

INTERCONTINENTALEXCHANGE INC
Form 10-Q
May 04, 2011
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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 March 31, 2011**

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)

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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 April 28, 2011, the number of shares of the registrant's Common Stock outstanding was 73,523,010 shares.

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IntercontinentalExchange, Inc.

Form 10-Q

Quarterly Period Ended March 31, 2011

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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)**

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 694,257	\$ 621,792
Short-term restricted cash	75,298	75,113
Short-term investments		1,999
Customer accounts receivable, net of allowance for doubtful accounts of \$1,722 and \$1,857 at March 31, 2011 and December 31, 2010, respectively	165,244	114,456
Margin deposits and guaranty funds	24,526,005	22,712,281
Prepaid expenses and other current assets	46,118	50,137
Total current assets	25,506,922	23,575,778
Property and equipment, net	94,782	94,503
Other noncurrent assets:		
Goodwill	1,929,218	1,916,055
Other intangible assets, net	918,681	890,818
Long-term restricted cash	147,787	144,174
Other noncurrent assets	25,101	20,931
Total other noncurrent assets	3,020,787	2,971,978
Total assets	\$ 28,622,491	\$ 26,642,259
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 68,802	\$ 65,162
Accrued salaries and benefits	23,948	53,769
Current portion of licensing agreement	21,947	18,268
Current portion of long-term debt	263,000	252,750
Income taxes payable	48,741	6,307
Margin deposits and guaranty funds	24,526,005	22,712,281
Other current liabilities	33,218	18,847
Total current liabilities	24,985,661	23,127,384
Noncurrent liabilities:		
Noncurrent deferred tax liability, net	271,537	268,249

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Long-term debt	260,000	325,750
Noncurrent portion of licensing agreement	88,026	60,325
Other noncurrent liabilities	45,566	43,786
Total noncurrent liabilities	665,129	698,110
Total liabilities	25,650,790	23,825,494
Commitments and contingencies		
EQUITY		
IntercontinentalExchange, Inc. shareholders' equity:		
Preferred stock, \$0.01 par value; 25,000 shares authorized; no shares issued or outstanding at March 31, 2011 and December 31, 2010		
Common stock, \$0.01 par value; 194,275 shares authorized; 78,736 and 78,449 shares issued at March 31, 2011 and December 31, 2010, respectively; 73,515 and 73,303 shares outstanding at March 31, 2011 and December 31, 2010, respectively		
	787	785
Treasury stock, at cost; 5,221 and 5,146 shares at March 31, 2011 and December 31, 2010, respectively	(463,221)	(453,822)
Additional paid-in capital	1,763,214	1,745,424
Retained earnings	1,576,327	1,447,423
Accumulated other comprehensive income	60,274	37,740
Total IntercontinentalExchange, Inc. shareholders' equity	2,937,381	2,777,550
Noncontrolling interest in consolidated subsidiaries	34,320	39,215
Total equity	2,971,701	2,816,765
Total liabilities and equity	\$ 28,622,491	\$ 26,642,259

See accompanying notes.

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

	Three Months Ended March 31,	
	2011	2010
Revenues:		
Transaction and clearing fees, net	\$ 299,010	\$ 251,062
Market data fees	29,420	26,853
Other	5,850	3,705
Total revenues	334,280	281,620
Operating expenses:		
Compensation and benefits	61,638	58,240
Professional services	7,805	8,549
Acquisition-related transaction costs	3,437	545
Selling, general and administrative	24,671	22,257
Depreciation and amortization	33,131	28,214
Total operating expenses	130,682	117,805
Operating income	203,598	163,815
Other income (expense):		
Interest and investment income	988	726
Interest expense	(8,206)	(7,110)
Other expense, net	(276)	(696)
Total other expense, net	(7,494)	(7,080)
Income before income taxes	196,104	156,735
Income tax expense	65,950	53,217
Net income	\$ 130,154	\$ 103,518
Net income attributable to noncontrolling interest	(1,250)	(2,355)
Net income attributable to IntercontinentalExchange, Inc.	\$ 128,904	\$ 101,163
Earnings per share attributable to IntercontinentalExchange, Inc. common shareholders:		
Basic	\$ 1.76	\$ 1.37
Diluted	\$ 1.74	\$ 1.36
Weighted average common shares outstanding:		
Basic	73,433	73,676

Diluted	74,201	74,527
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See accompanying notes.

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IntercontinentalExchange, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity

(In thousands)

(Unaudited)

IntercontinentalExchange, Inc. Shareholders Equity

	Common Stock		Treasury Stock		Additional		Accumulated Other Comprehensive Income from Noncontrolling Interest			Total Equity	
	Shares	Value	Shares	Value	Paid-in Capital	Retained Earnings	Foreign Currency Translation	Available-For-Sale Securities	Cash Flow Hedges		Consolidated Subsidiaries
Balance, January 1, 2010	77,573	\$ 776	(4,084)	\$(349,646)	\$ 1,674,919	\$ 1,049,125	\$ 29,258	\$ (484)	\$ (4,216)	\$ 33,915	\$ 2,433,647
Other comprehensive income							12,497	484	201		13,182
Exercise of common stock options	504	5			12,763						12,768
Repurchases of common stock			(938)	(90,395)							(90,395)
Treasury shares received for restricted stock and stock option tax payments			(125)	(13,807)							(13,807)
Stock-based compensation					51,730						51,730
Issuance of restricted stock	372	4	1	26	1,749						1,779
Tax benefits from stock option plans					6,892						6,892
Purchase of subsidiary shares from noncontrolling interest					(2,629)					(1,871)	(4,500)
Distributions of profits to noncontrolling interests										(1,404)	(1,404)
Other										(894)	(894)
Net income attributable to noncontrolling interest						(9,469)				9,469	
Net income						407,767					407,767

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Balance, December 31, 2010	78,449	785	(5,146)	(453,822)	1,745,424	1,447,423	41,755	(4,015)	39,215	2,816,765
Other comprehensive income							22,109	425		22,534
Exercise of common stock options	77				2,452					2,452
Payments relating to treasury shares received for restricted stock tax payments and stock option exercises			(75)	(9,404)						(9,404)
Stock-based compensation					13,632					13,632
Issuance of restricted stock	210	2		5	(7)					
Tax benefits from stock option plans					1,713					1,713
Distributions of profits to noncontrolling interest									(6,145)	(6,145)
Net income attributable to noncontrolling interest						(1,250)			1,250	
Net income						130,154				130,154
Balance, March 31, 2011	78,736	\$ 787	(5,221)	\$(463,221)	\$ 1,763,214	\$ 1,576,327	\$ 63,864	\$ (3,590)	\$ 34,320	\$ 2,971,701

See accompanying notes.

Table of Contents**IntercontinentalExchange, Inc. and Subsidiaries****Consolidated Statements of Comprehensive Income****(In thousands)****(Unaudited)**

	Three Months Ended March 31,	
	2011	2010
Net income	\$ 130,154	\$ 103,518
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax	22,109	734
Change in fair value of cash flow hedges, net of tax	425	(459)
Change in fair value of available-for-sale securities, net of tax		(6,365)
Comprehensive income	\$ 152,688	\$ 97,428
Comprehensive income attributable to noncontrolling interest	(1,250)	(2,355)
Comprehensive income attributable to IntercontinentalExchange, Inc.	\$ 151,438	\$ 95,073

See accompanying notes.

