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# Intercontinental Exchange, Inc. (ICE)

Q1 2015 Earnings Call

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Scott A. Hill

Chief Financial Officer

Jeffrey C. Sprecher

Chairman & Chief Executive Officer

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#### MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning, and welcome to the Intercontinental Exchange First Quarter 2015 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation there will be an opportunity to ask questions. Please note this event is being recorded. I would now like to turn the conference over to Kelly Loeffler. Please go ahead.

#### Kelly Loeffler

Senior Vice President, Corporate Communications, Marketing & Investor Relations

The first quarter 2015 earnings release and presentation can be found in the investor section of theice.com. These items will be archived and our call will be available for replay.

Today's call may contain forward-looking statements. These statements, which we undertake no obligation to update, represent our current judgment and are subject to risks, assumptions and uncertainties. For a description of the risks that could cause our results to differ materially from those described in forward-looking statements, please refer to our Form 10-K.

In addition to GAAP results we also refer to certain non-GAAP measures including adjusted net income, adjusted operating margin, adjusted expenses, adjusted EPS, and adjusted tax rates. We believe these non-GAAP measures are more reflective of our cash operations and core business performance. You'll find a reconciliation to the equivalent GAAP term in the earnings materials and an explanation of why we deem this information to be meaningful, as well as how management uses these measures.

When used on this call net revenue refers to revenue net of transaction-based expenses, adjusted net income refers to adjusted net income from continuing operations, and adjusted earnings refers to adjusted diluted continuing operations earnings per share.

With us on the call are Jeff Sprecher, Chairman and CEO; Scott Hill, Chief Financial Officer; and Chuck Vice, President and Chief Operating Officer. I'll now turn the call over to Scott.

#### Scott A. Hill

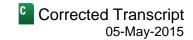
Chief Financial Officer

Thank you, Kelly. Good morning, everyone, and thank you for joining us this morning. I'll begin on slide 4 which highlights our first quarter performance, the best quarter in our company's history.

We grew adjusted earnings 26% year-to-year by growing revenue 7% and expanding adjusted operating margins to 60%. Our commodities, data services and listings offerings all contributed to solid top line growth. We extended NYSE's leadership in capital raising, and increased share and revenue capture in cash equities. We demonstrated continued expense discipline as the benefits of our rapid integration of Liffe and the New York Stock Exchange flowed through to the bottom line. And importantly, even as we invested in future growth, we also returned \$269 million of capital to shareholders through share buybacks and dividends.

Moving to slide 5, I'll detail our first quarter financial results. Adjusted earnings rose 26% from the prior first quarter to a record \$3.06. Net revenues grew 7% year-over-year to \$850 million, including record revenues for

Q1 2015 Earnings Call



data services and for NYSE listings. Adjusted operating expenses declined 4% year-over-year to \$336 million. And adjusted operating margin reached 60%. And we generated operating cash flow of \$465 million.

Now let's turn to slide 6 where I'll provide more detail on our revenues and expenses. On the left side of the slide you can see that net transaction and clearing revenues grew 2% year-to-year to \$506 million. This was enabled by an 11% increase in commodity revenues on the strength of our global oil markets. Our non-transaction revenues, which comprise 40% of net revenues, grew 15%. Within non-transaction revenues, our data services revenues grew 19% to a record \$187 million. This was driven by the addition of hundreds of new users of ICE's real-time market data as well as the addition of SuperDerivatives and ICE Benchmark Administration.

NYSE listings revenues grew 12% year-to-year to a record \$101 million, reflecting the NYSE's global leadership in IPOs over the past four years. Finally, U.S. cash and equities options revenues declined 1% year-over-year to \$82 million. Cash equities market share, revenue capture and revenues increased, but this strong performance was offset by an increasingly competitive equity options market and structural changes we are making. Importantly, despite the lower options revenues, the profit contribution from the options business was not impacted.

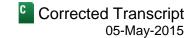
On the right side of slide 6 I'll detail our expenses. First quarter adjusted expenses declined 4% to \$336 million as we continue to generate synergies. Technology and D&A expense increased slightly from the prior first quarter due to investments to further integrate our acquisitions and to consolidate our real estate footprint in our major locations. This was more than offset by a 40% reduction in professional services as we continued to reduce the significant reliance on consultants and contractors at NYSE. While some contractors were converted to full-time employees, comp and benefit expense still decreased by 2%. The combination of solid revenue growth and continued expense discipline produced an adjusted operating margin of 60%.

Next on slide 7, I'll detail the performance across our futures exchanges for the first quarter. Despite low volatility and volumes, which decreased 7%, open interest rose 4% from the start of the year. Total futures and options revenues grew 3% from the prior first quarter to \$369 million driven by record volume in our Brent and other oil products. Brent revenues grew 51% year-to-year to a record \$74 million. Brent continues to expand its lead as the global benchmark for pricing crude and refined oil products with open interest up 15% from year-end to a record 4.4 million contracts. Notably Brent open interest is up 49% from last March with strong growth due to the ongoing shift of Brent and commodity indexes and longer-term secular trends. This growth continued in April with daily volume in our global oil markets up 21% over last April and Brent open interest again reaching a new record.

Natural gas revenue increased 4% over last year's first quarter to \$58 million driven by strong growth in our European gas market, which offset muted North American natural gas volatility. Interest rate revenues were \$56 million, down 30% over the prior first quarter due to continued low interest rate policies in Europe. However, our revenue capture across all of our categories; energy, ags and financials, improved year-to-year and provided a solid foundation for revenue growth across our diverse set of product offerings. Finally, despite overall volume declines in April, strong commodities volumes combined with continued strengthen in data and listings enabled solid revenue growth again in April.

