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Intercontinental Exchange, Inc. (ICE)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello everyone, and welcome to the ICE First Quarter 2025 Earnings Conference Call and Webcast. My name is Lydia, and I'll be your operator today. After the prepared remarks, there will be an opportunity to ask questions. [Operator Instructions]

I'll now hand you over to Katia Gonzalez, Manager of Investor Relations to begin. Please go ahead.

Katia Gonzalez

Manager-Investor Relations, Intercontinental Exchange, Inc.

Good morning. ICE's first quarter 2025 earnings release and presentation can be found in the Investors section of ice.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 2024 Form 10-K, 2025 first quarter Form 10-Q, and other filings with the SEC.

In our earnings supplement, we refer to certain non-GAAP measures. We believe our non-GAAP measures are more reflective of our cash operations and core business performance. You'll find a reconciliation to the prevailing GAAP terms in the earnings materials. When used on this call, net revenue refers to revenue net of transaction-based expenses and adjusted earnings, refers to adjusted diluted earnings per share.

Throughout this presentation, unless otherwise indicated, references to revenue growth are on a constant currency basis. Please see the explanatory notes on the second page of the earnings supplement for additional details regarding the definition of certain items.

With us on the call today are Jeff Sprecher, Chair and CEO; Warren Gardiner, Chief Financial Officer; Ben Jackson, President; Lynn Martin, President of the NYSE; and Chris Edmonds, President of Fixed Income & Data Services.

I'll now turn the call over to Warren.

Warren Gardiner

Chief Financial Officer, Intercontinental Exchange, Inc.

Thanks, Katia. Good morning, everyone, and thank you for joining us today.

I'll begin on slide 4 with a summary of our record first quarter results. First quarter earnings per share of $1.72 were up 16% year-over-year. The strong results were led by an 8% increase in net revenue to a record $2.5 billion. Importantly, against the backdrop of macroeconomic uncertainty, we saw growth across all three of our operating segments.

First quarter adjusted operating expenses totaled $964 million, slightly below the low end of our guidance range, driven in part by better-than-anticipated savings and synergies primarily related to technology spend.

As a result of this strong performance, adjusted operating income increased by double-digits, up 11% versus the prior year and reached a record $1.5 billion. This strong business performance allowed us to return $519 million of capital to our shareholders during the quarter, including $241 million of share repurchases. And we did this while also investing in our business and reducing leverage, which ended the first quarter under 3.2 times EBITDA.

Before I move to our segment results, I'll now note a few guidance items. As we look to the second quarter, we expect adjusted operating expenses to be in the range of $980 million to $990 million, with the increase versus the first quarter largely driven by a weaker dollar relative to the pound and euro, a dynamic that is more than offset by higher revenues, a full quarter of merit increases and an accrual for awards related to our strong year-to-date performance.

Second quarter non-operating expense is expected to be between $175 million and $180 million, with slightly lower interest expense from reduced leverage, offset by the refinancing of our $1.25 billion maturity coming due in May.

Now let's move to slide 5, where I'll provide an overview of the performance of our Exchange segment. First quarter net revenues totaled a record $1.4 billion, up 12% year-over-year.

Record transaction revenues of nearly $1 billion were up 16%, driven by an 18% increase in our interest rate business, 21% growth in NYSE cash equities and options revenues and another quarter of record energy revenues, which grew 23% year-over-year.

In addition, volumes accelerated in April, with energy ADV up 39%, interest rate ADV up nearly 60%, our cash equity ADV up 68%, and our equity option ADV up 11%. And importantly, in its rising volatility, open interest continues to build up 8% year-over-year, including 21% growth in global interest rates, and 7% growth in our energy markets.

Shifting to recurring revenues, which include our Exchange Data Services and our NYSE Listings business revenues totaled $368 million, up 3% year-over-year. Underpinning growth in our recurring revenues was our broader Exchange Data and Connectivity Services, which grew 5% as once again led by futures data services.

In our Listings business, the NYSE helped to raise over $4 billion of new proceeds in the first quarter including Venture Global, the largest IPO year-to-date. It's worth noting that less than 40% of IPOs met the NYSE's listing standards in the first quarter, and these high standards remain a critical component of our 99%-plus retention rate.

Additionally, the backlog for new IPOs, remain strong with a variety of companies seeking to raise capital when volatility abates.

Turning now to slide 6, I'll discuss our Fixed Income & Data Services segment. First quarter revenues totaled a record $596 million, including transaction revenues of $125 million. On a year-over-year basis, revenue at ICE bonds increased by 16%, driven by 18% growth in our muni business, and 30% growth in corporate bond trading.

Within our CDS business, revenues increased year-over-year with lower members' interest offset by clearing revenue, which increased 27% year-over-year amidst increasing macroeconomic uncertainty. Recurring revenues totaled a record $471 million and grew by 5% year-over-year.

In our fixed income data and analytics business, revenues increased 4% year-over-year, driven by growth in pricing and reference data and 14% growth in our index business, which reached a record $684 billion in ETF AUM as of the end the first quarter. Data and network technology, which we previously referred to as other data and network services, increased by 7% in the first quarter, an acceleration from 5% growth in 2024.

Growth was driven by the return on various data center investments we have recently made in our ICE Global Network as well as continued growth in our consolidated feeds business and strong performance across our desktop solutions, driven in part by cross-sell opportunities sourced from both our energy and NYSE customer bases.

