

NASDAQ OMX GROUP, INC.
Form 10-Q
August 06, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 000-32651

The NASDAQ OMX Group, Inc.

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(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	52-1165937 (I.R.S. Employer Identification No.)
One Liberty Plaza, New York, New York (Address of Principal Executive Offices)	10006 (Zip Code)

+1 212 401 8700

(Registrant's telephone number, including area code)

No changes

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 28, 2015
Common Stock, \$.01 par value per share	168,930,032 shares

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The NASDAQ OMX Group, Inc.

Form 10-Q

For the Quarterly Period Ended June 30, 2015

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About This Form 10-Q

Throughout this Form 10-Q, unless otherwise specified:

- “Nasdaq,” “we,” “us” and “our” refer to The NASDAQ OMX Group, Inc.
- “The NASDAQ Stock Market” and “NASDAQ” refer to the registered national securities exchange operated by The NASDAQ Stock Market LLC.
- “OMX AB” refers to OMX AB (publ), as that entity operated prior to the business combination with Nasdaq.
- “OMX” refers to OMX AB (publ) subsequent to the business combination with Nasdaq.
- “Nasdaq Nordic” refers to collectively, NASDAQ OMX Clearing AB, NASDAQ OMX Stockholm AB, NASDAQ OMX Copenhagen A/S, NASDAQ OMX Helsinki Ltd, and NASDAQ OMX Iceland hf.
- “Nasdaq Baltic” refers to collectively, NASDAQ OMX Tallinn AS, NASDAQ OMX Riga, AS, and NASDAQ OMX Vilnius AB.
- “Nasdaq Nordic Clearing” refers to collectively, the clearing operations conducted through Nasdaq Nordic and Nasdaq Commodities.
- “SEK” or “Swedish Krona” refers to the lawful currency of Sweden.

* * * * *

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NASDAQ-100 EUROPEAN TRACKER®, NASDAQ-100 INDEX®, NASDAQ-100 INDEX TRACKING STOCK®, NDX®, NFX WORLD CURRENCY FUTURES®, NFX XL®, OMXS30®, PHILADELPHIA STOCK EXCHANGE®, PHLX®, PHLX XL®, PIXL®, PORTAL ALLIANCE®, QQQ®, QTARGET®, QVIEW®, RE-THINK®, RISKWRAPPER®, RISKXPOSURE®, RX®, SIDECAR®, SIGNALXPRESS®, STRUCTURED LIQUIDITY PROGRAM®, SX®, THE NASDAQ STOCK MARKET®, THE STOCK MARKET FOR THE NEXT 100 YEARS®, TOTAL EQUITY SOLUTION®, TRADE REPORTING DATA STORAGE®, TRADEGUARD®, TRADEXAMINER®, TRDS®, TX®, ULTRA FEED®, UNITED CURRENCY OPTIONS MARKET®, VX PROXY®, XDE®

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This Quarterly Report on Form 10-Q includes market share and industry data that we obtained from industry publications and surveys, reports of governmental agencies and internal company surveys. Industry publications and surveys generally state that the information they contain has been obtained from sources believed to be reliable, but we cannot assure you that this information is accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on the most currently available

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market data. For market comparison purposes, The NASDAQ Stock Market data in this Quarterly Report on Form 10-Q for initial public offerings, or IPOs, is based on data generated internally by us, which includes best efforts underwritings; therefore, the data may not be comparable to other publicly-available IPO data. Data in this Quarterly Report on Form 10-Q for new listings of equity securities on The NASDAQ Stock Market is based on data generated internally by us, which includes best efforts underwritings, issuers that switched from other listing venues, closed-end funds and exchange traded funds, or ETFs. Data in this Quarterly Report on Form 10-Q for IPOs and new listings of equity securities on the Nasdaq Nordic and Nasdaq Baltic exchanges also is based on data generated internally by us. IPOs and new listings data is presented as of period end. While we are not aware of any misstatements regarding industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors. We refer you to the “Risk Factors” section in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, the “Risk Factors” section in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 that was filed with the U.S. Securities and Exchange Commission, or SEC, on May 6, 2015 and the “Risk Factors” section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 that was filed with the SEC on February 17, 2015.

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Forward-Looking Statements

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This Quarterly Report on Form 10-Q contains these types of statements. Words such as "may," "will," "could," "should," "anticipates," "estimates," "expects," "projects," "plans," "believes" and words or terms of similar substance used in connection with any discussion of future expectations as to industry and regulatory developments or business initiatives and strategies, future operating results or financial performance identify forward-looking statements. These include, among others, statements relating to:

- our 2015 outlook;
 - the scope, nature or impact of acquisitions, divestitures, investments or other transactional activities;
- the integration of acquired businesses, including accounting decisions relating thereto;
- the effective dates for, and expected benefits of, ongoing initiatives, including strategic, restructuring, technology, de-leveraging and capital return initiatives;
- our products and services;
- the impact of pricing changes;
- tax matters;
- the cost and availability of liquidity; and
- any litigation or regulatory or government investigation or action to which we are or could become a party.

Forward-looking statements involve risks and uncertainties. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, the following:

- our operating results may be lower than expected;
- loss of significant trading and clearing volume, market share, listed companies or other customers;
- economic, political and market conditions and fluctuations, including interest rate and foreign currency risk, inherent in U.S. and international operations;
- government and industry regulation;
- our ability to keep up with rapid technological advances and adequately address security risks;
- the performance and reliability of our technology and technology of third parties;
- our ability to successfully integrate acquired businesses, including the fact that such integration may be more difficult, time consuming or costly than expected, and our ability to realize synergies from business combinations and acquisitions;
- our ability to continue to generate cash and manage our indebtedness; and
- adverse changes that may occur in the securities markets generally.

Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the uncertainty and any risk related to forward-looking statements that we make. These risk factors are discussed under the caption "Part II. Item 1A. Risk Factors," in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 that was filed with the SEC on May 6, 2015 and more fully described in the "Risk Factors" section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 that was filed with the SEC on February 17, 2015. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. You should carefully read this entire Quarterly Report on Form 10-Q, including "Part 1. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," and the condensed consolidated financial statements and the related notes. Except as required by the federal securities laws, we undertake no obligation to update any forward-looking statement, release publicly any revisions to any forward-looking statements or report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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PART 1—FINANCIAL INFORMATION

Item 1. Financial Statements.

The NASDAQ OMX Group, Inc.

Condensed Consolidated Balance Sheets

(in millions, except share and par value amounts)

	June 30, 2015	December 31, 2014
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 324	\$ 427
Restricted cash	17	49
Financial investments, at fair value	264	174
Receivables, net	323	389
Deferred tax assets	35	16
Default funds and margin deposits	2,331	2,194
Other current assets	152	151
Total current assets	3,446	3,400
Property and equipment, net	295	292
Non-current deferred tax assets	621	536
Goodwill	5,469	5,538
Intangible assets, net	2,009	2,077
Other non-current assets	264	228
Total assets	\$ 12,104	\$ 12,071
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 188	\$ 189
Section 31 fees payable to SEC	147	124
Accrued personnel costs	94	143
Deferred revenue	231	177
Other current liabilities	125	116
Deferred tax liabilities	30	37
Default funds and margin deposits	2,331	2,194
Total current liabilities	3,146	2,980

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Debt obligations	2,281	2,297
Non-current deferred tax liabilities	606	626
Non-current deferred revenue	208	215
Other non-current liabilities	147	159
Total liabilities	6,388	6,277
Commitments and contingencies		
Equity		
Nasdaq stockholders' equity:		
Common stock, \$0.01 par value, 300,000,000 shares authorized, shares issued:		
171,707,297 at June 30, 2015 and 170,325,304 at December 31, 2014; shares outstanding:		
168,906,727 at June 30, 2015 and 168,795,263 at December 31, 2014		
	2	2
Additional paid-in capital	3,257	3,222
Common stock in treasury, at cost: 2,800,570 shares at June 30, 2015 and 1,530,041 shares at December 31, 2014	(104)	(41)
Accumulated other comprehensive loss	(805)	(682)
Retained earnings	3,366	3,292
Total Nasdaq stockholders' equity	5,716	5,793
Noncontrolling interests	-	1
Total equity	5,716	5,794
Total liabilities and equity	\$ 12,104	\$ 12,071

See accompanying notes to condensed consolidated financial statements.

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The NASDAQ OMX Group, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

(in millions, except per share amounts)

	Three Months		Six Months	
	Ended	June 30,	Ended	June
	2015	2014	2015	2014
Revenues:				
Market Services	\$ 478	\$ 539	\$ 1,018	\$ 1,116
Listing Services	66	60	130	117
Information Services	128	123	253	246
Technology Solutions	135	143	265	283
Total revenues	807	865	1,666	1,762
Transaction-based expenses:				
Transaction rebates	(216)	(252)	(477)	(536)
Brokerage, clearance and exchange fees	(73)	(90)	(164)	(174)
Revenues less transaction-based expenses	518	523	1,025	1,052
Operating expenses:				
Compensation and benefits	144	145	291	303
Marketing and advertising	6	9	13	18
Depreciation and amortization	34	35	67	69
Professional and contract services	42	42	76	81
Computer operations and data communications	23	23	58	45
Occupancy	21	24	42	49
Regulatory	7	7	14	14
Merger and strategic initiatives	3	14	3	42
General, administrative and other	19	33	65	56
Restructuring charges	2	-	152	-
Total operating expenses	301	332	781	677
Operating income	217	191	244	375
Interest income	1	1	1	3
Interest expense	(27)	(30)	(55)	(59)
Net income from unconsolidated investees	1	-	15	-
Income before income taxes	192	162	205	319
Income tax provision	60	61	64	114
Net income	132	101	141	205
Net loss attributable to noncontrolling interests	1	-	1	-
Net income attributable to Nasdaq	\$ 133	\$ 101	\$ 142	\$ 205

Per share information:

Basic earnings per share	\$ 0.79	\$ 0.60	\$ 0.84	\$ 1.21
Diluted earnings per share	\$ 0.77	\$ 0.59	\$ 0.82	\$ 1.18
Cash dividends declared per common share	\$ 0.25	\$ -	\$ 0.40	\$ 0.28

See accompanying notes to condensed consolidated financial statements.

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The NASDAQ OMX Group, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 132	\$ 101	\$ 141	\$ 205
Other comprehensive income (loss):				
Foreign currency translation gains (losses):				
Net foreign currency translation gains (losses)	125	(124)	(188)	(137)
Income tax (expense) benefit	(48)	54	65	62
Total other comprehensive income (loss), net of tax	77	(70)	(123)	(75)
Comprehensive income	209	31	18	130
Comprehensive loss attributable to noncontrolling interests	1	-	1	-
Comprehensive income attributable to Nasdaq	\$ 210	\$ 31	\$ 19	\$ 130

See accompanying notes to condensed consolidated financial statements.

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The NASDAQ OMX Group, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in millions)

Six
Months
Ended
June 30,
2015