

INTERCONTINENTALEXCHANGE INC

Form 10-Q

November 05, 2013

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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 September 30, 2013**

**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 001-32671**

**INTERCONTINENTALEXCHANGE, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware** **58-2555670**  
**(State or other jurisdiction of** **(IRS Employer**  
**incorporation or organization)** **Identification Number)**  
**2100 RiverEdge Parkway, Suite 500, Atlanta, Georgia 30328**  
**(Address of principal executive offices) (Zip Code)**  
**(770) 857-4700**  
**(Registrant's telephone number, including area 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 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 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. (Check one):

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

As of November 1, 2013, the number of shares of the registrant's Common Stock outstanding was 72,902,482 shares.

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**IntercontinentalExchange, Inc.**

**Form 10-Q**

**Quarterly Period Ended September 30, 2013**

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**Table of Contents****Part I. Financial Information****Item 1. Consolidated Financial Statements (Unaudited)**  
**IntercontinentalExchange, Inc. and Subsidiaries****Consolidated Balance Sheets****(In thousands, except per share amounts)****(Unaudited)**

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,537,266	\$ 1,612,195
Short-term investments	36,524	
Short-term restricted cash and investments	161,645	86,823
Customer accounts receivable, net of allowance for doubtful accounts of \$801 and \$1,104 at September 30, 2013 and December 31, 2012, respectively	175,826	127,260
Margin deposits and guaranty funds	43,440,692	31,882,493
Prepaid expenses and other current assets	37,654	41,316
<b>Total current assets</b>	<b>45,389,607</b>	<b>33,750,087</b>
Property and equipment, net	201,673	143,392
Other noncurrent assets:		
Goodwill	1,961,606	1,937,977
Other intangible assets, net	803,915	798,960
Long-term restricted cash	160,751	162,867
Long-term investments	329,962	391,345
Other noncurrent assets	37,396	30,214
<b>Total other noncurrent assets</b>	<b>3,293,630</b>	<b>3,321,363</b>
<b>Total assets</b>	<b>\$ 48,884,910</b>	<b>\$ 37,214,842</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 94,530	\$ 70,206
Accrued salaries and benefits	42,638	55,008
Current portion of licensing agreement	19,249	19,249

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Current portion of long-term debt	448,824	163,000
Income taxes payable	61,294	29,284
Margin deposits and guaranty funds	43,440,692	31,882,493
Other current liabilities	38,582	26,457
<b>Total current liabilities</b>	<b>44,145,809</b>	<b>32,245,697</b>
<b>Noncurrent liabilities:</b>		
Noncurrent deferred tax liability, net	192,398	216,141
Long-term debt	341,765	969,500
Noncurrent portion of licensing agreement	52,189	63,739
Other noncurrent liabilities	66,691	43,207
<b>Total noncurrent liabilities</b>	<b>653,043</b>	<b>1,292,587</b>
<b>Total liabilities</b>	<b>44,798,852</b>	<b>33,538,284</b>
Redeemable non-controlling interest	15,388	
<b>Commitments and contingencies</b>		
<b>EQUITY</b>		
IntercontinentalExchange, Inc. shareholders' equity:		
Preferred stock, \$0.01 par value; 25,000 shares authorized; no shares issued or outstanding at September 30, 2013 and December 31, 2012		
Common stock, \$0.01 par value; 194,275 shares authorized; 80,446 and 79,867 shares issued at September 30, 2013 and December 31, 2012, respectively; 72,885 and 72,474 shares outstanding at September 30, 2013 and December 31, 2012, respectively	804	799
Treasury stock, at cost; 7,561 and 7,393 shares at September 30, 2013 and December 31, 2012, respectively	(740,365)	(716,815)
Additional paid-in capital	1,960,130	1,903,312
Retained earnings	2,938,752	2,508,672
Accumulated other comprehensive loss	(117,452)	(52,591)
<b>Total IntercontinentalExchange, Inc. shareholders' equity</b>	<b>4,041,869</b>	<b>3,643,377</b>
Non-controlling interest in consolidated subsidiaries	28,801	33,181
<b>Total equity</b>	<b>4,070,670</b>	<b>3,676,558</b>
<b>Total liabilities and equity</b>	<b>\$ 48,884,910</b>	<b>\$ 37,214,842</b>

See accompanying notes.

