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Intercontinental Exchange, Inc. (ICE)

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, all. Thank you for joining us on today's ICE Second Quarter 2025 Earnings Conference Call. My name is Drew, and I'll be the operator today. During today's call after the prepared remarks, we will have a Q&A session. [Operator Instructions]

It's now my pleasure to hand over to Katia Gonzalez, Manager of Investor Relations to begin. Please go ahead when you're ready.

Katia Gonzalez

Manager-Investor Relations, Intercontinental Exchange, Inc.

Good morning. ICE's second 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 second 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 equivalent 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; 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 second quarter results. Second quarter adjusted earnings per share were a record \$1.81, up 19% year-over-year. These record results were led by a 9% increase in net revenue to a record \$2.5 billion, with growth contributions from all three of our operating segments.

Second quarter adjusted operating expenses totaled \$983 million, or towards the low end of our guidance range, driven in part by additional technology-related savings and synergies. As a result of this strong performance, adjusted operating income increased by double digits to a record \$1.6 billion, up 13%, and on top of 11% pro forma growth in the second quarter of 2024.

This strong business performance allowed us to return \$532 million of capital to our shareholders during the quarter, including \$255 million of share repurchases. Through the first half, we have returned over \$1 billion to shareholders through both buybacks and dividends, and we did this while also investing in our business and reducing leverage, which ended the second quarter at our target of 3 times EBITDA, ahead of our initial target when we closed the acquisition of Black Knight less than two years ago.

Now let's move to slide 5, where I'll provide an overview of the performance of our exchange segment. Second quarter net revenues totaled a record \$1.4 billion, up 12% year-over-year and on top of 14% growth in the second quarter of 2024. Record transaction revenues of over \$1 billion were up 15%, driven by a 20% increase in our interest rate business; record NYSE cash, equities, and option revenues up 10%; and another quarter of record energy revenues, which grew 25% year-over-year.

In addition, volumes in July continued to be strong, with energy ADV up 11%, interest rate ADV up 24%, our cash equity ADV up 54%, and our equity option ADV up 6%. And importantly, open interest continues to build, up 12% year-over-year, including 40% growth in global interest rates and 5% growth in our energy markets.

Shifting to recurring revenues, which include our exchange data services and our NYSE listings business, revenues totaled \$378 million, up 5% year-over-year. Underpinning growth in our recurring revenues was our broader exchange data and connectivity services, which grew 6%, was once again led by our futures data services. In our listings business, the NYSE helped to raise approximately \$9 billion in new IPO proceeds in the first half, and an additional \$4.5 billion so far in July. It's worth noting that only roughly half of new IPOs have met the NYSE's listing standards, and these high standards remain a critical component of our 99% retention rate.

As a result of this strong growth, particularly across our futures data and connectivity solutions, we now expect full-year growth in our exchange recurring revenues to be approximately 4% to 5%, compared to prior expectations for low-single-digit growth.

Turning now to slide 6, I'll discuss our fixed income and data services segment. Second quarter revenues totaled a record \$597 million, including transaction revenues of \$114 million. On a year-over-year basis, revenue at ICE Bonds increased by 8%, driven by 28% growth in our muni business, which was in part driven by growing institutional adoption. Within our CDS business, revenues increased year-over-year with lower member interests, offset by clearing revenue, which increased by 25% year-over-year.

Recurring revenues totaled a record \$483 million and grew by 5% year-over-year. In our fixed income data and analytics business, record second quarter revenues of \$306 million increased by 4%, driven by growth in pricing and reference data and our index business, which reached a record \$743 billion in ETF AUM as of the end of the second quarter. Data and network technology increased by 7% in the first half and in the second quarter, an acceleration from 5% growth in 2024.

Growth was driven by our ICE Global Network, continued growth in our consolidated fees business and strong performance across our desktop solutions, as we continue to realize the benefits of investments to enhance our platform.

Please flip to slide 7 where I'll discuss our mortgage technology results. Second quarter revenues totaled \$531 million, up 5% year-over-year. Recurring revenues totaled \$395 million and increased on a year-over-year basis. The year-over-year improvement was largely driven by data and analytics and our servicing business.

As we look to the second half, we anticipate that recurring revenues will remain around these levels, driven by the typical roll-off of inactive loans on MSP, which will impact the third quarter, M&A-related attrition, primarily driven by Mr. Cooper's acquisition of Flagstar, and customers resetting their minimums on Encompass which, I'll note, is paired with the benefit of higher transaction fees. We expect these items to largely be offset by revenue from new customer implementations and cross-sell expansions.

Transaction revenues totaled \$136 million, up 15% year-over-year, driven by double-digit revenue growth related to Encompass closed loans, MERS registrations, and default management solutions within our servicing business.

