



**BGC Group, Inc.**  
**Q2 2024**  
**EARNINGS CALL**  
**TRANSCRIPT**





## Company Participants

**Howard W. Lutnick**, Chairman and Chief Executive Officer

**Sean Windeatt**, Chief Operating Officer, Co-Global Head of Brokerage

**Jason W. Hauf**, Chief Financial Officer

**Jason Chryssicas**, Head of Investor Relations

## Other Participants

**Patrick Moley**, Analyst, Piper Sandler

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### Operator

Greetings. Welcome to BGC Group Incorporated Second Quarter 2024 Earnings Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation.

(Operator Instructions). Please note this conference is being recorded. I will now turn the conference over to Jason Chryssicas, Head of Investor Relations. Thank you. You may begin.

### Jason Chryssicas

Thank you, and good morning. We issued BGC's second quarter 2024 financial results press release and the presentation summarizing these results this morning prior to the market open. You can find these at [ir.bgcg.com](http://ir.bgcg.com).

Except as otherwise specified, any historical results provided on today's call compare only the second quarter of 2024 with the prior year period, and we will be referring to our results only on a non-GAAP basis, which include the terms Adjusted Earnings and Adjusted EBITDA.

Please refer to today's press release, investor presentation, supplemental tables, and our website for additional details on our quarterly results and for complete updated definitions of any non-GAAP terms, reconciliations of these items to the corresponding GAAP results, and how, when, and why management uses them, as well as relevant industry or economic statistics.

The outlook discussed today assumes no material acquisitions or meaningful changes in our stock price. Our expectations are subject to change and based on various macroeconomic, social, political, and other factors. None of our targets or goals beyond 2024 should be considered formal guidance.

Also, I remind you that information on this call contains forward-looking statements, including without limitation statements concerning our economic outlook and business. Such statements are subject to risks and uncertainties which could cause our actual results to differ from expectations. Except as



required by law, we undertake no obligation to update any forward-looking statements. For a complete discussion of the risks and other factors that may impact these forward-looking statements, see our SEC filings including but not limited to the risk factors and disclosures regarding forward-looking information in our most recent SEC filings which are incorporated by reference.

Now before opening the call, I would like to take, I would like to address some recent inaccurate statements made by FMX by the CME.

Mr. Duffy, the CEO of the CME, mistakenly spoke of FMX seeking to clear U.S. Treasuries in the UK. We are not. FMX UST, identically like the CME's BrokerTec, clears U.S. Treasuries at the FICC in the United States.

The LCH is our fully approved CFTC Derivatives Clearing Organization and holds \$225 billion of interest rate swap margin, which is available for cross-margin efficiencies against futures. This is considerably more than the approximately \$37 billion that the CME holds.

SOFR futures are near perfect offsets for interest rate swaps and FMX SOFR futures will produce enormous cross-margin efficiencies against the much larger LCH collateral pool, to which the CME does not have access. Over time, we expect our cross-margin efficiencies to be many multiples of theirs.

With that, I'm happy to turn the call over to Howard Lutnick, Chairman of the Board and CEO of BGC Group.

**Howard Lutnick**

Thank you, Jason.

Good morning and welcome to our second quarter 2024 conference call. With me today is Sean Windeatt, our Chief Operating Officer; and Jason Hauf, our Chief Financial Officer.

BGC delivered record second quarter revenues and Adjusted Earnings with continued growth across our business and geographies. Our revenue growth of 12% delivered earnings growth of over 19%, demonstrating BGC's operating leverage.

Higher revenues along with improved profitability in our FMX and Fenics businesses contributed significantly to our profit growth and margin expansion in the second quarter.

We are excited about FMX, which continues to outperform its peer. FMX UST volumes were up 37% and FMX FX was up 30%. FMX, together with its clearing partner, LCH, has full CFTC approval to open our futures exchange.

Together with our 10 partners, Bank of America, Barclays, Citadel, Citi, Goldman Sachs, JP Morgan, Jump Trading, Morgan Stanley, Tower Research, and Wells Fargo, we look forward to the launch of SOFR Futures, the largest notional futures contract in the world, in September next month.