Moving to slide 8, I'll provide an update on our swaps markets and clearing. Total credit derivatives revenues for the quarter were \$43 million, flat compared to last year's first quarter. CDS clearing revenues were \$29 million including an additional \$3 million accrual related to a change in our deferred revenue calculation. Growth in buy-side participation continued, which accounted for 37% of the gross notional cleared in the quarter in our U.S. CDS clearing house, ICE Clear Credit.

Q1 2015 Earnings Call



We also continue to see strong European buy-side activity in our U.S. clearing house. With European activity accounting for roughly 40% of total buy-side gross notional cleared. Buy-side participation in our U.S. CDS clearing house has grown rapidly over the past two years. This is due in part to our comprehensive product offering and portfolio margining as well as the relative regulatory certainty in the U.S. We're continuing to expand our cleared instruments to serve our customers as they adapt to regulatory change.

I'll wrap-up my remarks on slide 9 with an update of our cash flows, capital structure, and capital return. Operating cash flows were \$465 million in the first quarter. This included \$272 million collected related to annual listing fee payment and the payment of \$104 million for the cash portion of our 2014 performance bonus. At March 31, we had \$776 million in net unrestricted cash and short-term investments; included in that cash balance is \$187 million of additional regulatory capital that will be required when ICE Clear Europe becomes EMIR authorized. Net debt was \$3.2 billion and our adjusted debt to EBITDA was 1.6 times.

In addition to reducing our leverage we used our strong cash generation during the quarter to return \$269 million to shareholders comprised of \$73 million in dividends and \$196 million in share repurchases. Importantly, our Board of Directors approved a 15% increase in our cash dividend to \$0.75 per share, which will be effective with the second quarter dividend payment in June. Our Board also approved an increase in our share repurchase authorization in April and we have over \$500 million remaining on that authorization. Going forward, we expect to maintain approximately \$500 million in operational cash and a leverage ratio of around 1.5 times. We otherwise intend to use 100% of our future cash flows to invest in our business and return capital to shareholders. Starting in 2016, we anticipate a more normalized level of capital expenditures between \$150 million and \$200 million.

In addition we will continue to execute strategic M&A to generate above — returns above our cost of capital. Importantly, we expect to continue to return a meaningful level of capital to shareholders through our ongoing and disciplined share repurchases and a dividend that grows when we do. We are off to a solid start in 2015 and are continuing to execute on our financial and strategic objectives. We grew revenues 7% and adjusted earnings 26% and returned \$269 million in capital to shareholders, even as we continue to integrate multiple acquisitions and invest in future growth. The purposeful diversification of our revenue streams and access to secular growth trends position us to again generate double digit earnings growth and strong returns for our shareholders in 2015. I'll be happy to answer any questions during Q&A and I'll now hand the call over to Jeff.

#### Jeffrey C. Sprecher

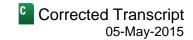
Chairman & Chief Executive Officer

Thank you, Scott, and good morning to everyone on the call. Our record revenue and earnings were the result of revenue growth across the board, expense discipline and rising operating margins. Each of our major product lines, execution and clearing, data and listings, whether transaction or recurring revenue, made a contribution to our 26% adjusted earnings growth during the quarter.

To continue to grow and innovate, we have a number of long-term strategic initiatives and near-term profit drivers, several of which are listed on slide 10. These are designed to foster ongoing revenue growth, operational enhancements, margin expansion, and effective capital deployment. We started with just one asset class, energy, and then strategically diversified into nine asset classes. As a result, we have additional opportunities to grow and to innovate in related areas like new products, clearing, data and listings.

This includes our cash equities markets where we have solidly increased results from both a market share and revenue capture perspective, while enhancing our operations and our technology. We're developing our new trading platform known as Pillar for the New York Stock Exchange to consolidate five platforms into one state-of-

Q1 2015 Earnings Call



the-art platform. This will support a streamlined market model, which will reduce complexity for our customers, while also reducing our operating costs. You could see that we're investing in our listings business and our cash equities markets, both of which have grown revenues double digits in the last two quarters and are generating very solid returns.

Our reach across the global financial and commodities markets has also created opportunities to innovate and expand our data services. We've established a growing Benchmark Administration group to answer the call for regulated transparent benchmarks, building on the LIBOR and ISDAFIX mandates that we began last year. Our acquisition of SuperDerivatives added to our expertise in complex derivatives valuation and supports our expansion of clearing services with proprietary data as Europe's clearing requirements come into effect in the coming year. In the meantime, we're developing more product choices, such as our ERIS futures contract for CDS and European interest rates.

Similarly, the regulatory environment continues to drive both challenges and opportunities. In Europe, ongoing financial reform is creating uncertainty for our customers from end users to financial institutions. We and other market operators have seen shifts in our customer's preference on where they choose to manage risk in the swaps and futures markets away from Europe and toward the U.S., validating our investment decision to operate multiple regional venues on common technology. And while regulation is creating uncertainty, complexity and potentially market fragmentation it also presents an opportunity to help our customers efficiently adapt to this change.

Similarly, Asia's markets are expanding due to greater demand for the type of products we currently offer through our Western exchanges and clearing houses. Our work there is foundational, and we will launch ICE Futures Singapore and ICE Clear Singapore this year. We're seeing a good deal of interest in our newly-announced Asian market products and for the increased access to central clearing. We had a presence in Singapore for many years, and we're continuing to work closely with our customers there.

So as you can see, we have many long-term opportunities before us. And here we've also noted several of our near-term earning drivers. We remain levered to strong secular trends ranging from global energy market hedging to the demand for clearing and data services, which continue to drive growth across our customer base.

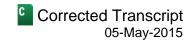
As a part of our ongoing integration work we're making great progress on our expense synergy objectives, and we're continuing to look across the company to ensure that we are operating efficiently. This is something we do well, continuously looking at the best use of our resources and creating cost efficiencies even as we grow. These are all key elements of our strategic plan to ensure that we remain a growth company.