Please flip to slide 7, where I will discuss our Mortgage Technology results. First quarter revenues totaled $510 million, recurring revenues totaled $397 million, up both sequentially and year-over-year.

On a year-over-year basis, the improvement was largely driven by our servicing business. And while we benefited from a $2 million of one-time revenue that we do not anticipate will repeat, growth was also driven by new customers implementing on MSP.

Transaction revenues totaled $113 million, up slightly year-over-year, driven by revenue growth related to Encompass closed loans and applications, an increase in closing solution fees and higher default management revenues as foreclosure starts within our servicing business have begun to tick higher from historic lows.

In summary, we delivered record first quarter results including record revenues, operating income and adjusted EPS, building upon our record 2024. Amidst macroeconomic and geopolitical uncertainty, we are uniquely positioned to invest across our business, meet the needs of our customers, and continue to deliver consistent and compounding growth for our shareholders.

I'll be happy to take your questions during Q&A. But for now, I'll hand it to Ben.

Benjamin R. Jackson

President, Intercontinental Exchange, Inc.

Thank you, Warren, and thank you, all for joining us this morning. Please turn to slide 8. Amidst the dynamic macroeconomic and geopolitical environment, our customers continue to rely on our leading technology, mission-critical data, and transparent and accessible markets to navigate uncertainty while managing risk.

Across our global futures markets, total average daily volumes increased 23% to a record 10 million lots in the first quarter, including records across energy and interest rates. This strong performance drove record futures and options revenues, which grew 18% versus prior year.

Building on the momentum of a strong first quarter, ADV into April was up 43% year-over-year, led by continued strength in our energy and interest rate franchise, up 39% and 59%, respectively.

More importantly, open interest continues to trend higher, up 8% year-over-year. As we have consistently said, open interest is a helpful guide to gauging the health of our markets and proves to be a leading indicator of volume growth during volatile periods.

For over two decades, we've worked closely with our customers to develop a diverse, liquid and globally interconnected energy network. Today as trade dynamics evolve and become increasingly complex, our network provides the critical feedback loop required to address near-term supply and demand imbalances, as well as the long-term price signals needed to efficiently allocate the capital necessary to meet forward-looking demand.

This deliberate and long-term strategic direction contributed to our eighth consecutive quarter of record energy revenues, which increased 23% year-over-year, and that is on top of 32% growth achieved in last year's first quarter. This strong performance is a testament to customers' continued confidence in ICE as the global energy hedging venue of choice.

In our oil markets, through constant innovation, Brent has firmly cemented itself as the global benchmark for crude oil, pricing roughly three quarters of the world's internationally traded crude and from which prices are discovered in the US Gulf Coast via ICE's WTI, and in the Middle East and in Asia via ICE's Murban and Dubai markets.

In the first quarter, record volume in our oil complex increased 18% year-over-year, including records across Brent, WTI, Midland TI, Murban and Platts Dubai. Collectively, this strong performance drove record oil revenues, which grew 17% year-over-year.

In addition, as a leading indicator of ongoing interest in our markets, open interest across the complex set a series of records in April. This growth signals that customers are managing more risk amid heightened volatility.

In our natural gas markets, we followed a similar playbook, building a platform that offers the broadest range of natural gas benchmarks across the US, Canada, Europe and Asia, underpinned by our liquid markets in Henry Hub and North American basis, TTF and JKM, a thoughtful approach that uniquely positions ICE to continue to benefit from both the near-term volatility and long-term growth trends occurring across these markets.

Reflecting this dynamic, volumes and revenues in our global gas portfolio set records in the first quarter, both increasing 33% year-over-year. In North America, we began preparing for the evolution of gas markets beyond the Henry Hub benchmark several years ago.

Through close collaboration with our customers, we created our exclusive US and Canadian basis markets, a suite of precise risk management tools that reflect the commercially relevant supply and demand dynamics of 70 distinct North American gas hubs.

In the first quarter, volumes in our Henry Hub contract grew 26% year-over-year, while record volumes in our basis markets increased 52%. The first quarter also included nine of our top 10 all-time highest volume days. Collectively, the strong performance drove a 30% growth in our North American gas complex, including record option volumes.

Similarly, the globalization of gas and the rise of LNG are secular trends we began investing in more than a decade ago through our acquisition of Endex, an investment that positions us as a leader in European trading via our TTF contract.

In more recent years, geopolitical shifts and a tight LNG market have intensified market globalization and increased the need for risk management. As a result, our TTF benchmark has asserted itself as – its position as the Brent of natural gas markets and continues to be relied on by an increasing number of market participants.

At the same time, our TTF contract delivered another record-setting quarter across volume, revenues and open interest, with each growing double-digits versus prior year. This record performance underscores TTF's deep liquidity and the critical role it plays in providing daily global natural gas price signals.

At the same time, the global transition to less carbon-intensive fuels supports demand growth for natural gas, particularly for developing economies which prioritize reliable, affordable fuel.

For example, in Asia, where coal still accounts for roughly half of the region's energy supply, our JKM contract serves as the price benchmark for Asian natural gas and continues to reach important milestones with record volumes increasing 28%.

As policy discussions regarding sustainability objectives continue to evolve, our leading environmental markets work with our oil, natural gas, coal and power markets to provide the price transparency across the energy spectrum, transparency that is critical in navigating this multi-layered and non-linear progression.