Before I turn it over to Ben, I will highlight a few third quarter guidance items. Third quarter adjusted operating expenses are expected to be in the range of \$995 million to \$1.005 billion. Relative to the second quarter, the increase is expected to be driven by higher customer acquisition costs at the NYSE, as the IPO market rebounds, as well as higher technology spend related to our data center build-out and strategy. Lastly, moving below the line, adjusted non-operating expenses are expected to be between \$170 million and \$175 million in the third quarter.

In summary, we delivered record second quarter and first half results, including record revenues, adjusted operating income, and adjusted EPS, building upon our record 2024. We also once again achieved our leverage target ahead of schedule. As we look to the balance of the year, we're focused on strong finish to a record first half and on setting ourselves up for continued success in 2026.

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

Across our futures and options markets, we've worked for nearly three decades to build out the scope and depth of our multi-asset and multi-geography offering to allow for both flexibility and precision trading from wherever in the world customers choose to trade on ICE. As a result, a record of over 1 billion contracts have traded on ICE through the first half, including a record 673 million energy contracts and a record 462 million interest rate contracts. This record performance drove 19% revenue growth in our futures and options revenues in the first half, and 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.

Across energy, markets have grown more global, more interconnected, and more complex, shaped by shifting trade flows, regional dynamics, and growing complexity in how energy is transported, produced, priced, and consumed. We have continuously invested alongside this evolution, recognizing the importance of deep liquidity on our platform. Today as a result of organic and inorganic investments, trading on our network is not tied to any single product or limited to any one region. Instead, we have built a diverse energy network that provides deep liquidity and price transparency across the spectrum of fuel sources from oil and refined products to coal, natural gas, power, environmental markets, renewables and ancillary products such as biofuels and their related credits.

In essence, regardless of how the market evolves whether driven by geopolitical change, shifting trade flows or growing demand in the developing world, we have strategically positioned our platform to offer customers the tools they need to manage risk effectively. In the UK, for example, coal has been phased out of electricity generation while across Asia it remains a significant part of the mix to support rapid industrialization. At the same

time, electricity prices are influenced by natural gas. Whether active in oil, gas, carbon or a combination by providing access to these contracts through a single platform, we provide the critical price transparency across the energy spectrum to help customers manage increasingly interconnected pricing dynamics.

The value that our diverse, deep and liquid energy markets provides to customers contributed to another record quarter of volumes across our complex, driving our ninth consecutive quarter of record energy revenues. This strong performance is a testament to customers' continued confidence in ICE as the global energy hedging venue of choice with energy revenues up 24% in the first half and growing 13% on average over the past five years.

In our oil markets, Brent has become the world's most widely used benchmark, pricing roughly three-quarters of the world's internationally traded crude. Importantly Brent stands as the cornerstone of a broader franchise that includes our Midland WTI, Platts Dubai and Middle East bourbon grades of crude. These critical pricing relationships extend to refined oil products where ICE's low-sulfur gas oil markets similarly anchors price discovery for refined products globally. Together these benchmarks form the foundation of a cohesive web of more than 800 related oil products developed by ICE giving participants the ability to manage risk with precision across the oil value chain and around the world.

These innovations have enabled us to continue to serve our global customers with record oil volumes in the first half increasing 25% year-over-year including records across Brent, WTI, Midland WTI, Platts Dubai, bourbon, and gas oil. In our natural gas markets, we've adopted a similar playbook establishing liquid markets in TTF, JKM, Henry Hub and North American basis markets offering a broad range of natural gas benchmarks with trading hubs across Europe, Asia and North America.

As global LNG flows have increased and price relationships between regions have deepened, our TTF benchmark has emerged as the global reference point for gas pricing much like Brent has for oil. This dynamic is illustrated by JKM execution patterns with roughly 60% of JKM volumes executed by the JKM TTF spread as participants draw assurance from TTF's deep liquidity to manage risk across an increasingly interconnected gas market.

In the second quarter, volumes in our global gas complex increased 14% versus the prior year contributing to a record first half to deliver 27% revenue growth year-to-date including 19% growth in the second quarter. The importance of the evolution of energy markets extends to our leading environmental markets which work with our oil, natural gas, coal and power markets to provide the price transparency across the energy spectrum. Year-to-date, record volumes in our environmental portfolio are up 9% year-over-year including 37% growth in our North American markets.

In summary, the guiding principle has been consistently to create a cohesive platform where customers can navigate complexity across markets. Our single-platform model isn't just efficient, it's essential for navigating an increasingly dynamic energy landscape. Participants can operate across markets with a broader view using tools that were developed not just in reaction to trends but often in anticipation of them.

