PARTICIPANTS

Corporate Participants

Kelly L. Loeffler – Vice President-Investor Relations & Corporate Communications, IntercontinentalExchange, Inc.
Scott A. Hill – Chief Financial Officer & Senior Vice President, IntercontinentalExchange, Inc.
Jeffrey C. Sprecher – Chairman & Chief Executive Officer, IntercontinentalExchange, Inc.

Other Participants

Richard H. Repetto – Analyst, Sandler O'Neill & Partners LP
Howard H. Chen – Analyst, Credit Suisse Securities (USA) LLC (Broker)
Kenneth B. Worthington – Analyst, JPMorgan Securities LLC
Michael R. Carrier – Analyst, Bank of America Merrill Lynch
Chris J. Allen – Analyst, Evercore Partners (Securities)
Alex Kramm – Analyst, UBS Securities LLC
Niamh Alexander – Analyst, Keefe, Bruyette & Woods, Inc.
Chris M. Harris – Analyst, Wells Fargo Securities LLC
Alex Blostein – Analyst, Goldman Sachs & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the IntercontinentalExchange, Inc. Third Quarter 2013 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, today's call is being recorded.

I'd now like to turn the conference over to Kelly Loeffler. Ma'am, you may begin.

Kelly L. Loeffler, Vice President-Investor Relations & Corporate Communications

Good morning. ICE's third quarter 2013 earnings release and presentation can be found in the Investors section of our website at theice.com. These items will be archived and our call will be available for replay.

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

Please note that the numbers discussed today refer to our adjusted operating results, which we believe are more reflective of our business performance. You'll find a non-GAAP reconciliation in the earnings release and presentation, as well as an explanation of why we deem this information to be meaningful and how management uses these measures. The materials presented today reflect futures volume that has been restated to include previously cleared swap contract volumes.

With us on the call this morning are Jeff Sprecher, Chairman and CEO; Scott Hill, Chief Financial Officer; and Chuck Vice, President and Chief Operating Officer.

I'll now turn the call over to Scott.

Scott A. Hill, Chief Financial Officer & Senior Vice President

Thank you, Kelly. Good morning to everyone, and thank you for joining us today. We delivered revenue growth and double-digit earnings growth in the third quarter, and solid revenue and profit growth through the first nine months of 2013. At the same time, we've advanced our NYSE Euronext integration plan, transitioned Liffe Clearing, cleared roughly $3 trillion of buyside CDS and acquired and integrated ICE Endex. We remain well-positioned to continue to serve our customers and create value for our shareholders.

Let's start on slide four with our year-to-date performance. We've delivered top and bottom line growth on top of growth, while advancing our integration plans for NYSE Euronext. We've also executed a number of strategic initiatives. On July 1, we seamlessly transferred clearing of the Liffe business to ICE Clear Europe including over $11 billion in margin, 75 million contract-side and 43 clearing members. We completed this transition in just six months and have already launched over 70 new Liffe contracts.

We also completed the acquisition of a majority stake in ICE Endex in March, and in October, we seamlessly transitioned these markets to our trading platform and clearinghouse. And in the coming days, we expect to close on the NYSE Euronext transaction, which will further diversify our business by adding a substantial interstate complex, additional financial indices, and the leading global cash equities, equity options and listings venues.
Despite average daily volumes declining 1% for the first nine months of the year, we were still able to deliver revenue growth of 2%, with adjusted operating margins expanding two points to 63%. As a result, we reported earnings growth with adjusted net income up 8% and earnings per share up 7% year-to-date. We had record volumes across our oil and ags complexes and record open interest in Brent and total oil.

Moving now to slide five, I'll discuss our third quarter performance, which included solid revenue growth and double-digit earnings growth. Revenues increased 5% year-over-year to $338 million driven by 4% growth in Brent revenue, 16% growth in sugar revenue and 15% growth in CDS revenue. Adjusted operating expenses were up only slightly, and margins expanded to 61%.

Adjusted net income attributable to ICE grew 10% year-over-year to $145 million and adjusted diluted earnings per share also grew 10% to $1.97. Operating cash flow for the quarter was $180 million and technology-related capital expenditures and capitalized software were $15 million for the quarter.

Please turn to slide six, and I'll review our third quarter consolidated revenues and expenses. Transaction and clearing revenues were flat at $280 million. Energy revenue decreased 4% year-over-year primarily due to a 23% decline in natural gas volume, but partially offset by the strength in our global oil and agricultural complexes. Total oil revenues grew 6% driven by Brent and other oil revenues which grew 4% and 19% respectively. Ag revenues grew 11% year-over-year, driven by strength in sugar volumes. Financial revenues grew 12% year-over-year with CDS clearing revenue rising 40% over the prior year. Finally, market data revenues grew 12% to $40 million.

Details of our operating expenses are shown on the right side of slide six. Adjusted operating expenses increased 1% compared to the prior third quarter. The growth in technology and SG&A expenses was largely driven by the addition of ICE Endex. The decline in compensation expenses reflects a reduced 2013 bonus accrual.

