

30-Oct-2025

Intercontinental Exchange, Inc. (ICE)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone, and welcome to the ICE Third Quarter 2025 Earnings Conference Call and Webcast. My name is Lydia, and I will be your operator today. After the prepared remarks, there will be an opportunity for you 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 third 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 third 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; Lynn Martin, President of the NYSE; and Chris Edmonds, President of Fixed Income and Data Services.

I'll now turn the floor 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 some of the key highlights from our record third quarter results.

Third quarter adjusted earnings per share were \$1.71, up 10% year-over-year and the best third quarter in our company's history. Net revenues totaled \$2.4 billion, and were underpinned by a 5% increase in recurring revenue. This recurring revenue growth was fueled by a 9% rise in Exchange Data, and a 7% uplift in Fixed Income and Data Services, both reflecting sustained demand for our high value proprietary data offerings.

Third quarter adjusted operating expenses totaled \$981 million. Our disciplined cost management was further supported by approximately \$15 million in onetime benefits, about evenly distributed across compensation expense and depreciation and amortization. After adjusting for these benefits, we would have been towards the low end of our guidance range.

I also want to provide some color on our third quarter adjusted tax rate of 21%, which benefited from recent prior year tax audit settlements. Excluding this benefit, the adjusted tax rate would have been within the prior 24% to 26% guidance range. And as a result, we expect the fourth quarter tax rate will normalize to between 24% and 26%.

Moving to capital allocation, we returned \$674 million to our shareholders during the quarter, including approximately \$400 million of share purchases. In addition, we reduced debt outstanding by roughly \$175 million, reducing gross leverage to just over 2.9 times EBITDA.

Next, I will touch on a few fourth quarter guidance items. We expect fourth quarter adjusted operating expenses to be in the range of \$1.005 billion to \$1.015 billion. The sequential increase is largely driven by the aforementioned onetime expenses items not repeating in the fourth quarter.

Fourth quarter adjusted nonoperating expense is expected to be between \$180 million and \$185 million, driven by a sequential uptick in interest expense related to our October investment in Polymarket. As a note, we funded \$1 billion of that investment with CP issuance in early October and expect to fund up to an additional \$1 billion in the future, also utilizing existing capacity on our commercial paper program.

Now, let's move to slide 5, where I'll provide an overview of the performance of our Exchange segment. Third quarter net revenues totaled \$1.3 billion, building on strong double-digit growth in the prior two years.

Transaction revenues totaled \$876 million. Importantly, towards the end of October, open interest across our futures and options complex surged 16% year-over-year, with energy futures up 14% and interest rate futures climbing 37%, underscoring the growing demand for our risk management tools amid shifting macroeconomic conditions.

Shifting to recurring revenues, which include our exchange data services and our NYSE listings business, revenues totaled a record \$389 million, up 7% year-over-year, underpinning growth in our record recurring revenues, with 9% growth in our broader exchange data and connectivity services, which is once again led by our futures data, while also benefiting from approximately \$6 million of audit-related revenue that we don't anticipate will repeat in the fourth quarter.

In our listings business, the NYSE helped to raise a market-leading \$20 billion in new IPO proceeds through the first three quarters of 2025. 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 performance within our exchange data business, we now expect full-year growth to be towards the high end of our 4% to 5% guidance range.

Turning now to slide 6, I'll discuss our Fixed Income and Data Services segment. Third quarter revenues totaled a record \$618 million, including transaction revenues of \$123 million. On a year-over-year basis, ICE Bonds revenues increased 15%, driven by 41% growth in our muni business, which was in part driven by growing institutional adoption.

Within our CDS business, results were largely driven by lower member interest, a direct result of the lower Fed funds rate when compared to the year-ago period. Recurring revenues totaled a record \$495 million, and grew by 7% year-over-year.

In our Fixed Income Data and Analytics business, record third quarter revenues of \$311 million increased 5% year-over-year, driven by growth in pricing and reference data in our index business, which reached a record \$754 billion in ETF AUM as of the end of the third quarter.

Data and Network Technology revenues were a record and increased by 10% in the quarter, an acceleration from 7% growth in the first half, and 5% growth in 2024, driven by heightened demand for our ICE Global Network. Our strategic investments in data center infrastructure are paying off, driven by increasing demand for data and increased capacity, as well as clients preparing to integrate AI into trading workflows.

We also continue to drive high-single-digit growth across our consolidated feeds business and our desktop solutions, as we continue to realize the benefits of investments to enhance our platform. Worth noting that the third quarter included a few million dollars of onetime revenue that we don't expect will repeat. That said, we still anticipate fourth quarter revenue growth in Data and Network Technology to be in the high-single-digit range and for total segment recurring revenue to be between 5% and 6%, both the fourth quarter and the full year.