Table of Contents**IntercontinentalExchange, Inc. and Subsidiaries****Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

	Three Months Ended March 31,	
	2011	2010
Operating activities		
Net income	\$ 130,154	\$ 103,518
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,131	28,214
Amortization of debt issuance costs	1,596	1,523
Provision for doubtful accounts	(217)	(323)
Stock-based compensation	13,707	11,945
Deferred taxes	(2,632)	(6,225)
Excess tax benefits from stock-based compensation	(1,713)	(2,082)
Changes in assets and liabilities:		
Customer accounts receivable	(50,531)	(31,189)
Prepaid expenses and other current assets	(23)	(2,353)
Noncurrent assets	(481)	349
Income taxes payable	50,266	19,487
Accounts payable, accrued salaries and benefits, and other accrued liabilities	(17,901)	(21,304)
Total adjustments	25,202	(1,958)
Net cash provided by operating activities	155,356	101,560
Investing activities		
Capital expenditures	(4,766)	(4,865)
Capitalized software development costs	(7,695)	(5,883)
Cash paid for acquisitions, net of cash acquired	(3,200)	
Purchase of cost method investment	(1,400)	
Proceeds from sales of available-for-sale investments	1,999	2,000
Purchases of available-for-sale investments		(1,999)
Increase in restricted cash	(2,799)	(555)
Net cash used in investing activities	(17,861)	(11,302)
Financing activities		
Repayments of credit facilities	(55,500)	(22,500)
Issuance costs for credit facilities		(7,485)
Excess tax benefits from stock-based compensation	1,713	2,082
Payments relating to treasury shares received for restricted stock tax payments and stock option exercises	(9,404)	(7,164)
Distributions of profits to noncontrolling interest	(6,145)	
Payments on capital lease obligations		(1,561)
Proceeds from exercise of common stock options	2,452	6,968
Net cash used in financing activities	(66,884)	(29,660)

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Effect of exchange rate changes on cash and cash equivalents	1,854	(769)
Net increase in cash and cash equivalents	72,465	59,829
Cash and cash equivalents, beginning of period	621,792	552,465
Cash and cash equivalents, end of period	\$ 694,257	\$ 612,294
Supplemental cash flow disclosure		
Cash paid for income taxes	\$ 20,275	\$ 36,646
Cash paid for interest	\$ 4,271	\$ 2,599

See accompanying notes.

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IntercontinentalExchange, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

1. Nature of Business and Organization

IntercontinentalExchange, Inc. (the Company) is a leading operator of global regulated futures exchanges, clearing houses and over-the-counter (OTC) markets for commodities and derivative financial products. The Company owns and operates:

ICE Futures Europe, which operates as a United Kingdom (U.K.) Recognized Investment Exchange for the purpose of price discovery, trading and risk management within the energy and environmental commodity futures and options markets;

ICE Futures U.S., Inc. (ICE Futures U.S.), which operates as a United States (U.S.) Designated Contract Market for the purpose of price discovery, trading and risk management within the agricultural commodity, equity index and currency futures and options markets;

ICE Futures Canada, Inc. (ICE Futures Canada), which operates as a Canadian derivatives exchange for the purpose of price discovery, trading and risk management within the agricultural futures and options markets;

An OTC exempt commercial market (ECM) for energy commodities and derivatives;

Creditex Group Inc. (Creditex), which operates in the OTC credit default swap (CDS) trade execution markets; and

Five central counterparty clearing houses, including ICE Clear Europe Limited (ICE Clear Europe), ICE Clear U.S., Inc. (ICE Clear U.S.), ICE Clear Canada, Inc. (ICE Clear Canada), ICE Trust U.S. LLC (ICE Trust) and The Clearing Corporation (TCC).

2. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with U.S. generally accepted accounting principles pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements and should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto for the year ended December 31, 2010. The accompanying unaudited consolidated financial statements reflect all adjustments that are, in the opinion of the Company's management, necessary for a fair presentation of results for the interim periods presented. These adjustments are of a normal recurring nature.

Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from these estimates. The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results to be expected for any future period or the full fiscal year.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All intercompany balances and transactions between the Company and its wholly-owned and majority-owned subsidiaries have been eliminated in consolidation.

3. Goodwill and Other Intangible Assets

The following is a summary of the activity in the goodwill balance for the three months ended March 31, 2011 (in thousands):

Goodwill balance at December 31, 2010	\$ 1,916,055
Foreign currency translation	19,705
Other activity	(6,542)
 Goodwill balance at March 31, 2011	 \$ 1,929,218

The following is a summary of the activity in the other intangible assets balance for the three months ended March 31, 2011 (in thousands):

Other intangible assets balance at December 31, 2010	\$ 890,818
Russell licensing agreement amendment (Note 8)	34,367
Foreign currency translation	11,230
Other activity	1,990
Amortization of other intangible assets	(19,724)
 Other intangible assets balance at March 31, 2011	 \$ 918,681

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The foreign currency translation adjustments result from a portion of the Company's goodwill and other intangible assets being held at the Company's U.K. and Canadian subsidiaries, whose functional currencies are other than the U.S. dollar. The other activity in the goodwill and other intangible assets balances primarily relates to the acquisition of Ballista Securities in February 2011 offset by adjustments to the purchase price and related goodwill and other intangible assets for acquisitions completed in 2010, primarily relating to tax adjustments due to rate changes. Ballista Securities is a registered broker-dealer that offers an electronic options platform for the execution of block-sized and complex multi-leg options transactions. The Company did not recognize any impairment losses on goodwill or other intangible assets during the three months ended March 31, 2011 and 2010.

4. Credit Facilities

As of March 31, 2011, the Company has aggregate \$725.0 million three-year senior unsecured revolving credit facilities (the Revolving Credit Facilities) with Wells Fargo Bank, National Association (Wells Fargo Bank), as Administrative Agent, Bank of America, N.A., as Syndication Agent, and the lenders named therein. The Revolving Credit Facilities consist of (i) an aggregate \$575.0 million unsecured revolving U.S. dollar credit facility (the Dollar Facility), pursuant to which the Company may borrow, repay and reborrow up to \$575.0 million in U.S. dollars, and (ii) an aggregate \$150.0 million unsecured revolving multicurrency credit facility, pursuant to which the Company may borrow, repay and reborrow up to the equivalent of \$150.0 million in U.S. dollars, euros or pounds sterling, at the option of the Company (the Multicurrency Facility). The Revolving Credit Facilities mature on March 31, 2013.

Of the amounts available under the Revolving Credit Facilities, (i) up to \$150.0 million of such amounts has been reserved to provide liquidity for the clearing operations of ICE Clear Europe, (ii) up to \$100.0 million of such amounts has been reserved to provide liquidity for the clearing operations of ICE Trust, (iii) up to \$50.0 million of such amounts has been reserved to provide liquidity for the clearing operations of ICE Clear U.S., and (iv) up to \$3.0 million of such amounts has been reserved to provide liquidity for certain of the clearing operations of ICE Clear Canada. The remaining \$422.0 million available under the Revolving Credit Facilities may be used by the Company for working capital and general corporate purposes.

As of March 31, 2011, the Company had an aggregate of \$523.0 million outstanding under various term loans, of which \$340.0 million is outstanding under a three-year senior unsecured term loan facility (the Term Loan Facility) and \$183.0 million in aggregate is outstanding under two additional term loan facilities. Amounts repaid under the term loan facilities may not be reborrowed. As of March 31, 2011, the Company has a LIBOR-rate loan with a stated interest rate of 2.3105% per annum related to the \$340.0 million that is outstanding under the Term Loan Facility.

The Company previously entered into interest rate swap contracts to reduce its exposure to interest rate volatility on the two additional outstanding term loan facilities. The interest rate swaps require the Company to pay a fixed interest rate of 4.26% per annum on one term loan facility, of which \$75.0 million is outstanding as of March 31, 2011, and 4.36% per annum on the other term loan facility, of which \$108.0 million is outstanding as of March 31, 2011. In return, the Company will receive the one-month LIBOR-rate plus 250 basis points. The interest rate swaps are effective through the maturity dates of the term loan facilities in 2012. These swaps are designated as cash flow hedges. The effective portion of unrealized gains or losses on derivatives designated as cash flow hedges are recorded in accumulated other comprehensive income. The unrealized gain or loss is recognized in earnings when the designated interest expense under the term loans is recognized in earnings. Any portion of the hedges that is ineffective is recognized in earnings immediately. To date, the hedges have been perfectly effective. The amounts received under the variable component of the swaps fully offset the variable interest payments under the term loan facilities. With the two variable components offsetting, the net interest expense is equal to the fixed interest component. The fair value of the interest rate swaps as of March 31, 2011 is a liability of \$1.8 million, or \$1.1 million net of taxes, and is included in the accompanying balance sheet in non-current liabilities with the unrealized loss included under the equity section as accumulated other comprehensive loss from cash flow hedges.

The credit facilities contain affirmative and negative covenants, including, but not limited to, leverage and interest coverage ratios, as well as limitations or required notices or approvals for acquisitions, dispositions of assets and certain investments in subsidiaries, the incurrence of additional debt or the creation of liens and other fundamental changes to the Company's business. The Company has been and is currently in compliance with all applicable covenants.