As we have consistently demonstrated, we have a pay-for-performance culture that provides alignment with our shareholders. Though we continue to generate top and bottom line growth and strong returns on investment, we benchmark our financial performance objectives to a higher standard. We will come in modestly below our full year objectives due to the weakness in North American natural gas revenue, and we adjusted our bonus accruals accordingly during the quarter. We now expect full year operating expenses for 2013 to increase by slightly more than 1%.

Let's move now to slide seven and review the third quarter performance of our futures markets. Futures revenue decreased 2% over the prior third quarter on a 1% decrease in average daily volumes. Low volatility in natural gas prices resulted in a 23% decrease in natural gas volume for the quarter compared to the prior year. In contrast, our oil market grew at a healthy rate during the quarter with WTI, global oil, RBOB and heating oil posting double-digit growth in average daily volume. Brent and sugar average daily volume grew 5% and 9% respectively, and revenue capture trends remain healthy across ICE's futures markets.

As we noted in our volume press release yesterday, revenue capture remains steady in October, while average daily volumes declined 1%, largely impacted by natural gas volume and a more muted month for oil markets. ADV and ags remained strong with double-digit growth in October and financials ADV were up 8%.

Please turn to slide eight for an update of our oil and natural gas markets. There are a few points I want to highlight here. First, we have the leading global crude and refined oil benchmarks in addition to key benchmarks across natural gas, power and emissions.

Second, as you can see on the top left of this slide, our global oil complex continues to benefit from a number of fundamental growth drivers. For the first nine months of the year, average daily volume in our global oil complex was up 10% with Brent volumes growing 8% including Brent options growth of 13%. Total Brent open interest is up 10% from the prior year. Average daily volume for our global oil products grew even faster over the first nine months, up 25% over the same period in 2012.

We continue to see momentum in oil market as a result of the importance of Brent and the relationship with other global oil products, which in many cases are priced as a differential to Brent. Additionally, emerging market countries continue to increase their hedging activity to manage risk and participate in global price discovery. This is reflected in our total oil open interest, which was up 17% year-over-year to 8 million contracts.

Now let's turn to the North American natural gas markets. As we already noted, low volatility in this market has reduced demand for hedging during 2013. As you can see in the chart on the bottom right, in periods of price volatility there are corresponding volume increases. In 2008 and 2009, much like 2012 and 2013, prices have been range bound, which is reflected in lower trading volumes. Importantly, we continue to see the emergence of North American natural gas as a growing source of energy which will support the continued need for an expanding customer base to hedge, trade and mitigate risk. And we continue to believe that natural gas has the potential to evolve into a global market. We are well-positioned strategically for this evolution with our strong presence in serving both the North American and European natural gas markets.

On slide nine I'll discuss our credit derivatives results. Third quarter CDS revenues grew 15% to $38 million. This included $16 million from Creditex and $22 million from global CDS clearing. Through October, we have cleared $46 trillion in gross notional value, we offer clearing in roughly 400 instruments and we have now cleared over $3 trillion for our buyside customers.

Today, more than 300 buyside firms are actively clearing CDS on ICE. We have the most liquid clearing platform across index, single names and sovereign instruments, and now offer buyside clearing in North America and Europe. And importantly, our CDS clearing business is generating meaningful revenues, profits and cash.

While CDS clearing activity remains strong, the credit derivatives execution business remains muted as regulations have only recently been introduced. We launched ICE Swap Trade on October 2, offering trading activity in credit default swap markets. We continue to work with market participants as they weigh the new regulatory requirements and timeline. As was true with many aspects of CDS clearing, we don't expect to see a meaningful recovery in CDS execution until trading on SEF platforms becomes mandatory. However, as more SEFs emerge, we are actively working with them to provide clearing services.

I'll wrap up my comments on slide 10 with a review of our cash generation, balance sheet and return on investment. In the first nine months of the year, we generated $562 million of operating cash flow and held $1.6 billion in unrestricted cash and short-term investments at the end of the third quarter. Our balance sheet remains strong, and we generated industry-leading 18% returns on invested capital.

Of note, in preparation for the closing of our NYSE Euronext acquisition, we successfully raised $1.4 billion of debt on October 8. We issued $600 million of five year senior notes at a 2.5% coupon and $800 million of 10 year senior notes at a 4% coupon.

Our inaugural debt rating from S&P and Moody's were A and A3 respectively with each firm noting a positive bias upon the successful execution of our integration of NYSE Euronext and our plan to delever 2 times or below 1.5 times adjusted EBITDA within the first 18 months to 24 months post close.

We will provide much more detail on our financing and capital structure in the near future, but as noted on this slide, we have a clear set of priorities with regards to capital allocation. And importantly, we believe the cash flows from our combined companies will enable us to execute each of these strategies. We will institute a roughly $300 million annual dividend and, accordingly, as we noted in our earnings release this morning, ICE's board has approved a quarterly cash dividend of $75 million for the fourth quarter of 2013, contingent upon the closing of the NYSE Euronext transaction. We will also continue to invest in growth in a disciplined manner. And finally, we have $450 million remaining on our share repurchase authorization.

With that, I encourage you to review the guidance we've provided in the press release, and I'll be happy to take your questions during Q&A. Jeff, over to you.

Jeffrey C. Sprecher, Chairman & Chief Executive Officer

Thank you, Scott. And good morning, everyone. Scott's just taken you through our financial results. So, I'd like to discuss our operational achievements before I provide some remarks on our pending acquisition of NYSE Euronext.