Turning now to our fixed income and data services business on slide 9, driven by multi-year investments in both technology and data, our comprehensive platform continues to generate compounding revenue growth delivering another quarter of record revenues which grew 5% year-over-year. Our high-quality evaluated prices provide mission-critical transparency for over 3 million global securities daily. Across our reference data business, we've improved the precision of our underlying data, reduced the time to capture newly issued bonds and have continued to add to our coverage thus providing a truly comprehensive offering. As a result, clients of our evaluated pricing business are increasingly drawn to the quality of our reference data.

The quality of our pricing and reference data combined with over 50 years of experience serves as the foundation for what is today one of the largest providers of fixed income indices globally. Whether it's benchmark indices, analytics or unique solutions like our custom indices, ICE serves the entire ETF ecosystem. Year-to-date revenue on our index business is up double digits with passive ETF AUM benchmark to ICE indices growing to a record of \$743 billion through the end of the second quarter.

In our data and network technology business, revenues are up 7% in the first half driven by our ICE global network as well as continued demand for our desktop and feeds offerings. The ongoing investments in our ICE global network business and resulting growth reinforce its position as the gold standard for resiliency, latency and security. ICE global network securely connects participants to more than 750 data sources and more than 150 trading venues including ICE and the NYSE exchanges.

Within our desktops business, new clients are switching to ICE for the reliability of our service, the quality of our data and the sheer range of data sources. Similarly, growth in our consolidated feeds business reflects investments we've made to elevate and enhance our offering. Firms continue to seek more high-quality data from a range of different sources in a cost-effective manner. At the same time, they want access to new unique content and thus our competitive and comprehensive offering stands to benefit.

We've also added features to give latency-sensitive clients additional confidence in the speed of our data. This suite of data services together with its institutional customer connectivity is highly complementary to our ICE Bonds execution venues. These venues, which offer our customers choice of protocols including auction, click-to-trade and request for quote, round out a broader fixed income offering. Year-to-date, revenues in our ICE Bonds business are up 12% versus the prior year and have grown 9% on average over the past five years.

In summary, when we combine the long tail secular trends such as the electronification of bond markets, workflow automation and the shift to passive investing, our comprehensive data offering is positioned to continue to deliver compounding growth well into the future.

Shifting now to our mortgage business on slide 10, consistent with our strategy to bring efficiencies to workflows, we are uniquely positioned to drive greater automation across the mortgage space. Such investments are critical not only to meet rising customer expectations for a digital-first experience but also to drive long-term operational efficiency and competitive positioning in an evolving mortgage landscape.

For nearly a decade, ICE has been building an end-to-end digital mortgage platform that spans from customer acquisition all the way through to the secondary capital markets. This enables efficiency gains for our clients and bridges critical gaps between disparate systems. Our unified mortgage technology suite aims to simplify mortgage origination and refinancing into a single click process, streamlining processes for lenders while reducing costs, errors and time.

The opportunity for customers to acquire and retain more business starts with our industry-leading customer engagement suite. This end-to-end suite of sales, marketing and borrower engagement solutions unique to ICE and seamlessly integrated with our loan underwriting platform provides mortgage lenders with an opportunity to scale their operations by efficiently identifying, attracting and acquiring new customers while improving the ability to retain existing customers. By enabling lenders to target borrowers with the right products at the right time, it reduces the time and cost of acquisition.

Flowing directly into the next phase of the mortgage workflow, our leading loan underwriting platform provides significant operational efficiencies. Here we collect borrower data in any form, we digitize and normalize it and, once harnessed, enable lenders to leverage our AI tools to quickly and efficiently verify credit income and collateral as well as audit that the loan package meets underwriting requirements. This creates consistency, uniformity, and efficiency.

We've also integrated our property tax, flood, closing fee, and compliance-related information for borrowers and lenders. These various automation capabilities integrated into our loan underwriting platform are designed to provide customers with a complete and automated underwriting process to help increase both frequency and velocity while reducing the cost of production. This is one of the many reasons we continue to add new clients to our platform, and as evidence to this, we have signed 43 new Encompass clients through the first half, 23 of which came from the second quarter alone.

As we move to the servicing stage of the loan, lenders have the opportunity to unlock additional value by utilizing ICE for their servicing technology needs. Our servicing platform has proven to be an industry standard and has a long history of dependability that servicers trust. Once originated, lenders can seamlessly transfer loans to our servicing technology or easily move loans acquired from other lenders that are on our technology, a functionality that has been enabled by the integration of our loan servicing technology with our underwriting system.

Importantly customers can trust the quality of the loan package to our automated quality control and audit capabilities which enable servicers to quickly identify and remedy any critical information that may be missing from a loan file, as the data and documents progress through the process.

