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Intercontinental Exchange, Inc. (ICE)

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CORPORATE PARTICIPANTS

Scott A. Hill
Chief Financial Officer

OTHER PARTICIPANTS

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

MANAGEMENT DISCUSSION SECTION

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Here we go. Great. So, thank you and apologies for the delay. We have some New York traffic and airport [indiscernible] (00:07) from Atlanta. But thank you very much for joining...

Scott A. Hill
Chief Financial Officer

Sure.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

...us, Scott and Isabel, I appreciate it. And a quick intro on ICE. We're just past – I think this time last year you were at our conference the day of your conference call closing the NYSE merger. So, thanks for showing up again this year.

Scott A. Hill
Chief Financial Officer

Absolutely.

QUESTION AND ANSWER SECTION

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

You're now a $25 billion market cap, diversified operator of exchanges, clearing houses for financials, commodities, ags, UK, European interest rates and as well as U.S. cash equities and options. And the management, you've had a busy year. You've delivered on the first year of cost synergies. You're ahead of plan. You've run an IPO of a very large business and sold it at a pretty good price. And you've also...

Scott A. Hill
Chief Financial Officer

A

Right.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

...run the disposition of several other non-core businesses and bought back about $0.5 billion worth of your stock so far. So, it's been a busy year. And I guess it's like, where to from here and what's the next big projects left to do with respect to kind of the NYE (sic) [NYSE] (0:58) integration process?

Scott A. Hill
Chief Financial Officer

A

Right. No, that's a good question. And it's the right time of year too, because we're going through the process of developing our 2015 budget. And so, we're thinking about the same thing. I think about 2014 really is the year of the integration, because, as you said, literally almost exactly a year ago we closed the deal. A year later, we're now through the integration of life. We've done all the things that you talked about in your kind introduction.

So, as we look forward, for us, 2015 is really now the year that we execute as one company. We've really been forming it up as a single company this year. And now, we're able to look to 2015 and really begin to execute. There clearly are a few initiatives around the deal that are still to be done. Tom Farley, who's now running the New York Stock Exchange for us, is working to integrate the five different technology platforms that exist at the New York Stock Exchange. And there are other areas inside that building that we're looking at. We're doing a lot of work on real estate here in New York and in Atlanta so that we can continue to centralize the staffs in those two cities.

We've also – as you mentioned, we have bought back shares and continue to pay the dividend, but we've also made a couple of acquisitions this year. We've got ICE Singapore, which we'll relaunch, if you will, in the first quarter of next year. We've got the SuperDerivatives acquisition that will really enhance not only our data business, but also help us continue to build out our clearing capabilities. So, as I look forward to 2015, we've got a lot going on, which is, you followed the company for a long time, not really any different than any year that I've been here.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

It seems like, on a bigger scale, though, some of the things that you have going on is that there's so much accomplished in 2014 and there's a lot still to do. But it's maybe some of the [ph] easier (2:51) stuff on the NYSE and now that you've gotten past the IPO of Euronext [ph] and everything you've done (02:53).

Scott A. Hill
Chief Financial Officer
A

Yeah. Those were definitely some big chunky pieces...

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

Yeah.

Scott A. Hill
Chief Financial Officer
A

... that really – the Euronext IPO, the NYSE Technologies' divestment, those are really eliminating distractions as much as anything else. And having that behind us again helps us really get all of our attention back on moving forward and what are the things that we need to do to generate growth. And that's not just growth through continuing to deliver synergies, which we'll do, but also really getting the top line growing again.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

Okay. And if I could just be retrospective for a few seconds, just like what were the biggest challenges with the past year and with the – all the various things that you had going on? And maybe where [ph] do (3:31) you find yourselves going in the different direction than you kind of would have envisioned initially?

Scott A. Hill
Chief Financial Officer
A

Yeah. It's a good – I think the biggest challenge was just the magnitude of what we had to get done. In terms of the direction, I think we're literally exactly where we thought we'd be a year ago and, frankly, two years ago, because if you go back and look at when we announced the deal, which two years ago in December, I think it was December 21, everything we said on that call we've now done. And so, I feel like where we've positioned ourselves is exactly where we thought we would be. Our big task was – we were the first, I think, 100% IPO of a European company in something like 20 years. That was a difficult challenge. We're ahead of pace on our synergies. We're going to be almost halfway through by the end of this year. I mentioned on our earnings call that we'll do around $135 million more in next year. And so, the pace of synergy realization is ahead of track for us.