5. Stock-Based Compensation

The Company currently sponsors employee stock option and restricted stock plans. All stock options are granted at an exercise price equal to the fair value of the common stock on the date of grant. The grant date fair value is based on the closing stock price on the date of grant. The fair value of the stock options and restricted stock on the date of the grant is recognized as expense over the vesting period, net of estimated

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forfeitures. The non-cash compensation expenses recognized in the Company's consolidated statements of income for the stock options and restricted stock were \$13.7 million and \$11.9 million for the three months ended March 31, 2011 and 2010, respectively.

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The following is a summary of stock options for the three months ended March 31, 2011:

	Number of Options	Weighted Average Exercise Price Per Option
Outstanding at December 31, 2010	1,275,792	\$ 56.73
Granted	123,663	112.48
Exercised	(77,168)	31.78
Forfeited or expired	(1,278)	74.11
Outstanding at March 31, 2011	1,321,009	63.39

Details of stock options outstanding as of March 31, 2011 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (In thousands)
Vested or expected to vest	1,321,009	\$ 63.39	6.0	\$ 85,301
Exercisable	1,052,980	\$ 55.05	5.3	\$ 77,967

The total intrinsic value of stock options exercised during the three months ended March 31, 2011 and 2010 was \$7.3 million and \$24.1 million, respectively. As of March 31, 2011, there were \$14.2 million in total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 1.9 years as the stock options vest.

The Company has historically granted stock options and restricted stock to its existing employees annually in December. However, no stock options or restricted stock awards were granted in December 2010 and were instead awarded in January 2011 due to the Company's decision to better align timing of annual awards with the annual performance review process. The Company uses the Black-Scholes option pricing model for purposes of valuing stock option awards. The Company used the Black-Scholes option pricing model weighted-average assumptions in the table below to compute the value of all options for shares of common stock granted to employees during the three months ended March 31, 2011:

Assumptions

Risk-free interest rate	1.46%
Expected life in years	4.0
Expected volatility	72%
Expected dividend yield	0%
Estimated weighted-average fair value per share	\$ 60.97

The risk-free interest rate is based on the zero-coupon U.S. Treasury yield curve in effect at the time of grant. Expected volatilities are based on historical daily volatility of the Company's stock. The expected life computation is derived from historical exercise patterns and anticipated future patterns.

In January 2011, the Company reserved a maximum of 417,390 restricted shares for potential issuance as performance-based restricted shares for certain Company employees. The number of shares granted under the performance awards will be based on the Company's actual performance as compared to performance targets set by the Company's board of directors and compensation committee for the year ending December 31, 2011. These restricted shares are subject to a market condition that will reduce the number of shares that are granted above the Target Performance Target if the Company's 2011 total shareholder return falls below the 2011 return of the S&P 500 Index. If the Company's 2011 total shareholder return were to fall below the 2011 return of the S&P 500 Index, the reduction would be either 10% or 20% of the number of shares granted above the Target Performance Target, depending on the difference in the aforementioned returns. These shares vest over a three-year period. The compensation expense to be recognized under these performance-based restricted shares is expected to be \$9.5 million if the Threshold Performance Target is met and 83,478 shares vest, \$18.1 million if the Target Performance Target is met and 166,956 shares vest,

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\$31.0 million if the Above Target Performance Target is met and 292,173 shares vest, and \$43.8 million if the Maximum Performance Target is met and 417,390 shares vest. Shares to be granted will be prorated on a straight-line basis between performance level targets. The Company will recognize expense on an accelerated basis over the three-year vesting period based on the Company's quarterly assessment of the probable 2011 actual performance as compared to the 2011 financial performance targets. As of March 31, 2011, the Company determined that it is probable that a performance level between Target and Above Target will be met for 2011. The Company has recorded non-cash compensation expense of \$3.7 million for the three months ended March 31, 2011 related to these shares. The remaining \$20.2 million in estimated non-cash compensation expense will be recorded on an accelerated basis over the remaining vesting period.

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The following is a summary of the nonvested restricted shares for the three months ended March 31, 2011:

	Number of Restricted Stock Shares	Weighted Average Grant-Date Fair Value per Share
Nonvested at December 31, 2010	704,010	\$ 99.53
Granted	661,248	112.88
Vested	(213,689)	103.70
Forfeited	(6,218)	106.51
Nonvested at March 31, 2011	1,145,351	106.42

Restricted stock shares granted in the table above include both time-based and performance-based grants. Performance-based shares awarded in prior years have been adjusted to reflect the actual shares to be issued based on the achievement of past performance targets. Unvested performance-based restricted shares granted are presented in the table above at the maximum number of restricted shares that would vest if the maximum performance targets are met. As of March 31, 2011, there were \$68.3 million in total unrecognized compensation costs related to the time-based restricted stock and the performance-based restricted stock. These costs are expected to be recognized over a weighted average period of 2.2 years as the restricted stock vests. These unrecognized compensation costs assume that a Target performance level, as discussed above, will be met on the performance-based restricted shares granted in January 2011. During the three months ended March 31, 2011 and 2010, the total fair value of restricted stock vested under all restricted stock plans was \$25.9 million and \$21.8 million, respectively.

6. Income Taxes

The Company's effective tax rate was 34% for both the three months ended March 31, 2011 and 2010. The effective tax rates for the three months ended March 31, 2011 and 2010 are lower than the federal statutory rate primarily due to favorable foreign income tax rate differentials and tax credits, which are partially offset by state taxes and non-deductible expenses.

The Company's non-U.S. subsidiaries had \$1.0 billion in cumulative undistributed earnings as of March 31, 2011. The earnings from the Company's non-U.S. subsidiaries are considered to be indefinitely reinvested and, accordingly, no provision for U.S. federal and state income taxes has been made in the consolidated financial statements. Any future distribution of these non-U.S. earnings may subject the Company to both U.S. federal and state income taxes, as adjusted for non-U.S. tax credits, and withholding taxes payable to the various non-U.S. countries.

7. Clearing Organizations

The Company operates five regulated central counterparty clearing houses for the settlement and clearance of derivative contracts. ICE Clear U.S. performs the clearing and settlement of every futures and options contract traded through ICE Futures U.S. and ICE Clear Canada performs the same function for every futures and options contract traded through ICE Futures Canada. ICE Trust performs the same function for North American CDS contracts submitted for clearing. ICE Clear Europe performs the same function for every futures and options contract traded through ICE Futures Europe, as well as for all of the Company's cleared OTC energy contracts and for European CDS contracts submitted for clearing. TCC performs clearing and settlement services to its participants for trades in futures contracts, options contracts and OTC transactions executed on various exchanges and marketplaces. ICE Clear U.S., ICE Clear Europe, ICE Clear Canada, ICE Trust and TCC are referred to herein collectively as the ICE Clearing Houses.

Each of the ICE Clearing Houses requires all clearing members to maintain on deposit or pledge certain assets, which may include cash, government obligations, money market mutual fund shares, certificates of deposit, letters of credit, gold or emission allowances to secure payment of risk-based margin as may become due and such amounts in total are known as original margin. The daily payment of profits and losses from and to the ICE Clearing Houses in respect of relevant contracts is known as variation margin. The ICE Clearing Houses mark all outstanding contracts to market, and therefore pay and collect variation margin, at least once daily, and in some cases throughout the day. The ICE Clearing Houses may make multiple intraday original margin calls in circumstances where market conditions require additional protection. Mark-to-market allows our clearing houses to identify quickly any clearing members that may not be able to satisfy the financial obligations

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resulting from changes in the prices of their open contracts before those financial obligations become exceptionally large and jeopardize the ability of the ICE Clearing Houses to ensure financial performance of their open positions.

