CME Group 2Q 2025 Earnings Introductory Script

July 23, 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 second quarter 2025 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 quarter and the overall environment. Following that, Lynne will provide an overview of our second quarter results. In addition to Lynne, we have other members of our management team present to answer questions after the prepared remarks.

Our record-breaking performance in the second quarter demonstrated the growing need for risk management globally. For the first time in CME Group's history, average daily volume exceeded 30 million contracts for the quarter. The second quarter ADV of 30.2 million contracts represented an increase of 16% compared to the same period last year, and included all time records in each month of the quarter. In an environment of heightened headline risk and macro uncertainties, clients are increasingly choosing the transparency and capital efficiency of our centrally cleared, benchmark products as they look to manage and mitigate risk.

The strong growth this quarter was broad-based with year-over-year volume growth in all six asset classes, including all-time quarterly volume records in interest rates, agricultural commodities and metals. In aggregate, our financial products volume grew by 17%, and our commodities sector volumes grew by 15%.

This continues to be a risk-on environment as evidenced by the continued growth in open interest, up 7% from the end of Q2 2024 and 10% from year end 2024. We are also seeing strong levels of large open interest holders, with new records in both interest rates and crypto futures set earlier this month.

We had our highest ever quarterly volume from our International business, which averaged 9.2 million contracts per day, up 18% from the prior year. This was led by a record 6.7 million average daily volume from EMEA, which was up 15%, and a record 2.2 million contracts per day in APAC, up 30%. This record international volume was driven by growth across all asset classes and customer segments and reflects our deep integration into global markets.

In recent quarters we've talked extensively about our growing focus on retail traders and highlighted some of the large retail broker partners that have joined our multi-asset class marketplace to meet the increasing demand from this particular segment. In the second quarter, over 90,000 new retail traders participated in our markets for the first time, a 56% increase vs. the same period last year. These new customers contributed to our Micros ADV record of 4.1M contracts in Q2 and demonstrate the appeal of our products to a broader base of users.

The Micro E-mini Nasdaq-100 futures contributed 1.7 million of those 4.1 million. Year to date Nasdaq-100 futures and options trading volume at CME Group has climbed to more than 2.5 million contracts per day, up 22% versus last year. Also, yesterday we were pleased to be able to announce a ten-year extension of CME Group's exclusive license to offer futures and options on futures based on the Nasdaq-100 and other Nasdaq indexes, through 2039. This extension ensures that our customers will continue to have the ability to trade Nasdaq equity index products alongside our S&P, Dow Jones and FTSE Russell products and benefit from the related capital and operational efficiencies for years to come.

In addition to the impressive volume results, we delivered record financial results for the second consecutive quarter. I'll now turn the call over to Lynne to review our financial results in more detail.

Lynne Fitzpatrick

Thanks, Terry and thank you all for joining us this morning. During the second quarter CME Group generated revenue of $1.7 billion, up 10% from the second-quarter in 2024. The average rate per contract for the quarter was 69.0¢, resulting in the highest quarterly clearing and transaction fees in our history of $1.4 billion, up 11% year over year. Market Data revenue also reached a record level, up 13% to $198 million.

Continued strong cost discipline led to adjusted expenses of $491 million for the quarter and $395 million excluding license fees. Our adjusted operating income came in at a record $1.2 billion, up 14% year-over year. Our adjusted operating margin for the quarter was 71.0%, up from 69.1% in the same period last year. CME Group had an adjusted effective tax rate of 23.3%.

Driven by the strong demand for our risk management products, we delivered the highest quarterly adjusted net income and adjusted diluted earnings per share attributable to CME Group in our history at $1.1 billion and $2.96 per share, respectively, both up 16% from the second quarter last year. This represents an adjusted net income margin for the quarter of 64%.

Capital expenditures for the second quarter were approximately $19 million and cash at the end of the quarter was $2.2 billion.

CME Group paid dividends of $455 million in the second quarter, and approximately $3.0 billion over the first half of the year.

Turning to guidance, we now expect total adjusted operating expenses for the year, excluding license fees, to be approximately $1.635 billion. That is $15 million below our prior guidance and represents 3% growth from last year's adjusted expense levels. All other guidance remains unchanged.

We are very proud to deliver the highest quarterly volume, revenue, operating income, and diluted earnings per share in our history. These strong results are the continuation of the growth in demand for our products over the last several years. Following three consecutive years of record annual earnings and double digit earnings growth, the need for our risk management products has driven 14% earnings growth in the first half of 2025.

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, and 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 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 and the related uncertainty thereof, 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 new and existing geopolitical tensions or conflicts, 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 LLC) in index services, our primary business and distribution partners' actions and our partnership with Google Cloud, including our ability to manage the successful implementation of our agreements with Google 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, 2024, as filed with the Securities and Exchange Commission ("SEC") on February 27, 2025, under the caption "Risk Factors".*