I'll provide more detail on a few of ICE's markets now, beginning on slide 11. First, our leading global energy markets; the ICE Brent contract continues to advance as the global oil benchmark and set volume and open interest records. Brent is benefiting from long-term secular trends that has driven consistent open interest records and is betting from near-term trends the ongoing price volatility, which has resulted in record volumes.

ICE Brent, together with the introduction of over 400 related oil products, has enabled us to continue to grow our broad complex of oil products through economic cycles. This includes ICE's WTI contract, where daily volume grew 57% year-to-year in the quarter. And in January we completed the transition of our distillate market to our new Gasoil Futures contract specification, providing a greater range of hedging opportunities in the global diesel markets. As a result, the ICE Gasoil daily volume increased 17% year-to-year in the first quarter.

Also on the slide you can see our U.S. natural gas market strengthen relative to the prior three quarters. During the first quarter of last year, the U.S. was feeling the effects of the polar vortex, and the volatility of natural gas

Q1 2015 Earnings Call



prices was very strong. As a result our first quarter 2015 natural gas volumes declined 10% versus the tough comparisons of last year; however, this trading volume doesn't tell our revenue story. Due to an increasingly favorable product mix, ICE's global natural gas revenues actually increased 4% driven by strong growth in our non-U.S. natural gas markets.

Now moving on to slide 12, I'll update you on our European interest rates complex. Ongoing near zero interest rate levels in the Eurozone impacted volatility and therefore impacted the trading volume across our interest rate complex. However, we've seen a healthy increase in open interest, which is generally a good indicator of future trading volumes. Total open interest in interest rates increased 11% in the first quarter with Euribor up 17% and Sterling and Gilt both up 7%. We expect to introduce ERIS-style futures for European interest rates in June as a solution to offer capital efficiencies amid the implementation of bank capital rules and other market reforms. So you can see that we are building out our interest rate portfolio to provide all of the necessary tools to mitigate risk and maximize capital efficiencies as we prepare for European interest rate volatility.

Turning to slide 13, I'll note the solid growth trend in our data services businesses. By combining ICE's historical data with the data that we acquired and reorganized from the New York Stock Exchange, Liffe and SuperDerivatives, we've expanded the markets that we cover. Together with our newly formed Benchmark Administration Company this has allowed us to develop a broader portfolio of information services for our global customer base.

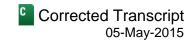
In the first quarter we earned record data revenues and over the course of the last two years we have quadrupled our data services revenues. This is a result of providing an expanding range of data to a growing range of customers across all geographies and asset classes. At ICE Benchmark Administration in March, the ICE Swap Rate replaced the ISDAFIX, and we successfully launched the Gold Price with record level participation. We've also undertaken market consultations for both LIBOR and the LBMA gold prices to evolve the best practices for determining these prices.

Now on slide 14 I'll highlight the solid momentum that we are driving in the New York Stock Exchange listings and our improving cash equity markets. The New York Stock Exchange continued to lead in global capital raising with \$50 billion in total proceeds raised in the first quarter. This is more than the next two largest exchanges combined and we continue to attract companies of all sectors and market capitalizations because of our unique market model combined with our unparalleled visibility and service. All of this drove record listings revenues surpassing \$100 million, up 12% over last year's first quarter. We're excited about the strong pipeline of transactions that we see for 2015 and we continue to raise the bar as the global listings venue across technology markets and other growth sectors.

I'll conclude my remarks on slide 15 with a recap of the absolute best quarter in our company's history. We delivered record revenues, record operating income and record earnings. We expanded adjusted operating margins to 60%, delivered on our expense synergy forecast, and made disciplined investments, all of which drove our adjusted earnings per share growth an impressive 26% over last year's first quarter. We've returned nearly \$1.3 billion to shareholders since we began our first dividend payment just 16 months ago. And today we also announced a 15% increase to our quarterly dividend.

I'm pleased to conclude my prepared comments on this slide 15, where we continue to demonstrate that ICE is a growth company, delivering earnings per share growth in every full year since we became a public company across a wide range of market and regulatory challenges that our customers have faced over the last decade. Our company remains focused on innovating to solve the challenges that are faced by our customers, whether hedging, raising capital, or complying with regulatory reform.

Q1 2015 Earnings Call



On behalf of everyone at ICE I want to thank our customers for trusting us with their business and for collaborating on their evolving requirements during this very dynamic time. I'll now ask our operator, Andrew, to conduct the question-and-answer session.

#### QUESTION AND ANSWER SECTION

**Operator**: We will now begin the question-and-answer session. [Operator Instructions] Also, the conference will end at 9:30 a.m. Eastern Time. At this time we will pause momentarily to assemble our roster. The first question comes from Ken Worthington of JPMorgan. Please go ahead.

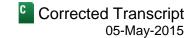
Kenneth B. Worthington	
JPMorgan Securities LLC	
Hi. Good morning.	
Jeffrey C. Sprecher Chairman & Chief Executive Officer	A
Good morning.	
Scott A. Hill Chief Financial Officer	Α
Good morning.	
Kenneth B. Worthington	Ω

First on the competitive landscape, ICE built a business by challenging the establishment and I guess with New York Stock Exchange you are in part, part of the establishment. So, as I think about New York Stock Exchange, how do you – what is the – how are you defending against encroachment by new entrants? And can you defend your strategy to defend the business? So in particular I'm looking at two things, one is the options business, which you mentioned in the prepared remarks, but Miami and BATS are taking share and seem to be leveraging the changes that have been made at Amex. And then on the ETF business, BATS is making a big push, has hired away some NYSE alums to grow that business. So question again, how are you defending your position as the incumbent? And why is that the right approach?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

Very good question. So, let me start maybe with the options business first. We have in a very disciplined way decided to not participate in options volume that does not earn a return for the company. And so people love to talk about market share, but I ended on slide 15 where we talk about earnings per share growth for our shareholders. And so we are very — in a very calculated manner trying to raise the operational performance of the NYSE and its related businesses by curating what we do there. So, the fact that we send uncompetitive business to our competitors is to not concern our shareholders. They should be happy. And let's let those competitors have the bragging rights that they have a lot of market share, but there isn't a lot of income that go along with some of that business.

