



CME Group Inc. (CME)

Updated May 7th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$285	5 Year CAGR Estimate:	7.2%	Market Cap:	\$103 B
Fair Value Price:	\$266	5 Year Growth Estimate:	5.7%	Ex-Dividend Date:	6/7/25 ¹
% Fair Value:	107%	5 Year Valuation Multiple Estimate:	-1.4%	Dividend Payment Date:	6/26/25 ²
Dividend Yield:	3.5%	5 Year Price Target	\$350	Years Of Dividend Growth:	20
Dividend Risk Score:	F	Sector:	Financials	Rating:	Hold

Overview & Current Events

CME Group is a Chicago-based company that operates futures and derivatives exchanges based on interest rates, equities, currencies, and commodities. The company was founded in 1898 but didn't IPO until 2002. Since then, CME Group has pursued industry consolidation through mergers (CBOT Holdings) and acquisitions (Nymex Holdings). On April 23, 2025, CME Group reported its financial results for the first quarter of 2025. The company achieved record quarterly revenue of \$1.64 billion, a 10% increase compared to the same period in 2024. Net income rose 12% year-over-year to \$956 million, while adjusted net income reached \$1.0 billion. Diluted earnings per share (EPS) were \$2.62, with adjusted EPS at \$2.80, surpassing analyst expectations of \$2.68. Operating income increased to \$1.1 billion, reflecting strong performance across all asset classes. The average daily volume (ADV) reached a record 29.8 million contracts, up 13% year-over-year, driven by heightened market volatility and increased demand for risk management solutions. Clearing and transaction fees revenue totaled \$1.3 billion, with an average rate per contract of \$0.686. Market data revenue also saw growth, reaching \$195 million. International ADV grew 19% to 8.8 million contracts, highlighting the company's expanding global footprint. Despite these strong results, operating expenses increased slightly to \$534.4 million, primarily due to higher technology and licensing costs. CME Group returned approximately \$2.6 billion to shareholders during the quarter and maintained a strong balance sheet with \$1.6 billion in cash and \$3.4 billion in debt. The company continues to invest in technology and product innovation, including the planned launch of BrokerTec Chicago and FX Spot Plus, to enhance market efficiency and meet evolving client needs.

Growth On A Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.69	\$4.53	\$11.94	\$5.71	\$6.85	\$6.72	\$6.67	\$7.97	\$9.34	\$10.26	\$10.63	\$14.00
DPS	\$4.90	\$5.65	\$6.14	\$2.80	\$5.50	\$5.90	\$6.85	\$8.50	\$9.65	\$10.40	\$10.08	\$11.00
Shares ³	338.4	339.7	340.4	357.8	358.4	359.0	358.6	359.7	360.0	360.4	360.4	365.0

Looking ahead we anticipate 5.7% average annual earnings per share growth over the next half decade. The main tailwind for the company is volatility in the public markets for the foreseeable future as there remains enormous uncertainty on how various trade, geopolitical, global growth, and interest rate scenarios will play out to direct the near-term future of the American and global economies. Finally, we see the company's extensive network and large volume enabling it to drive growth through starting ancillary services and exchange products, as well as selling order flow data to third parties. As a result, we expect CME Group to continue growing earnings-per-share at a strong clip for the foreseeable future.

¹ Estimate

² Estimate

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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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	23.3	24.2	19.6	9.7	25.6	24.7	32.8	21.8	23.1	25.0	26.8	25.0
Avg. Yld.	5.7%	5.2%	2.6%	5.1%	3.1%	3.6%	3.1%	4.9%	4.5%	4.1%	3.5%	3.1%

The stock currently trades at 26.8 times this year's expected earnings. Given that the company has strong, but not exceptional earnings per share growth potential, we assign a fair value multiple estimate of 25x earnings, making CME slightly overvalued at present.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	133%	125%	51%	49%	80%	88%	103%	107%	103%	101%	95%	79%