During the quarter, the ICE team completed and advanced a number of major initiatives. We seamlessly transitioned the ICE Endex business on to the ICE platform and its clearing into ICE Clear Europe. We worked with market participants to better align the Brent futures contract specifications to that of the underlying physical market. We completed our first quarter of clearing of the Liffe business across interest rate, equity and soft commodity derivatives clearing an average of 3 million contracts per day. Finally, we made significant progress on our integration planning together with NYSE Euronext. I want to thank both of our teams for their cooperative efforts while continuing to focus on serving the needs of our customers.

We completed all these initiatives while delivering double-digit earnings growth and margin expansion. As a result, we're very well-positioned to integrate NYSE Euronext and capitalize on a range of new growth opportunities ahead.

Our track record on slide 11 shows a variety of unique ways that we've leveraged our capabilities, demonstrating technology leadership, an entrepreneurial customer-oriented culture and a focus on innovation by embracing change.

We're ready and we're eager to begin writing the next chapter of our growth story, and believe that NYSE Euronext's broad range of valuable businesses provide many opportunities to do so. We've made significant progress in integration planning and expect to receive final approval for closing our transaction in the coming days.

In the year 2000 we were among the first to realize the potential for commodities to trade in electronic markets, with greater liquidity, access and transparency. By today's standards, this accomplishment seems like a given, or even a detail. But at the time, our technology-driven model was transformative and controversial for its paradigm shifting nature. It enabled trading to move from the regional confines of a telephone to a global connected market where more companies can participate. At the time many predicted that our moves would fail, assuming that commodities markets were too complex to trade electronically. We were listening to our customers and we delivered on their needs.

We were among the first to see a connection between futures and over-the-counter markets, and we became a model that global legislatures would require from markets a decade later. And our transition of over 800 OTC contracts to futures contracts was the result of our years of work advancing the standardization and the risk management practices of the U.S. and global energy markets. This trend is now playing out in interest rates, credit and other swap markets.
When we acquired the International Petroleum Exchange of London in 2001, we began to support the growth of the exchange's Brent crude oil futures contract, which then had less than 25% market share. Today, it's reach has been extended and it now has a more than 50% market share.

We've expanded from one asset class to six asset classes. And we'll expand again to nine asset classes once we close the NYSE Euronext transaction.

Our focus on transparency and delivering connectivity drove structural shifts that were positive for the market, none of which would have been possible without our vision for the vital role of clearinghouses in the global market.

In 2007, when we announced that we would build our own clearinghouse, many people said that it could not be done. But our team successfully completed the task and has since led the next wave of clearing. And this includes solving for complex risks in the credit default swap market and transferring a vast interest rate futures complex to our infrastructure with a six-month timeframe.

Just like the other successful transactions that you can see on the slide here, we're going to work diligently to integrate NYSE Euronext, identify new growth opportunities, extend our clearing services and improve upon market structure. These are all things that we've done before through different economic cycles and different regulatory environments.

We'll be evaluating our new businesses to ensure alignment with both our customers' expectations as a global leader in markets and shareholder expectations for ICE as a growth company.

We've built or integrated a dozen companies over the last 13 years, and we've met or exceeded our promised expense synergies and grown the businesses that we've acquired. With our acquisition of the New York Board of Trade in 2007, we exceeded our stated synergies, because we were able to significantly grow the business and leverage its clearing platform. We saw a significant opportunity in clearing as more market participants became focused on reducing counterparty risk. And after the financial crisis, there was a need to manage the risks associated with credit derivatives and we competed with much larger and more established clearinghouses to develop what has become the leading credit clearing infrastructure.

As a result, our credit clearing revenues have more than doubled over the last four years and allowed us to develop expertise that will allow us to be competitive in expanding our OTC clearing into other asset classes.

We've also established a culture of not only complying with regulation, but applying oversight directly through our investment in systems. We took a leadership role in implementing market safety measures, including pre-trade credit checks, volume-weighted messaging ratios to manage high-frequency trading and the implementation of position limits in over-the-counter markets.

More recently, we've extended our reach into several emerging markets. These markets are still relatively new in terms of hedging and managing risk, but we see significant opportunity ahead. We reach directly into Brazil with our two strategic initiatives Cetip and BRIX, which are performing well.

These examples and moments in our history are important because they demonstrate our forward thinking, and we'll continue to apply this approach to the new markets as we work with market participants to gain their feedback for additional products and services. This is the same approach that we used to develop the over 60 new energy products that we'll be launching this month.

We'll also focus on building our intellectual property portfolio through the administration of the LIBOR benchmark. We recognize the importance of intellectual property and how we're able to distribute it via our network by leveraging the Internet, mobile and chat. We look forward to having an enhanced index portfolio coupled to a thriving equity options and futures business. And we'll continue to speak with market participants and regulators to improve the cash equities trading business and the confidence in markets for retail and institutional investors alike.

On slide 12 you can see why we remain confident in our ability to become the global market leader for trading and risk management. We will have the leading multi-asset class risk management system, unparalleled clearing infrastructure, and strong cash flow generation, and we'll focus on creating significant value for our customers and our shareholders.