With that, I would like to turn the call over to Sean.



**Sean Windeatt**

Thanks, and good day everyone.

Our second-quarter revenues grew by 11.7% to \$550.8 million, representing record second-quarter revenues and reflecting broad-based growth across all geographies. BGC generated strong double-digit revenue growth across its three largest businesses, Rates, ECS, and Foreign Exchange.

Total brokerage revenues grew by 11.3% to \$493.5 million.

Rates revenues increased by 15.1% to \$166 million reflecting higher volumes across interest rate derivatives including our Euro, US Dollar, and New Yen Rates businesses.

ECS revenues grew by 19.3% to \$117.7 million driven by strong organic growth across the business.

Foreign Exchange revenues improved by 14.7% to \$88.9 million driven by emerging markets products and G10 options volumes.

Credit revenues increased by 5.4% to \$69.4 million on higher trading volumes across European, emerging markets, and US Credit products partially offset by lower Asian credit activity.

Equities revenues decreased by 10.4% to \$51.4 million due to lower equity derivative trading volumes, partially offset by higher cash equity derivatives.

Data, Network and Post-trade revenues improved by 14.1% to \$30.8 million driven by broad-based revenue growth across Fenics Market Data, Lucera and Capitalab.

Turning to Fenics, in the second quarter Fenics revenues grew by 9.7% to \$137.3 million, driven by higher electronic trading activity as well as a strong improvement in Data, Network and Post-trade subscription revenues.

Fenics Markets produced revenue of \$115.1 million in the second quarter, an increase of 7.5%. This growth was driven by strong electronic Foreign Exchange, Credit and Rates volumes along with higher Fenics Market Data revenues. We're excited about our ECS business which will provide future electronic growth opportunities for our Fenics Markets business.

Our Fenics Growth Platforms generated second quarter revenues of \$22.2 million, up 22.4% driven by PortfolioMatch, Lucera, and FMX.

PortfolioMatch more than doubled its US Credit volumes versus a year ago and increased its European volumes by nearly five-fold.

Lucera revenues grew by 16%, its 18th consecutive quarter of double-digit year-over-year revenue growth. Lucera continues to expand its customer base and deepen its existing customer agreements, adding to its recurring revenue base.

FMX includes the world's fastest growing cash U.S. Treasuries marketplace and its spot Foreign Exchange platform, along with its fully approved U.S. futures exchange. FMX is challenging the CME's



monopoly in U.S. interest rate futures and its leading position in cash U.S. Treasuries and spot Foreign Exchange.

FMX UST produced a record market share of 30% for the second quarter, up from 28% last quarter and 23% a year ago. FMX UST average daily volumes improved by 37% versus the prior year period, achieving new record ADV of \$47 billion for the second quarter. This translated to revenue growth of 34%.

FMX FX average daily volumes improved by over 30% versus the prior year period, on record ADV of \$8.1 billion. FMX FX continues to grow faster than the overall market and is expected to significantly grow its market share in the enormous global Foreign Exchange market.

Turning to our outlook, I'm pleased to provide the following guidance for the third quarter of 2024.

We expect to generate total revenue of between \$505 and \$555 million as compared to \$482.7 million in the third quarter of 2023.

We anticipate pre-tax adjusted earnings to be in the range of \$110 million to \$127 million versus \$101.9 million last year.

With that, I'd like to turn the call over to Jason.

**Jason Hauf**

Thank you, Sean, and hello, everyone.

BGC generated total second quarter revenue of \$550.8 million, reflecting growth across all geographies. Europe, Middle East, and Africa revenues increased by 14.4%. America's revenues increased by 9.5%, and Asia Pacific revenues increased by 7.9%.

Turning to expenses. Our compensation and employee benefits under Adjusted Earnings increased by 13.1%, driven by higher revenues as well as an increase in newly hired brokers and new business lines.

Non-compensation expenses under Adjusted Earnings increased by 5.1%, driven by higher selling and promotion, communications and interest expense.