But I really – I don't think and I don't say this with any [ph] arrogance (04:40), I don't think two years later there is anything that's really surprised us. Now, we clearly have found additional synergy opportunities. We started at $450 million. We're now up at $550 million as the target. And we will continue to look for ways to, again, grow the business and to run it more efficiently. But I think we're right where we expected to be when we announced the deal two years ago and, certainly, where we thought we'd be a year ago when we closed it.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

Okay. Fair enough and we kind of see it in the numbers...

Scott A. Hill
Chief Financial Officer
A

Right.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

...and [ph] what you're (05:08) reporting and executing on too. And it's something we haven't talked much about. And [ph] really just want to (05:12) touch on, I think we've talked about cost synergies, but what about some of the revenue synergies, especially with respect to maybe – you talked about OTC clearing and that being an opportunity and partly regulations taking so long in Europe to get implemented. I don't know how anybody can really move, but there are some locals that are doing a bit more there than we would have thought by now. And where are you now? Is this – is the SuperDerivatives taking – start to kind of – do you see some more revenue synergies from the NYSE deal as a result of that or...?

Scott A. Hill
Chief Financial Officer

A

Yeah. I, frankly – as I think about how we're going to position in 2015 with our board, I really think there are growth opportunities in almost every one of our businesses. SuperDerivatives, clearly, that's an opportunity for us. That's going to be acquired top-line growth that we get. But I think in addition to that, SuperDerivatives has a number of really solid pricing tools and valuation tools. And I think we can take those same tools and sell them to a broader set of customers with whom we've got relationships. Companies that, frankly, SuperD as a stand-alone company, really didn't have access to.

And so, you'll see that show up in our data revenues and that's a line, I think, you should watch as you go into 2015. We've consistently seen our data revenues grow. I think with SuperDerivatives, that's going to help accelerate that. ICE Benchmark Administration is going to accelerate that, because you have LIBOR that will start to roll through in the fourth quarter and in the next year. You'll have [indiscernible] (6:35) fix and gold fix – the gold fix that we were just awarded.

So, as I look at 2015, I'm particularly excited about our data revenue line. I think that's going to be an area where we will generate some growth. I step back and think about the listings business. We've had a great year in listings in 2014. But the reality is the nature of that business, you don't really get the financial benefit of the listings business until the subsequent year, when you get the annual listing fees from those companies, because we defer a lot of the upfront listings and recognize it over time. So, I think the financial yield from that business from the great year we've had this year really will start to show up in the P&L as you move into 2015.

Look at open interest levels, which have been trending up in most of our major products. And as we've gotten some volatility around oil, you saw it in our October volumes. As we've gotten some volatility around the [indiscernible] (07:25), it was as cold in Atlanta, when I left this morning, as landing in New York and that's unusual two weeks in front of Thanksgiving. And that's generated volatility in natural gas and that's driven volumes for us. So, I think those open interest trends are ones that certainly we pay attention to as we think about going forward. And I think they're indicative of an ability to grow next year. And really, the biggest challenge we've got, frankly, is the European interest rate franchise.

And frankly, if you look at that, that's really not a big part of our revenue stream right now. It's something less than 5% of our total revenues and it's even less than 10% of our futures revenues. And so, if you kind of set that aside, the other businesses all have growth opportunities as we move into next year. So, we will deliver on the synergies. We will continue to execute our capital returns. But I do believe next year that, as I said on the earnings call, without volume growth, we think we can deliver double-digit earnings growth. But I also do think there's opportunities to get back some volume growth as well.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

Okay. Fair enough. And before we kind of go into the volume in the derivatives business a little bit more and the market data, I [ph] want to jump (8:37) down a little bit more, because...

Scott A. Hill
Chief Financial Officer
A

Sure.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

... the LIBOR is kind of one of the areas you can – you've kind of signaled [ph] us at (8:41), look, we have to charge for this...

Scott A. Hill
Chief Financial Officer
A

Yeah.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

[indiscernible] (08:43) service, we're going to charge for this, and a lot of industry pushback. I'm hearing you saying that we should start to see this [ph] flow (08:49) through in the 4Q numbers?

Scott A. Hill
Chief Financial Officer
A

Yeah. I think you will start to see it, as we roll into 4Q, because again you said it exactly right. We've been going through a process, almost a discovery process of who consumes the data, how do they consume it, how do they use it, how have they been charged, if they've been charged at all, how do we want to set our pricing structure going forward. And we've now made a lot of those decisions. And so, I do think you'll start to see that flow in the fourth quarter.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

Now, [ph] isn't (9:17) it kind of more of an incremental-type growth that we could look for the data [ph] comp from (9:22) that?