**Table of Contents****IntercontinentalExchange, Inc. and Subsidiaries****Consolidated Statements of Income****(In thousands, except per share amounts)****(Unaudited)**

	<b>Nine Months Ended September 30,</b>		<b>Three Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>				
Transaction and clearing fees, net	\$ 898,465	\$ 908,057	\$ 279,882	\$ 279,177
Market data fees	121,246	109,504	40,213	35,947
Other	41,666	22,033	17,776	8,063
<b>Total revenues</b>	<b>1,061,377</b>	<b>1,039,594</b>	<b>337,871</b>	<b>323,187</b>
<b>Operating expenses:</b>				
Compensation and benefits	192,396	194,596	59,550	61,820
Technology and communications	36,124	34,535	12,927	11,073
Professional services	22,979	25,741	7,392	7,813
Rent and occupancy	22,721	14,544	5,154	5,167
Acquisition-related transaction costs	32,387	9,994	6,073	2,285
Selling, general and administrative	28,229	28,580	10,238	8,114
Depreciation and amortization	99,625	96,955	34,391	32,864
<b>Total operating expenses</b>	<b>434,461</b>	<b>404,945</b>	<b>135,725</b>	<b>129,136</b>
<b>Operating income</b>	<b>626,916</b>	<b>634,649</b>	<b>202,146</b>	<b>194,051</b>
<b>Other income (expense):</b>				
Interest and investment income	2,122	1,014	700	332
Interest expense	(29,751)	(29,112)	(9,902)	(9,445)
Other income (expense), net	1,258	(253)	(389)	(279)
<b>Total other expense, net</b>	<b>(26,371)</b>	<b>(28,351)</b>	<b>(9,591)</b>	<b>(9,392)</b>
<b>Income before income taxes</b>	<b>600,545</b>	<b>606,298</b>	<b>192,555</b>	<b>184,659</b>
<b>Income tax expense</b>	<b>160,459</b>	<b>177,114</b>	<b>47,511</b>	<b>50,552</b>
<b>Net income</b>	<b>\$ 440,086</b>	<b>\$ 429,184</b>	<b>\$ 145,044</b>	<b>\$ 134,107</b>
Net income attributable to non-controlling interest	(10,006)	(7,080)	(3,729)	(3,025)

<b>Net income attributable to IntercontinentalExchange, Inc.</b>	\$ 430,080	\$ 422,104	\$ 141,315	\$ 131,082
Earnings per share attributable to IntercontinentalExchange, Inc. common shareholders:				
Basic	\$ 5.91	\$ 5.80	\$ 1.94	\$ 1.80
Diluted	\$ 5.86	\$ 5.76	\$ 1.92	\$ 1.79
Weighted average common shares outstanding:				
Basic	72,787	72,729	72,867	72,789
Diluted	73,370	73,339	73,525	73,411

See accompanying notes.

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**IntercontinentalExchange, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

(In thousands)

(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 440,086	\$ 429,184	\$ 145,044	\$ 134,107
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax of \$1,762 and (\$222) for the nine months ended September 30, 2013 and 2012, respectively, and (\$1,156) and \$633 for the three months ended September 30, 2013 and 2012, respectively	(3,478)	30,715	40,581	21,018
Change in fair value of available-for-sale securities	(61,383)	(36,566)	415	33,359
Other comprehensive income (loss)	(64,861)	(5,851)	40,996	54,377
Comprehensive income	\$ 375,225	\$ 423,333	\$ 186,040	\$ 188,484
Comprehensive income attributable to non-controlling interest	(10,006)	(7,080)	(3,729)	(3,025)
Comprehensive income attributable to IntercontinentalExchange, Inc.	\$ 365,219	\$ 416,253	\$ 182,311	\$ 185,459

See accompanying notes.



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**IntercontinentalExchange, Inc. and Subsidiaries**

**Consolidated Statements of Changes in Equity**

**(In thousands)**

**(Unaudited)**

**IntercontinentalExchange,  
Inc. Shareholders Equity**