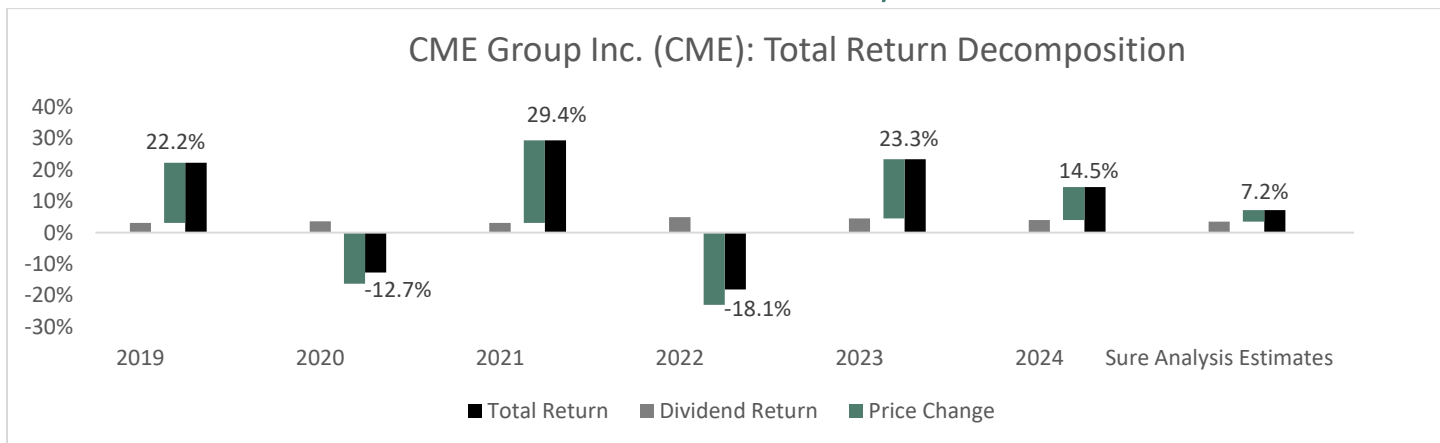
CME Group's biggest competitive advantage is its network effect as a consolidator in the financial exchange space. Thanks to its large volume, it offers customers considerable liquidity, which is an extremely attractive feature for this industry. The company's large volume also gives it economies of scale, enabling it to offer competitive pricing without considerably hurting profitability. This not only enables the company to retain customers but also attracts new ones. As its customer count grows, its network effect only grows stronger, which in turn drives further liquidity and cost advantages, resulting in a virtuous cycle. Given that more than half of all interest rate-related futures in the world and nearly all North American interest rate-related futures are traded on the company's exchanges, it is clear that the company has established a dominant network effect in its core business.

While the company is not directly impacted by changes in stock market valuations, it did suffer during the last recession due to depressed market sentiment and customer bankruptcies, dramatically reducing activity on the exchanges. From peak to trough, CME Group's trailing twelve-month earnings per share fell from ~\$3.45 in mid-2008 to \$2.40 in mid-2009. The biggest long-term risk to the company is the potential for new regulation to disrupt the company's business model, which could break up its exchange and clearing operations or even limit the volatility on the exchanges or its pricing power. However, we do not see any threat developing in the near future, making the business fairly low-risk from a long-term perspective.

Final Thoughts & Recommendation

CME Group benefits from increased volatility. Given the increasing geo-political and macroeconomic uncertainties in the world today, this could bode well for the business. With a 7.2% expected annualized return over the next half decade, we rate shares as a Hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	3,327	3,595	3,645	4,309	4,868	4,884	4,690	5,019	5,579	6,130
Gross Profit	2,745	3,052	3,081	3,637	3,969	4,027	3,853	4,266	4,750	5,280
Gross Margin	82.5%	84.9%	84.5%	84.4%	81.5%	82.5%	82.2%	85.0%	85.1%	86.1%
SG&A Exp.	215	144	118	166	174	191	152	137	144	133
D&A Exp.	229	225	209	249	473	464	385	363	353	337
Operating Profit	1,989	2,201	2,311	2,608	2,588	2,637	2,645	3,016	3,436	3,932
Operating Margin	59.8%	61.2%	63.4%	60.5%	53.2%	54.0%	56.4%	60.1%	61.6%	64.1%
Net Profit	1,247	1,534	4,063	1,962	2,117	2,105	2,636	2,691	3,226	3,526
Net Margin	37.5%	42.7%	111.5%	45.5%	43.5%	43.1%	56.2%	53.6%	57.8%	57.5%
Free Cash Flow	1,418	1,640	1,669	2,324	2,427	2,518	2,275	2,966	3,377	3,597
Income Tax	710	754	(1,537)	814	574	616	737	799	927	1,016

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	67	69	76	77	75	125	197	174	130	137
Cash & Equivalents	1,693	1,869	1,904	1,375	1,551	1,633	2,835	2,720	2,912	2,892
Accounts Receivable	358	364	360	553	492	461	435	483	536	573
Goodwill & Int. Ass.	27,282	27,186	27,091	33,481	33,036	32,839	31,235	30,928	30,721	30,484
Total Liabilities	47	49	53	52	49	98	169	147	103	111
Accounts Payable	29	26	31	116	62	69	49	121	91	80
Long-Term Debt	2,229	2,231	2,233	4,401	3,743	3,444	3,445	3,438	3,425	3,428
Shareholder's Equity	20,552	20,341	22,412	25,919	26,129	26,320	27,399	26,879	26,738	26,487
LTD/E Ratio	0.11	0.11	0.10	0.17	0.14	0.13	0.13	0.13	0.13	0.13

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.8%	2.2%	5.6%	2.6%	2.8%	2.1%	1.6%	1.5%	2.1%	2.6%
Return on Equity	6.0%	7.5%	19.0%	8.1%	8.1%	8.0%	9.8%	9.9%	12.0%	13.2%
ROIC	5.4%	6.8%	17.2%	7.1%	7.0%	7.1%	8.7%	8.8%	10.7%	11.7%
Shares Out.	338.4	339.7	340.4	357.8	358.4	359.0	358.6	359.7	360.0	360.4
Revenue/Share	9.85	10.61	10.71	12.54	13.59	13.62	13.07	13.97	15.52	17.03
FCF/Share	4.20	4.84	4.91	6.76	6.78	7.02	6.34	8.26	9.39	9.99

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

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