Scott A. Hill
Chief Financial Officer
A

Yeah. I mean, there is a report written that suggested that maybe it could be $200 million, but then it said – or maybe it could be $50 million. Who knows? So, it's kind of a wide-bid offer. We haven't put our guidance in terms of what we think the number could be. I think about it, though, as a business that really didn't exist, to a large extent, certainly for us. And I don't think it was a focus for the prior owners of the IP before. Kind of like CDS which didn't exist five years ago and this year that's going to be almost $100 million business for us. And so, I think this can be a similar-type contributor in the coming years.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

So, kind of it will build. So, right now, [ph] it can be smaller (9:59)...

Scott A. Hill
Chief Financial Officer
A

No, it'll build. Yeah. I think you'll start to see it show up a little bit in the fourth quarter. And then, I think you'll start to see it build as we move through 2015.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

Okay. And then, SuperDerivatives acquisition, that's mostly market data revenue fee?

Scott A. Hill
Chief Financial Officer
A

Yeah. That's exactly. That's where you'll see the direct revenues from SuperDerivatives is rolling through. And we gave you some guidance on what we thought in the fourth quarter, which really just reflected their kind of – what I'll call, their business-as-usual business. No uplift from our relationships.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

Yeah.

Scott A. Hill
Chief Financial Officer
A

And then, the other place where we're going to get a lot of benefit from SuperDerivatives is building out our clearing franchise. And so, obviously, you won't see that in the data revenues. You'll see that from an ability for us to launch more products to clear, and that will generate transaction revenues for us. So, it will be [ph] with that shot (10:45). But it will be difficult to see through that it's directly related to SuperDerivatives, but that's clearly another revenue synergy we think we get from the deal.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

Okay. So, that's [ph] neat (10:53). I guess, coming back to volume, I'm not asking to predict volume, because who knows. But...

Scott A. Hill
Chief Financial Officer
A

If I could do that, I'd be rich and not here.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

[indiscernible] (11:02).

Scott A. Hill
Chief Financial Officer

A

Right.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

But we have seen kind of nice little bit of a pickup recently. The open interest has been growing. Historically, that's been a good leading indicator. It seems like you've built your business to grow the earning – I mean the way you – where you are with the deals, and you said it yourself too, that you can grow earnings over the next couple of years just with the cost reductions and the buybacks anyway.

Scott A. Hill
Chief Financial Officer

A

That's right.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

But what are you doing to drive growth in the futures business complex outside of the business environment?

Scott A. Hill
Chief Financial Officer

A

Yeah. I think there are a number of things. I mean, you know – and since we launched our clearing house, we've launched over 1,000 new products. Not any one of those new products is the [ph] brand – (11:36) contract that does $600,000, $700,000 a day. But they all add up to significant amount of revenues. We're generating probably well above $20 million in a quarter from the new products that we've launched over time.

And so, that's one area where – and that really goes back to understanding what your customers' needs are. Is there a new base delivery point for U.S. natural gas? Is there a new crack out of a barrel of oil that somebody is exposed to that they need to hedge? It's listening to customers, determining what the products are that they need to fill out their risk management portfolio and launching those products is a big part of what we do.

The second thing that we're doing is really around clearing, because I think one of the greatest enablers of trading volume is freeing up our customers' balance sheets, because the more capital they have available, the more they can deploy to manage their risks and trade around their positions. And particularly, in this world, where there is a lot of pressure on those balance sheets, to the extent we can offer a broader set of products in our clearing houses, develop risk models that recognize correlations and offset and provide a really capital-efficient clearing solution, we think that generates more opportunity for trading and, clearly, in the trading we get the execution and the clearing fees that are associated with that.

So, it's developing new products. It's developing clearing capabilities. It's broadening the product offerings within our clearing houses. And you've seen us do that particularly at ICE Clear Credit, as an example, around credit. We've launched all of our U.S. and European products in that clearing house and I talked about we're now seeing almost 40% of our buy side volume is actually European customers in the U.S. clearing house.

We've done it at ICE Clear Europe, where we've launched hundreds of new energy products, where we've launched a number of new interest rate products, equity derivatives products this year. And that's where you're going to see us continue to invest and expand, because ultimately it's the new product offering, it's the risk management and the capital efficiency that we think will generate the volume growth going forward.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Sounds very promising. So, with respect to the new products growth in the clearing, and I guess we should probably touch on the environment too, though...

