

CME Group is a futures and derivatives exchange and clearing company. It operates exchanges such as the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT), the New York Mercantile Exchange (NYMEX), the Commodity Exchange (COMEX), and the Kansas City Board of Trade (KCBT). In addition, CME offers a range of market data and information services. CME shares are a component of the S&P 500.

## Analyst's Notes

Analysis by Kevin Heal, May 5, 2025

**ARGUS RATING:** **BUY**

- Market volatility helps leading exchange operator
- We see further growth in interest-rate contract volume at CME as inflation fears, tariffs, and geopolitical concerns are at the forefront. The MOVE (bond market volatility) index remains significantly elevated.
- CME reported 1Q25 adjusted EPS of \$2.80, up from \$2.50 in 1Q24. Revenue rose 10% to \$1.64 billion.
- On February 6, 2025, management announced a 9% increase in its quarterly dividend to \$1.25 per share or \$5.00 annually, for a yield of about 1.8%. In December 2024, it also declared a \$5.80 annual variable dividend payable in late December.
- Our revised target price of \$308, up from \$285, is based on a multiple of 27-times our revised 2025 EPS estimate.

## INVESTMENT THESIS

We are reiterating our BUY rating on CME Group Inc. (NGS: CME) and raising our target price to \$308. We see further growth in interest-rate contract volume at CME as inflation fears, tariffs, and geopolitical concerns are at the forefront. The MOVE (bond market volatility) index remains significantly elevated. We also expect higher volume for equity index, agricultural, cryptocurrency, and micro contracts for retail investors, and to see the company maintain strong cost controls.

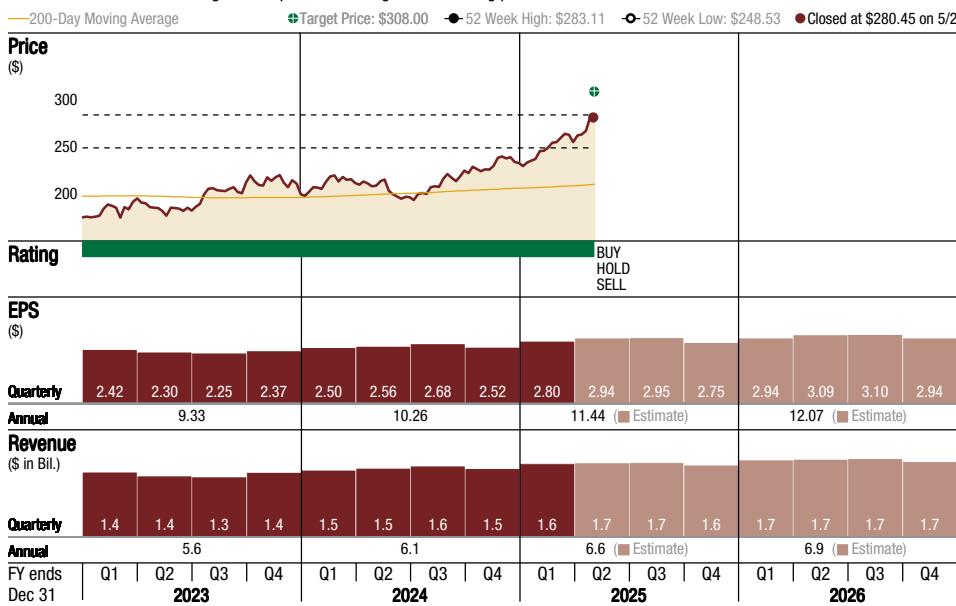
CME shares are currently trading at 24-times our revised 2025 EPS estimate, near the midpoint of their five-year historical average range of 20-34 and close to the peer average. Based on prospects for increased revenue due to market volatility, we believe that a higher multiple is warranted. Our revised target price of \$308 is 27-times our revised 2025 EPS estimate.

## RECENT DEVELOPMENTS

Year-to-date, CME shares have risen 21% compared to a decline of 4% for the S&P

## Market Data

Pricing reflects previous trading week's closing price.



## Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 26% Hold, 0% Sell.

## Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

### Market Overview

Price	\$282.56
Target Price	\$308.00
52 Week Price Range	\$190.70 to \$283.11
Shares Outstanding	360.36 Million
Dividend	\$5.00

### Sector Overview

Sector	Financial
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	14.50%

### Financial Strength

Financial Strength Rating	HIGH
Debt/Capital Ratio	12.6%
Return on Equity	14.4%
Net Margin	57.7%
Payout Ratio	0.44
Current Ratio	1.01
Revenue	\$6.28 Billion
After-Tax Income	\$3.63 Billion

### Valuation

Current FY P/E	24.70
Prior FY P/E	27.54
Price/Sales	16.20
Price/Book	3.76
Book Value/Share	\$75.16
Market Capitalization	\$101.82 Billion

### Forecasted Growth

1 Year EPS Growth Forecast	11.50%
5 Year EPS Growth Forecast	7.00%
1 Year Dividend Growth Forecast	8.70%

### Risk

Beta	0.47
Institutional Ownership	88.70%

## Analyst's Notes ...Continued

500. Over the past year, the shares have advanced 36% compared to an 11% increase for the index. We note that approximately 16.2% of the shares are held in various ETFs (including crypto-related ETFs), and that CME makes up 4.7% of the iShares U.S. Broker Dealer ETF IAI. The beta on the shares is a low 0.45.