I'm quite proud of the considerable amount of integration planning that both of our teams have done over the last 10 months. And as a result of everyone's hard work, we have detailed integration plans that we can begin executing on immediately.

I know many of you on the call have questions about ICE and NYSE Euronext as a combined company. We're going to be limited today in what we can address because we have not completed the transaction. However, shortly after the closing we do plan to host another investor call to discuss the combined business in great detail.

In summary, as you can see on slide 13, we continued to deliver strong top and bottom line results and best-in-class returns. Going forward, we'll focus on integrating the NYSE Euronext business while continuing to look for new growth opportunities. We want to drive growth across all of our businesses and achieve our new objectives.

So on behalf of everyone at ICE, I want to thank our customers again for trusting us with their business. And I'll now ask Shannon, our operator, to conduct a question-and-answer session.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question is from Rich Repetto of Sandler O'Neill. You may begin.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: Yeah, first question just a small item is, Scott, in the other revenue you see a nice uptick, and I know you mentioned Endex, you mentioned getting the Liffe Clearing, but can you tell us what the breakout as you went up plus $5 million quarter-to-quarter, and then what it should look like going forward, like what came from what in the quarter, and the outlook?

<A – Scott Hill – IntercontinentalExchange, Inc.>: Yeah, Rich. No problem. It's the things you mentioned. It's Endex, it's us picking up some treasury income from the higher margin balances we picked up from the Liffe Clearing, and it's the modest charge that we billed NYX for the clearing of Liffe in the third quarter. And our expectation as you move to the fourth quarter is that the other revenue should be around – should be stable at this higher level.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: Okay, thank you. And then, just one broader follow-up, Jeff. While anticipating the call after the closing, and I know you can't give details that wouldn't be – and I heeded your warning in the prepared remarks, but can you just tell us in generic terms, are we going to get a look at what businesses you like versus dislike? In just general terms, have you reached those types of decisions or is this still a process of allow them to operate and see how they work and blend in with the overall operation, if you follow my question?

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Right. Yeah, thank you, Rich. I do follow your question, and I think the good news for investors is that in the 10-month period since we announced the deal, we've made much more progress than I think we anticipated that we would. We've done a deeper dive into how the combined company can operate, and we have a very informed view of what businesses we're going to put where and how we're going to go to market and who we're going to put in charge of those businesses and how we can better organize the combined company.

So, I do expect that as soon as we close this deal, which I hope will be literally in a matter of days, that we'll be able to get back on the phone with you and spend a significant amount of time and great detail to inform the market on how we think about these things.

<Q – Rich Repetto – Sandler O'Neill & Partners LP>: Great, and we're looking forward to that call. Thanks.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Thank you.

Operator: Thank you. Our next question is from Howard Chen of Credit Suisse. You may begin.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Hi, good morning, everyone.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Good morning.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Jeff, there has been a lot of discussion from the dealers on supplemental leverage ratios. You've always been a problem-solver for the dealer community and you've done a lot of these tear-ups and compressions since you bought Creditex. I was just wondering what you and the team are seeing and hearing real-time from the dealers and if there is still, in your view, a large opportunity to help further alleviate leverage for the system. Thanks.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: It's a very good question. I mean, one of the things, if you look at the slide – it may be obvious, but if you look at the slide of our CDS clearing revenue, you see how many trillions of dollars have come in, and the net open interest has actually been relatively stable, even though the notional amount coming in has been increasing. What that's saying is that a lot of the over-the-counter markets can really collapse down into a small amount of fundamental risk. That's obviously why legislators and regulators have been pushing more business into clearing to get that compaction. But what that means is that it's truly a lower overall amount of capital that's needed.

I see the business that we touch specifically, the cleared futures business and cleared swaps business, as really changing the dealer and clearing infrastructure into one that is much more akin to lending. I think, going forward, high-quality capital is going to be needed in the clearinghouses. And as a result of that, banks that can analyze their customers' balance sheets and lend them the capital to put up in clearinghouse against the trades is really a lending business. That is slightly different than the way it operated before but it means that the business is going to compete with other forms of lending, it means that customers will go through credit committees in their trading practices as well as their borrowing practices. And I think that will be very, very healthy for the market. And I think that we've started to see that banks and intermediaries that are very, very well positioned to analyze risk and to lend I think are going to do well. It should be a high return on capital business for those that can manage it well, with relatively modest risk.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Thanks, Jeff. That's really interesting. And my thoughts on the financial targets longer term, I know you all hold yourselves to this really high standard of double-digit – or high standard of double-digit top line and bottom line growth. I'm just curious, Scott or Jeff, as you complete the 2014 planning, the bottom line target seems it has more within your control to achieve, but was wondering if you're thinking at all about recalibrating that double-digit top line growth target just given factors that are out of your control in a changing business mix. Thanks.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Yes, it's a good question. And the answer is no. We have really taken great pains internally as we've thought about the way we integrate to keep the culture of growth and innovation in the combined company. And you saw that in this quarter we had double-digit earnings growth, but a lot of what we've been able to do as managers is even though we had a 23% downturn in natural gas trading, which was historically a flagship product for us, we still returned double-digit growth. We did that by managing what we can manage, since we can't manage volatility, and that is our cost structure.