Scott A. Hill
Chief Financial Officer

A

Sure.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

...because it just feels like – I mean, the question we've been getting mostly from investors and been trying to answer ourselves too is, is the volume deterioration is structural or is it cyclical?

Scott A. Hill
Chief Financial Officer

A

Yeah.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

The data we kind of try to pull together, for example, just trends and open interest and whatnot, suggests we've seen trends this bad before, this challenging, and they got better. So, suggesting it was may be cyclical so far. But then when you talk to this – you look at the structure, the market and the physical supply and demand, there's definitely some issues there. Are we closer to kind of getting into a resolution on maybe being able to export some of these gas products that makes it easier, [ph] do you (14:23) care that much about it?

Scott A. Hill
Chief Financial Officer

A

No. I cared a lot about it. I care a lot about it, because of the volumes it will drive for our business. I care a lot about it, because I think being able to find a way to export a portion of natural gas will be good for the country and job creation and things of that nature. But fundamentally, I don't think that's a 2015 answer.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Yeah.

Scott A. Hill
Chief Financial Officer

A

Right? I do think there are a lot of smart people trying to figure out how to inexpensively transport natural gas out of the U.S. when it's, I think, $4 now. But it's been $2, $3, $4, trying to get that into Asia where it's $12, $13, $14 or even into Europe where it's $7, $8, $9. There definitely are people working on it. I think, though, that over the next kind of year or two years, the volatility around natural gas in the U.S. is really going to have more to do with the U.S. infrastructure. And something that – one of the areas that's key to us and are natural, we really own the basis market in natural gas, which is the customers have different delivery points. They need to consume the gas and they need to get the gas to that delivery point. And that's going to be a big challenge in the U.S. this year, because the infrastructure runs a lot north and south, but not a lot east and west.

And so, I lived in Connecticut for a long time and have the natural gas [ph] structural (15:39) up at the house. And getting the natural gas into the northeast this year is not going to be easy. We had a similar problem last year. So, I think a lot of the volatility over the next year or two years is actually not going to be so much around the globalization, which I do think will occur. I think it's going to be around infrastructure challenges that exist in the U.S. And we're seeing it right now. I mean, as you get this cold snap, U.S. – nat gas volumes have been – is almost as good this year as they were in January and February, during October and November. So, they've been very good. And again, that's – the open interest level existed, which suggested it wasn't structural, it was cyclical. And sure enough, as we get volatility back, we've seen the volumes slow.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

So, from what you're saying is – so oil too is [indiscernible] (16:21) or...

Scott A. Hill
Chief Financial Officer

A

Well, oil is, I think, a different dynamic.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

[indiscernible] (16:25).

Scott A. Hill
Chief Financial Officer

A

And it's absolutely cyclical. But right now – because again, a lot of the growth you've seen in oil and in commodities, generally, has been around emerging markets and people [ph] are, (16:36) but the emerging markets are slowing. The ascension of the middle class in those emerging markets isn't slow. And so, that's a consumption of more cars, which require oil or require gas, clothing which requires cotton, food that requires sugar and other things. So, I still think we've got a ways to go. And that is a driver of growth. I think the more recent volatility you're seeing in oil does relate a little bit to all the oil that's being discovered in the U.S. Prices are down significantly. And as you and I've talked about before, it doesn't really matter in terms of volumes whether the prices are low or high, it's the volatility around those price moves.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Yeah.

Scott A. Hill
Chief Financial Officer

A

And what we at natural gas, lot of volatility as people capitulated from kind of $5 to $7 down to $2 to $3, really good volumes, but then it just stayed at $2. With oil, it was $100 and then it was $80, and some people are predicting it goes towards $60, some people are predicting it's going to go back $100. So, it's unlikely, in my opinion, that oil goes to a certain level and just sits there. There are too many influences on the price of oil whether it's what's going on in the Middle East with ISIS or the emerging markets. I just – I don't see that. The

U.S. nat gas volatility, that product was a regional product contained to the U.S. Oil is global. It gets pulled up by the ocean. It goes on to a boat and it goes to where it's needed.

And so, I don't see that same risk in oil. And again, you're seeing it right now open interest record – or record level, Brent is on track right now for, I think, its 17th consecutive volume record. So, I think the oil franchise is positioned really well for us, as again is the ag franchise for a similar set of reason.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay. That's interesting. [ph] Very fun thing (18:17) and especially as we can kind of [ph] sit (18:18) ourselves up into 2015.