CME reported 1Q25 adjusted EPS of \$2.80, up from \$2.50 in 1Q24. Revenue rose 10% to \$1.64 billion. The operating margin rose to 67.5% from 64.5%.

On April 14, CME Group and S&P Global announced the sell of OSTTRA, a provider of post-trade solutions for the global OTC market, to investment funds managed by KRR. The deal totaled \$3.1 billion, and the proceeds will be split evenly between CME and SPGI. The deal is expected to close in 2H25.

The company continues to introduce new contracts. In 1Q, CME launched new future product offerings in Hard Spring Wheat, Bitcoin Friday, Micro-Sized Grain and Oil, and High Yield Solana.

### EARNINGS & GROWTH ANALYSIS

Revenue growth for CME is mainly driven by increases in average daily contract volume (ADV), a measure of the average number of contracts traded and/or cleared in a day, as well as by growth in the rate per contract (RPC) - the average transaction and clearing fee generated from a contract. We expect contract volumes to continue to increase due to market volatility across the different asset classes.

In 1Q25, record average daily contract volume was \$29.8 million, up from \$26.4 million in the prior year. Interest rate ADV rose 8.6% to 15.0 million contracts; equity-index ADV rose 16.6% to 8.0 million contracts. In commodities, energy ADV rose 20% to 2.9 million contracts; metals ADV rose 8.4% to 732,000 contracts; and agricultural ADV rose 23% to 1.96 million contracts. Foreign exchange ADV rose 17% to 1.15 contracts. The average rate per contract fell to \$0.686 from \$0.695 a year earlier due to increased trades in shorter-term interest rates.

In the market data and information services segment, revenues rose 8% to \$196 million (12% of revenue), primarily due to higher pricing.

The company has maintained strong control over compensation costs, which have been equivalent to 13%-16% of revenue in recent quarters.

Management also provided guidance for 2025, projecting an effective tax rate of 22.5%-25% and adjusted operating expenses of \$1.65 billion.

Based on ongoing interest rate, equity, and commodity volatility, we are raising our 2025 estimate to \$11.44 from \$10.80 and our 2026 EPS estimate to \$12.07 from \$11.55. Our long-term EPS growth rate forecast is 7%.

### FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on CME Group is High, the highest point on our five-point scale. The company scores above

## Growth & Valuation Analysis

### GROWTH ANALYSIS

(\$ in Millions, except per share data)

	2020	2021	2022	2023	2024
Revenue	4,884	4,690	5,019	5,579	6,130
COGS	857	837	753	829	850
Gross Profit	4,027	3,853	4,266	4,750	5,280
SG&A	191	152	137	144	133
R&D	—	—	—	—	—
Operating Income	2,637	2,645	3,016	3,436	3,932
Interest Expense	166	167	163	159	161
Pretax Income	2,722	3,374	3,490	4,154	4,541
Income Taxes	616	737	799	927	1,016
Tax Rate (%)	23	22	23	22	22
Net Income	2,105	2,636	2,691	3,226	3,526
Diluted Shares Outstanding	359	359	359	360	360
EPS	5.87	7.29	7.40	8.86	9.67
Dividend	5.90	6.85	8.50	9.65	10.40

### GROWTH RATES (%)

Revenue	-0.5	-2.3	9.5	10.5	8.5
Operating Income	1.9	0.3	14.0	13.9	14.4
Net Income	-0.5	25.2	2.1	19.9	9.3
EPS	-0.7	24.2	1.5	19.7	9.1
Dividend	7.3	16.1	24.1	13.5	7.8
Sustainable Growth Rate	0.3	1.0	0.2	-0.5	-0.4

### VALUATION ANALYSIS

Price: High	\$225.36	\$232.64	\$256.94	\$223.80	\$249.02
Price: Low	\$131.80	\$177.51	\$166.58	\$166.55	\$190.70
Price/Sales: High-Low	16.5 - 9.7	17.8 - 13.6	18.4 - 11.9	14.4 - 10.7	14.6 - 11.2
P/E: High-Low	38.4 - 22.5	31.9 - 24.3	34.7 - 22.5	25.3 - 18.8	25.8 - 19.7
Price/Cash Flow: High-Low	29.1 - 17.0	34.9 - 26.6	33.6 - 21.8	23.7 - 17.6	24.1 - 18.5

## Financial & Risk Analysis

### FINANCIAL STRENGTH

	2022	2023	2024
Cash (\$ in Millions)	2,720	2,912	2,892
Working Capital (\$ in Millions)	1,391	1,473	720
Current Ratio	1.01	1.02	1.01
LT Debt/Equity Ratio (%)	12.7	12.8	10.1
Total Debt/Equity Ratio (%)	12.8	12.8	12.9

### RATIOS (%)

Gross Profit Margin	85.0	85.1	86.1
Operating Margin	60.1	61.6	64.1
Net Margin	52.9	57.1	56.8
Return On Assets	1.4	2.1	2.6
Return On Equity	9.8	11.9	13.1

### RISK ANALYSIS

Cash Cycle (days)	—	—	—
Cash Flow/Cap Ex	34.1	45.2	39.3
Oper. Income/Int. Exp. (ratio)	22.5	27.1	29.2
Payout Ratio	52.4	53.2	105.0

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## Analyst's Notes ...Continued

average on key financial strength criteria, including debt levels, interest coverage, and profitability.