Please flip to slide 7 where I'll discuss our Mortgage Technology results. Third quarter revenues totaled \$528 million, up 4% year-over-year. Recurring revenues totaled \$391 million and increased on a year-over-year basis. The year-over-year improvement was largely driven by our Data and Analytics business, and MSP within our Servicing business.

Shifting to the fourth quarter, we expect revenues to remain at these levels, 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 customers coming online.

Transaction revenues totaled \$137 million, up 12% year-over-year, driven by double-digit revenue growth related to Encompass closed loans and high-single-digit growth for MERS registrations.

As you look to the fourth quarter, it's important to remember typical seasonal impact on purchase volumes, which tend to be lighter in the fourth quarter relative to the second and third quarters.

In summary, the third quarter was – we once again grew revenues, adjusted operating income, and adjusted earnings per share, building upon our record first half results, and representing the best year-to-date performance in our company's history. And as we continue to strategically invest in our future, we have also returned over \$1.7 billion to shareholders year-to-date.

As we look to the end of the year and into 2026, we remain focused on extending our track record of growth and on creating value for our shareholders.

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. Technology and innovation have been foundational to ICE since our inception. Our approach to AI is a natural extension of that legacy. We are using it to accelerate our existing 25-year automation journey by building and implementing tools to drive efficiency and deliver enhanced analytical insights for ICE and our customers.

We are now taking the next step by combining our pursuit of workflow automation across our business processes with the solutions we provide to our clients through generative and agentic AI under the name of ICE Aurora.

As we continue to expand our AI capabilities, we're leveraging three core strengths: deep operational and complex workflow expertise; highly differentiated proprietary data, which we believe will only grow in value; and the powerful network effects of our platform.

We started with a deep understanding of our data, workflows, task and document management as well as the rules and compliance frameworks of our businesses. We then conducted a risk assessment of how much automation can be applied to executing these workflows based on the impact, technical maturity, accuracy, and model explainability in the AI tools available balanced against the risks of automation.

Similar to benchmarks used across industries to measure the scale of automation, we rank our automation within processes on a scale of 0 to 5. At 0, the process is entirely manual; at 5, the process is fully automated, including exception handling without requiring human input. We are applying this model to every workflow across ICE, bottom up, measuring exactly where we are today in terms of the maturity of AI models automating workflows with or without human intervention and where we can get to based on the current state of the technology.

Currently, most generative or agentic AI models at their core are best at pattern recognition and this recognition continues to evolve. This means there is a stochastic and probabilistic accuracy to them measuring the reliability and predictability of the outcomes AI models produce.

For the highly regulated businesses that we and our customers operate, there has to be an acknowledgement of how much accuracy a probabilistic outcome must have in order to be considered acceptable for full automation versus when some level of human interaction remains necessary, especially in exception handling.

Today, we have clear visibility of where we can go and are executing on this in many areas balanced by the risk I just outlined. That is our strategy and what our ICE Aurora platform is all about. And we're already seeing results across ICE.

AI is streamlining and automating workflows across systems, accelerating product development, and dramatically accelerating the speed with which we can deliver the modernization of multiple tech stacks within ICE. Importantly, we aim to do this without compromising our adherence to information security, data management, and privacy.

In our energy markets, the macro AI and data center expansion trend is expected to drive significant energy demand over the next decade. We believe our trading and clearing platform, which offers deep liquidity and price transparency across the full energy spectrum, is uniquely positioned to support customers.

Despite lower overall market volatility, the third quarter of this year was the second strongest third quarter in our history following the record quarter of a year ago, led by continued strength in our global gas and power markets with third quarter volumes up 8% and 18% year-over-year, respectively.

As we've consistently said, open interest is a leading indicator of future growth, and we're pleased to see it continue trending higher with record futures energy OI in October, up 14% year-over-year, including 25% and 30% growth in our Brent and TTF benchmarks respectively. This reflects the value of our diversified energy platform, the depth of our liquidity and the confidence customers place in our benchmarks which serve as global price reference points across thousands of related contracts providing trusted price transparency across geographies.

Across our global gas portfolio which spans North America, Europe and Asia, volumes have increased 20% year-to-date. Importantly, the strong year-to-date performance has been underpinned by broad-based strength, including a 16% increase in our North American complex, a 26% increase in our European portfolio, and a 27% increase in our Asian JKM market.

In parallel, our power markets have seen continued growth with volumes up 21% year-to-date and 18% in the quarter. This reinforces the synergy between our gas and power markets and the need for comprehensive risk management tools that offer transparency, flexibility, and choice.

In Fixed Income and Data Services, driven by multi-year investments, our comprehensive platform delivered another quarter of record revenues, which grew 5% year-over-year, including 7% growth in recurring revenue, and 10% growth in our Data and Network Technology business.

Our proprietary data is the cornerstone of our business and a key differentiator in the evolving AI landscape. With over 50 years of experience, our high quality pricing and reference data serves as the foundation for what is today, one of the largest providers of fixed income indices globally. From benchmark indices and analytics to custom solutions, we support the full ETF ecosystem.