Scott A. Hill
Chief Financial Officer

A

Right.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

And see a nice turn [ph] in that (18:21) there. And I guess, when we're talking about the futures market, we could touch on regulation a little bit, because I come back to [indiscernible] (18:30) quite a bit, and it's just that specifically that area about maybe requiring the clearing houses to open up, but who knows what's going to happen in four years or five years or if it gets pushed out another five years. But what's your position and how you're getting your business ready for maybe having to do that?

Scott A. Hill
Chief Financial Officer

A

Well, I mean, we run an open access clearing house today. Our CDS clearing house is completely open access. There is an open access element to even our energy clearing house in that you can do a trade away from the exchange and block it into the clearing house. So, I don't worry too much about open access. What I worry about is the uncertainty that you talked about, right? You just have this overhang in the market right now around what is [indiscernible] (19:13) going to be and what is open access going to mean. And you've got customers that are trying to figure out what it's going to mean to their business. And does that mean we want to continue to trade global products in the UK or would we – or the EU generally, or do we want to do it in Singapore, or do we want to do it in the U.S.

The interesting thing is I think people are really worried about Dodd-Frank, but the reality is the most of rules have been written and people are starting to – I don't know if they particularly like it, but they're getting comfortable with it. But that's not the case in Europe. So, I think that's generating a lot of uncertainty with European customers. I think that's why even CME talked about seeing more European business in the U.S. Last quarter, we saw the same thing.

But I think that's how we've positioned ourselves to manage regardless of what open access mean, because we do have clearing houses in the U.S. We're building the clearing houses. We re-launched the clearing houses on first quarter in Asia. So, regardless of where that global business wants to go, we can serve it.

And we talk about running six, and then once we close the Holland Clearing House deal, seven clearing houses. All those clearing houses run on the same technology platform, have consistent policies, consistent processes. And so, moving business around, it's not without its challenges.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

No.

Scott A. Hill
Chief Financial Officer

A

But if the customers in the markets feel like the regulatory environment in one jurisdiction is not where they want to trade, we're positioned well to serve them in other markets.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay. So, I guess, it doesn't seem like it's a good news that everyone is trying to spend too much working on it right now, while they're still figuring out the rules...

Scott A. Hill
Chief Financial Officer

A

Our insights right now are that you'd probably get some definition of what open access means sometime during 2015. And then to your point, implementation is, I don't know, out in 2017 or beyond. And I think that gives us and the market more than ample time to figure out what the definition means and what we're going to do.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay. Fair enough. Fair enough. All right. So, if I could move over to capital, you mentioned earlier the New York Stock Exchange and Tom Farley there putting together five different trading platforms to one. I thought that was the [ph] last case we're doing (21:24) before you bought it actually.

Scott A. Hill
Chief Financial Officer

A

So did we.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

So, it's just – the CapEx there. I mean, when you bought the business, they were spending a lot of cash over the year on that company. And what I thought, like ICE's strength was generating phenomenal operating margin and offsetting a lot of cash, but still having really great businesses, because I mean you can't under-invest in your business. So, I'm nervous now [ph] already (21:44) you're in and next year you're kind of saying that the CapEx isn't going to change and the real estate spend isn't going to change. How do you make sure that you don't go get – go down that kind of sinkhole of not spending too much on that New York Stock Exchange [indiscernible] (21:56)?

Scott A. Hill
Chief Financial Officer

A

Yeah. No, it's a fair question and you're kind not to mention it. But I had said a couple of quarters ago that I really thought 2014 would be the peak and we'd start to see it trend down in 2015. The reality is that we're spending money to enable the synergies that we've got, right? The real estate expense, that will run through next year, but that's largely getting [ph] 11 wall (22:16) done so that we can – it's more open. It's more accommodating. It's more kind of the open environment that we're used to at ICE that kind of supports the culture that we've got of people working as one team.

In Atlanta, there are a number of jobs that we've moved in various corporation functions down to Atlanta. And so, we needed space to have – so those people could come to work. And so, that's really enabling us to do some of the synergies that needed to get done in terms of the real estate. And so, that's not going to be an ongoing expense. It will run through 2015 and then I suspect will decline significantly as you get into 2016 and 2017, because, as you know, we haven't spent a tremendous amount on real estate other than when we were trying to centralizing the new space in London a few years ago, you saw a little bit of a blip, same thing when we were putting our Chicago office together.

We're really all about getting our teams into single location. And New York, we'll have a midtown and a downtown, but we like to have the teams in one building with access to each other, because again we think it encourages that teamwork environment that really has made us successful. So, that will run through 2015 and then really fade away. I think, from an operational CapEx standpoint, it takes an investment to get five technology platforms turned into one. And it's just kind of is what it is. It's an investment we've got to make.

