



Cboe Global Markets, Inc. (CBOE)

Updated February 11th, 2025, by Patrick Neuwirth

Metrics

Current Price:	\$208	5 Year CAGR Estimate:	10.8%	Market Cap:	\$21.8 B
Fair Value Price:	\$225	5 Year Growth Estimate:	8.0%	Ex-Dividend Date¹:	02/28/25
% Fair Value:	92%	5 Year Valuation Multiple Estimate:	1.6%	Dividend Payment Date¹:	03/14/25
Dividend Yield:	1.2%	5 Year Price Target	\$331	Years Of Dividend Growth:	14
Dividend Risk Score:	B	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Cboe Global Markets, Inc. is a large exchange holding company. It offers a diverse range of products in multiple asset classes, and operates in five primary business segments: Options, U.S. equities, futures, European equities, and global FX. Transaction & clearing fees (from contracts or shares traded on exchanges) composed 75% of 2024 revenues, and regulatory fees, market data, and connectivity fees are other revenue sources. After operating for most of its history as a non-profit, member-owned exchange company, the company became a for-profit corporation in 2006 and went public in 2010. Cboe Global Markets is a \$21.8 billion company and has about 1,650 employees.

On February 7th, 2025, Cboe Global Markets released its fourth quarter results for the period ending December 31st, 2024. For the quarter, the company reported net revenue of \$524.5 million, which represents a 5% increase compared with net revenue of \$499.0 million in the same quarter last year. Earnings-per-share (EPS) for the quarter were \$1.86, down from \$1.98 per share in the previous year's quarter. Adjusted EPS was \$2.10, up 2% year-over-year. For the full year 2024, Cboe reported diluted EPS of \$7.21, up 1%, and adjusted diluted EPS of \$8.61, up 10% year-over-year.

Fourth quarter growth was driven by solid performance across multiple business segments, with notable increases in the North American Equities and Europe and Asia Pacific categories. Derivatives Markets revenue grew 8% year-over-year, reflecting record options trading volumes, while Data Vantage revenue increased 7%, and Cash and Spot Markets revenue saw a strong 10% increase. Adjusted operating income rose to \$319.7 million, a 4% increase year-over-year, and the adjusted operating margin was 61.0%, reflecting a slight decrease from 61.6% in the prior year. Adjusted operating expenses were \$204.8 million, up 7% year-over-year, primarily due to higher travel and promotional expenses, technology support services, and professional fees.

Cboe Global Markets' strategy remains focused on expanding its addressable market through its three growth pillars: organic growth, M&A growth, and recurring revenue growth. The company has updated its 2025 outlook, now anticipating organic total net revenue growth in the mid-single-digit range, compared to the previous year's 7% to 9% range. Data Vantage organic net revenue growth is expected to be in the mid-to-high single-digit range in 2025. Adjusted operating expenses for 2025 are expected to be in the range of \$837 to \$852 million.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS²	\$2.46	\$2.27	\$3.69	\$3.76	\$3.34	\$4.27	\$4.92	\$2.19	\$7.13	\$8.61	\$9.00	\$13.22
DPS	\$0.88	\$0.96	\$1.04	\$1.16	\$1.34	\$1.56	\$1.80	\$1.96	\$2.20	\$2.36	\$2.52	\$3.70
Shares³	82	81	113	112	111	107	107	107	107	107	105	104

Cboe Global Markets has grown earnings by 14.9% per year over the past decade and 16.1% over the past five years. We expect earnings to increase by 8% per year for the next five years as this is in-line with Cboe's medium-term growth rate target of 7% to 9% annually.

¹ Estimated date.

² Diluted earnings per share

³ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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The company has been able to increase its yearly dividend payout for 14 consecutive years. Over the last five years, the average annual dividend growth rate is 10.1%. In August 2024, the quarterly dividend increased by 14.5% from \$0.55 to \$0.63 per share. During the fourth quarter, the company did not repurchase any shares under its share repurchase program. As of December 31st, 2024, the company had approximately \$679.8 million of availability remaining under its existing share repurchase authorizations.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	25.5	29.2	25.6	28.7	32.4	22.8	23.3	18.9	23.3	26.6	23.1	25.0
Avg. Yld.	1.9%	1.4%	1.1%	1.1%	1.2%	1.6%	1.6%	1.6%	1.3%	1.2%	1.2%	1.1%

During the past decade shares of Cboe Global Markets have traded with an average price-to-earnings ratio of 25.6 times earnings and today, it stands at 23.1. We are using 25 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 1.2%, which is nearly in-line with the average yield over the past decade of 1.4%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	36%	42%	28%	31%	40%	37%	37%	89%	31%	27%	28%	28%