Each of the ICE Clearing Houses requires that each clearing member make deposits into a fund known as a guaranty or clearing fund (Guaranty Fund), which is maintained by the relevant ICE Clearing House. These amounts serve to secure the obligations of a clearing member to the ICE Clearing House to which it has made the Guaranty Fund deposits and may be used to cover losses sustained by the respective ICE Clearing House in the event of a default of a clearing member. For ICE Clear Canada, all income earned from investing clearing members' cash deposits in the Guaranty Fund and from the cash margin deposits, and for ICE Clear

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U.S., all income earned from investing clearing members' cash deposits in the Guaranty Fund and from the cash variation margin deposits, is retained by the respective ICE Clearing House and is included in other revenues in the accompanying consolidated statements of income. All other interest earned on the cash margin deposits, less costs incurred by the ICE Clearing Houses, is remitted by the respective ICE Clearing Houses to the clearing members. Pursuant to agreements, ICE Clear Europe has historically paid energy clearing members all interest earned on their cash margin deposits plus an additional 115 basis points on cash deposits made to the Guaranty Fund and an additional 10 basis points for cash deposits made for original margin requirements. These additional amounts paid to the energy clearing members are recorded net against other revenues in the accompanying consolidated statements of income. Effective January 1, 2011, ICE Clear Europe no longer pays energy clearing members the additional 10 basis points for cash deposits made for original margin requirements.

Each of the ICE Clearing Houses has equal and offsetting claims to and from their respective clearing members on opposite sides of each contract, standing as the central financial counterparty on every contract cleared. To the extent that funds are not otherwise available to satisfy an obligation under an applicable contract, each ICE Clearing House bears financial counterparty credit risk in the event that market movements create conditions that could lead to its clearing members failing to meet their obligations to that ICE Clearing House. Accordingly, the ICE Clearing Houses account for this central counterparty guarantee as a performance guarantee. Given that each contract is margined and settled on at least a daily basis for each clearing member, the ICE Clearing Houses' maximum estimated exposure for this guarantee, excluding the risk management program discussed below, is \$30 billion as of March 31, 2011, which represents the maximum estimated value by the ICE Clearing Houses of a hypothetical one day movement in pricing of the underlying unsettled contracts. This amount is based on calculations determined using proprietary risk management software that simulates gains and losses based on historical market prices, volatility and other factors present at that point in time for those particular unsettled contracts. Future actual market price volatility could result in the exposure being significantly different than the amount estimated by the ICE Clearing Houses. The net notional value of the unsettled contracts was \$1.3 trillion as of March 31, 2011. The Company performed calculations to determine the fair value of its counterparty performance guarantee as of March 31, 2011 taking into consideration factors such as daily settlement of contracts, margining requirements, other elements of the Company's risk management program, historical evidence of default payments, and estimated probability of potential default payouts by the ICE Clearing Houses. Based on these analyses, the estimated liability was determined to be nominal and no liability was recorded as of March 31, 2011.

The ICE Clearing Houses seek to reduce their exposure through a risk management program that includes initial and ongoing financial standards for clearing firm admission and ongoing membership, original and variation margin requirements, and mandatory deposits to the Guaranty Fund. The amounts that the clearing members are required to maintain in the original margin and Guaranty Fund accounts are determined by standardized parameters established by the margin or risk committees, risk management departments and the boards of directors of each of the ICE Clearing Houses and may fluctuate over time. The Company's audit committee is not responsible for determining these parameters. As of March 31, 2011, the ICE Clearing Houses have received or have been pledged \$43.7 billion in cash and non-cash collateral in original margin, variation margin, performance collateral for delivery and Guaranty Fund deposits to cover movements in the pricing of the underlying contracts. The ICE Clearing Houses also have powers of assessment that provide the ability to collect additional funds from their clearing members to cover a defaulting member's remaining obligations up to the limits established under the terms of each ICE Clearing House's rules.

Should a particular clearing member fail to deposit original margin, or to make a variation margin payment, when and as required, the relevant ICE Clearing House may liquidate or hedge the clearing member's open positions and use the clearing member's original margin and Guaranty Fund deposits to make up the amount owed. In the event that those deposits are not sufficient to pay that owed amount in full, the ICE Clearing Houses may utilize the respective Guaranty Fund deposits of all clearing members pro rata for that purpose. In addition, the Company has contributed \$110.0 million and \$27.8 million to the ICE Clear Europe and ICE Trust Guaranty Funds, respectively, as of March 31, 2011.

As of March 31, 2011, original margin, unsettled variation margin, Guaranty Fund and performance collateral for delivery cash deposits are as follows for the ICE Clearing Houses (in thousands):

	ICE Clear U.S.	ICE Clear Europe	ICE Clear Canada	ICE Trust	TCC	Total
Original margin	\$ 654,923	\$ 12,988,786	\$ 70,346	\$ 4,535,944	\$ 21,101	\$ 18,271,100
Unsettled variation margin	13,805				50	13,855
Guaranty Fund	10,373	2,884,947	27,538	3,309,258	7,128	6,239,244
Performance collateral for delivery cash deposits			1,806			1,806
Total	\$ 679,101	\$ 15,873,733	\$ 99,690	\$ 7,845,202	\$ 28,279	\$ 24,526,005

The Company has recorded these cash deposits in the accompanying consolidated balance sheets as current assets with corresponding current liabilities to the clearing members of the relevant ICE Clearing House. All cash, securities and letters of credit are only available to meet the

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financial obligations of that clearing firm to the relevant ICE Clearing House. ICE Clear U.S., ICE Clear Europe, ICE Clear Canada, ICE Trust and TCC are separate legal entities and are not subject to the liabilities of the other ICE

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Clearing Houses or the obligations of the members of the other ICE Clearing Houses. The amount of these cash deposits may fluctuate due to the types of margin collateral choices available to clearing members and the change in the amount of deposits required. As a result, these assets and corresponding liabilities may vary significantly over time.

ICE Trust currently holds all of its cash deposits in the ICE Trust Federal Reserve account. Of the \$15.9 billion of ICE Clear Europe cash deposits as of March 31, 2011, \$15.3 billion represent funds invested under reverse repurchase agreements with several different counterparty banks, all of which are large, commercial financial institutions, through a third party custodian bank. Under these arrangements, ICE Clear Europe primarily purchases U.S. Treasury securities and certain sovereign debt obligations (from the seven largest industrialized nations), and the various counterparties agree to purchase back the instruments on the set repurchase date at the set repurchase price, plus interest. In accordance with the ICE Clear Europe investment policy, maturities of these securities may not exceed one month and at least 50% of the investments must have a maturity of one business day. The carrying value of these securities approximates their fair value due to the short-term nature of the instruments. The remaining cash deposits are held in demand deposit accounts at various financial institutions.

In addition to the cash deposits for original margin, variation margin, and the Guaranty Fund made to the relevant ICE Clearing House, clearing members also pledge assets, which may include government obligations, money market mutual fund shares, certificates of deposit, letters of credit, gold or emission allowances to the relevant ICE Clearing House to mitigate its credit risk. These assets are not reflected in the accompanying consolidated balance sheets as the ICE Clearing Houses do not take legal ownership of the assets as the risks and rewards remain with the clearing members. The ICE Clearing Houses have the ability to access the accounts where these assets are held at the financial institutions and depositories in the event of a clearing member default. These assets are held in safekeeping and any interest and gain or loss accrues to the clearing member. ICE Clear Europe pays energy clearing members all interest earned on their non-cash margin deposits plus an additional 50 basis points on non-cash deposits made to the Guaranty Fund and ICE Clear Europe charges energy clearing members 5 basis points for non-cash deposits made for original margin requirements. ICE Clear Europe pays CDS clearing members all interest earned on their non-cash margin deposits and charges CDS clearing members 5 basis points for all non-cash deposits, including original margin and Guaranty Fund requirements. The amounts paid to the clearing members are recorded net against other revenues in the accompanying consolidated statements of income and in total were \$340,000 and \$2.6 million for the three months ended March 31, 2011 and 2010, respectively.

As of March 31, 2011, the non-cash assets pledged by the clearing members for ICE Clear U.S., ICE Clear Europe, ICE Clear Canada and TCC were \$11.1 billion, \$7.9 billion, \$117.2 million and \$49.2 million, respectively. As of March 31, 2011, there were only cash deposits and no other assets were pledged for ICE Trust.

8. Russell Licensing Agreement

The Company has an exclusive licensing agreement (the Licensing Agreement) with the Russell Investment Group (Russell) to offer futures and options on futures contracts based on the full range of Russell's benchmark U.S. equity indexes. These rights became exclusive in September 2008, and subject to achieving specified trading volume for the various indexes, will remain exclusive throughout the remainder of the Licensing Agreement, which originally expired in June 2014.