But ultimately, the benefit from that is in the future, I have to spend less on [ph] net debt (23:40), because now I have to update one technology platform, one set of hardware that supports it, one set of software licenses that's associated with it. So, it is a little bit more than I had originally anticipated in 2015. But they really are investments that allow us to generate the synergies that we have and will continue to generate. And then, I expect, as you said, we'll kind of get back our norm on CapEx, which is to run it really efficiently and to support single platforms across our company.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc. — Q

Is there a good kind of long-term guideline in terms of the revenue – CapEx to revenue or something like that, usually [indiscernible] (24:15)?

Scott A. Hill
Chief Financial Officer — A

No. We haven't guided it – guided – went out a little bit on revenues last year and missed that for the first time. We haven't guided a couple years out in CapEx.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc. — Q

Okay.

Scott A. Hill
Chief Financial Officer — A

But I think if you kind of look back at [indiscernible] (24:29) was maybe a $200 million a year company, we were probably closer to $60 million to $70 million, so maybe a third of that. I don't think it's unreasonable to expect somewhere in the middle. And we are a bigger company, as you mentioned. We will have a cash equities platform versus our futures platform. But I certainly don't think that we're going to consistently be north of $200 million.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay. Fair enough. And just on the cash and capital subject too before I open up to some questions. And it just feels like – to me like you've done – you just closed [ph] or you're in the process of (25:01) closing on a few pretty sizeable acquisitions. I mean, they're not as big as NYS (sic) [NYSE] (25:05). You've got a lot of integration of NYS (sic) [NYSE] (25:06) still to go. I know you very specifically kind of said, look, we're not going to promise to spend all our spare cash on share repurchases, because you want to do deals. But is it fair to think that you placed kind of [ph] hold (25:16) for a few quarters with respect to new deals, when there's – something small comes up or...

Scott A. Hill
Chief Financial Officer

A

Yeah. A little – again, deals we've done have been relatively small. I mean, SuperDat $350 million was the biggest of the lot.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Yeah. Right.

Scott A. Hill
Chief Financial Officer

A

And I think those are ones that we can continue to absorb...

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay.

Scott A. Hill
Chief Financial Officer

A

...as we move forward, while we pay the dividend, while we continue to buy back our stocks. So, as I said on our earnings call, I think it was maybe two [ph] years (25:38) ago, we don't really feel like we're in a position where we have to choose. Given the cash flows that we generate, we think we can pay the dividend, buy back our shares and, when the right strategic opportunity comes along from an M&A standpoint, we can execute on it. And we've done it this year. I mean, you said the numbers earlier. We'll probably spend $400 million or so, maybe $500 million on acquisition this year. We've already spent more than $500 million on share buybacks. We've already paid over $200 million in dividend. So, this year, we'll probably generate, I don't know, $1.2 billion of cash. You put the synergies and add just a little bit of growth on that next year, and that can easily be $1.4 billion or more. I don't feel like, even if there are good M&A opportunities that are out there, they're going to be similar to the ones we're doing right now and it's not going to restrict us from the capital return that we're doing.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

So, you still feel like even with the SuperDerivatives coming on, you're saying it's kind of small, that wouldn't distract you from doing some other deals you feel or...

Scott A. Hill
Chief Financial Officer

A

Not if – again, we're not looking to do deals just to do deals.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Yeah.

Scott A. Hill
Chief Financial Officer

A

But if the right strategic opportunity comes along, we continue to believe we're in a growth industry and we believe we are the growth company in that growth industry. And we're going to invest in our business to continue to find ways to grow.

Again, we've been – even as it bottomed out in the third quarter, though, we're the only one in our industry that talks about returns on invested capital and that's where the measure is. So, if we find deals that are going to generate returns on invested capital, that are above our cost of capital, that are strategic for us, we're going to continue to look to do those deals. And where the investors ought to hold us accountable is on that return on – they ought to hold everybody in our space for that measure. But they ought to hold us accountable to it because we hold ourselves accountable to it. And we bottomed out in the kind of third quarter. And I think as you go into next year, you're going to see that metric starts to turn up and improve again as well.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay. Very encouraging. I guess, on the subject of deals now, NASDAQ or Lee just kind of indicated they're not buying Hotspot. You know this is FX – I mean a product that you're already in FX futures. But is that something that we should think about that might fit with you at ICE?