Moving on to earnings. Our profitability increased across all earnings metrics during the quarter. Our pre-tax Adjusted Earnings grew by 19.2% to \$125.8 million with a margin of 22.8%. This is our 15th consecutive quarter of year-over-year margin expansion. Post-tax Adjusted Earnings increased by 14.7% to \$114.7 million and post-tax Adjusted Earnings per share improved by 15% to \$0.23 per share. Our second quarter Adjusted EBITDA was \$162.4 million, a 20.2% improvement.

Turning the share count. Our fully diluted weighted average share count for Adjusted Earnings was 496.8 million during the second quarter, a 1.7% decrease compared to the second quarter of 2023. BGC continues to expect its fully diluted weighted average share count to remain approximately flat for the full year 2024, excluding acquisitions or extraordinary transactions.



As of June 30th, our Liquidity was \$759.1 million, compared with \$701.4 million as of the year-end 2023.

With that operator, we would like to open the call for questions.

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## Question & Answer

### Operator

Thank you, (Operator Instructions). Our first question comes from Patrick Moley with Piper Sandler, please proceed.

### Patrick Moley

Yes, good morning, thanks for taking the question.

So, starting off maybe Howard you could have elaborate on Jason's remarks and where you viewed the inaccuracies in the comments made by the CME.

And then when it comes to you FMX or LCH potentially looking to clear U.S. Treasuries, I don't know if that was ever in the cards that you would look to do it in-house. I know that you'd mentioned potentially looking to strike a similar partnership, that as like the CME has with the DTCC and if you were going to offer margin offsets with Treasuries. But maybe just update us on your thoughts and any future plans that FMX could have an offering Treasury offsets.

### Howard Lutnick

Okay, so let's start at the beginning FMX and the LCH have all approvals necessary for us to open in September with SOFR futures that will clear with the LCH, which is a fully approved CFTC Derivatives Clearing Organization. Fully approved. We're done, no ands ifs or buts and our expectation is we're opening in September.

They clear interest rate swaps as well and they will be doing cross margining between futures contracts, transacted on the FMX, cleared with the LCH, and interest rate swap collateral, of which they have 97.8% of all Dollar based swaps are Collateral in the LCH. So that cross margin efficiency is \$225 billion of collateral, the CME has \$37 billion of collateral. So, sort of the LCH is 6.5x more and that's dollar based as well, so they have even more than that because some of the \$37 billion by the CME is non-dollar based. So, it's ever more.

So, we think that will create enormous efficiencies, so that has nothing to do with clearing US Treasuries at all. That was not in the cards. That is nothing we pursued. That is not a discussion.



Obviously FMX U.S. Treasuries, which announced it has 30% market share today clears those U.S. Treasuries exactly the same way as BrokerTec, at the FICC in America, so I couldn't figure out whether it was just a complete misunderstanding or just a confusing sort of set of statements to try to baffle people as we open. Because we got lots of phone calls about it, but it makes no sense.

So again, FMX and the LCH have all approvals to open in September, which is kind of like, you know it's almost August. So, it's in the quarter we're in, in the month that is after August is September.

There's nothing in our way. We are fully approved and ready to go to open SOFR futures, which will have wonderful cross-margin efficiencies against the LCH and a one pot clearing model, which we have discussed.

It will bring beautiful efficiencies taking nothing away from the CMEs \$20 billion of efficiencies. But think about it. They have \$37 billion in collateral and they offer \$20 billion of efficiencies. Well, let's call that about just above 50%.

When LCH has \$225 billion, you have all sorts. We have all sorts of numbers. So almost any way you compare it you will see that the LCH has the opportunity to offer vast amounts of capital efficiencies and cross-margin. Any way you slice.

So, I hope that helps.

**Patrick Moley**

No, definitely that thanks for clearing that up.

But going back to FMX and some of the comments you just made about nothing being in your way launching in September, I'm assuming that's kind of a done deal. Have you set a date yet? And are there any potential bogeys at all that could push that out?

And then once you launch what kind of KPIs are you looking to disclose and could you share any updated milestones that investors should be looking out for, whether it's volumes or open interest or market share that you're expecting to get to.