In the first quarter, our North American environmental markets traded again at record levels, contributing to a 15% volume growth in our environmental portfolio.

In summary, as the confluence of increasing energy demand, evolving supply chains and the energy transition continues to introduce new complexities, uncertainties and volatility in the energy markets, we believe the markets we operate will prove instrumental as the long tail and complex evolution of global energy unfolds.

Turning now to our Fixed Income & Data Services business on slide 9, as fixed income markets automate and passive investing grows, our comprehensive platform continues to generate compounding revenue growth, delivering another quarter of record revenues, which grew 5% year-over-year.

Our decades-long position as a leading provider of price and reference data has served as the foundation for ICE to become one of the largest providers of fixed income indices globally.

Here, growth continues to be fueled by growing demand for ETFs in their expanded role in markets with assets under management benchmarked to ICE indices growing to a record of $684 billion, through the end of the first quarter. This strength once again drove double-digit revenue growth in our index business.

We also signed two additional licensing deals in the quarter with large global asset managers. One will move existing AUM to our index family and the other will launch a completely new ETF against our index solution.

In our data and network technology business, revenues increased 7% year-over-year, driven by continued demand of our desktop as well as our ICE Global Network and feeds offerings, as customers continue to modernize workflows and as past investments we've made continue to pay dividends.

Within our desktop business, revenues grew double-digits in the quarter, including robust growth in our ICE Chat offering. Here, we continue to innovate to reduce friction across the workflow.

A recent example of this innovation is the launch of ICE Voice, a cloud-based audio solution integrated directly with ICE Chat, providing market participants with real time voice communication capabilities alongside chat functionality.

Similarly, growth in our ICE Global Network reflects ongoing data and technology investments we've made in that business, cementing its position as the gold standard for an ultra-secure, highly-resilient network.

Across ICE Bonds, which provide state-of-the-art execution technologies and rounds out a broader fixed income offering, providing solutions across the pre-trade, trade and post-trade workflow, revenues increased 16% versus prior year.

Along with macroeconomic factors, this growth was also driven by past investments we've made to expand the number of participants accessing our trading platforms, driving liquidity to our markets.

Similarly, in our credit default swap clearing business, broad market volatility drove increased demand for credit protection, with CDS notional cleared increasing nearly 40% in the first quarter versus prior year.

As we move forward, we will continue to expand and evolve the products and services that are the foundation of our Fixed Income & Data Services segment, another all-weather part of our business.

Shifting now to our mortgage business on slide 10. For nearly a decade, we've been building a life-of-loan platform, an end-to-end network built and operated by a trusted neutral third-party in ICE, that spans from customer acquisition all the way through to the secondary capital markets, including enhancing transparency for the over $12 trillion mortgage-backed securities market.

Our neutral platform continues to attract the trust of significant customers across the mortgage landscape. And as evidence to this, 20 new Encompass clients were signed in Q1 alone and a significant new MSP client was signed in United Wholesale Mortgage. This end-to-end mortgage journey begins with our industry-leading customer engagement suite, which helps lenders identify new customers while also reducing customer acquisition costs.

Seamlessly integrated within our industry-leading loan underwriting platform our comprehensive suite of sales, marketing and borrower engagement solutions leverages data and artificial intelligence to create effective marketing campaigns. These campaigns enable mortgage lenders to target borrowers with the right products at the right time and to educate and inform their customers throughout the origination process, reducing the time and cost to originate.

The process then moves into our leading loan underwriting platform, which provides significant operational efficiencies, collecting borrower data in any form, such as a portal, mobile phone, e-mail or scan, and then digitizing and normalizing the raw data.

Once these raw data sets have been harnessed, it enables lenders to leverage our AI tools to quickly and efficiently verify credit, income and collateral as well as manage critical disclosures and underwriting requirements.

Here we've also integrated our leading property tax, flood, closing fee and compliance-related information for borrowers and lenders, providing customers with a complete and automated underwriting experience.

At the same time, our robust and automated quality control and audit capabilities improves both the quality of the loan package, and as a result, its value. Once originated, lenders can seamlessly transfer loans to our servicing technology, a functionality that has been enabled by the complete integration of our loan servicing technology with our underwriting system.

Our quality control and audit capabilities assist customers into rapid identification and remedy of critical information that may be missing from a loan file for servicing, reducing costs while continuing to produce a higher quality asset, and as loans mature or interest rates fluctuate, transmit near real-time data to the lender that owns the mortgage servicing right, enabling them to quickly and efficiently compete or recapture business.

Lastly, by combining these rich data sets with ICE's technology and data services expertise, we have developed tools that increase transparency for lenders, servicers in the capital markets. Here we're improving data quality and centralizing access with the goal of providing better pricing and prepayment modeling in the MBS market.

Central to this vision is a deep and broad footprint in mortgage data to support representative modeling. Our McDash loan-level data, for example, is driven by contributions from roughly two-thirds of all mortgage servicing firms.

Over time, access to high-quality mortgage data should bolster confidence in investment decision-making, increasing sector participation, boosting liquidity and ultimately leading to lower cost for borrowers.

In this vein, we're pleased to have signed on a large global asset manager onto our McDash data offering in the first quarter, and our data is being implemented to drive their risk models.

On behalf of our clients, we're assembling, integrating and expanding a customer engagement suite, underwriting tools, pricing systems, closing tools, registration tools, servicing systems and the resulting data all within a single end-to-end platform.