By integrating capabilities and data across mortgage origination and servicing, our platform creates opportunities for our lenders to provide more timely products to consumers. For example, lender servicers can now deliver a self-service home equity or refinance lending experience for their end consumer via an interconnected technology platform, effectively enabling them to quickly and efficiently compete for, recapture and retain clients which should also improve the overall consumer experience while lowering their costs by matching the client the right product at the right time.

We also continue to find ways to leverage our industry-leading mortgage data to increase transparency in the secondary capital markets. For example, in April, we launched a new RFQ protocol for mortgage-backed securities taking another step to improve the MBS market. This new functionality sits along ICE Bonds existing MBS click-to-trade marketplace. Later this year, ICE Bonds plans to integrate pricing and analytics from ICE mortgage technology to help traders make more informed trading decisions.

Also, in the second half of this year, we plan to launch the first version of our secondary whole loan trading platform. This is designed to automate and provide significant efficiencies to what is today a very analog process. The combination of IMT data and community of customers provides us an opportunity to deliver unique innovations to our customers such as our secondary whole loan trading and MBS execution on ICE Bonds.

Lastly, in June, we launched the ICE average prime offer rates index, or ICE APOR, which represents the annual percentage rates derived from average interest rates, points, fees and other terms on mortgages that are offered to consumers. For lenders, consumers and secondary market participants, the APOR is published by the Consumer Financial Protection Bureau and must be used to determine whether the loan meets certain regulatory requirements which can impact the terms of a mortgage and whether the loan qualifies for securitization. With the CFPB's mandate and services under review, we launched the ICE APOR index to provide another option for this service should the MBS market need an alternative.

In summary, on behalf of our clients, we've assembled an end-to-end platform that is operated by a neutral trusted third party in ICE, bringing together the key industry stakeholders from origination to final settlement in a single network ecosystem. We have a touchpoint to nearly every US home mortgage connected to more than 3,000 lenders, 48,000 settlement agents, and closing attorneys, 2,500 county governments, the GSEs, 80,000 notaries, 100 loan servicing companies, 1,000 mortgage-backed securities investment firms, and thousands of third-party data and service providers who can now communicate with one another via a common data standard on a robust network operated under ICE's cyber overlay.

Our comprehensive platform automates workflows throughout each stage of the mortgage life cycle resulting in lower costs to originating service loans for our clients who can then pass those savings on to the end consumer, all while helping lenders and servicers better recapture and identify new business opportunities.

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 second quarter, amidst the dynamic macro environment, we once again grew revenues, grew adjusted operating income, and grew adjusted earnings per share delivering the best quarter and the best first half in our company's history.

Over the past 25 years, ICE has grown from a small Atlanta-based power exchange into a global data and technology company. The heart of our strategy has been to drive transparency and create workflow efficiencies for our customers. We do this by building and operating mission-critical digital networks that leverage our technology, data and expertise to connect our customers to opportunity around asset classes and around the globe. We connect these customers to our liquid energy markets to help manage risk. We connect entrepreneurs to capital at the New York Stock Exchange. We connect people to our fixed income data to give them pre-trade and post-trade transparency, and we connect participants to one another in the mortgage space to create more efficient transaction workflows.

As the world's leading energy marketplace, the breadth and diversity of our global commodity platform drives an important network effect producing capital efficiencies for our customer base. In the second quarter, we saw record volumes and record revenues across our energy complex contributing to an unsurpassed first half as market participants looked at hedge exposures to geopolitical dynamics.

Across our interest rate business, uncertainty on central bank policy, shifting trade policies, and ongoing geopolitical tensions drove demand for our interest rate risk management. As a result, in the first half, a record 462 million interest rate contracts traded on our platform including records across our Euribor and SONIA markets. This strong performance contributed to a 19% increase in revenues year-to-date including 20% growth in the second quarter.

At the New York Stock Exchange, our cash equity trading volumes increased 47% versus the prior year while our equity options volume increased 5%. Similarly, in our credit default swap business, broad market volatility drove increased demand for credit protection with CDS notional cleared increasing 42% in the second quarter versus the prior year.

In summary, our record-setting first half results reflect the all-weather nature of our business model where we've intentionally positioned the company to provide customer solutions in numerous geographies and economic conditions to facilitate all-weather results.

I'd like to end our prepared remarks today by thanking our customers for their continued business and for their trust, and I'd like to thank my colleagues at ICE for their contribution to our best-ever second quarter following on the heels of our record first quarter delivering an unsurpassed first half for the company.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now start today's Q&A session. [Operator Instructions] Our first question today comes from Craig Siegenthaler from Bank of America. Your line is now open. Please go ahead.