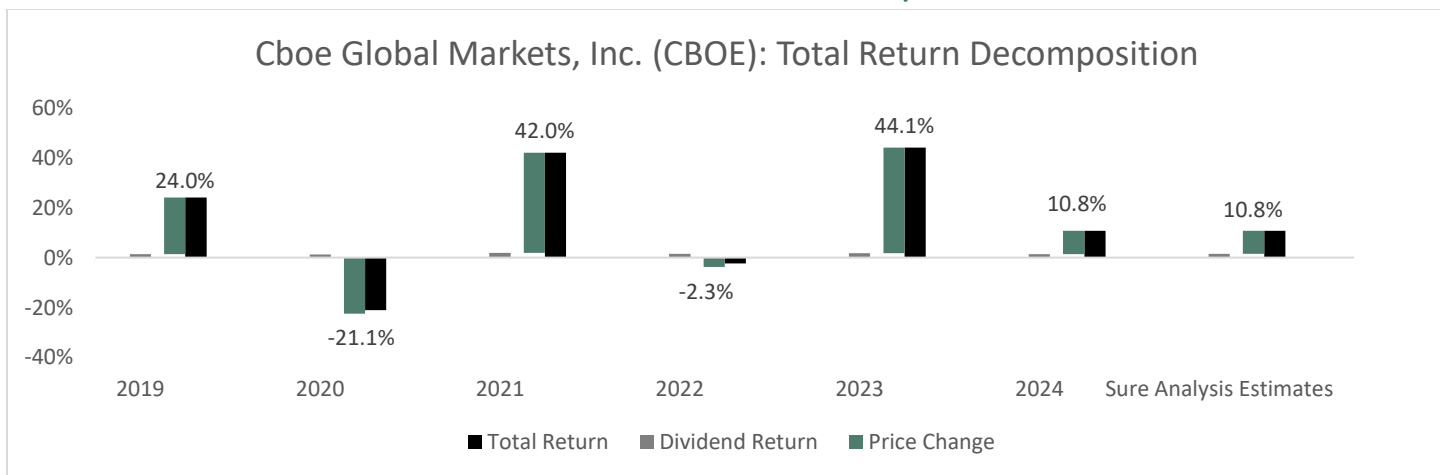
During the past five years, the company's dividend payout ratio has averaged around 40%. Cboe Global Markets' dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at the same pace and keep the payout ratio around the same levels which is safe.

Cboe Global Markets' ambition is to build one of the world's largest global derivatives and securities network. Cboe is well-positioned to execute this ambition by customer-led product and market innovation combined with superior technology. Furthermore, key industry trends such as globalization and the rise of the retail investors are supporting its growth ambition. Importantly, the company will continue to invest heavily in technological improvements and innovation to support its platforms and services.

Final Thoughts & Recommendation

Cboe Global Markets is one of the largest stock exchange operators in the United States and a global market leader for exchange-traded products trading. Cboe is a quality stock with an average dividend yield, but has a sound dividend payout ratio and a solid earnings-per-share growth forecast for the next several years. We estimate total return potential of 10.8% per year for the next five years based on an 8.0% earnings-per-share growth, a 1.2% yield, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	617	664	703	2,229	2,769	2,496	3,427	3,495	3,958	3,774
Gross Profit	429	456	453	794	988	938	1,029	1,188	1,742	1,492
Gross Margin	69.6%	68.7%	64.5%	35.6%	35.7%	37.6%	30.0%	34.0%	44.0%	39.5%
SG&A Exp.	64	80	87	125	129	126	122	160	476	130
D&A Exp.	40	46	44	192	204	177	159	167	167	158
Operating Profit	314	320	312	456	629	586	707	822	970	1,065
Op. Margin	50.8%	48.2%	44.3%	20.5%	22.7%	23.5%	20.6%	23.5%	24.5%	28.2%
Net Profit	190	205	187	402	427	375	468	529	235	761
Net Margin	30.7%	30.9%	26.6%	18.0%	15.4%	15.0%	13.7%	15.1%	5.9%	20.2%
Free Cash Flow	213	206	185	337	498	598	1,411	546	591	1,031
Income Tax	120	119	121	(66)	146	131	192	227	198	286

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	384	385	477	5,266	5,321	5,114	6,517	6,815	6,999	7,488
Cash & Equivalents	148	102	97	144	275	229	245	342	433	543
Acc. Receivable	58	63	77	217	287	235	337	327	370	337
Goodwill & Int.	56	67	98	4,651	4,446	4,302	4,662	4,733	4,840	4,745
Total Liabilities	134	125	159	2,155	2,080	1,758	3,168	3,210	3,534	3,502
Accounts Payable	3	2	7	43	13	21	29	20	28	25
Long-Term Debt	---	---	---	1,238	1,215	868	1,204	1,299	1,742	1,439
Total Equity	250	260	318	3,111	3,241	3,356	3,349	3,605	3,465	3,985
LTD/E Ratio	---	---	---	0.40	0.38	0.26	0.36	0.36	0.50	0.36

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	46.0%	53.3%	43.4%	14.0%	8.1%	7.2%	8.1%	7.9%	3.4%	10.5%
Return on Equity	71.0%	80.4%	64.7%	23.4%	13.4%	11.4%	14.0%	15.2%	6.7%	20.4%
ROIC	71.0%	80.4%	64.7%	17.2%	9.7%	8.6%	10.7%	11.2%	4.7%	14.3%
Shares Out.	84	82	81	113	112	111	107	107	107	106
Revenue/Share	7.23	7.99	8.64	20.74	24.68	22.33	31.36	32.60	37.10	35.53
FCF/Share	2.49	2.48	2.28	3.13	4.44	5.35	12.91	5.09	5.54	9.70

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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