In March 2011, the Company entered into an amendment to the Licensing Agreement that extended the term of the agreement through June 30, 2017 and also expanded the agreement to cover the exclusive listing of futures and options on futures contracts on Russell's benchmark international equity indexes. In connection with the amendment, the Company increased the Russell intangible assets and liabilities by \$34.4 million.

In exchange for the license rights, the Company paid Russell \$50.0 million in 2007 and will also make annual cash payments based on the annual contract trade volumes, subject to certain minimum annual royalty payments through the expiration of the agreement in June 2017. The Company has recorded the license rights as intangible assets, which were valued based on the net present value of all minimum annual royalty payments that the Company is required to make to Russell throughout the term of the agreement. As of March 31, 2011 and December 31, 2010, the net assets related to the Licensing Agreement are \$119.1 million and \$90.7 million, respectively, and are included in other intangible assets in the accompanying consolidated balance sheets. The intangible assets are being amortized over their revised contractual life. For the three months ended March 31, 2011 and 2010, amortization expense related to the Licensing Agreement was \$5.9 million and \$6.5 million, respectively.

Because the Company is required to make minimum annual royalty payments to maintain the Russell license rights, the Company has recorded a liability based on the net present value of the total required minimum royalty payments as of the effective date of the Licensing Agreement. As of March 31, 2011, the current and noncurrent liabilities relating to the minimum annual royalty payments under the Licensing Agreement are \$21.9 million and \$88.0 million, respectively, and are reflected as licensing agreement liabilities in the accompanying consolidated balance

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sheet. The difference between the present value of the payments and the actual payments is recorded as interest expense using the effective interest method over the term of the Licensing Agreement. For both the three months ended March 31, 2011 and 2010, interest expense related to the Licensing Agreement was \$1.3 million.

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9. Fair Value Measurements

The Company's financial instruments consist primarily of cash and cash equivalents, short-term and long-term restricted cash, customer accounts receivable, margin deposits and guaranty funds, short-term and long-term debt and other short-term assets and liabilities. The fair value of our financial instruments are measured based on a three-level hierarchy:

Level 1 inputs quoted prices for identical assets or liabilities in active markets.

Level 2 inputs observable inputs other than Level 1 inputs such as quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices that are directly observable.

Level 3 inputs unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In general, the Company uses Level 1 and 2 inputs to determine fair value. If quoted prices are not available to determine fair value, the Company uses other inputs that are observable either directly or indirectly. The Company determined the fair value of the interest rate swap contracts using Level 2 inputs, consisting of standard valuation models that are based on market-based observable inputs including forward interest rate curves. The fair value of interest rate swap contracts is included in other noncurrent liabilities in the accompanying consolidated balance sheet as of March 31, 2011. The fair value of short-term and long-term debt approximates carrying value since the rates of interest on the debt adjust to market rates on a periodic basis. All other financial instruments are determined to approximate carrying value due to the short period of time to their maturities.

Financial assets and liabilities recorded in the accompanying consolidated balance sheet as of March 31, 2011 are classified in their entirety based on the lowest level of input that is significant to the asset or liability's fair value measurement. Financial instruments measured at fair value on a recurring basis as of March 31, 2011 are as follows (in thousands):

	Level 1	Level 2	Level 3	Total
Liabilities at fair value:				
Interest rate swap contracts	\$	\$ 1,829	\$	\$ 1,829

The Company did not use Level 3 inputs to determine the fair value of assets or liabilities measured at fair value on a recurring basis during the three months ended March 31, 2011. The Company measures certain assets, such as intangible assets and cost method investments, at fair value on a non-recurring basis. These assets are recognized at fair value if they are deemed to be impaired. During the three months ended March 31, 2011, there were no assets that were required to be recorded at fair value since no impairment indicators were present. Cost method investments were \$9.3 million as of March 31, 2011.

10. Segment Reporting

The Company's principal business segments consist of its global OTC segment, its futures segment and its market data segment. The operations of ICE Futures Europe, ICE Futures U.S. and ICE Futures Canada and the respective clearing of the futures contracts that trade at each of these exchanges, make up the futures segment and the operations of ICE Data make up the market data segment. The remaining companies and operations have been included in the global OTC segment as they primarily support the Company's OTC business operations, which include energy swaps and credit derivatives markets. Intersegment revenues and transactions attributable to the performance of services are recorded based on transfer pricing standards and independent documentation. Intersegment revenues attributable to licensing transactions have been priced in accordance with comparable third party agreements. Financial data for the Company's business segments are as follows:

Global OTC	Futures Segment	Market Data	Total
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	Segment		Segment	
			(In thousands)	
Three Months Ended March 31, 2011:				
Revenues from external customers	\$ 156,964	\$ 159,892	\$ 17,424	\$ 334,280
Intersegment revenues	18,150	7,829	8,437	34,416
Depreciation and amortization	19,737	13,373	21	33,131
Interest and investment income	759	220	9	988
Interest expense	6,496	1,707	3	8,206
Income tax expense	22,947	37,958	5,045	65,950
Net income attributable to IntercontinentalExchange, Inc.	42,392	76,316	10,196	128,904
Total assets	9,112,950	19,462,536	47,005	28,622,491

Revenues from four clearing members of the futures segment comprised 16%, 14%, 12% and 10% of the Company's futures revenues for the three months ended March 31, 2011. These clearing members are primarily intermediaries and represent a broad

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range of principal trading firms. If a clearing member ceased its operations, the Company believes that the trading firms would continue to conduct transactions and would clear those transactions through another clearing member firm. No additional members or customers accounted for more than 10% of the Company's segment revenues or consolidated revenues during the three months ended March 31, 2011.

For the three months ended March 31, 2010, certain segment amounts below have been reclassified to conform to the current quarter's segment financial statement presentation. The primary changes relate to adjustments to the depreciation and amortization expenses for the global OTC segment and the futures segment. All goodwill and other intangible assets from the Company's acquisitions have historically been recorded in the global OTC segment, including the amortization expenses associated with the finite-lived intangible assets. At the end of 2010, the Company reclassified the goodwill and other intangible assets, and the related amortization expenses, from the global OTC segment to the futures segment for those acquisitions that relate to the futures segment. The Company also made these same adjustments for the prior periods, which increased the futures segment's depreciation and amortization expense by \$1.2 million for the three months ended March 31, 2010 while decreasing the depreciation and amortization expense by the same amount for the global OTC segment.

	Global OTC Segment	Futures Segment	Market Data Segment	Total
	(In thousands)			
Three Months Ended March 31, 2010:				
Revenues from external customers	\$ 141,880	\$ 124,669	\$ 15,071	\$ 281,620
Intersegment revenues	12,902	7,683	8,331	28,916
Depreciation and amortization	18,782	9,393	39	28,214
Interest and investment income	437	230	59	726
Interest expense	5,327	1,783		7,110
Income tax expense	19,150	28,809	5,258	53,217
Net income attributable to IntercontinentalExchange, Inc.	30,553	59,924	10,686	101,163

Revenues from four clearing members of the futures segment comprised 18%, 12%, 10% and 10% of the Company's futures revenues for the three months ended March 31, 2010. No additional members or customers accounted for more than 10% of the Company's segment revenues or consolidated revenues during the three months ended March 31, 2010.

11. Earnings Per Common Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per common share computations for the three months ended March 31, 2011 and 2010:

	Three Months Ended March 31, 2011 2010 (In thousands, except per share amounts)	
Basic:		
Net income attributable to IntercontinentalExchange, Inc.	\$ 128,904	\$ 101,163
Weighted average common shares outstanding	73,433	73,676
Basic earnings per common share	\$ 1.76	\$ 1.37
Diluted:		
Weighted average common shares outstanding	73,433	73,676
Effect of dilutive securities:		

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Stock options and restricted shares	768	851
Diluted weighted average common shares outstanding	74,201	74,527
Diluted earnings per common share	\$ 1.74	\$ 1.36

Basic earnings per common share is calculated using the weighted average common shares outstanding during the period. Common equivalent shares from stock options and restricted stock awards, using the treasury stock method, are also included in the diluted per share calculations unless their effect of inclusion would be antidilutive. During the three months ended March 31, 2011 and 2010, 317,000 and 232,000 outstanding stock options, respectively, were not included in the computation of diluted earnings per common share, because to do so would have had an antidilutive effect because the outstanding stock option exercise prices were greater than the average market price of the common shares during the relevant periods.