Craig Siegenthaler

Analyst, Bank of America

Q

Hey. Good morning, everyone. Hope you're all doing well. We have a follow-up on some of your mortgage tech commentary on your effort to improve your competitive positioning. So we're curious on how you're looking to upgrade your product especially with new technologies like AI and blockchain that could improve your efficiency and also your client experience and do you see new opportunities to employ both technologies in the future too?

Benjamin R. Jackson

President, Intercontinental Exchange, Inc.

A

Thanks, Craig. This is Ben. So we – and we've alluded to this in our comments that a lot of the innovation and technology that we're providing to the industry first starts with integrating for the first time all of these systems to create a front-to-back life of loan platform for our clients. That in and of itself is going to help to drive better analytics for customers that have a servicing book to understand the client base a lot better to be able to predict when they're going to be right for a refi or a home equity line of credit, create that signal and enable the customer themselves to have a self-service platform in our consumer web portal to be able to engage with them or for the client to reach out proactively to them. And then once they engage, a lot of the details around that client are auto loaded into Encompass, can flow straight through to an electronic closing and then back into servicing seamlessly, so that's going to create a ton of efficiency and we're well on the way to executing that.

As it relates to AI, we are leveraging AI in a number of areas today and see a number of areas in the future where we can continue to enhance the experience for our customers in utilizing our technology suite. So one area and I alluded to this in my prepared remarks is in the data and document automation platform that's automating certain parts of the checking process of the underwriting of a loan. And we already have the capabilities utilizing AI to do things like credit, income, collateral verification and then have expanded as well into audit, so basically being able to provide a real-time audit on the loan package as it's underwriting to make sure that it's meeting the underwriting criteria of the loan. And then when the loan is transferred to servicing being able to audit that loan package at that point too to make sure that the data and documents include everything that the package needs to meet servicing criteria.

The second area that we're leveraging it heavily is in our call center and for the customer experience being able to mine data within our servicing system to understand why a client may be calling to be able to provide a better experience for the consumer – more efficient call center experience for both the client and a more efficient experience for the customer themselves that's servicing that client.

And then the third area is really in compliance, so we run a platform called AllRegs which basically has all the underwriting criteria for loans around the United States. It's got millions of pages of documents. Using natural language models put on top of that, you can put natural language questions into our Ask Regi platform that sits now on top of AllRegs and it'll come back and mine that millions of pages of data that's out there, give you efficient real-time answers back to the end customer of ours.

So that's a handful of areas where we're utilizing it today and we're innovating. And then outside of AI, I also mentioned things like connecting our mortgage data to the capital markets with examples such as our MBS RFQ capabilities as well as secondary whole loan trading later this year and MSR trading as well coming into the future.

Operator: Our next question today comes from Ben Budish from Barclays. Your line is now open. Please go ahead.

Benjamin Budish

Analyst, Barclays Capital, Inc.

Q

Hi. Good morning and thank you for taking the question. Warren, you mentioned in your prepared marks that your leverage level is now down to your target 3 times. I'm just curious if you could share any updated thoughts on capital allocation and wondering if you can comment on some of the recent media headlines around a potential M&A transaction. I know that news didn't come from you guys, but is there anything you can share there and otherwise how should we think about capital priorities now that you're at your target leverage level? Thank you.

Warren Gardiner

Chief Financial Officer, Intercontinental Exchange, Inc.

A

Sure. Hey, Ben, thanks for the question. So, right, we did reach the target leverage ratio in the quarter. We did though ahead of our scheduled target when we announced the deal, so pleased with that. We did repurchase \$250 million or so worth of stock during the quarter. I'd expect as you move into the second half, we'll tick that up a little bit higher from where we were, but we still will probably chip away a little bit at that CP balance that we have, albeit probably not as much as we were previously of course. So that's kind of how we're thinking about the capital return profile of the company at the moment as we move through into the second half. In terms of broader capital allocation, obviously the priority first here is to invest in the business and you've seen us do that.

I think it's from the perspective of some of the headlines you may have seen out there. I mean we don't really comment on M&A. Rumors are out there, so I think, look, we're obviously always looking. We've done that from the beginning of the company, so I think from that perspective I'll leave it at that, but right now the focus for us is obviously just kind of having gotten to the leverage target starting to kind of tick up the buyback and continue to chip away at that CP balance.

Operator: Our next question today comes from Ken Worthington from JPMorgan. Your line is now open. Please proceed with your question.

Kenneth Brooks Worthington*Analyst, JPMorgan Securities LLC*

Q

Hi, good morning. Thanks for taking the question. In IMT, origination and closing solution revenue both jumped nicely this quarter, and I'm trying to get a better sense of what we're seeing here. Can you give us a sense to what extent the jump was driven by new relationships onboarding versus sort of higher industry activity versus just plain seasonality?