Q1 2015 Earnings Call



With respect to ETFs and the trading of stocks, we're investing heavily in the New York Stock Exchange. We think that there's an incredible opportunity for return on invested capital above our costs by putting money in there. We have actually opened a new trading floor on the New York Stock Exchange, which I don't think people are aware of. People like to talk about us selling the business or closing the floor. We've actually put more money down there. We've invested in the infrastructure of our building. We're investing in advocacy on behalf of listed companies, organized events for listed companies, marketing for us and listed companies. And what you've seen is as a result of that, we've really been able to grow our listings business both in companies going public and ETFs, we find that there are – that companies want to affiliate with us. They want to be part of that organization. They want identify with our brand. They want to take that globally and so I just continue to see opportunities to invest.

We are the premium brand around the world for capital raising, and we prove it quarter after quarter since we've owned this company. The fact that somebody wants to go start a discount franchise and in what I view as tarnished brands and not earn income for their shareholders the way we want to do above our cost to capital is fine, you know. And it's business, but that we're happy to have that kind of competition. I don't fear it, I welcome it. And by the way, Ken, I rarely welcome any kind of competitions, so I truly mean that.

#### Kenneth B. Worthington

JPMorgan Securities LLC

Great. Thank you. And then secondly on the regulatory landscape, what is most top of mind for ICE today? And where does ICE need to either invest the most time or what is most important in terms of rules and regions to make sure the ICE point of view is expressed to regulators to get the right result for the market?

Jeffrey C. Sprecher

Chairman & Chief Executive Officer

Well, I think, we're simultaneously spending a fair amount of time both in Europe and the U.S. The EMIR and MiFID laws have been passed, but the details have not been promulgated and the U.S. Dodd-Frank has been passed but all the details have not been promulgated. And the biggest issue for us is making sure that the Western regulators move somewhat in concert with each other and not create regulatory arbitrage or barriers to business. Now as you know, we've invested regionally in order to have infrastructure in case that were to happen and we think that was a prudent way to place the company so that we can grow regardless. But that being said, it's really, really important to us that we see regulation move together.

So we move back and forth between the two continents providing data and details that we hope regulators will take under their wing. I will tell you that we see tremendous dialogue and conversation at the top levels of government in the UK, Continental Europe and the U.S. to try to move together, so this is something that is top of mind for senior people in government and we're trying to create a supportive role to point out various details with the policies that they're thinking about. I think, we've been very successful. There are others doing this. There's – it's kind of an industry collaboration in many regards, but I would tell you that we feel much better about the state of play on this earnings call than we felt on past earnings calls because we really see attempts by regulators to make this happen in a cohesive and organized manner.

Kenneth B. Worthington

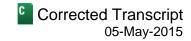
JPMorgan Securities LLC

Okay. Thank you very much.

**Operator**: The next question comes from Michael Carrier from Bank of America Merrill Lynch. Please go ahead.



Q1 2015 Earnings Call



#### Sameer Murukutla

Bank of America Merrill Lynch

Hey. Good morning. This is Sameer Murukutla for Mike Carrier. Just on the regulatory topic, can you provide an update on the [ph] just basically (28:35) between the U.S. and Europe still. And as a follow-up, can you speak about the Basel rules and the pressures that the current set of rules create on FCMs and the possible impact this might have on your business and maybe any resolution that you see in the works? Thanks.

Jeffrey C. Sprecher

Chairman & Chief Executive Officer

Sure. I'll take the first half of that question. Actually we really do see a lot of meetings going on and we've been providing a lot of collateral material, background information, hard data to the U.S. and European regulators and politicians, and it does feel like – and you've probably seen press reports if you follow this area that suggests that these guys are very close to trying to find a way to harmonize and in fact do it in a way that is relatively similar. Not just somewhat equivalent, but really trying to get rid of loopholes so that the Western countries can set an example for the rest of the world on how to bring regulation together. So we are cautiously optimistic that the landscape is unfolding in a way that is beneficial to our customers and their ability to do business around the world. Let me ask Scott, who oversees our clearing operations, to take the second half of your question.

Scott A. Hill

Chief Financial Officer

Yeah. With regards to Basel and the capital rules more generally, there's no question that the financial institutions, the clearing members that are part of our clearing houses are under an immense amount of pressure from all the various capital rules. And that's one of the reasons why you see us continuing to work on things like portfolio margining and our CDS clearing house, offering new products at all of our clearing houses whether it's interest rate or energy, trying to generate capital efficiencies. It's one of the reasons why we've been out publicly saying that we would contemplate adding more skin in the game because that is a way of reducing some of the capital pressures on the banks. Historically one of the reasons why ICE has been successful is we've worked with our customers to understand their pain points and to try and come up with solutions to alleviate that pain and the capital restrictions are one of them.

You mentioned Basel specifically, somewhat counterintuitively the Basel rule around capital in Europe is interpreted that the margin that the clearing members collect from their end customers is not risk reducing. And in fact in the U.S. that rule had been interpreted that it's actually risk increasing and ignores the fact that those margins are passed straight through to the clearing house and the banks really can't leverage them in any way.

So we're participating along with the clearing members in the dialogue with the regulators, as Jeff said earlier, to make sure that we do get to a more rational place in terms of the rules. We all understand that the capital requirements are going up, not just for the financial institutions but for our clearing houses as well. We now have around \$600 million of regulatory capital and skin in the game largely associated with the clearing houses, but capital constraints are definitely an issue with the clearing members and we're spending a lot of time with them and regulators trying to get that to a better place.