By using ICE's technology, mortgage lenders can lower mortgage origination costs while also relieving pain points across the workflow, all while helping lenders and servicers better recapture and identify new business opportunities. And we are seamlessly connecting our customers in these services so that they can now communicate with one another via a common data standard on a robust network operated by a neutral trusted third party in ICE.

In summary, as ICE continues to enhance our leading technology, we do so with both the client and end-consumer in mind. We are delivering on solutions that help automate workflows throughout each stage of the mortgage life cycle. This results in lower cost to originate and service loans for our clients who can then pass those savings on to the end consumer.

With that, I'll hand it over to, Jeff.

Jeffrey Craig Sprecher

Founder, Chairman & Chief Executive Officer, Intercontinental Exchange, Inc.

Thank you, Ben. Please turn to slide 11. In the first quarter, we delivered record revenues, record adjusted operating income, and record adjusted earnings per share, marking the very best quarter in ICE's history.

Our record results underscore the quality of our all-weather business model and the value of our products, leading technology and mission-critical data. We've deliberately positioned the company to have a mix of transaction and compounding subscription revenues, to give revenue upside exposure to investors while hedging our downside risk.

We placed the company at the center of some of the largest markets undergoing analog-to-digital conversions. We've mixed our footprint between financial markets, which react to central bank acts of man and physical markets, which react to disrupted supply chain acts of God.

We've diversified our global footprint because at all times, somewhere in the world, there are risks that our customers and our potential customers need to manage. We believe the combination of these factors is what makes ICE an all-weather name that generates growth on top of growth.

Across our futures and options markets, first quarter volume and revenue represented the highest quarter in ICE's history, with volume increasing 23% to deliver 18% revenue growth over the prior year. This record performance is strong evidence of the ever-growing need for global risk management, as our customers continue to turn to ICE to manage risk across the thousands of contracts offered on our platform.

Our open interest is up 8% year-over-year. These results illustrate that during recent high levels of market volatility, market participants are managing risk by adding to their positions and not leaving. As the world's leading energy marketplace, the breadth and the diversity of our global platform drives an important network effect producing capital efficiencies for our customer base.

Our record first quarter operating results underscore the significance of our energy offering, marking our eighth consecutive quarter of record energy revenues, which increased 23% versus the prior year.

We continue to see strong energy trading volumes to start the second quarter as market participants look to hedge exposures to geopolitical dynamics. This includes the single highest energy trading day ever experienced on ICE with nearly 10 million energy contracts traded on April 4, yielding records across our total oil business and our Brent benchmark contract.

At the same time, total energy open interest is up 7% year-over-year, with our oil complex setting a series of records in April. We see strong open interest trends in our Brent benchmark contract, highlighting its deep liquidity and diverse global participant base, which becomes particularly important in times of market stress.

Going forward, the new US administration has pledged to increase energy production, which could further reorder the global energy supply chain and, thereby, the global risk that may need to be managed on our platform.

Across ICE's interest rate markets, a mixed inflation picture, ongoing political tensions and shifting trade policies are driving demand for interest rate risk management. As a result, we captured the highest quarterly volume in our company's history, which increased 31% versus the prior year and included records across our Euribor and SONIA markets, the most liquid benchmarks for European and UK interest rates, respectively.

In addition, across our Gilts market, which is the benchmark for the UK government bond yield curve, volume increased 8% in the first quarter, including 12% growth in March. Our Gilts open interest is up 62% year-over-year. Collectively, these results highlight the strength of our multi-currency interest rate franchise with overall open interest building to a 21% year-over-year increase.

At the New York Stock Exchange, our cash equity trading volumes increased 20% year-over-year, and our equity options volumes increased 8% year-over-year. Collectively, this strength provided 21% growth in our equity trading revenues.

Importantly, and against the backdrop of economic volatility, our state-of-the-art technology provided investors with efficient venues to digest global events, make investment decisions and execute trades with unrivaled speed and accuracy.

We saw equity and equity option trades execute more efficiently in this period than during the volatile COVID outbreak, handling all-time high volumes and messaging rates.

Our technology systems rose to the occasion, twice processing more than 1 trillion messages in a single day, with a median processing time of roughly 30 microseconds. The New York Stock Exchange's opening and closing auctions grew more than 20%. They handle over $37 billion in trading activity per day.

When combined with our designated market maker model, we provide a differentiated execution experience for our issuers that reduces volatility, provides tighter bid offer spreads and offers an all-in cost of capital that is significantly lower than average.

This flexibility, which is unique to our model, has fostered great engagement from the market participants, and it further solidifies The New York Stock Exchange as the trusted risk management source during times of market volatility.

And we're pleased to extend our footprint to the state of Texas with our newly launched Texas Exchange, which has been incredibly well received by our issuer community.

As we move through the balance of the year and beyond, we remain focused on continuing to enhance the scale, resiliency and reliability of the ecosystem surrounding our market-leading platforms and risk management products.

I'd like to thank our customers for their business and their continued trust in this company. I wish to thank my colleagues at ICE for their remarkable efforts in contributing to the very best quarter in our company's history, and importantly, for supporting our customers who now more than ever place trust in our people and technology to manage risk across asset classes around the world.

I'd like to now turn the call back to our moderator, Lydia, and we'll conduct a question-and-answer session, which will go until 9:30 a.m. Eastern Time.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] First in queue, we have Ken Worthington with JPMorgan. Please go ahead. Your line is open.