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

A

Hi, Ken, it's Ben. Thanks for the question. It's a mix of all those elements that you just mentioned. We have been very explicit around the number of wins that we've been having each quarter since we closed on the Black Knight acquisition and continue to have great success in terms of winning new clients and those clients, because these are complicated implementations, they take some time to work through, but now we're at a stage where some of these clients are starting to come online. In fact, in the second quarter, we had one of our large regional banks come online on Encompass. That success continues. We continue to have a great funnel of new client activity. This past quarter, I mentioned we had 23 wins on Encompass. Four of those wins, by the way, were clients that are on either MSP or that subservice through somebody that's on MSP.

And in addition, we had two wins on the MSP side, one of which was the beginning of the second quarter that I mentioned on the last call, which was United Wholesale Mortgage, an existing IMT client. And then we had another MSP win as well last quarter from an existing IMT client. So we'll continue to see really good success on the sales front. We're seeing clients on the MSP side continuing to look for an independent, well-capitalized, neutral technology provider that doesn't potentially compete with them. And that's what's leading to either sales directly through us of clients moving to the MSP platform, but we're also seeing independent sub-servicers, most of which are on MSP, are also having a lot of activity with clients as well as some of those clients that are subservicing with others that could potentially be perceived to compete with them are reevaluating those relationships.

So that's a big piece of it, but obviously the backdrop of the environment starting to improve definitely helped with areas like our closing solutions, where that is a very transaction-oriented part of the business. Our MERS business is doing very well. In fact, we've heard from one of the large depositories that traditionally has not used MERS is intending to start using MERS for the first time later this year. Simple file continues to do well as well. So it's really a mix of those elements.

Operator: Our next question comes from the line of Alex Blostein from Goldman Sachs. Your line is now open. Please go ahead.

Alexander Blostein*Analyst, Goldman Sachs & Co. LLC*

Q

Hey. Good morning. Thank you for the question. I wanted to ask you guys something that doesn't come up a whole lot on these Q&A sessions, but you've spent more time talking about it recently, which is around data centers. You seem to continue to build out capacity there and maybe help us understand a little better how they could translate into either new or improved revenue opportunities for ICE as a whole. Thanks.

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

A

Alex, this is Chris. So we have a footprint that we have continued to invest in, as you recognize. We've built out on the footprint that we have today about half of our capacity that sits out there today. We have great line of sight into what that looks like on a go-forward basis and continued engagement with the clients as to what their needs are and a very scheduled process of how we will bring that online as power and things begin to become available and our CapEx associated with that. I'll let Warren comment on that if he needs to, but it's our proprietary network that we have forever talked about, having – Jeff's made reference to ICE Cloud and things that, but we want to control that experience and our clients have adapted to that very well and continue to come to us to fulfill those needs. So we have runway there through early 2030s that we will continue to develop in conjunction with the needs of our clients over that time base.

Operator: Our next question comes from Kyle Voigt from KBW. Your line is now open. Please proceed.

Kyle Voigt

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hi. Good morning. I think I've been asked maybe a slight follow-up, but staying on the fixed income segment, ASV growth accelerated to 6% year-on-year. You noted a couple of tailwinds there, but it seems like most of the acceleration has been in data and network technology. Just wondering if you could unpack the drivers of that acceleration a bit and what you're doing to drive that. And then on the fixed income data and analytics side, we're seeing growth that's still closer to 4%. Are you seeing ASV accelerate in that business as well? And is there a pathway to get back to kind of a 5% to 6% organic revenue growth rate in that business, do you think?

Christopher S. Edmonds

President-Fixed Income & Data Services, Intercontinental Exchange, Inc.

A

So I'll try to break that down. Certainly, in the networks piece, you look at our consolidated feeds, a business that we have there, and the pricing that comes along with that, that gives us an opportunity as we continue to add unique sets of content that we will distribute across that feed business along the way and also on our desktops in there. So those are two drivers that you would see there.

If you look at our index business and how we've continued to build out the custom indices and the offering that we see there, you look at the proliferation of our ETF ecosystem along with the fixed income ecosystem. I think what you're seeing is those two things coming together and people taking advantage of those two things in a single point. Those will both drive future business in both our evaluated pricing and reference data opportunities as we continue to grow that over time. And certainly the business that Ben referenced in his prepared remarks and so did Warren around the increasing of our passive AUM is evidence of that growth.

Warren Gardiner

Chief Financial Officer, Intercontinental Exchange, Inc.

A

Yeah, Kyle, and the only thing I'd add to that too is just on the fixed income data and analytics business, we did actually exit the quarter in that particular business line at a 5% ASV. We had a record quarter for PRD within that. And so business trends are really strong there as we kind of head into the second half here. So feel good about that. Part of the reason we were around 4% this quarter for that line was also the index business while grew, it didn't grow in the double-digit range because we did have a bit of a market pullback there earlier in the quarter. So that business, of course, as you know, will ebb and flow with markets to some degree. But as we exit the quarter there, again, we were in pretty good footing from that perspective. So feel good about the trajectory of that business as we head into the balance of the year.