**Operator**: The next question comes from Kenneth Hill from Barclays. Please go ahead.

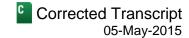
Kenneth W. Hill

Barclays Capital, Inc.

Hey. Good morning, guys.

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Q1 2015 Earnings Call



Jeffrey C. Sprecher Chairman & Chief Executive Officer	A
Good morning.	
Scott A. Hill Chief Financial Officer	A
Good morning.	
Kenneth W. Hill Barclays Capital, Inc.	Q

So I wanted to start with the 15% increase to the dividend. I was wondering if you could walk through some of the thought process there and maybe any conversations with investors that led to the increase. Because it seems like it kind of puts you at a place where you're not quite screening as a strong dividend company. So, wondering where that could probably go over time and maybe how you compare that versus repurchases longer term.

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

It's a good question. So I think, Scott mentioned in his prepared remarks that our view is that as we grow the earnings of the company, we should be growing the dividend. And if we're doing a good job as managers we will constantly be growing earnings and we will constantly be growing the dividend. And we've just sort of gotten started, if you will, as being a dividend paying company and we're proud of the fact that we've pretty quickly now started to increase the dividend.

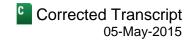
In terms of how we allocate capital, which is really at the root of your question, we think our — buying back our stock right now is the best opportunity for growth for our shareholders. I mean, if you look at ICE this quarter we did \$850 million in revenues, our nearest competitor did \$843 million. So we virtually sat on top of each other. Our competitor in earnings did something like \$330 million, but there was \$10 million of FX in there so for talking purposes only called it \$320 million and we did \$315 million, virtually sitting right on top of each other. Our nearest competitor grew 15%. We grew 26%. And we see a pathway for continued growth that is much easier for us than for our competitor. Yet our stock trades at a P/E or PEG ratio discount to our competitor. So it looks to us like our stock is a very good buy. That's what our internal analysis shows.

We have other competitors that are actually ex-growth that have a higher P/E. We have people that are in our space that operate businesses that are simply execution platforms with complete fungible clearing that trade at a higher P/E. And yet we are, you can look at slide 15 and see we are a growth company and we don't think that our stock is priced accordingly and so we're buying it back. And I think long term we'll be proven to be right on that. And so it's made the decision that you've asked about inside the boardroom relatively easy on how we bias our capital spending right now.

Kenneth W. Hill
Barclays Capital, Inc.

Okay. Next one, the follow-up here is on kind of the re-launch of the Credit futures contract. Just wondering how you're seeing customers approach the product versus maybe your more traditional CDS clearing business and what's causing customers to choose maybe one or the other whether it's the cost or the index followed or the way the cash flows are replicated. Just wondering if you could help us think through how the swap futures growth and maybe with the launch of the new futures product, how we can think about that?

Q1 2015 Earnings Call



#### Jeffrey C. Sprecher

Chairman & Chief Executive Officer

Sure. Really the backdrop is going back to the earlier question that Scott fielded the capital rules on banks and clearers are – and now increasing on our customers through the margins that are being charged are pretty significant and by regulation in U.S. and in Europe and Asia, illiquid swaps contracts have to have a clearing house assume a five-day liquidation period. So, there's a five-day – the mathematical models have a five-day holding period. Liquid futures contracts are one-day gross or two-day net, something in that range. And so to the extent that we can take the liquid part of what exists in the swaps market and make it trade as liquid futures it will be much cheaper, much less capital tied up in the industry, and that's why people are looking at this and thinking about it.

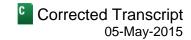
We're very, very early days right now. We have a lot of work to do with the industry to get that futures contract distributed through the desktops and the back office systems that swap traders historically use and there's a big industry push and conversation going on about getting this particular contract listed. This one has much more interest in it than when we tried it two years ago, and I think, the environment has moved forward. These capital pressures have moved forward and the design of the contract is one that people understand better than what we've tried before. So we're cautiously optimistic. It's early days, but the underlying business case for the standardization of the liquid part of the swaps curve is there.

Kenneth W. Hill Barclays Capital, Inc.	Q			
Great. Thanks for taking my question.				
<b>Operator</b> : The next question comes from Rich Repetto of Sandler O'Neill. Please go ahead.				
Richard H. Repetto Sandler O'Neill & Partners LP	Q			
Yeah. Good morning, guys.				
Jeffrey C. Sprecher Chairman & Chief Executive Officer	A			
Good morning.				
Scott A. Hill Chief Financial Officer	Α			
Good morning.				
Richard H. Repetto Sandler O'Neill & Partners LP	Q			
I guess the first question is on the non-transaction revenue on the Scott, the 10% up year-over-year guidance, we're already at that				

see these lines trending and that's even with the SuperDerivatives in it. Where do you see the lines trending? Is that guidance pretty conservative, right now? Any breakouts you can give in regards to Benchmark Administration

contribution, et cetera, I think, would be helpful.

Q1 2015 Earnings Call



#### Scott A. Hill

Chief Financial Officer

Yeah. I'm not going to break down the bits and pieces too much, Rich, but I'll help a little on the trend. We had guided at the end of last year that data revenues and listings revenues were going to be strong. We expected to come out of the gate strong as we did in the first quarter. And frankly as I look through the rest of the year I think second quarter, third quarter, fourth quarter are going to look a lot like the first quarter. And if you look on a year-over-year basis that's going to mean solid year-over-year growth in listings, in data, every single quarter the rest of the year.