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12. Subsequent Events

On April 1, 2011, the Company and The NASDAQ OMX Group, Inc. ("NASDAQ OMX") issued a joint proposal to the board of directors of NYSE Euronext to acquire all of the outstanding shares of NYSE Euronext (the "Proposal"). The Company and NASDAQ OMX have agreed that if the transactions contemplated by the Proposal are consummated, the Company would acquire NYSE Euronext's European derivatives businesses and certain other entities and assets of NYSE Euronext, together with their related liabilities, and that all remaining entities and assets of NYSE Euronext, together with their related liabilities, would be retained by NASDAQ OMX. Under the terms of the Proposal, each NYSE Euronext share would receive \$14.24 in cash, 0.4069 shares of NASDAQ OMX common stock and 0.1436 shares of the Company's common stock. Of the aggregate consideration contemplated by the Proposal, the Company would contribute \$1.65 billion in cash and approximately 38 million shares of the Company's common stock, based on the number of outstanding NYSE Euronext shares as of March 1, 2011. NASDAQ OMX would contribute \$2.1 billion in cash, approximately 108 million shares of NASDAQ OMX common stock, based on the number of outstanding NYSE Euronext shares as of March 1, 2011, and assume \$2.1 billion of NYSE Euronext debt by the entities of NYSE Euronext to be retained by NASDAQ OMX. Based on the Company's and NASDAQ OMX's respective closing share prices as of March 31, 2011, the total Proposal purchase price was \$11.3 billion. NYSE Euronext was at the time, and continues to be, a party to a definitive agreement to combine with Deutsche Börse AG ("Deutsche Börse"). NYSE Euronext stock options, restricted stock units and deferred stock units would vest and be cashed out as part of the proposal.

The Company and NASDAQ OMX will continue to operate as separate businesses throughout the proposed transaction and, if consummated, after its completion. The Company and NASDAQ OMX have agreed that, after the consummation of the transactions contemplated by the Proposal, the Company will be entitled to receive, at direct cost, transition services for the businesses it acquires.

The Company's portion of the cash purchase price will be funded by cash on hand and borrowings under a proposed new credit facility with a syndication of banks led by Wells Fargo Bank and Bank of America Merrill Lynch, which together have provided executed letters providing committed financing to the Company in the amount of \$1.65 billion, subject to satisfaction of customary conditions precedent. The Company will incur fees as a result of the execution of the commitment letters and such fees will increase over time and upon the closing of a transaction with NYSE Euronext.

On April 19, 2011, the Company and NASDAQ OMX submitted to NYSE Euronext a form of merger agreement detailing the terms of the Proposal. Subject to completion of confirmatory due diligence and agreement with NYSE Euronext, the Company and NASDAQ OMX are prepared to consummate the transactions contemplated by the Proposal pursuant to a definitive agreement substantially in the form of the merger agreement provided to NYSE Euronext. The proposed merger agreement provides for a \$350.0 million reverse break-up fee payable to NYSE Euronext in the event that the proposed merger agreement is terminated in connection with a failure to obtain necessary antitrust and competition approvals. The Company and NASDAQ OMX would be responsible for equal portions of such reverse break-up fee. In other instances, subject to certain conditions, either the Company or NASDAQ OMX may be solely responsible for termination fees paid or payable to NYSE Euronext. On April 21, 2011, the NYSE Euronext board of directors rejected the Proposal. However, the Company and NASDAQ OMX plan to continue to pursue the Proposal.

The Company and NASDAQ OMX have agreed to share equally all break-up or termination fees paid or payable to Deutsche Börse in connection with the transactions contemplated by the Proposal, which is contemplated to be €250.0 million in total or \$353.9 million as of April 1, 2011 based on the euro to U.S. dollar exchange rate at that time.

The Proposal is subject to receipt of the NYSE Euronext stockholder approval as well as customary closing conditions, including the receipt of competition approvals in the United States, the European Union and other relevant jurisdictions, as well as approvals from the relevant exchange regulators and the receipt of the necessary approvals from both the Company's and NASDAQ OMX's stockholders. There can be no assurance that any of the transactions contemplated by the Proposal will be consummated, and there can be no assurance that any agreement with respect to the proposed transactions will be reached, or as to the timing or terms thereof.

In connection with this potential acquisition, as well as for other closed and potential transactions and strategic opportunities, the Company has incurred \$3.4 million in external direct investment banking, legal, accounting and tax transaction costs during the three months ended March 31, 2011. The Company incurred \$545,000 in transaction costs during the three months ended March 31, 2010. Such amounts have been expensed in the accompanying consolidated statement of income as acquisition-related transaction costs.

The Company has evaluated subsequent events and determined that other than the item discussed above, no events or transactions met the definition of a subsequent event for purposes of recognition or disclosure in the accompanying consolidated financial statements.

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This Quarterly Report on Form 10-Q, including the sections entitled Notes to Consolidated Financial Statements, Legal Proceedings, Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors, contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 that are based on our present beliefs and assumptions and on information currently available to us. You can identify forward-looking statements by terminology such as may, will, should, could, would, targets, goal, expect, intend, plan, anticipate, believe, estimate, predict, potential, continue, or the negative of these terms or other comparable terminology. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. These risks and other factors include those set forth in Item 1(A) under the caption Risk Factors and elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2010.

Forward-looking statements and other risks and factors that may affect our performance include, but are not limited to: our business environment and trends in our industry; increasing competition and consolidation in our industry; general economic conditions and conditions in global financial markets; volatility in commodity prices; changes in domestic and foreign regulations or government policy; our ability to identify and effectively pursue acquisitions and strategic alliances and successfully integrate the companies we acquire; the success of our clearing houses and our ability to minimize the risks associated with operating multiple clearing houses in multiple jurisdictions; technological developments, including clearing developments; the accuracy of our cost estimates and expectations; our belief that cash flows will be sufficient to fund our working capital needs and capital expenditures at least through the end of 2012; our ability to offer additional products and services, leverage our risk management capabilities and enhance our technology; our ability to develop new products and services and pursue strategic acquisitions and alliances on a timely, cost-effective basis; maintaining existing market participants and attracting new ones; protecting our intellectual property rights; not violating the intellectual property rights of others; threatened or pending litigation and adverse litigation results; our ability to identify trends and adjust our business to benefit from such trends; our belief in our electronic platform and disaster recovery system technologies; and our ability to gain access to comparable products and services if our key technology contracts were terminated. We caution you not to place undue reliance on these forward-looking statements as they speak only as of the date on which such statements were made, and we undertake no obligation to update any forward-looking statement or to reflect the occurrence of an unanticipated event. New factors emerge from time to time, and it is not possible for management to predict all factors that may affect our business and prospects. Further, management cannot assess the impact of each factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

In this Quarterly Report on Form 10-Q, unless otherwise indicated, the terms IntercontinentalExchange, ICE, we, us, our, our company and our business refer to IntercontinentalExchange, Inc., together with its consolidated subsidiaries. Due to rounding, figures may not sum exactly.

Overview and Our Business Environment

We are a leading operator of global futures exchanges, over-the-counter, or OTC, markets and derivatives clearing houses. We operate leading futures and OTC marketplaces for trading and clearing a broad array of energy, emissions and agricultural commodities, credit default swaps, or CDS, equity indexes and foreign exchange contracts. Currently, we are the only marketplace to offer an integrated electronic platform for trading of products in both the futures and OTC markets, together with post-trade processing and clearing services. Through our widely-distributed electronic markets, we bring together buyers and sellers of derivative and physical commodities and financial contracts and offer a range of services to support our participants' risk management and trading activities.