As AI becomes embedded in trading strategies across all areas of investing, we expect our proprietary data to grow in strategic importance, with our data sets providing a competitive edge to users of AI models that depend on precision, depth, and large quantities of historical data.

Our data is securely managed within ICE's infrastructure, protected by firewalls and entitlements. Our commercial agreements tightly control access and only permit specific use cases through authorized delivery channels. This approach helps ensure our data remains exclusive and strategically deployed, especially as models increasingly rely on high-quality inputs to drive performance.

In our reference data business, we're leveraging AI to process and validate documents from hundreds of sources using AI models that we thoroughly test for fit-for-purpose and high probabilistic outcomes from Google, Meta, Amazon, and several other AI models, achieving over 95% accuracy in extracting reference data from fixed income perspectives. This capability is a critical part of the collection process, improving both efficiency and speed of delivery, enabling us to do more with the same resources.

Today, within our reference data business alone, we are processing roughly 40,000 documents on average per month using AI. Documents assessed by AI that meet predefined confidence thresholds go straight into our database for clients to consume, while those falling below the threshold are flagged for manual review and intervention. This capability is a critical part of the collection process, improving both efficiency and speed of delivery, enabling us to do more with the same resources.

We're also leveraging machine learning to power key components of our evaluated pricing. Our continuous evaluated pricing blends trade and quote data to predict bond pricing, complementing our deep market expertise and data quality workflows.

Additional models use historical data to determine bid-ask spreads across the bond universe with machine learning capabilities significantly improving evaluation quality when measured against actual trades in the market.

Meanwhile, our ICE Global Network continues to set the standard for resiliency, latency, and security, connecting participants to over 750 data sources and more than 150 trading venues, including ICE and the NYSE. The ICE Cloud comprises state-of-the-art data centers owned and operated by ICE and facilitates seamless integration with key third-party cloud providers, all under ICE's cybersecurity and operational resilience framework. This provides our clients flexibility to access AI workloads where it makes the most sense without compromising cyber and operational controls.

We continue to invest in our data centers to support business growth needs and to meet growing customer demand, including to support increased adoption of AI strategies. This is to ensure we are accessing the most cost-effective, secure, and reliable infrastructure for ICE's needs and our customers' needs both now and in the future.

Across product development, AI is automating data analysis, pattern recognition, and repetitive processes using tools such as GitHub Copilot, freeing product managers to focus on validation and enhancement. This has already accelerated speed to market for certain products. For example, we've reduced the time to convert code for index qualification, calculation, and reporting by roughly 60%.

Demonstrating the new innovation underway across ICE, we're utilizing AI with our new sentiment indicator data sets including Reddit, Dow Jones and soon, Polymarket, with Google and Meta AI models, helping to process these data sets and identify patterns.

While still in the development phase, these data sets are particularly attractive to market participants seeking an edge through differentiated data inputs. This illustrates how our proprietary data set is set to become increasingly vital to a trading community reliant on models to support trading decisions.

In our mortgage business, the use of AI is helping our efforts to streamline the home ownership experience, enhancing productivity of lending and servicing operations, improving the borrower experience with self-service workflows, reducing risk via automated compliance and quality checks across the mortgage life cycle, all while improving recapture rates for our customers. All of this contributes to lowering the cost to originate and service a loan for our customers, a foundational part of our mortgage strategy.

For example, customers using our industry standard loan servicing system, MSP, save roughly 20% to 30% on the cost to service a loan based on a recently conducted customer study. And we expect this number will increase with new innovations that we have come to market or are coming to market such as our enhanced customer service, loan boarding, ICE Business Intelligence for Servicing and our loss mitigation suite. This execution reinforces our clients' trust in us to enhance and streamline their business workflows through our workflow automation capabilities.

In the third quarter, despite a tough macro backdrop, revenues increased 4% year-over-year while transaction revenue grew 12%. We also continued to win new clients, signing on two new clients to MSP, both already on Encompass and building on the two we signed in the second quarter, including UWM.

We also signed 16 new Encompass clients, 5 of them already on MSP, or an MSP subservicer. We've also made significant progress in re-platforming MSP from the mainframe to ICE's modern tech stack to give us increased agility, cost efficiency, and scale. Here, tools such as GitHub Copilot have helped us achieve a significant improvement in productivity, helping us rewrite the entire user interface by the end of this year and migrate 30 million lines of code with roughly one-third complete and the remaining targeted to complete within two years.

The original estimate to complete this project was baseline to take up to seven years, similar to the move off the mainframe following our acquisition of Interactive Data Corporation. With the assistance of GitHub Copilot and other AI-based code conversion tools, we have reduced the projected window to around half the time originally anticipated, a significant improvement to the speed with which we can now convert old technology processes to ICE's modern tech stack.