Jeffrey C. Sprecher

Chairman & Chief Executive Officer

Yeah. Rich, you know, we – as Scott mentioned in his prepared remarks, hopefully it didn't go unnoticed that we are amazed that we've had hundreds of new users come to our data set. This is a real growth story for us and it's happened quite quickly, our team has done a really good job out in the field bringing our data to new customers. And the pipeline for listings looks really strong for the next – the visibility we have into the rest of the year, so we feel pretty good about true growth coming from new users.

Richard H. Repetto

Sandler O'Neill & Partners LP

Yeah. Right. I guess, we're going to see whether Scott's 10% up is conservative or not then. I guess, my follow-up would be – and you did – saying what you said, Jeff, in your prepared remarks is consistent with what we're hearing from the FCMs that there's a shift away from the UK banks and there's more business moving to the U.S. – I guess U.S. banks. And then – so I guess the question is we know that the equivalence issue is probably the near-term biggest regulatory issue, but let's assume that gets compromised as you've sort of referred to or hinted at. But this movement of customers, is this do you think just a temporary and once the regulations get in place, or is the regulatory framework over there just going to be different where some of these changes might be permanent? And I guess I'm asking this because the open access issue over there, a shift to the U.S. would I think be in your benefit if I'm correct.

Jeffrey C. Sprecher

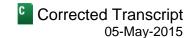
Chairman & Chief Executive Officer

Well, it's a good question. First of all, I'm not sure that a shift to the U.S. is in our benefit. We are very, very well positioned in Europe, and are making real investments there to take advantage of changes that are going on. So, there may be slightly different models in different regions, but we want to maximize our profitability in each of those regions. The other interesting thing that really it's a follow-on to what you mentioned that you've been seeing is there's also a lot of capital moving towards Asia. I mean, you see it in the demand right now for the linkage between the Hong Kong Exchange and the Shanghai Stock Exchange in equities, but there is capital flowing towards Asia for commodities, derivatives, and other things. So it's very, very hard for us to predict where the markets will go.

Right after Dodd-Frank passed, if you would have listened to the conversation you would have thought people were going to leave the U.S. because they didn't like Dodd-Frank. Now we see this opposite impact where people are moving business to the U.S. and seem to be more comfortable with Dodd-Frank. There are still parts of regulation like – that affect our customers like position limits and additional capital rules and other things that are yet to be promulgated. So, this may be temporary. We don't know. It's why we basically want it to be pretty diverse. And it's why I feel very good that we've got the right tools to continue on our earnings growth trajectory, because we're very well positioned in each of these venues.

Intercontinental Exchange, Inc. (ICE) Q1 2015 Earnings Call	Corrected Transcript 05-May-2015
Richard H. Repetto Sandler O'Neill & Partners LP	Q
Okay. I'll leave it at that. Thanks.	
Jeffrey C. Sprecher Chairman & Chief Executive Officer	A
Thank you.	
<b>Operator</b> : The next question comes from Chris Allen of Evercore. Please go ahead.	
Christopher John Allen Evercore ISI	Q
Morning, guys.	
Jeffrey C. Sprecher Chairman & Chief Executive Officer	A
Morning.	
Christopher John Allen Evercore ISI	Q
I just wanted to follow-up real quickly on Rich's question. You mentioned that 2Q ver a lot like 1Q for the market data and listings. Were you referring to growth? Or the ac Because the	_
Scott A. Hill Chief Financial Officer	A
Actual revenue numbers.	
Christopher John Allen Evercore ISI	Q
Actual revenue numbers. Okay. I just wanted to clarify that. And then Jeff, in your pr mentioned natural gas, you're seeing a big pickup, a big growth in non-U.S. Is that ju Or you're seeing it more broadly than Europe right now? I'm just kind of looking for it is the property of the p	st concentrated in Europe?
Jeffrey C. Sprecher Chairman & Chief Executive Officer	A
Yeah. It's mostly Europe, although the interest level of — as capital is deployed lookin world, it seems to be moving away from the U.S. towards other areas. And the big glo very close to are looking all around the world. So at this point it tends to be parts of E setting the company up to be a global gas franchise.	bal companies that we're
Christopher John Allen Evercore ISI	Q
Got it. All right. Thanks, guys.	

Q1 2015 Earnings Call



Operator: The next	question comes	from Alex Kramm	with UBS.	Please go ahead.
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Alex Kramm
UBS Securities LLC
Hey, good morning.

Jeffrey C. Sprecher

Good morning.

Chairman & Chief Executive Officer

Alex Kramm
UBS Securities LLC

I'm sorry to come back to this one more time, but would love for you to flesh out this non-transaction I guess call it guidance a little bit more, because on the one hand you're saying you're adding users and you're very excited. On the one hand you say revenue is flattish for the rest of the year. And maybe a couple items there to point to in particular, on the benchmark side it seems like LIBOR you just really got started. There was a lot of industry pushback. So maybe just flesh out where you are in terms of what innings, in terms of actually charging everyone and then making sure everybody is paying and then maybe on the other side of the coin like how much of that line item is actually driven by things like market data, fee pool of the NYSE, things that maybe are not driving as much as they should be and maybe that's where that flattish is coming from.

Scott A. Hill
Chief Financial Officer

Yeah. So I'll take exception to the flattish. So what I'm suggesting is that hundreds of new users, ICE Benchmark, SuperDerivatives, all of those things contributed to a really strong first quarter, and will continue to contribute as we move through the year. So if you look at each of the quarters even at current first quarter levels through the rest of the year, that's very solid year-over-year revenue growth, right in line with the guidance that we gave on our last earnings call. Clearly, ICE Benchmark Administration is in early days and so we would fully expect that business to contribute more as we move through the year. The user growth that we've seen that's in the first quarter numbers and reflected, and will continue to flow through as revenue as we move through the year.