Scott, Chuck and I meet every two weeks and go through every employee request, every hire, every termination and manage the head count of this business with extreme accuracy. We spend a tremendous amount of time calibrating our own compensation internally with consultants and with our board to make sure we continue to have a pay-for-performance culture. And all of that helps us to motivate the company and focus it on delivering that bottom line, and that's what we can do as managers and that's not going to change.

<A – Scott Hill – IntercontinentalExchange, Inc.>: And, Howard, I'd just add too, because I have seen a couple of notes go out. What happens with the tax rate is no less a strategic and operational decision. The tax rate's coming down because the UK corporate tax rate is coming down, and we've built a business thoughtfully in London with one of the reasons being it's a very conducive business environment.

So, I completely agree with Jeff in terms of how we manage hiring and expenses, but the way we've thought about strategically positioning our businesses geographically contributes to the tax rate, which also contributes to our ability to grow double-digit earnings in the quarter. So, that's not something I think people should just write-off. And again, I think where we're headed is towards the lower end of the tax range guidance that we've talked about in the past of 27% to 30%, and over the long-term, assuming the UK continues to behave in the manner they have, that will only improve.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: That all makes a lot of sense to me. But I think just to come back, Scott, you mentioned the taxes, which makes a lot of sense, and I know you and the team work hard on that. Jeff, you mentioned sort of head count expenses and controlling what you can control. And I guess if I was to delineate between the top line and the bottom line target, again I think what kind of drives confidence that you can continue to achieve double-digit top line growth given just bouts of low volatility or limited price action on certain asset classes?

<A – Scott Hill – IntercontinentalExchange, Inc.>: Yeah. I think, again, once we close the deal we'll be able to give you more information about how we're thinking about the combined business. But generally speaking, what we are good at is running transaction businesses that are following market trends where a lot of innovation matters and we know what we do well here and we know what we don't do well here. And I think what has allowed us to do well is by editing and curating our own behavior so that we focus on areas where we can make a difference and not on areas where we can't. And in the combined company that's how we've been thinking about the joint opportunities that together we will have, which I think really can drive a lot of growth.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Great. Thanks for taking the question.

Operator: Thank you. [Operator Instructions] Our next question is from Ken Worthington of JPMorgan. You may begin.

<Q – Ken Worthington – JPMorgan Securities LLC>: Sort of simple; you guys cleared Liffe business this quarter. How much in revenue all-in was associated with that business this quarter?

<A – Scott Hill – IntercontinentalExchange, Inc.>: It was a relatively modest amount, Ken, and it helped drive the other revenue up quarter-to-quarter. A couple of million bucks. Nothing overly meaningful.

<Q – Howard Chen – Credit Suisse Securities (USA) LLC (Broker)>: Okay.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Right. By the way, Ken, recall that we entered into the Liffe contract when we were two separate companies and it was in ICE's best interest to offer Liffe a very attractive clearing deal so that we could convince it to move off of its own initiative to build a clearinghouse because that was in the best interests of what ultimately will be a combined Liffe and ICE company.

<Q – Ken Worthington – JPMorgan Securities LLC>: Okay. It makes sense. And then I'll try to dance the line of New York as well. But the role of the CEO of the New York Stock Exchange has been in the past in part to promote the brand. And with the combination of Direct Edge and BATS creating an exchange with almost as much volume, or arguably as much volume as the New York Stock Exchange, it would seem that role is still important. So, Jeff, based on all the things that you have to do and like to do, how big a priority is it to take on the additional responsibility as both champion of and spokesperson for the New York Stock Exchange? And is that something that you think you want to do or is that something that you delegate to another member of the team?

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Well, first of all, I don't think I would be very good at it. And so, I know my own limitations. So, it's alluring as a manager, but it's not my expertise and so I am glad that Duncan Niederauer is staying for at least a year so that that he can continue in that role. But with respect to competition, I do have strong views of the way the U.S. cash equities business operates and I've been pretty transparent about those. So, it's not that I am benign. But let me just mention to you that the New York Stock Exchange is a very special place, and I think it's probably inherent in your question about who's going to be the spokesperson for it, because every day there are people that have to trade, there are index funds that have to rebalance, there are funds that have redemption, that have to strip trade and sell shares. And there are people like you and I who have investments in our life savings who have to send our children to school or buy a new house or hopefully start a new business. And on that day, they have to sell. And a lot of the market model of what you are talking about is a market model that takes advantage of the fact that those people on that day have to sell. And that means that they can be charged usury rates and that means that they can have poorer information than people that they trade against when they put a market order in. And in the infrastructure of trading today is intermediaries who people are turning to and exchanges that people are turning to hoping that they will have a duty of care, but in reality those people are incented to take advantage of the people that are the weakest on the day they have to the trade.

And I think that that is fundamentally wrong. I think people that have built a business around that are destined to ultimately fail. I don't think they are sustainable. And increasingly when I go talk to friends and when I listen to people that are not involved specifically in what we do, there is a sense that things aren't fair, and that is the collective wisdom increasingly of the market. We're starting to finally see people ultimately talk about market structure changes and fundamentally revisiting why it is that we have equity exchanges. And I think we have equity exchanges so that companies like ICE that can start from nothing can attach to the capital markets to raise capital to build businesses, create jobs and be innovative and helpful to society.