Another interesting area where we're applying our AI adoption model is in customer service. Here, we have evolved our capabilities to a level of conditional automation, one where there is significant automation but still requires human intervention for exception handling.

We are using generative AI to provide predictions for a customer service representative on call intent and then call summarization. We are next applying agentic AI to automate department handoff for issue handling. Then, we plan to take this to the next level by adding a chatbot designed to go beyond search capabilities, one that also executes real action, such as payment scheduling for borrower self-service within our ICE Mortgage Technology servicing digital application. And we will work to expand even further with an intelligent virtual agent for certain issue resolution, where the maturity of the solutions and the quality of the probabilistic outcome is balanced against risk.

In summary, as ICE continues to enhance our leading technology, we do so with both the client and end consumer in mind, as well as always considering what will make us more operationally efficient and deliver solutions that help automate workflows.

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 9. Given ICE's recently announced investment and business relationship with Polymarket, I thought it might be helpful to explain our thinking on the evolution of markets.

ICE was an early investor in the crypto space, having been an early-stage funder of Bakkt and Coinbase. We made these investments in order to stay close to the evolution of the market's use of blockchain.

In the case of Bakkt, we thought that there could be an acceptance of a system of tokens that adhered to a high level of then-existing securities and commodities regulation. We found, however, that traditional regulated financial firms were slow or unwilling to adopt tokens during a period of regulatory uncertainty, particularly where events of default would move unwanted tokens onto a financial guarantor's balance sheet.

Current US administration and Congress have been attempting to address these uncertainties, which has caused ICE to more actively lean into the knowledge that we've accumulated over the past decade.

One of the significant macro trends of the past decade of blockchain investment is a rewiring of the rails of the banking system. ICE, for example, operates six clearinghouses around the world, all of which are highly regulated and which are required to operate within the limitations of local banking hours, customs, and preferences.

On-chain banking now operates globally with 24/7 availability, allowing for instantaneous margin calls and trade liquidations. This facilitates increasing margining and lending against assets, which some cohorts of asset holders are clearly taking advantage of, with increased risk management tolerances, and which places excess trade financing collateral into an omnibus stablecoin collateral pool. This excess collateral pool is funded by traders via the forfeiture of earnings on their collateral, features that were previously unavailable to regulated clearinghouses.

ICE decided to invest in Polymarket as we're impressed with the design of its underlying architecture of smart contracts, that take advantage of this new banking infrastructure. Alongside our investment, we've also announced a strategic data agreement, under which ICE will become a global distributor of Polymarket's highly differentiated, event-driven data.

As the leader in non-sports prediction markets, Polymarket provides real-time probabilities on events like elections, economic indicators, and cultural trends, offering a powerful new layer of insight, supporting more informed decision-making.

We believe that we can accelerate Polymarket's acceptance into the traditional financial system by virtue of our distribution, understanding and longtime customer relationships. And we believe Polymarket's engineering team can help ICE's engineers better understand our own adoption of evolving banking technology, a relationship that is already paying dividends to both of us.

ICE is in the process of rolling out an advanced clearing model for our global clearinghouses, one that we've very elegantly named ICE Risk Model 2. Our new clearing system was built on the existing local banking and regulatory infrastructure for funds movement and collateral management.

However, the current regulatory environment is being confronted by collateral management using tokens, which I believe will help evolve regulatory oversight to take advantage of 24/7 capital movement. And ICE intends to be at the forefront of driving this evolution given our own use case of operating six global clearinghouses with differing collateral and regulatory environments.

Such an evolution can make global clearing and trade settlement more efficient and we've seen that the efficient use of collateral typically results in increased trading volumes and transaction revenues. One does not have to look too far to see that trading volumes in the US equities markets have dramatically increased since the industry freed up collateral by moving from T+2 day to T+1 day settlement times.

Beyond the rewiring of funds movement, Polymarket has pioneered the rapid listing of new markets driven by real-time consumer demand.

Traditional exchanges have been subject to government approvals of our new product launches which at best take 30 days and in many countries substantially longer. Polymarket is forcing a dialogue in the US on how to minimize government regulatory burdens so as to not impede innovators. We think this dialogue will ultimately benefit new product innovation for all markets and certainly for ICE.

Now augmenting on Ben's comments on the adoption of artificial intelligence, we see the jagged intelligence phenomenon at play for both our own AI adoption and for that of our customers.

Internally at ICE, we have our engineers using Copilots to help them write code more effectively, particularly where the projects involve modernizing our legacy code. However, to fully deploy production code at scale and at the latency precision which ICE operates, we still require unique skill-sets that are not now available in AI. So our current experience is that AI has become a good assistant for our teams, but not a replacement.

Ben also highlighted our use of AI in improving our customer service. Artificial intelligence has made our help desk more efficient at diagnosing real-time issues as well as cataloging and summarizing customer inputs to create more efficient feedback loops.

