

# **CME Group 3Q 2023 Earnings Introductory Script**

**October 25, 2023**

## **Adam Minick**

Good morning, and I hope you are all doing well today. We will be discussing CME Group's third-quarter 2023 financial results. 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, on the final page of the earnings release, you will see a reconciliation between GAAP and non-GAAP measures.

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

**Terrence A. Duffy**

Thank you all for joining us this morning.

We released our executive commentary earlier today, which provides details on the third quarter of 2023. I will make a few brief comments on the quarter and current outlook, and Lynne will summarize our financial results. In addition to Lynne, we have other members of our Management Team present to answer questions after the prepared remarks.

Turning to the most recent quarter, average daily volume of 22.3 million contracts was less than 1% off the record Q3 high set in Q3 2022 while our revenue grew 9% to \$1.34 billion, which is the highest Q3 revenue in CME Group's history.

As we've mentioned throughout this year, we are operating in an environment that unquestionably requires

risk management. With so much uncertainty in the world we live in, we're continuing to work closely with our clients to help them navigate uncertainty and manage their risks.

This is particularly true in the interest rate markets today. We see divergent market views around inflation, unemployment, monetary policy, and ongoing geopolitical tension all impacting future interest rate expectations.

Regardless of whether rates rise, fall, or hold steady, the shape of the yield curve and interest rate views continue to shift, and our customers need to manage that risk.

As a result, we have continued to see growth on top of the record year in 2022 for our interest rate business. This was our highest Q3 for the interest rates complex, up 6% from the same quarter last year. We saw particular strength in the treasury complex which was up 16% in the quarter and is off to a strong start in Q4 as well.

Completing the successful migration of Eurodollars to SOFR, we continue to list other products to complement our interest rate complex.

- Our European Short-Term Rate – or €STR – contracts traded a record 10k per day in September.
- Our newly listed treasury bills futures launched on October 2<sup>nd</sup> and have traded over 15k contracts in the first three weeks. This is one of the most successful launches of a rates product ever.

Our broad product offering and focus on capital efficiencies, such as the enhanced cross margining arrangement with DTCC going live in January 2024, continue to enhance the value proposition for our customers using our products to manage their interest rate exposures.

On the commodities side, third-quarter 2023 volume was up 15% in total and included the highest-ever Q3 volume for our agricultural products. Our energy complex also performed well with volume increasing 16% from last year. We believe the current environment for this asset class will continue to bring new clients, as well as existing ones, to manage their exposure in our global benchmark.

We believe the strong macro environment – combined with our diverse set of asset classes, and strategic execution across our growth initiatives – positions us well for continued growth in 2023 and beyond.

With that, I'll turn it over to Lynne to cover the third quarter financial results.

**Lynne Fitzpatrick**

Thanks, Terry.

During the third quarter, CME generated \$1.34 billion in revenue, up 9% compared to a strong third quarter of last year. Clearing and Transaction fees and Market Data revenue each grew 9% versus Q3 2022.

Expenses continue to be very carefully managed and on an adjusted basis were \$448 million for the quarter and \$369 million excluding license fees, both lower than second quarter this year. This quarter our investment in our cloud migration was approximately \$13 million. Our adjusted operating margin for the quarter expanded to 66.5%, up approximately 240 basis points compared with the same period last year.

CME Group had an adjusted effective tax rate of 22.8%, which resulted in net income of \$818 million and adjusted diluted earnings per share of \$2.25, each up 14 percent from the third quarter last year. Of the \$110 million increase in revenue versus last year, we were able to drive 90% to the bottom line with adjusted net income up \$99 million.

As a result of the strong expense discipline throughout the firm, we are lowering our core expense guidance, excluding license

fees, to \$1.475 billion, a \$15 million decrease from our original guidance of \$1.49 billion. We are maintaining our guidance of \$60 million for our cloud migration expense for a total expense guidance of \$1.535 billion excluding licensing fees.

We continue to manage our capital expenditures effectively and with an eye towards our move to the cloud. As a result, we are lowering our capex guidance to \$85 million. For the quarter, our capital expenditures were approximately \$18 million.

CME paid out \$2.8 billion of dividends so far this year and cash at the end of the quarter was approximately \$2.5 billion.

Our strong financial results this quarter continue to build on the strength achieved in the first half of the year. This quarter we delivered our 9th consecutive quarter of double digit adjusted earnings growth. Our global benchmarks, data, and strong focus on innovation and execution continue to address the needs of our clients and deliver results for our shareholders.

Please refer to the last page of our Executive Commentary for additional financial highlights and details.

We'd like to now open up 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.