Kenneth B. Worthington
Analyst, JPMorgan Securities LLC

Q

Hi. Good morning. Thanks for all the color in your prepared remarks. I was hoping you could address investor interest in the Rocket purchase of Mr. Cooper, particularly in the context of its acquisition of Flagstar.

So, given Rocket's prominence in the mortgage market, how do you see Rocket's business strategy comparing to what ICE is putting together in mortgage? And where does ICE compete and where does Rocket use ICE?

And then maybe secondly, if we look at Flagstar and Cooper, how much business is at risk of transitioning away from ICE over time? And to what extent do your recent wins offset the potential loss of Flag and Cooper?

Benjamin R. Jackson
President, Intercontinental Exchange, Inc.

A

Hi Ken, its Ben. A lot in there, and I'll try to hit it all, and Warren may also chime in on the latter part of your question there. So, I think, the headline is that it's a validation of our strategy.

We have been working now for many years to build out a complete end-to-end life of loan platform on behalf of our clients. And remember, we're doing this on behalf of 3,000 clients that we have within our ecosystem, some utilizing parts of our end-to-end platform and some utilizing all of it.

We also, as I said, have been doing this for a number of years now, and we have approximately 2,500 engineers, product experts and AI experts that have been evolving, enhancing, and innovating our platform now for many years, all within a single front-to-back ecosystem. And again, it's on behalf of our clients. And a key thing to highlight there is that we're a neutral independent third-party.

We're also leveraging our AI expertise across all of ICE to mine things, as an example, like our servicing data, to help the client that actually owns the MSR to efficiently market a refi opportunity to their client at the right-time with the right product, to help enhance their ability to recapture loans.

Another benefit, as I mentioned, is that we're an independent neutral provider of technology, and we put simply – we don't compete with our customers. And evidence to this is to the success that we have in growing out this ecosystem and attracting new clients to come to it is all the successes that I've mentioned quarter-over-quarter that we've had bringing in some marquee name clients onto our ecosystem.

We also, as I said in my prepared remarks, we signed 20 new Encompass clients in Q1. And we also signed a significant new MSP client in United Wholesale Mortgage. If you saw the press release that came out yesterday as well as articles that came out around that, you'll see that UWM specifically selected our servicing system and our client portal to help curate homeowner and lender experiences that help improve their recapture rates and referrals.

And they specifically highlight as well that another reason they came to us is not only the technology expertise, but the fact that we're a neutral independent provider. So when I look at attracting a client like that into our ecosystem, one of the largest originators in the United States mortgage business, and them coming onto our platform and then look at the funnel behind that of clients that are engaging sub-servicers that are on MSP as well as us directly to move loans to us, we feel great about our overall position.

Warren Gardiner
Chief Financial Officer, Intercontinental Exchange, Inc.

A

And then, Ken, just to give you some of the numbers around that. So, I think we – previously, we had said Flagstar was around, on an annualized basis, around 1% of IMT revenues. And then Rocket Cooper is a little less than 3%.

Importantly, there, a lot of that's going to be the servicing MSP in particular, and they actually just recently signed a multiyear contract. So, in the event they even do choose to move off of MSP, I'll just be clear that it's going to take a couple years.

And there's no change to this year's guidance as a result of any of that. We will start to see some impact from Flagstar, as you know, towards the end of this year. But in terms of Rocket Cooper, there's no impact on 2025.

Operator: Our next question comes from Kyle Voigt with KBW. Please go ahead.

Kyle Voigt
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hi. Good morning, everyone. Just given the balance sheet deleveraging and now return to capital or return to buybacks just wondering if we could get your updated thoughts on M&A. And as we think about areas of focus for ICE, most of your inorganic capital deployment over the past five years has been into the Mortgage Tech segment.

I guess given what you've built there and the assets that are remaining in the ecosystem, do you think there's still a sizable consolidation that's left in that segment? Or should investors be thinking about maybe a return towards inorganic capital deployment in other segments of the business?

Jeffrey Craig Sprecher
Founder, Chairman & Chief Executive Officer, Intercontinental Exchange, Inc.

A

This is Jeff. That's a great question. We've been really diligent about delevering after our most recent acquisitions in order to be able to return capital through share buybacks, which, as you've mentioned, we've now been able to start.

And we've been pretty diligent about delevering to try to hit a target of at least 3 times or less. And we're making good headway there, which would then free up a tremendous amount of cash flow which we could use for a return to shareholders.

I think if you listen to our prepared remarks, what you're hearing is all three segments of our business are doing really well. And so, we've been, knock on wood, particularly accretive at our share buyback policies.

They've had great returns for our shareholders. And so given how well the company is doing and given how we're starting to free up cash flow, it just feels right to us to lean into those share buybacks at this point.

In terms of M&A, we always look for opportunities, and we judge those opportunities against the opportunity to own our own company through share buybacks. And we'll continue to do that.

You're right in that we've, through organic and inorganic work, really built out an amazing end-to-end platform for mortgage. And the major pieces are seemingly there. We do get offered all kinds of bolt-on things that could fit on that network.

But again, we always run them through that same lens of, is it a better ROI to just continue to invest in our own shares with a company that is really highly performing right now.

Operator: The next question comes from Alex Blostein with Goldman Sachs. Your line is open.

Alexander Blostein
Analyst, Goldman Sachs & Co. LLC

Q

Hi. Good morning, everybody. Thank you for the question. I wanted to dig in a little more into dynamics in energy markets today. Obviously, incredibly strong results in April for obvious reasons, continues to be quite robust as well.