And then similarly on the data and network technology business, also seeing some continued strength there as we head into the second half. Pretty broad base as well across ICE Global Network, our desktops business, and then our feeds business, as Chris mentioned as well.

Operator: Our next question comes from the line of Chris Allen from Citi. Your line is now open. Please go ahead.

Chris Allen

Analyst, Citigroup Global Markets, Inc.

Q

Yeah. Morning, everyone. Thanks for taking my question. I want to kind of go back to mortgage technology. We've got a lot of imbalances in their current revenue trajectory here. You noted some of the factors that were keeping things down. I think Flagstar was about a 1% impact. I'm just wondering, is there a geography issue too here? You mentioned customers resetting minimums that translate to higher transaction fees. I want to kind of think about the overall guide where industry activity is trending. How are you thinking about where the guide is kind of setting up for the rest of the year?

Warren Gardiner

Chief Financial Officer, Intercontinental Exchange, Inc.

A

Yeah. So, look, I'm very comfortable with the guidance range that we gave at the beginning of the year, low- to mid-single digits at this point. I do think on the recurring revenue side, importantly, we will grow this year. I did mention a couple of the headwinds that we do expect in the second half. Flagstar, of course, that's on an annualized basis about 1% of total revenues. That will happen early in the fourth quarter. We do have the inactive loans that roll off. We have that every year. And that's more of a third quarter event.

And then on the minimums, as I mentioned too, we continue to see people resetting some minimums, particularly customers from vintages back in 2020 and 2021, a little bit of 2022. I will say we've moved through most of that or a lot of that. And we are seeing the discount, if you will, to the prior minimum narrow pretty significantly relative to where we were last year. And so we're seeing an improvement in that. So, ultimately, we've got probably less of a headwind than we had last year, which has been helpful. And then on the revenue side for recurring, we've got obviously customer implementations. We've been a bit better on that front this year. I will say, though, these take a long time. We've talked about revenue synergies, which I can give you an update on today, as we're around \$80 million now. But only about a fifth of that is actually in the run rate. So, we are working through those. And those can take some time to implement, particularly larger ones, so we're seeing some improvement there at the end of the day. And so you've got a little bit better of a tailwind, a little bit less of a headwind versus last year and why I think we can continue to grow on the recurring revenue side as we move through this year.

In terms of the overall guidance, I mean you know that's tough to predict. Obviously, the first half of the year was good. In the second quarter, we saw some strong loan growth. It's hard to know what the second half will necessarily look like. But again, I think based on what we're seeing at the moment, we're comfortable that we'll be within the guidance range we gave for the overall business.

Operator: Our next question today comes from the line of Ashish Sabadra from RBC Capital Markets. Your line is now open. Please go ahead.

William Qi

Analyst, RBC Capital Markets LLC

Q

Hey. Good morning, guys. This is Bill Qi on for Ashish Sabadra. I appreciate you guys taking our question. Maybe just to follow up on the mortgage tech, great to kind of see that margin expansion there. Can you maybe touch on what's kind of driving that disciplined expense management? And I'll take a follow-up later.

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

A

Sure. So it's two things. First, we did through part of the integration that were obviously still ongoing here, we moved significantly, most of that is really in the operations technology group, moving those over to ICE, Inc., a little bit of corporate. And so there was a bit of a reallocation, if you will, the expenses across the segments that occurred as part of the integration, all planned in terms of how we've done that. So we did that actually a couple of quarters ago. And that's what you're seeing from a year-over-year perspective, some benefit.

And then the second part of that too is really on the synergy side, as you've heard us talk about. And so we did raise the synergy target at the beginning of this year. You're starting to see those flow through. And I feel very comfortable that we will reach that target as we exit this year. So I think those two things are a combination together with a typical strong expense control that we've always been good at, is really why you're seeing that margin expansion at the end of the day for that segment. But I would encourage you really to look ultimately and zoom out always at the overall business and just note – because again, those expenses will move from segment to segment when you have those allocation changes. We did grow margins 2 points this quarter. We had pretty solid incremental margins on top of that. So I would encourage you to also zoom out and look at the broader expense base, if you will, in terms of how we're performing on that front.

Operator: Our next question comes from Simon Clinch from Rothschild. Your line is now open. Please proceed.