The third area where we've deployed AI is in our data gathering and data organization such as cataloging bond and equity prospectuses, cleansing our data sets and organizing unstructured data for our vast financial data offerings.

And lastly, much of the regulation that ICE is required to oversee is surveillance in the form of pattern recognition. Here again, AI tools are making our colleagues more efficient at our oversight. So in summary, our internal use cases for AI have made our colleagues better at what they do.

In terms of our customer adoption of AI, we see that same jagged intelligence where AI is very helpful in some areas yet unreliable in others. Where our customers interface with ICE products for pattern recognition or language organization, we're seeing positive uptake. For example, we've seen healthy uptake of our structured and unstructured financial data offerings.

Similarly, the AI tools that we've built into our mortgage network, such as our data and document automation and our customer engagement suite, have strong interests with customers adopting these tools to more efficiently target new business and minimize the cost of mortgage onboarding, but not to replace underwriting decisions that are subject to regulatory oversight, or to replicate the vast ICE mortgage network that links the industry together, including the US Federal Housing Regulators supervisory efforts in validating GSE and Federal Home Loan Bank mortgage holdings, and providing it with monthly mortgage service information.

Finally, a number of people have speculated to me that the overall volumes of trading must have increased due to AI adoption. While that's possible, I believe that a significantly larger volume impact has come from capital being freed up when moving equity settlement times one-day forward and with the expansion of retail trading leverage that's inherent in popular one-day options. So all in all, we think the current state of AI is helping to control costs and control new hiring in – and is for us at the margin, driving sales and transaction growth.

Our record third quarter results on top of our extraordinary third quarter results of last year are another example of strong execution across our all-weather platform. We very intentionally positioned the company to provide customer solutions in numerous geographies and economic conditions to facilitate these all-weather results.

I'd like to end our prepared remarks by thanking our customers for their continued business and thank you for your trust. And I'd also like to thank my colleagues at ICE for their contribution to the very best third quarter in our company's history, following on our unsurpassed first half results and yielding the best year-to-date performance in the company's history.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question today comes from Ken Worthington with JPMorgan. Please go ahead. Your line is open.

Kenneth B. Worthington

Analyst, JPMorgan Securities LLC

Q

Hi. Good morning. Thanks for taking the question. Believe it or not, my question is on the impact of AI in the mortgage origination and servicing business. Ben really following up in your prepared remarks. So maybe first, how easy is it to incorporate the benefits of AI in MSP and Encompass given what their tech stacks look like today? So you gave some examples, but can you get AI into all the areas you need to maximize your competitiveness?

And then maybe secondly, do you think AI can make it easier for prospective ICE Mortgage Technology clients to pursue efficiency on their own? And does the hope of new technology extend the time it's taking for ICE to sign up new Encompass and MSP customers, particularly when thinking about large customers?

Benjamin R. Jackson

President, Intercontinental Exchange, Inc.

A

Thanks, Ken. It's Ben. I'll take this.

I think the – in my mind, the best way to summarize the impact of AI on our mortgage origination and servicing platforms is that it's enabled us to transition these platforms from what has historically been seen as systems of record to a system of intelligence. And what do I mean?

So, when you think about these core platforms, we are orchestrating incredibly complex and highly regulated business processes and workflows. And we alluded to it in the comments multiple times, both Jeff and I did, and we also have an incredible network attached to us, thousands of customers, hundreds of network service providers, 35,000 settlement agents, tens of thousands of notaries as an example and we're orchestrating communication not only of those clients connecting to us, but as important, if not more important, connectivity between our clients.

And we have the proprietary information on how to orchestrate that workflow and how to make it more robust. We also own and maintain the most robust compliance and underwriting guideline databases in the industry and that's the reference data that's required to really automate underwriting workflows, which we're doing through our DDA platform.

We also own and maintain the most comprehensive set of closing guidelines and rules for every county in the country which enables our electronic closing and the e-reporting of loan transactions in the business that we acquired with Simplifile.

And we've also have significant proprietary data – derived data off our platforms that help to inform our business intelligence models and enable our clients to find more operational efficiencies and business efficiencies that our clients can benefit from.

So you take all of this together and how we're applying AI throughout each business process from a bottom-up perspective using that Aurora process that I mentioned, going through business process by business process, understanding what the probabilistic accuracy of a pattern recognition model that AI is providing and what's the business tolerance around the regulatory rules, the compliance associated to how much automation can be applied versus when human intervention needs to take place.

So, we're extraordinarily well positioned to take advantage of this and it shows up in our results. We had our highest quarter of the year in terms of sales in the third quarter across our ICE Mortgage Technology segment. We had two MSP clients, both of which are already on Encompass signed in the last quarter, and that's on top of the two that we had last quarter, including one of the largest lenders in the US with United Wholesale Mortgage. And then we had 16 Encompass wins, 5 of which are on MSP or MSP subservicers that are really buying into our vision of the – the benefits of the front-to-back workflow. So we feel very well positioned and we – looking at the funnel behind that, we feel like we're in a very strong position. Thanks.