As you look a little bit forward and if we are in a more uncertain macro backdrop and, in fact, we'll see slower economic growth, et cetera, and to an extent that weighs on oil prices in a more sustainable way, can you kind of help us sort of think how that could impact the customers' need to hedge and just sort of the broader activity in your energy markets?

How different could that be from sort of prior periods of lower oil prices and subdued volatility? So, I'm just kind of trying to better understand the durability of franchise today versus maybe prior periods when oil prices settled down at a lower place.

Benjamin R. Jackson
President, Intercontinental Exchange, Inc.

A

Thanks for the question, Alex. It's Ben. So, as you know and can appreciate, we're in the business of helping clients manage risk exposures to commodities and capital across our futures franchise.

And when you look at today's environment, there is more and more and risks that people have to manage and new risks that people need to manage. Just rattling off a few, you've got the trade and tariff situation. You've got the potential for recession.

You've got concerns around energy supply. You've got concerns around energy supply security. You've got the transition over a long period of time towards cleaner fuel sources. You've got regional and global interconnectivity of supply chains as well as demand dynamics that can impact across regions and becoming more of an interconnected world.

Supply chains are continuing to evolve. And that's just naming a few. So, all this means that there's more and more risks for people to manage. And we're in a unique position having a truly global platform that provides people the ability to manage these risks across the energy spectrum, including environmentals.

We have thousands of contracts around the world, with deep liquid markets that enable clients to do this. And what we're seeing right now is that more people are coming to our markets to manage risk.

So not only are we hitting records, and throughout the prepared remarks that all three of us had today, you heard record-after-record in product-after-product. But also across each of these, it's important to highlight that open interest is growing at the same time, which means that people aren't leaving the market. They're actually coming to it even more so to manage risks in these times of heightened volatility.

And that's what we look at – we have looked at for – since the inception of the company, and continue to look forward on a forward basis as being the main barometer for the health of the market and a forward-looking indicator of volumes to come. So, we feel great that, on the back of a 30% growth in energy on top of a fantastic year last year, that open interest is up 8% at the same time.

Operator: The next question comes from Dan Fannon with Jefferies. Your line is open.

Daniel T. Fannon
Analyst, Jefferies LLC Q

Thanks. Good morning. My question is on Fixed Income & Data. You guys highlighted a couple of index wins. Could you put some numbers or context around the size of those? And also just how you think about that potential opportunity on a longer-term basis?

Christopher S. Edmonds
President, Fixed Income & Data Services, Intercontinental Exchange, Inc. A

Dan, its Chris. I'll let Warren if he wants to talk about the numbers in a second. But I would tell you that that business continues to perform incredibly well.

And it's really on the back of investments we've made around our ability to quickly customize certain indices that are meeting the needs of their clients as they're coming up with new investment strategies along the way.

So, the more opportunities that we can create for them and they then take that to their end-users or end-investors. That's really where the conversation has been going over the last year and really starting to bear some fruit on that.

But we haven't talked about who those index providers are – I'm sorry, ETF issuers are around that. But one that we're moving, it's about $10 billion of AUM that will be coming over at this time.

Operator: Our next question comes from Benjamin Budish with Barclays. Please go ahead.

Benjamin Budish
Analyst, Barclays Capital, Inc. Q

Hi. Good morning and thanks for taking the question. Just wondering if you could unpack the IMT guide a little bit. I know the guidance is unchanged versus prior, but definitely some changes in the environment, it sounds like, from some of the other companies that have reported.

There are things like delays in bank implementations and decision-making. There's some worries about the consumer, even though we've seen rates come down like a little bit. So just curious, are there any sort of moving parts under the surface anything going better, anything going worse? Or is it really still kind of everything is status quo?

And then, Warren, if you don't mind, could you maybe just kind of quantify the one-time revenues? And is that – are there typically one-time revenues? Or was this a little bit out of the ordinary this quarter? Thank you.

Warren Gardiner
Chief Financial Officer, Intercontinental Exchange, Inc.

A

Sure. Let me start with that one first just because it's a quick one. So yeah, it was just – it was a few million dollars. We don't typically have them [indiscernible] (00:43:27) credit. So that – I just wanted to point that as we kind of think about taking out, call it $2 million, $3 million of the – of kind the from the run rate as you kind of move forward, on the servicing side in particular.

So, in terms of the guidance, certainly, things change around the margin, but nothing significant such that we would be adjusting our guidance that we gave last quarter, which at the high-end was expecting a sort of mid-teens growth in origination volumes, and towards the lower end, more flattish.

And so certainly out of the gates, it was a good first quarter. Ways to go we'll see how origination volumes trend. I mean, obviously, the 10-year is actually a little bit lower than where it was when we gave that guidance, not necessarily materially.

Obviously, there's been some movement, of course, in between. But everything is kind of moving, I think, in the right direction on that front. We feel very good about that guidance as we kind of head into the second quarter and the rest of the year.

And so ultimately, it really enables us to focus on executing on the investments that Ben spoke to, and really stitching together this neutral third-party ecosystem that can really, I think, bring some efficiency to the industry and homeowners over time. So, feel good about our position as we head into the rest of the year here.

Operator: Our next question comes from Patrick Moley with Piper Sandler. Your line is open.

Patrick Moley
Analyst, Piper Sandler & Co.