I think the secondary market that takes advantage of people that have to trade or have poorer information is not particularly warranted or helpful or sustainable. And so, I'm anxious to be involved in the U.S. cash equities business from the sense that I think the New York Stock Exchange is incredibly well-positioned. I think the market model is going to change, I think people in the business want it to change, and hopefully by being transparent about it, we will be a positive force in causing it to change.

<Q – Ken Worthington – JPMorgan Securities LLC>: That is very helpful, and it sounds like you're the spokesperson at heart, whether you like it or not. So thank you very much.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: I don't like it, and I'm not.

<Q – Ken Worthington – JPMorgan Securities LLC>: Thank you.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Thank you.

Operator: Thank you. Our next question is from Mike Carrier of Bank of America Merrill Lynch. You may begin.

<Q – Mike Carrier – Bank of America Merrill Lynch>: Thanks, guys. Jeff, maybe, one, on the New York transaction, there has been a lot of focus on whether it's the synergies, the cash flow opportunities, just things that are very clear and you guys have touched on. There hasn't been as much focus on the revenue opportunities, and I know it's still early. Maybe just give a sense, where are the areas that you guys are looking at that you could potentially see revenue synergies versus either the cost or the cash flow opportunities?

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Thank you for that. We justify internally our ability to do M&A by our ability to control costs because that's what the market expect us to do. But as you are alluding to, the reality is as managers we are looking to the real revenue opportunities and how we can really increase our return on invested capital by growing the top line. We don't advertise it because it's not necessarily accepted or appreciated, but it's definitely part of our thinking.

When this business comes together, we're going to be, as I mentioned in my prepared remarks, a multi-asset class company with a really good clearing infrastructure at a moment in time when people are going to want as much portfolio margining and cross-collateralization as is acceptable within the constraints of operating a secure market.

Secondly, we are going to be a massive data provider. What you've seen over time is that people used to buy data, consolidated data that was very, very spread out through the markets and data aggregators aggregated it up and sold terminals and feeds to people, and what you're seeing over time is a recognition that it's not the terminal or the feed that is important, it's the underlying data, and that data is increasingly consolidated around exchanges and clearinghouse and ultimately SEFs. And so I think you're going to see fundamental changes in the way that data business operates. You've been seeing that trend already. ICE has increasingly been getting more and more in the data business and now we're going to have an amazing data set.

Lastly, with more attention being paid on the physical markets and the way price formation happens on the benchmarks, you're increasingly going to see regulatory scrutiny on the way those benchmarks and other things are built up and compiled. That, again, lends itself to a company like ours that has a strong regulatory infrastructure, compliance infrastructure and relationship with end users, it's why we're excited about ultimately Liffe's successful acquisition of the LIBOR contract. We produce the Brent settlement prices here, and we're going to be acquiring as part of the deal – we already have the relationship with Russell, we're going to be acquiring a relationship with FTSE, with [ph] EGCC (40:40), MSCI. So increasingly our intellectual property portfolio of data that can be disseminated will be meaningful.

<Q – Mike Carrier – Bank of America Merrill Lynch>: Okay. That's helpful. And then, Scott, just as a follow-up, just on the comp, I understand what you were saying and just in terms of you're in line with operating metrics and taking down the expenses. I think I understand it. But just when we think about the third quarter, just so we don't get ahead of ourselves, that's partially a true-up, meaning looking at the full year and then truing up in the quarter. So there's some of that that will be ongoing but some of that is going to be a catch-up for the rest of the year. I just wanted to make sure we understand that.

<A – Scott Hill – IntercontinentalExchange, Inc.>: No, no, that's exactly right. In the quarter it was an adjustment of just under $5 million to true-up for the year. So, that obviously will not repeat itself in the fourth quarter. My expectations, just to kind of help you guys a little bit on the direction, is we're averaging right now, if you adjust for that comp accrual, about $135 million a quarter. We've got a transition payment related to the Endex transition in October that will be about $1 million. So, I suspect it will be somewhere in the $136 million plus or minus range in expenses in the fourth quarter.

<Q – Mike Carrier – Bank of America Merrill Lynch>: Okay. Thanks, guys.

Operator: Thank you. Our next question is from Chris Allen of Evercore Partners. You may begin.

<Q – Chris Allen – Evercore Partners (Securities)>: Morning, guys.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Good morning.

<Q – Chris Allen – Evercore Partners (Securities)>: Just thinking longer term, I mean, given the breadth of the platform in terms of the asset classes you're going to be in, the clearing capabilities, the market data, and balancing and thinking about organic investment requirements moving forward and balancing that again for potential cash flow generation of the combined company, I'm just trying to think of what examples there could be for meaningful organic investment outside of the things we're already contemplating, over-the-counter clearing for example. Maybe you can kind of potentially give us some examples of any real organic investment requirements you guys see moving forward, that would be helpful.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Sure. Well, we're very well situated with our own platforms and infrastructure to integrate businesses and take costs out of them. And we're acquiring a lot of great assets that together NYSE Euronext and ICE will have to edit and curate. So, I think, in terms of organic investment to protect our growth businesses, there is nothing revolutionary there.