Operator: Thank you. Our next question comes from Dan Fannon with Jefferies. Please go ahead.

Daniel T. Fannon

Analyst, Jefferies LLC



Thanks. Another question here on mortgage. Warren, you gave some near-term comments around the fourth quarter given Flagstar, but could you elaborate a bit more on the shorter-term dynamics and also PennyMac which announced in the quarter that they would also be leaving your platform over time what that contribution is today?

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

A

Sure. Thanks for the question, Dan. So, in terms of the third quarter which I think is what you're referring to, yeah, we were a little bit lower by a few million dollars. There were three real reasons for that.

So, first, and we mentioned this a little bit last quarter, was there was the roll off of – the typical roll off of inactive loans on MSP, that came in a little bit higher than we anticipated. But that said, active loans on MSP ticked higher for the first time in a few quarters too. So there was a positive there, on that front.

And the second component of that, too, is and you heard us talk a little bit this last couple quarters. We did have some customers renew at slightly lower minimums than we had expected. But overall, we do continue to see the discount to prior minimums narrowing versus last year. And the percent of loans above the minimums are proving which is helping our transaction fees.

And then third, we did have some implementations to the fourth and the first quarter of next year just really all based on customer needs. But as Ben noted – we just noted, we had the best quarter of the year for sales across the platform. Not all of those of course hit in the current quarter and the fourth quarter, but certainly a good forward-looking indicator for the business as you think about next year.

So all that together is nothing terribly significant on a standalone basis, but did add to a couple revenues coming a bit lighter. And that sort of impacts the fourth quarter from a run rate standpoint and also some of the implementations too that I noted have an impact in the fourth quarter as well.

And then of course, as you mentioned, Flagstar that will roll off in the fourth quarter which has an impact, but we had mentioned that before.

In terms of PennyMac, I think the way to think about that is it's probably about a 0.5 point of growth, but that won't be an impact for us until 2028. And to be clear, it's a 0.5 point on recurring revenue that that would have an impact on, but again, not till 2028 would we expect to see that?

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

Benjamin Budish*Analyst, Barclays Capital, Inc.*

Q

Hi, good morning, and thanks for taking the question. Maybe following up on Jeff's commentary on Polymarket. I was wondering maybe first if you could give us any more details about the data licensing or distribution arrangement, what sort of P&L impact might that look like.

And then maybe, you bought – you took a big stake in the company. Can you talk a bit about your longer-term plans? Do you have any plans to list event contracts? We've heard your competitor talking about that quite a bit. Or is this more about the partnership?

And maybe, sorry to squeeze another one in there, but to what degree is the blockchain technology itself part of the appeal rather than sort of a means to an end to access this type of trading type of new market data points? Thank you.

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

A

Hi. This is Chris Edmonds. I'll take the first part of that and let Jeff pick up on some of the other parts of your questions. But on the sentiment analysis itself of the data, it's becoming an interesting feedback loop for our clients. We've seen a tremendous demand from our clients based on our experience with the Reddit data, the Dow Jones data that Ben referenced in his prepared comments.

So now the ability to take those signals and actually create a market around that and then get the feedback loop from that activity that's happening on Polymarket really gives us an opportunity for a complete ecosystem around that, and that's driving the customer interest in that, and really what led us to the idea that we wanted to be a distributor of that data, to make sure we had it in our ecosystems for our clients to use.

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

A

Yeah. And I think, as I tried to – this is Jeff. I think what I tried to convey in my prepared remarks was that we really believe Polymarket has done something particularly innovative and special in the way they have historically settled their contracts. And it's true blockchain non-intermediated settlement between two parties sending tokens on a second layer that they've been adopting that gives them some performance capabilities.

And we wanted to learn more about that, get our engineers more involved in it, because you can see the trends in traditional finance are that there are going to be more assets that are tokenized, potentially, bank deposits, and we think that that will ultimately make its way into the clearing infrastructure and allow us to better run 24/7.

The thing for us is, as I mentioned a couple times in my prepared remarks, the fact that we have six clearinghouses means that clients tend to keep excess collateral at all six because of the banking hours that are required to move capital around when those particular clearinghouses are open. And we think by having 24/7 collateral management, we'll be able to minimize overall collateral requirements for our customers. And that will feed its way into higher trading volumes, which is we have seen that correlation. And so, it's in our interest to help make our customers' trading more efficient.

I would just say separately, we've built ICE over 20 years by really leaning into commercial users and the workflows that they have and the supply chains that exist around the globe and helping to manage risk of commercials. We've never been particularly potent in the retail space or even the high-frequency space. Others have focused on that, and we've been very, very commercial.