Scott A. Hill
Chief Financial Officer

A

Well, I won't comment on any particular deal, but if you look across our geographic diversification, our product diversification, we're pretty much where we need to be geographically from a product standpoint. We touch on all the right products. FX is not our biggest area. But again, the key is you've got to find the deal where you actually think you can pay a price and still generate value for your shareholders.

There haven't been a lot of those deals this past year, if you look at some of the prices where assets are trading. The M&A market's pretty hot. The SuperDerivatives deal is one we've been working on for five years. And the price point at start was significantly above where we ended up paying. You have to find to a point where ultimately the person who's selling it comes to a price where you can own it and deliver value for shareholders. We think we can do that with SuperD.

With the other deals that have kind of come through market this year, it's been really hard to look at the prices being paid and say you could generate value above that.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

[ph] No, it's interesting (28:44). All right. Fair enough. And then just to kind of refresh on the capital and on the cash flow. If you notice some of the deals are looking a bit [ph] frosty (28:51) in the pricing right now, if you don't see the deal opportunities, like, would you buy back more in a quarter if you felt you have the spare cash?

Scott A. Hill
Chief Financial Officer

A

Yeah. I mean, again, I can only point to what we're doing.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Yeah.

Scott A. Hill
Chief Financial Officer

A

With our stock price where it is, we're buying a lot back right now.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay. Okay. Fair enough. Thanks, Scott. And any questions from the audience? Well, shy right now. I'll keep going. Fair enough. And just going through my list here, make sure that I'm hitting all the good stuff. Clearing houses and capital treatments and liquidity ratios and whatnot, and it seems like we've gone through a process in the U.S. You already designated systematically important clearing houses and you know the liquidity you need to keep and you know the capital you need to keep. And I thought ESMA had gone through the same process in Europe, but am I clear on that? Are you kind of set with what capital you need and what liquidity you need to have access to with seven clearing houses?

Scott A. Hill
Chief Financial Officer

A

Yeah. No, we're pretty well set and you're right, ESMA did – they have a rule that the regulatory capital, they've got something – and actually the European Banking Authority rules are very prescriptive in terms of what the regulatory capital requirements are. And we've got – if you looked at our Q, we've probably got another $130 million, I think, is the number that we'll put in to restricted cash once we're EMIR-compliant. But that's – we've had that kind of set aside for a while and discussed in our SEC filing.

So, yeah, we know where we need to be. ESMA's even got a prescription around – there's whole debate of skin in the game where it said it's got to be at least 25% of the regulatory capital that you hold. So, yeah, as you look at it, we have, I think, about $0.5 billion, give or take, right now of restricted cash and roughly half of that is our skin in the game and the other half is regulatory capital. And then, you'll add to that the amount I talked about that will go in, in Europe with the EMIR around ICE Clear Europe.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay. Fair enough. So, there's nothing like stress tests or anything like that. It seems that they've gone through that process and this is where we're at and this is the outcome and this is what's needed?

Scott A. Hill
Chief Financial Officer
A

Yeah. No. Again, I think the rules are written and the stress tests really go more to the size of the guarantee fund than it does to the regulatory capital. And the guarantee fund, as you know, is really funded more by the clearing members than it is the clearing house.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

Yeah. Yeah. Yeah. And is there anything changing there in Europe with respect to the guarantee fund requirements, anything like that?

Scott A. Hill
Chief Financial Officer
A

No. The rules are pretty well understood and the stress tests are pretty well understood.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

Okay. Fair enough. And if I could do just few kind of just the high level ones...

Scott A. Hill
Chief Financial Officer
A

Sure.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

Like what – as you, Jeff and the team sit down – I think you meet weekly, at least.

Scott A. Hill
Chief Financial Officer
A

We do.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.
Q

And the deals come off. But what are the biggest growth opportunities at ICE right now, because you've put a lot of businesses together. So, what are the biggest growth opportunities?

Scott A. Hill
Chief Financial Officer
A

Yeah. Look, I still – as I mentioned earlier, I still think there is a lot of growth opportunity around the commodities business. I think there is an interesting opportunity around the interest rate franchise in Europe generally. The sterling, the LIBOR, what's going to happen with OTC interest rates, generally, I think that that may not necessarily be a 2015 growth opportunity, but over the next couple of years, I absolutely think that that's a growth opportunity. I talked about – and you know I spent a lot of time working on our credit business. That's a business that's trended up nicely. We'll be just under $100 million this year. We are seeing European customers move into our U.S. clearing house. We don't have yet a U.S. mandate on single names. We don't have a European buy-side mandate at all. So, I think those are additional catalysts. As we saw on the U.S., that was not really a step function, but it was certainly a nice bump in the revenue that we saw as those mandates came in. So, I think there's opportunity in credit.

