

Edgar Filing: IntercontinentalExchange Group, Inc. - Form 10-Q

IntercontinentalExchange Group, Inc.  
Form 10-Q  
May 08, 2014

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 March 31, 2014

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 001-36198

INTERCONTINENTALEXCHANGE GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

2100 RiverEdge Parkway,

Suite 500, Atlanta,

Georgia

(Address of principal executive offices)

(770) 857-4700

Registrant's telephone number, including area code

46-2286804

(IRS Employer

Identification Number)

30328

(Zip Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller company)

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

As of May 5, 2014, the number of shares of the registrant's Common Stock outstanding was 115,156,938 shares.

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INTERCONTINENTALEXCHANGE GROUP, INC.

Form 10-Q

Quarterly Period Ended March 31, 2014

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## PART I. Financial Information

## Item 1. Consolidated Financial Statements (Unaudited)

## IntercontinentalExchange Group, Inc. and Subsidiaries

## Consolidated Balance Sheets

(In millions, except per share amounts)

(Unaudited)

	As of March 31, 2014	As of December 31, 2013
Assets:		
Current assets:		
Cash and cash equivalents	\$964	\$961
Short-term investments	57	74
Short-term restricted cash and investments	289	277
Customer accounts receivable, net of allowance for doubtful accounts of \$1 at March 31, 2014 and December 31, 2013	544	482
Margin deposits and guaranty funds	42,826	42,216
Prepaid expenses and other current assets	574	249
Total current assets	45,254	44,259
Property and equipment, net	898	891
Other non-current assets:		
Goodwill	9,482	9,501
Other intangible assets, net	9,410	9,404
Long-term restricted cash	212	161
Long-term investments	384	324
Other non-current assets	281	278
Total other non-current assets	19,769	19,668
Total assets	\$65,921	\$64,818
Liabilities and Equity:		
Current liabilities:		
Accounts payable and accrued liabilities	\$357	\$343
Accrued salaries and benefits	192	301
Deferred revenue	348	48
Short-term debt	1,297	1,135
Margin deposits and guaranty funds	42,826	42,216
Other current liabilities	383	299
Total current liabilities	45,403	44,342
Non-current liabilities:		
Non-current deferred tax liability, net	2,809	2,771
Long-term debt	3,584	3,923
Accrued employee benefits	392	412
Other non-current liabilities	497	433
Total non-current liabilities	7,282	7,539
Total liabilities	52,685	51,881
Commitments and contingencies		
Redeemable non-controlling interest	290	322



Equity:

IntercontinentalExchange Group, Inc. shareholders' equity:

Preferred stock, \$0.01 par value; 100 shares authorized; no shares issued or outstanding at March 31, 2014 and December 31, 2013	—	—
Common stock, \$0.01 par value; 500 shares authorized; 116 and 115 shares issued and outstanding at March 31, 2014, respectively, and 115 shares issued and outstanding at December 31, 2013	1	1
Treasury stock, at cost	(89	) (53 )
Additional paid-in capital	9,835	9,794
Retained earnings	2,704	2,482
Accumulated other comprehensive income	464	359
Total IntercontinentalExchange Group, Inc. shareholders' equity	12,915	12,583
Non-controlling interest in consolidated subsidiaries	31	32
Total equity	12,946	12,615
Total liabilities and equity	\$65,921	\$64,818

See accompanying notes.

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IntercontinentalExchange Group, Inc. and Subsidiaries  
 Consolidated Statements of Income  
 (In millions, except per share amounts)  
 (Unaudited)

	Three Months Ended March 31,		
	2014	2013	
Revenues:			
Transaction and clearing fees, net	\$840	\$300	
Market data fees	133	41	
Listing fees	91	—	
Other revenues	134	11	
Total revenues	1,198	352	
Transaction-based expenses:			
Section 31 fees	71	—	
Cash liquidity payments, routing and clearing	195	—	
Total revenues, less transaction-based expenses	932	352	
Operating expenses:			
Compensation and benefits	199	66	
Technology and communication	48	11	
Professional services	64	8	
Rent and occupancy	31	8	
Acquisition-related transaction and integration costs	61	18	
Selling, general and administrative	32	9	
Depreciation and amortization	88	32	
Total operating expenses	523	152	
Operating income	409	200	
Other income (expense):			
Interest expense	(27	) (10	)
Other income (expense), net	(2	) 1	)
Other expense, net	(29	) (9	)
Income from continuing operations before income tax expense	380	191	
Income tax expense	107	54	
Income from continuing operations	273	137	
Income from discontinued operations, net of tax	2	—	
Net income	\$275	\$137	
Net income from continuing operations attributable to non-controlling interest	(13	) (2	)
Net income attributable to IntercontinentalExchange Group, Inc.	\$262	\$135	
Basic earnings per share attributable to IntercontinentalExchange Group, Inc. common shareholders:			
Continuing operations	\$2.27	\$1.86	
Discontinued operations	0.01	—	
Basic earnings per share	\$2.28	\$1.86	
Basic weighted average common shares outstanding	115	73	
Diluted earnings per share attributable to IntercontinentalExchange Group, Inc. common shareholders:			
Continuing operations	\$2.26	\$1.85	
Discontinued operations	0.01	—	
Diluted earnings per share	\$2.27	\$1.85	
Diluted weighted average common shares outstanding	116	73	

Dividend per share	\$0.65	\$—
See accompanying notes.		

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IntercontinentalExchange Group, Inc. and Subsidiaries  
 Consolidated Statements of Comprehensive Income  
 (In millions)  
 (Unaudited)

	Three Months Ended March 31,	
	2014	2013
Net income	\$275	\$137
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax benefit of \$1 for the three months ended March 31, 2013	45	(42 )
Change in fair value of available-for-sale securities	60	(16 )
Other comprehensive income (loss)	105	(58 )
Comprehensive income	\$380	\$79
Comprehensive income attributable to non-controlling interest	(13 )	(2 )
Comprehensive income attributable to IntercontinentalExchange Group, Inc.	\$367	\$77

See accompanying notes.

IntercontinentalExchange Group, Inc. and Subsidiaries  
 Consolidated Statements of Changes in Equity, Accumulated Other Comprehensive Income (Loss)  
 and Redeemable Non-Controlling Interest  
 (In millions)  
 (Unaudited)

	IntercontinentalExchange Group, Inc. Common Stock		Treasury Stock		Additional Paid-in Capital	Shareholders' Equity Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest in Consolidated Subsidiaries	Total Equity	Redeemable Non-Controlling Interest
	Shares	Value	Shares	Value						
Balance, as of December 31, 2012	80	\$ 1	(7 )	\$(717)	\$ 1,903	\$ 2,509	\$ (52 )	\$ 33	\$ 3,677	\$ —
Other comprehensive income	—	—	—	—	—	—	411	—	411	—
Stock consideration issued for NYSE Euronext acquisition	42	—	—	(53 )	8,347	—	—	—	8,294	—
Exercise of common stock options	—	—	—	—	13	—	—	—	13	—
Payments relating to treasury shares received for restricted stock tax payments and stock option exercises	—	—	(1 )	(24 )	—	—	—	—	(24 )	—
Issuance of restricted stock	1	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	69	—	—	—	69	—
Tax benefits from stock option plans	—	—	—	—	8	—	—	—	—	—