So it's good to have a relationship with Polymarket because they're really educating us about how they have gone to market with retail customers, how they did essentially tremendous ground game marketing without money assets at their disposal and really created a brand and brand awareness with a small balance sheet. And so, again, we admire what they've done. We're trying to educate them on traditional finance while they educate us on consumer finance. And hopefully, that'll pay dividends for both of us down the road, but it just made sense that the teams work together to really educate one another in the hope that one and one makes three.

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

Patrick Moley*Analyst, Piper Sandler & Co.*

Q

Yes. Good morning, and thanks for taking the question. Maybe just double clicking on Ben's question on Polymarket. And just at kind of the contract level, in prediction markets, a lot of the volumes we've seen so far has been in sports contracts. There's been a lot of lawsuits and questions about whether regulators are going to allow that to proliferate, but it seems like in the next few years, if they do allow it to continue, you could see a lot of sports book volumes move on exchange. So just wondering if you – what you think – how you see that playing out and what opportunity could present for Polymarket and ICE. And maybe just if you can talk about how you see sports contracts versus non-sports contracts and their applicability at the commercial level progressing from here. Thanks.

Jeffrey Craig Sprecher

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

A

Sure. This is Jeff again. Well, I reached out to Shayne, the Founder of Polymarket, early in the summer after it became clear that the Trump administration and the US Congress was going to validate much of what was being done with stablecoins and ultimately on the blockchain. And it was in that environment that we began conversation, and that was before the NFL football season. And we were attracted by their non-sports activities where they really are a global leader. And we really think that data and information, supply chain data, acts of God, weather, corporate actions, we think that kind of information is going to be very, very interesting to the traditional finance.

In fact, we know it is, anecdotally, Shayne and I are very well aware of many institutional investors that are already scraping data or finding data and making its way into – informally into their traditional decision-making.

And so, sports was not something that really got our interest. I think it's great for Polymarket. If they can make a business around that and make earnings around that and certainly longer term for our equity stake in the business, that would be great. But we're not a venture firm. We don't – you guys won't really reward us if we make a lot of money on that investment. Honestly, I think we'll be rewarded if we can bring the underlying technologies into our workflow and increase our sales revenue and manage our costs. And so long-winded way of saying good for Polymarket if they can navigate the sports complex, kind of not high on our list in terms of what we're going to contribute to them and what they'll contribute to us.

Operator: Next question comes from Brian Bedell with Deutsche Bank. Please go ahead.

Brian Bedell

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thanks, good morning. Thanks for taking my question. Maybe just back to mortgage. I just wanted to clarify, Warren, on the 4Q outlook, that the guide of, I think, flat revenue, 3Q to 4Q, was that for the whole segment? Or was that just for recurring because I know you did mention the seasonality and transaction fees. So if you could just verify that.

And then just longer-term outlook on that builds of the revenue synergy, what's been actioned so far? And are you sticking to the same time line on the integration? And then maybe just longer term, just comments around competition in the mortgage space from the blockchain and from blockchain providers. I know that's more futuristic, but just your thoughts on that.

Warren Gardiner

Chief Financial Officer, Intercontinental Exchange, Inc.

A

All right, Brian, I'll try to hit the first two there and then hand it over to Ben. So yeah, thank you for clarifying. So the comments in the script were referring to recurring revenue being around the same level as the third quarter. I did mention that, of course, there is the typical seasonal impact from just lower purchase volume that happens in sort of the winter months. You see that in the fourth and the first quarter of each year.

So I don't – I'm not trying to give a specific guidance on that. I just think because we don't know where volumes are ultimately going to be in a particular period. So that's more just of a helpful guide for you guys to just sort of think through that as you update your models.

I think your second question, if I remember, was around just maybe longer-term guidance. I think we'll give guidance on the fourth quarter call, of course, but the MBA is forecasting loan growth kind of in the high-single-digit range right now. Industry originations will be slightly below the 6 million next year based on what they're seeing today. And I'm not confirming or denying that, but that's kind of the information that's out there.

So based on that, I would just point you back to the scenarios that we provided in the past where when we closed the Black Knight transaction that we would probably be more in the lower mid-single digit range in that kind of an environment. But that obviously can change as interest rates move, as mortgage rates move, that can obviously change pretty quickly. So we'll have to see as we get closer to guidance next year in terms of what we provide there.

Benjamin R. Jackson

President, Intercontinental Exchange, Inc.

A

Hi, Brian, I'll hit the competitive landscape question that you had towards the end. We – customers, and I've said this in prior calls, customers continue to focus on having an independent, well-capitalized neutral technology provider to help develop and enhance this critical market infrastructure for them. And in particular, one that doesn't compete with them. And that's why we continue to have the sales success that we highlighted. Obviously, we've said it in this call, that we had the highest quarter in sales in the third quarter than we've had all year. So we're continuing to have a lot of success in there.