I do think though there's fundamental changes going on in our markets, and as a result of that, there will be winners and losers, and those that can adapt to change will do well and those that can't, that are – you can already see companies that are not adapting and, to me, they're failing. Whether or not those are interesting opportunities if they come to market or not is to be determined. But increasingly we have a toehold in almost every asset class that organically we can work from, which is really an interesting place for us to be.

<Q – Chris Allen – Evercore Partners (Securities)>: Okay. Thanks a lot, guys.

Operator: Thank you. Our next question is from Alex Kramm of UBS. You may begin.

<Q – Alex Kramm – UBS Securities LLC>: Hey. Good morning, everyone.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Hi, Alex.

<Q – Alex Kramm – UBS Securities LLC>: So I understand that this might be a complete waste of a question given the disclaimer at the beginning, but, Scott, given that NYX also reported results this morning and obviously you did, do you have numbers for us in terms of any sort of adjustments we should be thinking about for pro formas, i.e., revenue adjustments, intangible amortization, any other merger expenses, or do we have to stay tuned here?

<A – Scott Hill – IntercontinentalExchange, Inc.>: No, you can stay tuned, but I'll tell you, it hasn't changed a lot in terms of some of the things you mentioned from what we discussed earlier. I think the intangibles that go away on the NYX side are going to look a lot like the intangibles we put in place, so roughly a push. But I think our intention would be, as Jeff alluded to in his prepared remarks, is to go into a lot more detail on that, on synergies, on the balance sheet on the call in the next couple of weeks.

<Q – Alex Kramm – UBS Securities LLC>: All right, understood. And then maybe I know this is about the deal too, so maybe a little bit too early as well, but, Jeff, in particular on the tech business, I think there has been more and more questions coming out, and bigger picture, I think you've taken a bigger look at that business, I think you've talked to bankers about opportunities there. So in the early days, do you think there are a lot of opportunities to change that business around? And maybe more specifically, I think there are a couple of businesses in there that are actually losing money, and just wondering what your appetite is to cut the cords early relative to maybe the previous management teams that had long-term aspirations for those businesses. Thanks.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Yeah, I mean, I think the nice thing about our merger is we have a much bigger scale and platform, so that no one business is particularly material. So, it gives us license to take a look at them and say do we want to make a long-term play here or is it outside of our core competence and is it something that it may be better for others to invest in. And we've already done that on a business-by-business basis and very, very detailed of not just the technology businesses, but all of the businesses that we have in our combined portfolio, and I'll talk about it in the next few weeks. We've made a lot of headway in how we can move. I think what you'll see as a result of that, relatively quickly after the deal closes we can start to effect the integration of those parts of the business that work well for us and separation from those parts of the business that are better owned by others.

<Q – Alex Kramm – UBS Securities LLC>: All right. Thought I'd see what I can get. Thanks though.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Thank you.

Operator: Thank you. Our next question is from Niamh Alexander of KBW. You may begin.

<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>: Hi. Thanks for taking my questions. On the energy, if I could go back to ICE standalone, because it's still the biggest driver of the revenue that we see, what can you share with us or update us in terms of the gas markets and just maybe some of the structural issues in the physical delivery and supply of gas? Are you encouraged by maybe some of the changes over the last six months or so, or help us think about what might happen in here or what we should be looking for that maybe could help resuscitate some of the trading activity with a normalized supply/demand [ph] in balance (47:28)?

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Yeah. Thanks, Niamh. I think what we're seeing is that the volatility in natural gas this year is about half of what it was last year. So, volatility is still a major driver of people's hedging activity. More recently, we've seen some cold weather in the United States that has – and we've had some very big days on days when there's sort of unexpectedly cold weather. We're getting back into the weather months of heating for much of the United States and North America that unexpected behavior there tends to drive trading for us.

But more broadly, we still are very bullish on natural gas, and it's why we brought Endex. In addition to giving us an exchange in continental Europe – which is important to us given the regulatory change that's going on, it's important for us to have a total hold there, it gives us a [ph] culture (48:28) dialogue with the continental market. We already have a very strong position in the UK market and we're working obviously down in Brazil in the energy markets down there, we have a strong investment in Asia on energy markets and we tend to think that natural gas is going to globalize and that the United States with this shale gas and very low cost gas and technology that's increasing is going to create demand for natural gas to move around the world.

So, we're making a long-term global play in gas. It's frustrating that there hasn't been a lot of volatility; it's probably good for us as consumers, but frustrating for those of us that manage risk management. And it's one of those things that can just change on a moment's notice due to weather and supply disruption and everything else that goes on in the gas business.

<A – Scott Hill – IntercontinentalExchange, Inc.>: Yeah. And you add to that the fact that in Europe – I mean, North American natural gas clearly was down, but European natural gas revenues were up over 30% year-over-year in the third quarter. So, our investments there are starting to pay off, and as it does become a more global commodity, I think our presence in both geographies is going to be a meaningful competitive advantage.