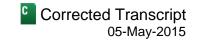
SuperDerivatives again, fully embedded full quarter in the first quarter, will continue to flow through during the year. So what I'm suggesting is a constant [ph] trim (45:23) through the year with significant year-over-year increases, if – again just do the math based on what we had for data last year and listings last year relative to what we had in terms of absolute revenues in the first quarter.

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

And, Alex, maybe to get at the root of your question a little more. We saw hundreds of new users just in the commodity space. We have a much better offering now where we can go to commodity traders and offer a wider suite of data that takes in data that we've got through SuperDerivatives and through NYSE and Liffe, but targeted towards commodity traders and so there is real growth and the ideas that we have which is we could become a better data company have been playing out in the usage.

Alex Kramm
UBS Securities LLC

Q1 2015 Earnings Call



Okay. Fair enough. And then secondly, maybe just coming back to the NYSE integration, which we haven't really touched upon so far today; so I think some people were probably cautiously optimistic that you like give a little bit more color on hosting as you start progressing and maybe see some upside. So just wondering how you feel about integration, if they are any big projects, you're making any good headway on and maybe get excited about seeing more things than you originally anticipated or just how you feel about the integration overall. Thank you.

Scott A. Hill

Chief Financial Officer



I feel really good about the integration. I mean look at the first quarter. Expenses are down 4% and that's despite the fact that we added 300 employees through the acquisition of SuperDerivatives and Holland Clearing House and the other businesses we acquired. Compensation despite that was down 2% year-over-year, professional services down 40% year-over-year, margins at 60% which I'll grant you is on a very strong revenue quarter; that notwithstanding, revenue grows 7%, expenses come down 4%. All of that's enabled because of the tremendous progress that we've made in our overall integration efforts.

I think what you've taken for granted a little bit is that the fourth quarter was well under where we had guided because we had accelerated those synergies in, and we saw continued reduction if you look 4Q to 1Q in terms of the expense performance. So, I think the margin expansion that you're seeing; I think, the expense trends that you're seeing, all of those are reflective of the strong integration that's occurred thus far, and there'll be more to come as we move through the year. I mean, expenses will be relatively consistent as you move through 2Q and 3Q, but then as you move into 4Q with some of the initiatives we've got going around real estate and some additional corporate function integration that we're working our way through, you'll start to see the expenses come down a little bit again as we get towards the end of the year and as we move through into next year.

Alex Kramm

UBS Securities LLC



All right.

Jeffrey C. Sprecher



Chairman & Chief Executive Officer

And, Alex, the — we have really become known for delivering good technology. Chuck Vice, our President and his team are driving a lot of change inside the NYSE. I mentioned in my remarks that we're moving from five trading platforms to one, our new Pillar system, that will be cost saving. We are building new state-of-the-art compliance and oversight systems using a heavy technology investment and bringing then a FINRA-type services in-house where I think we're going to provide much higher quality, more real-time services at lower cost. And I think, you'll see us continue and we are continuing to invest in the technology around our listings systems and the way we talk to our listed companies. So all of that technology spend will ultimately simplify that business and allow us to deliver higher quality services at lower costs. So really good return on invested capital there that you'll see as we go through 2016, I believe.

Alex Kramm

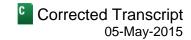
UBS Securities LLC



All right. Very good. Thank you very much.

**Operator:** The next question comes from Dan Fannon of Jefferies. Please go ahead.

Q1 2015 Earnings Call



#### Daniel T. Fannon

Jefferies LLC

Thanks. A couple questions on capital, Scott, I think you mentioned \$500 million of operational cash. Curious if that's a change or just similar to what it's been? And then it's clear your comments around the buybacks and kind of how you view your stock currently but also would just like to get an update on the M&A environment and kind of how you're thinking about that and the opportunity set or how much time you're spending on that today?

Scott A. Hill

Chief Financial Officer

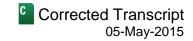
Yeah. No. Good question – yeah. So the \$500 million, Dan, what we've historically said is we'd be somewhere in the \$500 million to \$600 million range. I think as our capital structure continues to improve, as our access to debt markets continues to improve that we've come to a determination that the lower end of that range is where we can comfortably manage from a cash balance; so in the range but on the lower end.

In terms of the overall M&A environment and how we think about it, it's not too different. Jeff in his prepared remarks and in an earlier Q&A really hit on a key for us which we continue to focus on opportunities for growth. M&A enables that but we only are willing to look at deals where we can generate returns on invested capital that are above our cost of capital. Just to give you a sense, if you – our projection of where we will be by the time we get to the end of this year is we'll have our returns on invested capital back above our cost of capital and that's going to be within two years of closing the NYSE deal; when you consider the size of that acquisition, that's a pretty quick turnaround. You look at other competitors in the space that have spent similar amounts on acquisitions that haven't had the return above – invested capital above their cost of capital ever and we're going to be back there by the end of this year.

So that's how we think about M&A. Do the deals generate growth, but more importantly, do they generate, to Jeff's last chart, growth in earning and to the extent they do, they generate returns on invested capital above cost of capital. That's the objective. In terms of the environment and how much time we spend, it's pretty consistent. Again, we've constantly looked at new opportunities for growth whether it's a small deal like a YellowJacket years ago to get into options technology, a transformative deal like the New York Stock Exchange to move into the interest rate business. We look at a range of deals all the time and go through it in a very disciplined manner to make sure it's a strategic fit and it's a financial – it's attractive financially.

Daniel T. Fannon  Jefferies LLC	Q
Great. Thank you.	
<b>Operator</b> : The next question comes from Alex Blostein of Goldma	an Sachs. Please go ahead.
Alexander V. Blostein Goldman Sachs & Co.	Q
Great. Hello. Good morning, everyone.	
Jeffrey C. Sprecher Chairman & Chief Executive Officer	A
Good morning.	

Q1 2015 Earnings Call



Scott A. Hill

Chief Financial Officer

A

Good morning.