**Howard Lutnick**

Well as I've said in the past this is a marathon, not a sprint. Okay.

When we open for business, there's nothing about the Tuesday we open or the Thursday that is fundamental.

This is the first year, is the objectives for the exchanges to get all players on the field, right. There are 50 or so FCM's in the world. We have to onboard them all, get them all up and running. You have to speak to all the clients. Of course. Will our partners be ready to trade? Sure. Will the rest of the client base of the whole wide world. I think that will take some time. So, let's say our objectives are at the end of the first year to have all players on the field, right. All lines open. All accounts open and we



will...it's our expectation that we will have a record open interest for a new exchange ever. So that's our objective to have record open interest at the end of year one of any new exchange ever.

Then year two, we're going to build volume. We're going to build connectivity. We're going to make sure every client is trading; all volumes are there. We're going to then build and build and then year three is going to be full on full boat, everybody ready, everybody connected all things go and we would expect full on competitive position of FMX and the CME in year three.

So that is a process. It is a steady process. So, it doesn't really, it is not fundamental to us in our coordination with LCH which day we open in September, that's not really a thing.

Could there possibly be something that pushes it out? I'm not the kind of person that would say everything is impossible. But I wouldn't be saying September if it wasn't completely our expectation that we'll be opening in September. And I think we're ready. LCH is ready. We're ready. I'm sure there are my technology people, and everybody are hustling around, dotting I's and crossing T's. So, I can't say right now every single bow is tied and shoelace is ready to go. But they all know September is not that far away.

And I think we are...confident would be the right answer, that we will have a wonderful opening with more prices than people imagine. But I do want to temper people's expectations. Our objective is not to say Tuesday of our opening week is like the most important day. It is not.

It is the beginning of a process of bringing fundamental competition to a market that is 100% at the CME today. If you look at an interview I gave to the Financial Times in 2007, when the CME and the CBOT had announced their merger, I said, well that creates two monopolies because you had the CME's monopoly on SOFR futures and the Chicago Board of Trade's monopoly on Treasury futures. And that would combine them into two monopolies under one roof. Both of those are going to now have competition coming from FMX and we think with the efficiencies of our partner in the LCH and the extraordinary backing by these 10 enormous, successful, and wonderful partners of the best banks and trading firms in the world, I think you're going to see extraordinary competition.

But that is delivered over the next three years, not on any particular Tuesday or Thursday.

**Patrick Moley**

Okay, all right, so maybe if we switch to 2Q. And I'm just going to keep asking questions. I know I've been flying solo on the call here for the last couple of quarters, so if there's anyone else in the queue that's going to ask a question, just kick me off after this one, and I'll hop back in the queue.

But on the quarter, you mentioned in the deck that FMX UST revenues were up 34% year over year. I think last quarter you said that you'd expected to see a step up in revenues just from the partners switching over from variable fee plans to subscription plans, which I believe occurred on May 1st.

So just curious if you have any sense of how much of that growth in UST revenues that fee plan change contributed, and then broadly speaking, prior to the formation of FMX, I think you were tens of millions away from break-even.





Just curious on where FMX is today in terms of the break-even point, and if not today, when do you think you'd expect that FMX would be a break-even?

**Howard Lutnick**

So remember, FMX is U.S. Treasuries cash, Foreign Exchange, both growing wonderfully, and futures, which is yet to open, and all of the expenses of a full-bore futures exchange that's going to open in September, which means every person who needs to work at the exchange is standing there, all the computers are standing there, everything is ready, turned on, and looking, and it's been that way since we had our CFTC approval, because obviously, when the CFTC approves you, you are then allowed to open the next day, so you'd have to have everything ready.

So, we are suffering those expenses until we open, right? And then when we open, our objectives are to bring in volume, we're not going to charge a lot of money, that's not the kind of thing. So, I would expect FMX will be in the black at the end of the year. I would expect that we had a partial period in the second quarter, so that will improve, obviously, in the third quarter, but the economics of their bump initially was not designed to have a big bump in our profitability.