We conduct our regulated U.K.-based energy futures markets through our wholly-owned subsidiary, ICE Futures Europe. We conduct our regulated U.S.-based futures markets through our wholly-owned subsidiary, ICE Futures U.S. We conduct our regulated Canadian futures markets through our wholly-owned subsidiary, ICE Futures Canada. We operate our OTC energy markets directly through InternationalExchange as an Exempt Commercial Market under the Commodity Exchange Act and our CDS markets through Creditex, our wholly-owned brokerage. Contracts listed by ICE Futures Europe, as well as our cleared OTC energy swap contracts clear through ICE Clear Europe. ICE Futures U.S. clears its contracts through ICE Clear U.S. and ICE Futures Canada clears its contracts through ICE Clear Canada. We clear North American and European CDS contracts submitted by a variety of trade execution venues, including Creditex, through ICE Trust and ICE Clear Europe, respectively.

Our business is primarily transaction-based, and the revenues and profitability in our markets relate directly to the amount, or volume, of trading and clearing activity and the respective execution and clearing fee levels. Trading volume is driven by a number of factors, including the degree of price volatility of commodities and financial contracts such as equity indexes and foreign exchange, as well as economic conditions, weather, new product introductions, fees, currency moves and interest rates, margin requirements, regulation of our markets and market participants, and competition. Price volatility increases the need to hedge price risk and creates opportunities for the exchange of risk between market

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participants. Changes in our futures trading volume and OTC average daily commissions are also driven by varying levels of volatility and liquidity in our markets and in the broader commodities markets, which influence trading volume across all of the markets we operate.

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Since our business is primarily transaction-based, declines in trading volumes and market liquidity could adversely affect our business and profitability. Market liquidity is one of the primary keys to attracting and maintaining customers and is an important indicator of a market's strength.

We operate our futures and OTC markets primarily on our electronic platforms. In addition, we offer ICE Futures U.S. options markets on both our electronic platform and our New York-based trading floor. We also operate brokerage desks for CDS and certain of our energy options businesses. As participation continues to increase and as participants continue to employ the use of more financial instruments and more sophisticated risk management strategies to manage their price exposure, we believe there remains opportunity for further growth in the trading and clearing of derivative products in these markets globally.

Financial Highlights

Our consolidated revenues increased \$52.7 million, or 19%, to a record \$334.3 million for the three months ended March 31, 2011, compared to the same period in 2010. Revenue growth was primarily due to higher trading volume in the ICE Brent Crude, ICE WTI Crude, ICE Gasoil and ICE ECX emission futures and options contracts, the OTC North American natural gas contracts and the OTC global oil contracts. These increases were partially offset by a decline in CDS revenues.

Our consolidated operating expenses increased \$12.9 million, or 11%, to \$130.7 million for the three months ended March 31, 2011, compared to the same period in 2010. Our depreciation and amortization expenses increased \$4.9 million compared to the same period in 2010 primarily due to additional amortization expenses recorded on the intangible assets associated with our acquisition of Climate Exchange plc, or CLE, in July 2010. Our compensation and benefits expenses increased \$3.4 million compared to the same period in 2010 primarily due to an increase in our performance-based restricted stock accruals and due to a 13% increase in our employee headcount from March 31, 2010 to March 31, 2011. Our acquisition-related transaction costs increased \$2.9 million compared to the same period in 2010 primarily due to the transactions costs incurred relating to the potential acquisition of NYSE Euronext discussed below.

Our consolidated operating margin increased to 61% for the three months ended March 31, 2011, compared to 58% for the same period in 2010.

Our consolidated net income attributable to ICE increased \$27.7 million, or 27%, to a record \$128.9 million for the three months ended March 31, 2011, compared to the same period in 2010. Excluding our acquisition-related transaction costs, net of taxes, consolidated net income attributable to ICE for the three months ended March 31, 2011 would have been \$131.0 million. See -Non-GAAP Financial Measures below.

Our consolidated cash flows from operations increased by 53% to \$155.4 million for the three months ended March 31, 2011, compared to the same period in 2010.

During the three months ended March 31, 2011, 99.0 million contracts were traded in our futures markets, up 26% from 78.7 million contracts traded during the three months ended March 31, 2010. During the three months ended March 31, 2011, 96.5 million contract equivalents were traded in our OTC energy markets, up 25% from 77.3 million contract equivalents traded during the three months ended March 31, 2010.

Regulatory Update

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Financial Reform Act. The Financial Reform Act is intended to reduce the risk of future financial crises and will make major changes to the U.S. financial regulatory system. The Financial Reform Act gives the Commodity Futures Trading Commission, or CFTC, together with the Securities and Exchange Commission, or SEC, expansive authority over the OTC derivatives market and market participants, and provides the Federal Reserve Bank with authority over systemically important financial entities. Through extensive rulemaking authority under the Financial Reform Act, the

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CFTC and SEC will create a comprehensive new regulatory regime for OTC derivative markets and market participants that is intended to provide more transparency and stability to the OTC derivatives market.

Since August 2010, the CFTC and SEC have been proposing rules to implement the Financial Reform Act. The proposed rules will require us to make changes to our business, including registering our OTC credit and energy platforms as Swaps Execution Facilities and clearing our OTC business through a Derivatives Clearing Organization. As of the date of this Form 10-Q, neither the CFTC nor the SEC have issued final rules implementing the Financial Reform Act affecting us. Our markets operated efficiently, securely and transparently during the financial crisis and the new requirements to centrally clear OTC swaps and trade them on registered platforms is consistent with our existing business model, thereby providing us with potential new business opportunities. For additional information regarding the Financial Reform Act and other regulations affecting our business, please see the regulation discussion in our Annual Report on Form 10-K as filed with the SEC on February 9, 2011.

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Acquisition Proposal

On April 1, 2011, we and The NASDAQ OMX Group, Inc., or NASDAQ OMX, issued a joint proposal to the board of directors of NYSE Euronext to acquire all of the outstanding shares of NYSE Euronext, or the Proposal. We and NASDAQ OMX have agreed that if the transactions contemplated by the Proposal are consummated, we would acquire NYSE Euronext's European derivatives businesses and certain other entities and assets of NYSE Euronext, together with their related liabilities, and that all remaining entities and assets of NYSE Euronext, together with their related liabilities, would be retained by NASDAQ OMX. Under the terms of the Proposal, each NYSE Euronext share would receive \$14.24 in cash, 0.4069 shares of NASDAQ OMX common stock and 0.1436 shares of our common stock. Of the aggregate consideration contemplated by the Proposal, we would contribute \$1.65 billion in cash and approximately 38 million shares of our common stock, based on the number of outstanding NYSE Euronext shares as of March 1, 2011. NASDAQ OMX would contribute \$2.1 billion in cash, approximately 108 million shares of NASDAQ OMX common stock, based on the current number of outstanding NYSE Euronext shares as of March 1, 2011, and assume \$2.1 billion of NYSE Euronext debt by the entities of NYSE Euronext to be retained by NASDAQ OMX. Based on our and NASDAQ OMX's respective closing share prices as of March 31, 2011, the total Proposal purchase price was \$11.3 billion. NYSE Euronext was at the time, and continues to be, a party to a definitive agreement to combine with Deutsche Börse AG, or Deutsche Börse. NYSE Euronext stock options, restricted stock units and deferred stock units would vest and be cashed out as part of the Proposal.

We and NASDAQ OMX will continue to operate as separate businesses throughout the proposed transaction and, if consummated, after its completion. We and NASDAQ OMX have agreed that, after the consummation of the transactions contemplated by the Proposal, we will be entitled to receive, at direct cost, transition services for the businesses we acquire.

Our portion of the cash purchase price will be funded by cash on hand and borrowings under a proposed new credit facility with a syndication of banks led by Wells Fargo Bank and Bank of America Merrill Lynch, which together have provided executed letters providing committed financing to us in the amount of \$1.65 billion, subject to satisfaction of customary conditions precedent. We will incur fees as a result of the execution of the commitment letters and such fees will increase over time and upon the closing of a transaction with NYSE Euronext.

On April 19, 2011, we and NASDAQ OMX submitted to NYSE Euronext a form of merger agreement detailing the terms of the Proposal. Subject to completion of confirmatory due diligence and agreement with NYSE Euronext, we and NASDAQ OMX are prepared to consummate the transactions contemplated by the Proposal pursuant to a definitive agreement substantially in the form of the merger agreement provided to NYSE Euronext. The proposed merger agreement provides for a \$350.0 million reverse break-up fee payable to NYSE Euronext in the event that the proposed merger agreement is terminated in connection with a failure to obtain necessary antitrust and competition approvals. We and NASDAQ OMX would be responsible for equal portions of such reverse break-up fee. In other instances, subject to certain conditions, either we or NASDAQ OMX may be solely responsible for termination fees paid or payable to NYSE Euronext. On April 21, 2011, the NYSE Euronext board of directors rejected the Proposal. However, we and NASDAQ OMX plan to continue to pursue the Proposal.