Simon Aistair Vaughan Clinch*Analyst, Rothschild & Co Redburn*

Q

Hi. Thanks for taking my question. I wanted to pivot to the gas markets and the strength that you're seeing as TTF is sort of establishing itself as a global benchmark for gas. How should we think about the scale of the future opportunity here? I mean, could you perhaps talk about TTF and the concept of its share of total gas volumes across the US and Europe and where that might go to, for example, in comparing that perhaps to Brent within oil? Thanks.

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

A

Sure. Thanks for the question. So as we've talked about on prior calls and in my prepared remarks as well today, our overall energy market's doing fantastic. There's a number of different reasons for that and tailwinds for it. And I'll just delve specifically into natural gas trends as an example. So one development that we see is going to continue to create a long tailwind for the growth of natural gas globally is just the resolution to the tariffs and trade discussions that have been going on.

As in many of these settlements, you're starting to see energy being in US energy and forward commitments to purchase US energy as a key element to it. Examples of that are the settlement that just happened in the last 12 hours with South Korea, including a commitment around future purchases of gas. Japan last weekend had the same thing. Both of those are highly complementary to our JKM contract. And JKM also trades oftentimes the package to TTF. So as that LNG hits the water, that JKM contract is the Japan-Korea marker and it's very, very well positioned to be the pricing point for that gas.

In the EU settlement this past week, gas and oil commitments for future purchases are a part of that coming out of the US. We see that as tailwinds as well as oil that leads the Gulf heading towards Europe is priced via Brent and our HOU contract and gas that's destined for Europe is a tailwind to TTF. So we see a number of tailwinds. That's one example. Obviously, the geopolitical situations have reset. Supply chains and US gas is flowing around the world as a result of that, in particular into Europe, and those supply chains will be hard to reset. You also have energy demand through the roof, not only in the US, but around the world with power demand and data center demand and AI.

As it relates to the back part of your question around how much more growth is there, just to use some relative metrics. So TTF is doing very well, up more than 30% this year off a very strong growth last year. If you look at TTF relative to Brent in terms of active market participants, it's roughly half. So you have the – the world's global benchmark for oil is roughly double the number of active market participants than TTF has as the global benchmark for the movement of natural gas around the world. So, big tailwind there as it relates to Brent. But then also, if you look at open interest in ADV and compare TTF to Henry Hub, it's roughly 15%. So again, points to a long tailwind of growth.

And another thing I'll point out is we've said time and time again that there's an opportunity in the transition to cleaner fuel. So moving from coal as a few source to natural gas and the size of that opportunity in Asia Pacific alone is the size of the North American energy demand across all sources. So that's a huge opportunity there. The settlement on these tariff issues that I had mentioned is one input into it. We're seeing India continuing to grow in terms of LNG demand. Canada has an LNG facility coming live on the West Coast that's also being designed to transport LNG to Asia, which is another good fit for our JKM and TTF contract.

Operator: Our final question today comes from Dan Fannon from Jefferies. Your line is now open. Please go ahead.

Daniel T. Fannon

Analyst, Jefferies LLC

Q

Thanks. Jeff, I was hoping you could expand upon Warren's comments and just talk about your appetite for large-scale M&A, given where your business sits today, your stock valuation and all the other factors that go into it.

Jeffrey Craig Sprecher

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

A

Sure. First of all, I don't think, as we said today, anything has changed over the DNA of the company, which is we do feel like companies need to evolve. We want to be an all-weather name, so we care deeply about the mix of the businesses that we have and making sure that we can rationalize it in various geographies and various economic conditions that we can continue to deliver growth. So that's at the core of how we're planning the company going forward, and we meet regularly on strategy and look at our ability to buy into businesses to accelerate that strategy or to invest organically to move into these various strategies, and we're disciplined about how we do it in terms of what's the best way to deploy capital.

And always in that mix is a conversation about share buybacks and dividends and return of capital to shareholders as the highest value use of funds. So nothing has changed there. I think what is unique is that Warren has pointed out that we've hit our leverage ratio targets. We were very diligent about the last large acquisition that we did, which was the acquisition of Black Knight and paying down the debt that we borrowed ahead of schedule to put ourselves in a position where we have maximum flexibility under these market conditions to execute a long-term strategy. A long-winded way of saying nothing changed, but the same discipline

exists within the company to make sure that we can be trusted as a management team to deliver the highest value that we're capable of delivering to shareholders.

Operator: Thank you. With that, we have no further questions in the queue. So that concludes the Q&A portion of today's call. I'll now hand back over to Jeff Sprecher for some closing remarks.

Jeffrey Craig Sprecher

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

Thank you, Drew. And I want to thank all of you for joining us this morning. We continue to look forward to updating you soon as we build out these innovative solutions that I mentioned and continue to drive an all-weather business model that we're designing for growth.

With that, I hope you all have a good day and look forward to seeing you soon.

Operator: That concludes today's call. You may now disconnect your line.

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