Q

Yeah. Good morning. Thanks for taking my question. I have one on the launch of New York Stock Exchange, Texas in the first quarter. We've seen an increasing focus on the state, Texas Stock Exchange planning to launch next year, NASDAQ said that they're going to open up a regional headquarters in Dallas. So I just wanted to get your thoughts on what drove the decision to shift resources into the state of Texas. And then more broadly, how are you thinking about the potential for capital markets to shift into the state in the coming years? Thanks.

Lynn C. Martin
President, NYSE Group & Chair, ICE Fixed Income & Data Services, Intercontinental Exchange, Inc.

A

Hi, this is Lynn. Thank you so much for the question. Our move with NYSE Texas is sort of a continuation of a trend that we've always adopted at ICE, which is we see an opportunity, we stay close to our customers and we execute on it quickly. It's why we were able to announce and then launch, six weeks later, NYSE Texas. When I zoom out though, Texas has always been an incredibly important state to us across ICE.

We've had offices in the state of Texas, in Houston, in particular, for more than two decades, given our roots as an energy company and an energy exchange. And if I look at the New York Stock Exchange, it is the largest state in terms of issuers with combined market cap of around $4 trillion. So this is nothing more than us doing the latest in our continuous playbook of staying close to our customers. We were really excited that we were able to announce our first listing alongside opening the exchange, that being Trump Media and Technology Group.

And we've had incredibly positive dialogue with our issuers down there. So, I would expect to be able to announce some additional listings in the near future. Additionally, we're in the process of bringing live the functionality around listing of ETPs, exchange-traded products, which we expect will go live in Q2.

So, the way we really think about this is the next evolution in the way that we stay close to our customers in an incredibly important state where we have more than 3,000 customers across our entire ICE ecosystem.

Operator: Our next question comes from Craig Siegenthaler with Bank of America. Your line is open.

Craig Siegenthaler
Analyst, BofA Securities, Inc.
Q

Good morning, everyone. We have a question on Mortgage Tech originations. So we saw transaction-based revenues were up 5% year-over-year despite a drop in origination. So, can you help us reconcile those results? And we're also curious if you started to see the elevated volume of bookings from last year [indiscernible] (00:47:51) revenues. And if so, what could the revenue ramp on those new implementations look like from here? Thank you.

Benjamin R. Jackson
President, Intercontinental Exchange, Inc.
A

Hey Craig, I'll start, and then Warren may chime in after. So, as I've mentioned, we continue to have great sales success with our clients. And as we alluded to on the last call, 2025 is when a lot of those deals that we closed over the last couple of years, that a number of them are going to start to go live, because it does take 12 to 18 months to get some of these customers, in particular, large customers, to make these types of transitions.

So, this year is one where we have a number of large clients that are going to start to go live. And then some of the clients that we've mentioned in the past are things like JPMorgan Chase, you've got M&T Bank, Fifth Third is going to start going live through some of their channels as well, Citizens Bank, Webster Bank and then just go on down the list. So, we're – as this year plays out, we're going to continue to see a benefit from that.

Warren Gardiner
Chief Financial Officer, Intercontinental Exchange, Inc.
A

And then on your transaction fee question, Craig. So one thing you've heard us talk about last couple quarters was around customer renewals and minimums and on Encompass particularly. And with those lower minimums that's been coming – [ph] it's been paired (00:49:17) with higher transaction fees, price per closed loans. And one thing I think we saw during this quarter, as those minimums have come down, we've seen loans and then customers go over those minimums and add up – and a higher transaction fee.

So, we did have pretty good results in terms of closed loans relative to what the industry had, but we also got a little bit of help from the higher PCL or the transaction fee, if you will, on the Encompass side. And that was part of what we saw in terms of the outperformance there.

Operator: Next question is from Alex Kramm with UBS. Please go ahead.

Alex Kramm
Analyst, UBS Securities LLC

Q

Yes. Hi. Good morning. Just coming back to Fixed Income & Data for a minute here. I think listening to other financial services companies, as clearly sales cycles are lengthening in some parts. So just wondering what you're seeing there. I think if I look at your ASV number, it may have been the biggest quarter-over-quarter addition. So it seems like the 1Q was still pretty good. But any updated thoughts on that?

And maybe also why the Fixed Income & Data line was actually down quarter-over-quarter, we don't see that too often on a dollar basis. So maybe just little bit more color what's going on there. Thanks.

Christopher S. Edmonds
President, Fixed Income & Data Services, Intercontinental Exchange, Inc.

A

Yeah. This is Chris. I'll start with – on the sales cycle. I think the way I would let you think about that is if you're looking at an individual product, I don't see any linking in the sales cycle itself. They take about the same amount of time. I think if you have things that are more complex where you're putting multiple items together, that can take a little bit longer because the implementation side of that on the client side when they decide to have a multifactor implementation, it takes more time for that to schedule.

So, you can see that impact being a little bit longer when it comes to pass there. But generally speaking, on a one-off product that is off the shelf, if you want to think about it that way, I don't see a linking to that sales cycle at the moment. And I'll turn it over to Warren for the other question you had.

Warren Gardiner
Chief Financial Officer, Intercontinental Exchange, Inc.