CME had approximately \$1.6 billion in cash and cash equivalents and \$3.4 billion of long-term debt as of March 31, 2025. The company reported total assets of \$158 billion.

On February 6, 2025, it announced a 9% increase in its quarterly dividend to \$1.25 per share or \$5.00 annually, for a yield of about 1.8%. In December 2024, it also declared a \$5.80 annual variable dividend payable in late December, bringing the combined regular-plus-variable yield to about 3.8%. Since implementing its variable dividend policy in 2012, CME has returned more than \$28 billion to shareholders in the form of dividends. Our regular dividend estimates \$5.00 for 2025 and \$5.40 for 2026.

### MANAGEMENT & RISKS

Terry Duffy has been the company's chairman and CEO since 2016. Lynne Fitzpatrick, who had served as managing director, treasurer, and head of corporate development since 2017, became CFO in April 2023. Management's growth strategy focuses on new product development, new customer acquisition, and global expansion. In our view, management has done well launching new products that respond to regulatory changes. It also provides useful financial guidance.

Price competition is a key risk for CME. Key exchange competitors include Intercontinental Exchange, Hong Kong Exchanges and Clearing, and the Eurex Group. The company's

clearing operations also face increasingly stiff competition due to the implementation of Dodd-Frank. Many exchanges, such as ICE, have their own clearing houses.

New regulations also pose risks for CME. The company is subject to regulation by the CFTC in the U.S. as well as by overseas regulators. Other risks include market weakness in Europe, cybersecurity threats, and legal and counterparty risks.

### COMPANY DESCRIPTION

CME Group is a futures and derivatives exchange and clearing company. It operates exchanges such as the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT), the New York Mercantile Exchange (NYMEX), the Commodity Exchange (COMEX), and the Kansas City Board of Trade (KCBT). In addition, CME offers a range of market data and information services. CME shares are a component of the S&P 500.

### VALUATION

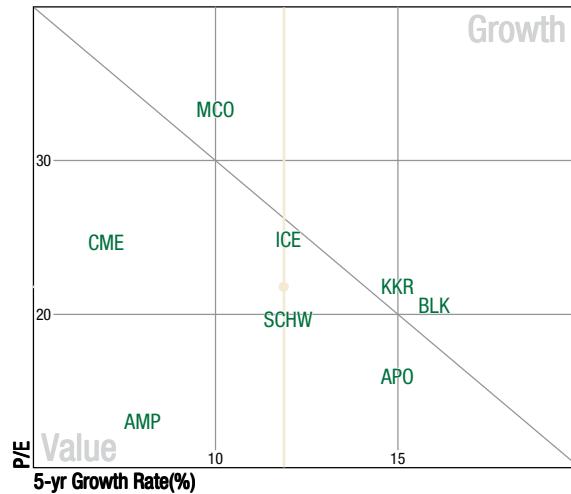
CME shares have traded in a range of \$186-\$282 over the past 52 weeks and are currently at the high point of the range. The stock is trading 24-times our revised 2025 EPS estimate, near the mid-point of the five-year average range of 20-34 and near the peer average. Based on prospects for increased revenue due to market volatility, we believe that a BUY rating remains appropriate. Our revised target price of \$308 is based on a multiple of 27-times our revised 2025 estimate.

On May 5, BUY-rated CME closed at \$282.56, up \$2.11.

## Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare CME versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how CME stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how CME might fit into or modify a diversified portfolio.



Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
SCHW	Charles Schwab Corp.	151,393	12.0	19.7	24.8	17.5	BUY
BLK	BlackRock Inc.	142,702	16.0	20.6	30.1	7.9	BUY
KKR	KKR & Co. Inc.	101,962	15.0	21.9	9.3	31.4	BUY
CME	CME Group Inc	101,822	7.0	24.7	57.7	5.5	BUY
ICE	Intercontinental Exchange Inc	99,799	12.0	24.9	29.4	12.0	BUY
MCO	Moody's Corp.	83,596	10.0	33.3	29.1	10.0	BUY
APO	Apollo Global Management Inc	76,571	15.0	16.0	14.4	18.3	BUY
AMP	Ameriprise Financial Inc	45,784	8.0	13.1	16.6	10.5	BUY
<b>Peer Average</b>		<b>100,454</b>	<b>11.9</b>	<b>21.8</b>	<b>26.4</b>	<b>14.1</b>	



## About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

### THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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