And then I keep coming back to I really think there is an opportunity around data. And I think it's the data that we generate off the trading on our commodities exchanges or derivatives exchanges. I think it's a SuperDerivatives opportunity that we've got. And I think it's the ICE Benchmark Administration. That's an area where you're seeing us make explicit investments, because we think that's an area where there is a lot of growth opportunity, as you move forward.

Just another example of where I think SuperDerivatives can yield some revenue synergies is they've got a number of tools that really are for, what I'll call, the CFO of company, the treasury tools, IR tools. And if you think about the synergies you could have with the listed companies at the New York Stock Exchange and a set of tools that the corporate CFOs, treasurers and IR team can use and leverage, it's opportunities like to take their technology and their data and really deliver it through the high-quality customer channel that we've got to our listed companies at New York Stock Exchange. And again, that'll generate more data revenues for us. So, as I've talked about it a few times this morning, I'm particularly excited about those opportunities.

Niamh M. Alexander — Q
Keefe, Bruyette & Woods, Inc.

It sounds [ph] to me (34:10), I mean, even in the core, the data you're collecting even in the futures business, is there a re-pricing going on there?

Scott A. Hill — A
Chief Financial Officer

Well, that's the one area where we've never raised prices just to raise prices. But when we've been able to go to customers and credibly say we're delivering you more data, we're delivering better data, we're delivering data to you more efficiently, we have had the ability to increase the prices to recog – or to capture some of that additional value. And I talked about that on the earnings call, part of the bounce that we got 2Q to 3Q was getting through the Euronext transition, but the other bounce was we are looking at the value that we charge for in our data products. And we've done that historically and we'll continue to do that as we move into next year.

Niamh M. Alexander — Q
Keefe, Bruyette & Woods, Inc.

And so, is there any kind of unusual jump or benefit we might see?

Scott A. Hill — A
Chief Financial Officer

No. Again, it's – [ph] well, with (34:59) data you've seen, I would characterize it and, again, you know our numbers really well, it's been a steady growth area for us.

Niamh M. Alexander — Q
Keefe, Bruyette & Woods, Inc.

Right. Yeah.

Scott A. Hill — A
Chief Financial Officer

It doesn't go along and all of sudden jump up 20% and then flat out and then do 20% later. It's been a very steady grower, as we get more users, as we continue to grow interest, as we take some price actions, all those in combination now accelerated with SuperDerivatives and ICE Benchmark Administration.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay. Fair enough. That's [ph] great (35:22). And then, just lastly, if I could, and since we're talking about pricing a little bit, it feels like you've managed your pricing so very well with respect to the futures business, especially in the ags area, when you introduce new products and you roll [ph] ICE (35:35) kind of ups the pricing a little bit too. Is there no flexibility there to kind of push up the pricing as you roll [ph] through (35:41)?

Scott A. Hill
Chief Financial Officer

A

I think as you look back, I've been in the job eight years now, I think there are really only three times that we've increased prices. One was around the $0.25 additional charge for trading electronic ags...

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Yeah.

Scott A. Hill
Chief Financial Officer

A

... which the floor traders forced us to put in, which we were very grateful for, because all the business was electronic and we got an extra $0.25. And then, we also had the energy business when we took over the clearing.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Yeah.

Scott A. Hill
Chief Financial Officer

A

And then you mentioned the other one, which was the ags. And that really had more to do with us looking at our ag pricing relative to the market and feeling like it was underpriced.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay.

Scott A. Hill
Chief Financial Officer

A

As I look across the prices and think about 2015, I think your assumptions ought to be stability around price.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay.

Scott A. Hill
Chief Financial Officer

A

I don't think there are any big opportunities where we're underpriced relative to the value we're delivering or to the market more generally.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Q

Okay. Fair enough. I think we're going to have to catch you up on the other meetings.

Scott A. Hill
Chief Financial Officer

A

Okay.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

Any questions before we cut it off here? No. All quiet. Thank you very much. Appreciate it.

Scott A. Hill
Chief Financial Officer

Okay. Thank you. Sorry, I was late.

Niamh M. Alexander
Keefe, Bruyette & Woods, Inc.

No. It's fine.

Scott A. Hill
Chief Financial Officer

Thank you very much, Niamh. Appreciate it.