A

Yeah. Yeah. So, Alex, in terms of just the sequential decline in those revenues, that was three things really. There was one fewer day in the quarter, which will have an impact on how we [ph] accrue (00:51:38) revenue. There was also fewer one-times in the quarter and then – or really, it's hard to call them one-times because we always had them. They're kind of big, bulky data set sales. But – so we had that a little bit relative to the fourth quarter. And then the equity markets were, of course, down a little bit. And we do have some equity exposure in our index business. It's probably about a quarter of it. But that also put a little bit of sequential pressure on the results. So it was those things that drove it.

In terms of the ASV, I think it's important too to note that this was actually one of the better quarters in a while for net new business for us. We saw improving sales here on a year-over-year basis as well as improved retention. And so I think those two things were an important part of why you saw some better results on that front relative to what you saw in the fourth quarter maybe on the ASV front.

Operator: Thank you. Our next question comes from Ashish Sabadra with RBC Capital Markets. Please go ahead.

Ashish Sabadra
Analyst, RBC Capital Markets LLC

Q

Thanks for taking my question. I was wondering if it's possible to parse what percentage of the energy OI growth over the last several years is driven by commercial customers versus financials. And then just maybe a quick follow-up on that earlier question on energy, would be how would a change in geopolitical environment such as like a Ukraine-Russia peace influence the volume going forward? Thanks.

Benjamin R. Jackson
President, Intercontinental Exchange, Inc.
A

Hi. This is Ben. I think the way to think about our OI growth is that since the inception of the company, we built this business very heavily focused on the commercial user in mind. And in fact, in a lot of these markets, many of them are physically settled products where people actually have to have the capability to make or take delivery of the end product.

And as we even create new innovations, and I'll give you an example, in our Midland WTI product, HOU, that we've launched, that's been growing very nicely for us, grew 200% on a year-over-year basis, pricing Midland TI, that's basis Houston, hits the water and is now going into the Brent complex, that contract is physically delivered, and we're seeing two times the amount of actual physical deliveries on that contract than our peer does on their core WTI contract.

So that just gives you a sense that the people that are in there trading our products and the people that we focus on really growing the health of our OI across all of our energy products, that it's heavily based on the commercial end-user. And on your question around if the geopolitical situation is solved, which we all hope it is, at some point here soon, is that going to change anything?

We don't see it changing anything because of all the other risk factors that I mentioned in – that I mentioned in the answer to Alex's question earlier, that there are so many other risks around the world that people are faced with, more than probably any time in history, and especially some newer risks.

And at the same time, you've got energy demand growing, growing to support new innovations around the world like AI. That's a topic that consumes a ton of power. So we see the other factors that are out there continuing to drive demand for our markets, and the fact that supply chains have reset where US is a major oil and LNG gas exporter in particular to Europe on the LNG side.

As the supply chains reset like that and also a focus on energy security and the supply of that and the security of that supply that's coming into Europe, those things changing would take a long time if ever.

Operator: Our next question comes from Simon Clinch with Redburn Atlantic. Please go ahead.

Simon Aistair Vaughan Clinch
Analyst, Redburn Atlantic
Q

Hi. Thanks for taking my question. I was wondering if I could just take a step back on the Mortgage business, and just go back to the $14 billion TAM that you originally sort of set out for this business. I was wondering if you could update us on your thinking around that, particularly after your recent ICE 2025 experience. Just if there's any sort of evolution of that TAM, if it's perhaps bigger than you expected, or how to think about any sort of changes on that going forward. Thanks.

Benjamin R. Jackson
President, Intercontinental Exchange, Inc.
A

So, our thinking has not changed on the opportunity around the TAM that we announced and that expanded TAM that we announced when we did the Black Knight deal. And what we've been focusing on is really executing against the revenue synergies, in addition to the expense synergies that we talked about last time and quarter, is executing against delivering on those revenue synergies.

And a lot of them have to do with the fact that we have a front-to-back complete ecosystem that enables lenders from the point of customer acquisition all the way through the capital markets executing on that vision, and our ability to be in a great position because we provide services to just about everybody in the mortgage space in some way, shape or form on that front-to-back ecosystem and to cross-sell.

And whether it's the success we've had that we've mentioned on many of these calls of cross-selling Encompass to MSP clients, or the reverse selling, MSP to clients that are within the IMT ecosystem, and a great example that I brought up of United Wholesale Mortgage, they're already in our ecosystem, and it was a cross-sell to bring them onto the MSP platform.

And then last but not least is that that third area that I've talked about around the investments we've made in our consumer acquisition suite of CRM and lead management solutions, to cross-selling data, the proprietary data that we've put now onto the Encompass network that we've been able to sell to our clients. And we had 100 cross-sells of that to our client base last quarter alone. And then continued investments that we're making also on the capital markets side to take some of these rich data sets and introduce them for the first time to our Fixed Income & Data Services segment to cross-sell those rich data sets in there, and we're having some great success there that I alluded to as well in my prepared remarks.

Operator: Thank you. We're now out of time for further questions. So I'll hand you back over to Jeff Sprecher, for any closing comments.

Jeffrey Craig Sprecher

Founder, Chairman & Chief Executive Officer, Intercontinental Exchange, Inc.

Well, thank you, Lydia. Thank you all for joining us as we celebrate our 25th anniversary of our founding. Hopefully you can see from our results that we continue to build innovative solutions. And we're working hard to advance markets and are delivering compounding growth to our shareholders.

So with that, I hope you have a great May Day. And we'll talk to you next quarter.

Operator: This concludes today's call. Thank you very much for joining. You may now disconnect your lines.