We and NASDAQ OMX have agreed to share equally all break-up or termination fees paid or payable to Deutsche Börse in connection with the transactions contemplated by the Proposal, which is contemplated to be €250.0 million in total or \$353.9 million as of April 1, 2011 based on the euro to U.S. dollar exchange rate at that time.

On May 2, 2011, we and NASDAQ OMX announced that each of our respective boards of directors have approved an intent to commence an exchange offer to acquire all of the outstanding shares of NYSE Euronext common stock in a cash and stock transaction based on the same terms described above. If we and NASDAQ OMX are successful in acquiring shares pursuant to the offer, we plan to consummate a second step merger as soon as possible thereafter to acquire the remaining NYSE Euronext shares for the same consideration per share.

The Proposal is subject to receipt of the NYSE Euronext stockholder approval as well as customary closing conditions, including the receipt of competition approvals in the United States, the European Union and other relevant jurisdictions, as well as approvals from the relevant exchange regulators and the receipt of the necessary approvals from both our and NASDAQ OMX's stockholders. There can be no assurance that any of the transactions contemplated by the Proposal will be consummated, and there can be no assurance that any agreement with respect to the proposed transactions will be reached, or as to the timing or terms thereof.

Variability in Quarterly Comparisons

In addition to general economic conditions and conditions in the financial markets, particularly the commodities markets, trading volume is subject to variability due to a number of key factors. These factors include geopolitical events, weather, real and perceived supply and demand imbalances, regulatory considerations, availability of capital, the number of trading days in a period and seasonality. These and other factors could cause our revenues to fluctuate from period to period. These fluctuations may affect the reliability of period to period comparisons of our revenues and operating results.

Segment Reporting

For financial reporting purposes, our business is currently divided into three segments: our futures segment, our global OTC segment and our market data segment. In our futures markets, we offer trading and clearing in standardized derivative contracts on our regulated exchanges. In our OTC markets, which include energy markets and credit derivatives, we offer electronic trading, clearing and brokerage services. Through our market data segment, we offer a variety of market data services and products for both futures and OTC market participants and observers. For a discussion of these segments and related financial disclosure, refer to Note 10 to our consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q.

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Intersegment fees include charges for developing, operating, managing and supporting the platform for electronic trading and clearing in our futures segment. Our global OTC segment provides and supports the platform for electronic trading and clearing in our futures segment. Our futures segment and our global OTC segment provide access to trading data to our market data segment. Our market data segment provides marketing and other promotional services to our global OTC segment. These internal charges are reflected as intersegment revenues and expenses. We determine the intercompany or intersegment fees to be paid by the business segments based on transfer pricing standards and independent documentation. These intersegment fees have no impact on our consolidated operating results. We expect the structure of these intersegment fees to remain unchanged and expect that they will continue to have no impact on our consolidated operating results.

Our Futures Segment

The following table presents selected statement of income data in dollars and as a percentage of revenues for our futures segment:

	Three Months Ended March 31,			
	2011(1)	%	2010(2)	%
	(Dollar amounts in thousands)			
Revenues:				
Transaction and clearing fees, net:				
ICE Brent Crude futures and options(3)	\$ 48,562	29%	\$ 35,204	27%
ICE Gasoil futures and options(3)	26,774	16	20,186	15
Sugar futures and options	17,689	10	21,341	16
ICE WTI Crude futures and options(3)	14,722	9	11,544	9
ICE ECX emission futures and options(4)	14,251	8	7,478	6
Russell Index futures and options	9,653	6	7,834	6
Cotton futures and options	6,546	4	4,394	3
Other futures and options(5)	19,021	11	14,638	11
Intersegment fees	7,829	5	7,684	6
Market data fees	89			
Other	2,585	2	2,050	1
Total revenues	167,721	100	132,353	100
Operating expenses:				
Selling, general and administrative expenses(6)	21,991	13	20,479	16
Intersegment expenses(7)	17,094	10	12,177	9
Depreciation and amortization(2)(8)	13,373	8	9,393	7
Total operating expenses	52,458	31	42,049	32
Operating income	115,263	69	90,304	68
Other expense, net	989		1,571	1
Income tax expense	37,958	23	28,809	22
Net income	\$ 76,316	46%	\$ 59,924	45%

- (1) The financial results for the three months ended March 31, 2011 include the financial results for CLE, which was acquired in July 2010.
- (2) For the three months ended March 31, 2010, certain segment amounts above have been reclassified to conform to our current quarter's segment financial statement presentation. The primary changes relate to adjustments to our depreciation and amortization expenses. All goodwill and other intangible assets from our acquisitions have historically been recorded in our global OTC segment, including the amortization expenses associated with the finite-lived intangible assets. At the end of 2010, we reclassified the goodwill and other intangible assets, and the related amortization expenses, from the global OTC segment to the futures segment for those acquisitions that

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relate to the futures segment. We also made these same adjustments for the prior periods, which increased the futures segment's depreciation and amortization expense above by \$1.2 million for the three months ended March 31, 2010 while decreasing the depreciation and amortization expense by the same amount for the global OTC segment.

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- (3) Revenues in our ICE Brent Crude, ICE WTI Crude and ICE Gasoil futures and options markets increased from the prior year period due to several factors, including increased trading activity stimulated by the wide differential between Brent and WTI crude prices, the political situation in the Middle East and the impact on global commodity markets of the Japanese earthquake and its effects.
- (4) Revenues in our ICE ECX emission futures and options contracts increased from the prior period due to increased trading volumes and our recognition of 100% of the revenues from the ICE ECX emission contracts during the three months ended March 31, 2011, following our July 2010 acquisition of CLE. During the comparable period in 2010 prior to our acquisition, we only recognized a portion of the total ICE ECX futures and option revenues under our licensing agreement with CLE.
- (5) The increase in other futures and options revenues is primarily due to increased trading volumes in our canola, cocoa, coffee, U.K. natural gas, coal and U.S. Dollar Index futures and option contracts.
- (6) Includes compensation and benefits expenses, professional services expenses and acquisition-related transaction costs.
- (7) The increased intersegment fees being charged from the global OTC segment to the futures segment for the three months ended March 31, 2011 primarily relates to increased expenses being incurred and charged for developing, operating, managing and supporting the platforms for electronic trading and clearing and due to the increased trading volume of the futures segment during the three months ended March 31, 2011.
- (8) The financial results for the three months ended March 31, 2011 include \$4.9 million in amortization expenses recorded on the finite-lived intangible assets associated with our acquisition of CLE in July 2010.

Our ICE Brent Crude futures contract is a benchmark contract relied upon by a broad range of market participants, including certain large oil producing nations, to price their crude oil. We believe that market participants are increasingly relying on the Brent contract for their risk management activities, as evidenced by steady increases in traded volumes and open interest over the past several years.

Transaction and clearing fees are presented net of rebates. We recorded rebates in our futures segment of \$50.4 million and \$36.4 million for the three months ended March 31, 2011 and 2010, respectively. The increase in rebates is due primarily to an increase in the number of participants in the rebate programs offered on various futures and option contracts and from higher contract volume traded under these programs during the period. We offer rebates in certain of our markets primarily to support market liquidity and trading volume by providing qualified participants in those markets a discount to the applicable commission rate. These rebates reduce revenue that would have been generated had full commissions been charged, assuming that the same volume had been generated without the rebate program.

A futures contract is a standardized contract for a fixed quantity of the commodity underlying each contract. The following table presents trading activity in our futures markets by commodity type based on the total number of contracts traded:

	Three Months Ended		Change
	March 31,		
	2011	2010	
	(In thousands)		
Number of futures and option contracts traded:			
ICE Brent Crude futures and options	32,975	24,461	35%
ICE Gasoil futures and options	17,770	13,049	36
ICE WTI Crude futures and options	17,081	11,584	47
Russell Index futures and options	9,080	8,778	3
Sugar futures and options	9,050	10,677	(15)