#### Alexander V. Blostein

Goldman Sachs & Co.

Q

Question for you guys on the operating leverage. I think, maybe a year ago or so, Scott, you outlined kind of the longer term margin goals for the business or kind of just saying look steady state even if revenues don't grow, given everything we're doing margins could be well into the 60% zone. Clearly you guys had a little bit of reporting change, but also the business has grown quite nicely and you guys have I think taken out more expenses than I think someone would've thought. So I was just wondering steady state today, where could that margin go again kind of flattish revenue growth which of course may not be the case, but just kind of given the growth opportunities and the trajectory of expenses hoping to get an update on that margin?

Scott A. Hill

А

Chief Financial Officer

Yeah. Look, I – it's difficult to project margin because implicit in that is a projection on revenues, but I think if you look back at what we told you and again I appreciate that there's been the reporting change, but add three points to that chart in each period and you're right around where that trend would be. If you look at where we are in the first quarter again on strong revenues, we're ahead of that trend. If you look over the course of the year, I think, we're tracking right where we thought we would in terms of margin expansion. We do believe that the business can continue to track ahead as we take costs out, as we grow the top line. So again I'm not going to predict margins a quarter out, three quarters out, two years out, but we're on the right trend, we're seeing the expansion we expected and I absolutely think there's an expectation that margins will continue to expand. And no reason to think we can't get back to a level similar to what we had before the NYSE deal.

#### Alexander V. Blostein

Goldman Sachs & Co.

Yeah. Makes sense. And just a quick follow-up on capital management; can you talk a little bit I guess about your appetite to use some of the – your credit facility or revolver to accelerate some of the buybacks just taking into account Jeff's comments and obviously your points around how strong the capital position is of the company today? You're around that 1.5, 1.6 times debt to EBITDA? And EBITDA is going to grow just by the virtue of expenses going lower. So can you kind of walk us through that rationale?

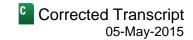
Scott A. Hill

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Chief Financial Officer

Yeah. Look, right now as I said in my prepared remarks we're — we feel very good about where we've gotten in a very short amount of time. We've got a very strong cash balance. Our leverage at 1.6 times is effectively where we expect it to be. We have the flexibility now with our access to debt markets that we don't need to build up cash in order to do a deal or to pay a dividend. And so again I think as is typically the case what you should expect of us going forward is what you've seen from us historically. We're going to allocate capital as we said. We've grown our dividend now; we will continue to grow it. When we grow, we have continued to buy back shares. If you look historically we've bought back pretty opportunistically; here you'll note that it's been a pretty consistent amount, because as Jeff said, the share price where it is right now makes a lot of sense to us as a high return on investment.

Q1 2015 Earnings Call



And so I don't think you're going to see us lever up to go and accelerate anything. I think again what you ought to expect from us is consistency in terms of what you're seeing in the recent quarters and in terms of our forward guidance on the dividend and the increase of 15% there.

Alexander V. Blostein

Goldman Sachs & Co.

Understood. Thanks for taking the questions.

**Operator**: And the last question due to time constraints would be Chris Harris from Wells Fargo. Please go ahead.

Chris M. Harris

Wells Fargo Securities LLC

Thanks, guys. A quick follow-up on M&A, do MiFID and EMIR change the way you guys are approaching potential M&A opportunities in Europe or is it just way too early to make that call?

Scott A. Hill

Chief Financial Officer

Yeah. I think, it's way too early to make that call, right. I think at the end of the day, as Jeff alluded to, one of the things that we've really focused on historically as a business is building a geographically diverse business. And so we are investing in Europe. We bought the Holland Clearing House on the continent. We're investing in Singapore where we'll be launching an exchange and clearing house later this year. And so I think ultimately we've done well by being geographically diverse. We've done well by understanding where regulations are going and listening to our customers in terms of where their preferences are. And so we continue to look globally at M&A and I don't think there's any single piece of legislation or rule or regulation that at least as we look at the landscape would suggest to us that there's any geography that wouldn't be a prudent opportunity for investment, particularly in Europe. And again I point to the Holland Clearing House that we just recently did.

Chris M. Harris

Wells Fargo Securities LLC

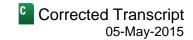
Okay. Understood. And quick follow-ups here just on your RPCs, you know you guys have had great year-on-year growth there. You highlighted it. I know, there's a lot of moving parts that go into that, mix certainly playing a role. Are there any other fees that are in your RPCs today that maybe weren't in there a year ago that's helping to drive the increase? Or is it all just mix and customers?

Scott A. Hill

Chief Financial Officer

No. It is largely mix and customers. And again you kind of – you have to peel back the onion a little bit. If you look in energy, clearly the strength of Brent has been helping RPC in terms of energy. If you look at the agricultural market more recently particularly, you've seen a lot of strength in the sugar markets. And our ag markets are still very much commercially oriented. The OI is building, which suggest that the commercial participants in all the markets continue to really play a strong role, and that tends to be a help in terms of the RPC. If you switch over to the cash equities side of the business, as Jeff alluded to, we've made very conscious decisions on business we don't want that's not profitable. And as we get out of those businesses you see RPC trends up on the cash equities and options side as well.

Q1 2015 Earnings Call



So it is – it's not the increases, it is very simply customer mix and then frankly decisions we're making on walking away from business that doesn't generate profit for us.

Chris M. Harris

Wells Fargo Securities LLC

Okay. Thanks, Scott.

**Operator**: This concludes our question-and-answer session. I would like to turn the conference back over to Jeff Sprecher, Chairman and CEO, for any closing remarks.

#### Jeffrey C. Sprecher

Chairman & Chief Executive Officer

Well, thank you all for joining us. And we look forward to continuing to speak with you throughout the quarter. And have a good day.

**Operator**: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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