions, and may result in an increased average rate on non-cash collateral or an increase in cash posted at the clearing house. As always, we focused on the total cost of trade for our clients, and considered the impact of the collateral fee changes when reviewing adjustments to clearing and transaction fees this year. In aggregate, the fee changes and cash minimum could add 2%-2.5% to pre-tax income assuming similar volume and collateral levels.

In summary, we are very proud of the results we were able to deliver as a firm this year, driving 10% revenue growth and 10% adjusted earnings growth from our previous record year of 2023. Consistent with the growth goal we discussed coming out of 2022, this year represented our third consecutive year of double digits earnings growth.

We'd now like to open up the call for your questions. Thank you.

Statements in this document 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 innovative and competitive new products and services on a timely, cost-effective basis, including through our electronic trading capabilities, and derive revenues that are commensurate with our efforts and expectations, our ability to maintain the competitiveness of our existing products and services; our ability to adjust our fixed costs and expenses if our revenues decline; our ability to manage variable costs relating to CME Group's transition to the Google Cloud and Google Cloud platform and minimize duplicative costs during the transition between maintaining the on-premise environment and the Google Cloud environment; 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 policies 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, as well as the impact of tariffs and tax policy changes, restrictions on our ability to offer CME Group products and services in specific geographies or to specific customers or limitations or changes in underlying/physical product flows across geographies; 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 programs 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 and third party providers that our clients and third-parties rely on; our reliance on third-party

distribution partners, including independent software vendors (ISVs), Futures Commission Merchants (FCMs), introducing brokers, broker-dealers around the world, regulatory reporting and data distributors and platform operators, and other partners, for facilitating trading and for market data information, and potential impacts from changes in their business models and priorities; volatility in commodity, equity and fixed income prices, and price volatility of financial benchmarks and instruments such as interest rates, 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; our ability to accommodate increases in contract volume and market data and order transaction traffic across the entire trade cycle and the ability to implement enhancements without failure or degradation of the performance of our trading and clearing systems and meeting our regulatory reporting obligations; 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 performance of our joint ventures with S&P Dow Jones (S&P Dow Jones Indices LL) in index services, our primary business and distribution partners' actions and our partnership with Google, including our ability to manage the successful implementation of our agreements with Google Cloud and our data center partners; variances in earnings on cash accounts and collateral that our clearing house holds for its clients; impact of CME Group pricing/fee level and structure and incentive changes; impact of aggregation services and internalization on trade flow and volumes; any negative financial impacts from changes to the terms of intellectual property and index rights; our ability to continue to generate funds and/or manage our indebtedness to allow us to continue to invest in our business; industry, channel partner and customer consolidation and/or concentration; decreases in trading and clearing activity; the imposition of a transaction tax or user fee on futures and options transactions and/or repeal of the 60/40 tax treatment of such transactions; increases in effective tax rates, borrowing costs, or changes in tax policy; our ability to maintain our brand and reputation; and the unfavorable resolution of material legal proceedings. For a detailed discussion and additional information concerning these and other factors that might affect our performance, see our other recent periodic filings, including our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission ("SEC") on February 28, 2024, under the caption "Risk Factors".