<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>: Okay, fair enough. Thanks. That's helpful. And then I guess it is a kind of merger-related, non-merger related, but your play on kind of the market structure reform, OTC clearinghouses and whatnot, clearly you've kind of got your strong position in the credit clearing. What does NYX bring to the table or what does it open up for you? I mean, you've got more in your clearinghouses there now that you could kind of maybe offer clients that could net against, but help me think about where you see other opportunities coming out of the market structure reform.

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: Well, obviously, with the Liffe clearing business moving into our clearinghouse we've also been moving into the clearing of interest rate futures markets. And as we mentioned in our prepared remarks, just since making that move, we've launched dozens of new interest rate products that Liffe had a desire to get into. But we're in a unique position in the rates business, where with the Liffe business, the Liffe U.S. business and the LIBOR administration, we've kind of bracketed the U.S., Europe in the futures space, and LIBOR gives us a position in the cash space. We've got a great OTC platform that you mentioned that we've built in the credit space and all the relationships and workflow connectivity there. So, I think it will give us a platform to go after more unique businesses in the rate space and things that are related to interest that will have an offset against that futures portfolio. That's been a very powerful tool that others have been using, as you've seen, and I would expect that we'll find some meaningful share of business with customers that are capital sensitive and capital constrained.

<Q – Niamh Alexander – Keefe, Bruyette & Woods, Inc.>: So you think you could take some share from a very large incumbent maybe in interest rate swaps clearing?

<A – Jeff Sprecher – IntercontinentalExchange, Inc.>: I don't know that I would think of it in share, and in fact, I don't think of – we never run the business to take share, because you can buy market share in this industry, and I'm looking at can we create innovative products that have meaningful value for customers and those may be new things that we'll ultimately report on probably as share of an increasing market. But I do think the pie for people in this business will be getting bigger and I think the opportunities for those that can navigate that will do well.

We are starting with an interest rate platform that is very European-centric inside Liffe. We've got a customer clearing model already rolled out for credit there and a lot of infrastructure and workflow to deal with trade allocation and other things. So, we have a neat portfolio of tools that I think will allow us to find a way to enter that business that will be accretive for our shareholders.

Operator: Thank you. [Operator Instructions] In the interests of time, we'd like to ask that the remaining callers please ask one question. Our next question is from Chris Harris of Wells Fargo Securities. You may begin.

<Q – Chris Harris – Wells Fargo Securities LLC>: Thanks, guys. So some of your exchange peers have recently announced or instituted fee increases in data. I'm just wondering if you guys see any opportunities to increase fees either there or anywhere else on your platform. And as we think about the merged entity, do you guys think the combination will give you a little bit more pricing power than maybe ICE had on a standalone basis?

<A – Scott Hill – IntercontinentalExchange, Inc.>: Yeah, I don't think we've historically looked at it as do we have pricing power. I think we've looked at it as do we have data that our customers find valuable, are there packages of that information that we can put together that will be more valuable. And it's interesting that some people are moving now. We've been moving on that front for the past few years. In fact, if you look at our market data revenue in the quarter, at $40 million I think I said in my prepared remarks, that's up 12% year-over-year and that's because we did increase the prices. But again, it's not because we had any particular power, it's because as we continue to add more products, more asset classes on our exchange, we've got data that's more interesting and more valuable to our customers and so they are willing to pay more to get access to more.

Operator: Thank you. Our next question is from Alex Blostein of Goldman Sachs. You may begin.

<Q – Alex Blostein – Goldman Sachs & Co.>: Great. Thanks. Good morning, guys. Just focusing on ICE's core energy product and looking outside of nat gas and Brent, pretty nice growth year-over-year at 25%, and I understand a lot of it is power-driven. But as you guys look out into the next year, what are the one or two products that you're most excited about in the overall energy complex for growth aside from Brent and nat gas?

<A – Scott Hill – IntercontinentalExchange, Inc.>: I think the one that really – in the quarter and for the year, our global oil products, which are the former OTC oil products, continue to perform very well, and our expectations are that that will continue as we move forward. As I mentioned in my prepared remarks, a lot of those products' price is differentials off Brent, so trading in those products also helps with additional trading in Brent. So, our WTI volumes have been good. RBOB and heating oil are relatively small but are growing quickly. So, as I look across the portfolio of the oil products, we feel very good about all of the oil products.

And I'll tell you the other thing is we kind of are in the midst of budget season. One of the leading indicators for our agricultural products tends to be open interest. Open interest across our total ag complex is up as we're getting towards the end of the year. Sugar volumes have been great, but more importantly, sugar OI has been building.

So, as I look across the complex, I'm very bullish on the opportunities that exist in our oil and our ag complex. And again, frankly, as Jeff said, with natural gas, I look at our OI balance; a little bit of volatility move will mean good things for us in terms of volume in that business.

Operator: Thank you. I'm showing no further questions in the queue at this time. I'd like to turn the conference back over to Jeff Sprecher for closing remarks.

Jeffrey C. Sprecher, Chairman & Chief Executive Officer

Thank you, Shannon. Well, let me just say we're excited about where we're positioning the company and the work that lies ahead for us. I'm going to look forward, along with Scott, Chuck and Kelly, to get back to you on a similar call shortly to discuss the combined company once we close on our NYSE Euronext deal. And thank you all for joining us today.

Operator: Ladies and gentlemen, this concludes today's conference. Thanks for your participation. Have a wonderful day.