On the landscape itself, there was a question about PennyMac earlier. The reality is with PennyMac, just a little bit of history on that, that there was a long-standing dispute between PennyMac and Black Knight. An arbiter found that PennyMac used our confidential information to build a servicing system. So it wasn't a surprise to us, to be honest with you, after buying Black Knight that they took an ownership stake in a platform, and they are trying to build a loan origination system to potentially move to over time. So it's not a surprise. But again, there's – in our mind, it's not a neutral independent platform.

And then you have the Rocket conversation that we have, our understanding is that Rocket's moving their loans to their – to a legacy Cooper platform mainframe system called LSAMS. It's not going to Sagent. And they've decided that they want to have their own proprietary custom system that is mainframe based to go to.

And then you look at platforms like we have with MERS, where MERS is a comprehensive platform, handles first and second loans. It's got legal standing within the mortgage processes. It's got proven expertise in the bankruptcy foreclosure space. It's an incredible business that's run with an independent board, board members that are part of the industry, and it's a great business for us. So you take all of that and then our positioning of where we're, again, an independent well-capitalized, proven technology provider for many, many different industries, and that we're neutral and don't compete with our customers, we think we're very well positioned.

Operator: Thank you. Our next question comes from Alex Blostein with Goldman Sachs. Please go ahead.

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

Q

Hey. Good morning everybody. Thank you for the question. I was hoping to go back to one of the earlier points you made in prepared remarks around AI initiatives when it comes to the workflow automation, and you spent quite a bit of time talking through various processes. When you zoom out, I guess, what's the goal here? What in terms of actual savings you guys think this can produce for the firm? What's the timeframe on that? And how are you thinking about either reinvesting some of these savings or letting them sort of drop down to the bottom line? And maybe sort of help us frame what that means for the firm's sort of profitability over time. Thanks.

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

A

Hi, Alex, it's Ben. So we went through, and I alluded to in my prepared remarks that we have a strategy and a process that we're applying across ICE, that ICE Aurora platform. And for us, it's really about literally breaking down business process by business process internally that we have within ICE as well as the solutions that we're providing to customers. And figuring out on an automation scale, how much automation can be applied, where and when human intervention should be applied along that because we and our customers operate extraordinarily highly compliant regulated businesses in all of the areas where we operate.

And at the end of the day, these AI models, their pattern recognition software that have various levels of probabilistic outcomes and some are really – some processes are really good and apt to be to move towards almost full automation, and there's others where you've got to have human intervention, especially in the exception handling process because in some areas like compliance checks, for example, in mortgage, it's going to be a very low level of tolerance accepted.

So what we're seeing through this is, are we seeing efficiency gains? Absolutely, we're seeing efficiency gains. Where, right now, our best guess from the way we've been applying is, is that we're going to be able to do more with the same, more with the same number of people. We're going to be able to speed to market as the types of offerings that we want to provide, the types of solutions that we want to provide to our customers. There's more and more demand for us to do more, and we think we'll be able to do that with the same head count that we've had historically.

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

William Qi*Analyst, RBC Capital Markets LLC*

Q

Hey, good morning, guys. This is Will Qi on for Ashish Sabadra. I appreciate you guys taking our question. Just with the continued strength we've seen on your data services and solutions businesses across ICE, could you maybe give a little bit of a commentary on the drivers there? Where maybe the appetite is coming from, from a customer perspective, either kind of quantity of data consumed versus pricing? And also with the developments of the new kind of high-value data sets like these sentiment indicators, is that kind of another leg up, you'd say, kind of for driving growth in those segments? Thanks.

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

A

Hi. It's Chris. I appreciate the question. I would suggest to you that it's more comprehensive than that. It's a complete playbook that you're getting to take advantage of on the client side, and that is what is resonating that.

Certainly, the high-value assets that you made reference [ph] Tier 1 (00:56:27). But if you look at the mission-critical data that we have across all of our exchange space on there, that's a foundation that people come to know and trust our ability to deliver that into their systems, given the delivery channel that they deem most appropriate at a given time. And the ability to add additional content, whether it's the new pieces we talked about or where they can get additional pieces of data from other sources.

As we said in the prepared remarks, we have 750 different data sources that can come across those different delivery mechanisms. We made investments, as Warren and Ben both said in the prepared remarks, in these capabilities. Those investments are paying off, and you're seeing the clients' ability to make those changes and incorporate these opportunities into their operational workflows.

Operator: Thank you. We have no further questions. So I'd like to turn the call back over to Jeff Sprecher, Chair and CEO, for any closing comments.

Jeffrey Craig Sprecher

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

Well, thank you, Lydia. I appreciate the way you managed the call today, and thank you all for joining us this morning. I'd like to again thank all of my colleagues for delivering the best third quarter in our company's history and again, thank our customers for their continued business and for the trust they have in the way we manage our business. We'll be back soon to continue to update you. But meanwhile, we're going to be working to innovate for our customers and continue to build our all-weather business model. Thanks, and have a great day.

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

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