It was designed for us to have a bump in volume, which will then be a magnet for growth. So, we have not seen that yet. You can see our market share growth was consistent with how it has been, right? We went from 23% to 30%, that's seven-points market share in the whole year, so we've averaged just under two points, and we've had two points market share each of the last couple of quarters, so that remains consistent. We're happy with that, but we think there may well be a step transaction coming over the next couple of quarters, if and when the banks start to put a little pedal to the metal on a company that they have a substantial stake in.

So I think a benefit is coming, but we expect FMX to have nice growth in profits, nice growth, sorry, in revenues, bringing the whole thing to break even, even though we're not really going to be charging very much at all for futures. So, I think it bodes extremely well for the profits. It's important to realize that FMX is competing with a \$70 billion organization. Our market cap is between \$4 billion and \$5 billion, and we bring such an incredible type of competition, the likes of which obviously the CME has never seen, in that it actually has caused them to comment both on their own conference call and on television, basically to talk about FMX almost the whole time.

So, I mean, I think that's just incredibly telling about what is coming. The LCH's \$225 billion of cross-margin efficiency together with FMX and its connectivity to all the banks and all those banks participating, really brings enormous, enormous opportunity.

So, we're really, really excited about things and where they're going, but the near-term profits are going to be attractive for the company, right? 11.7% revenues and 19.2% profit growth. We said we will expose how well the company is doing going forward.

We are doing it this quarter. We expect these kinds of gearing and margins to continue, and we feel very, very confident and very positive about our future and the value of FMX.



You ain't seen nothing yet.

**Patrick Moley**

Okay. Great.

And then looking at the back half of this year, revenues in the first half of the year were up just, I think, right at 10%. You said that you expected revenues to finish the year with about 10% growth. You got a pretty tough comp in the fourth quarter. Revenues were up, I think, 18% year-over-year, and it was a record fourth quarter.

So just curious if you could, is that 10% plus growth in revenue this year, is that still what you're expecting? And then on a go-forward basis, do you think that is still achievable?

**Sean Windeatt**

Yeah. Well, look, I mean, Patrick, it's Sean, as you've seen in Q3 mid-guidance, 9.8%, with a 16.3% at mid-guidance for, profit. So that's Q3, you know. Q4, yeah, it's, you quite rightly say, it's a more challenging comp.

But the marketplace is changing. The marketplace continues to evolve. You've seen, look at the growth that we had in our main products in ECS at 19%, at rates at 15%.

So, and then, we guided mid-point 9.8% in Q3.

And therefore, we feel confident in and around those levels at 10%, as we said at the end of Q1, as we're saying again now. So, in and around those levels for sure.

**Patrick Moley**

All right. Thanks, guys. That's it for me.

**Operator**

(Operator Instructions). With no further questions at this time, I would like to turn the conference back over to Mr. Lutnick for closing remarks.

**Howard Lutnick**

Thank you.

The one comment I'll sort of make is when I look at our stock, that obviously the stock has performed admirably over the last, almost a year and a half, but the fact is we are performing at the top 20% of the S&P 600, right, and that's an index we're in, and the other companies that perform consistent to where we are, with revenue growth of 10% or 11%, profit growth something like 19%, that kind of thing, those companies trade at 30 times earnings, and we trade at 10 times earnings.

Now if you go and look, we're at the, we're about 30% off the bottom, so we trade about 30% off the bottom of the S&P 600. The other companies who trade at about 9 or 10, 10 times earnings, they have



revenue growth of negative 1%. So, we are trading priced like companies that traded negative 1%, right, which I think is just a very attractive price for entry for people to buy our stock, which may be why you see the company buying back its shares swiftly.

So just giving a sense of the way we think about things, and that's why we're buying back stock, because it just seems the comparisons of who both our performance is at a much higher level than where we're trading, and I think that's just a great opportunity for people who are thinking about buying our stock to enter now, because that doesn't even count FMX, which is just an extraordinary opportunity on the horizon. So, we look forward to...we had a great performance last year, we've had excellent performance so far this year. I expect that the company is going to continue to perform going forward, and those who own our stock, including all of our employees and our management, will have a wonderful experience in the stock.

But thank you all for joining us for this quarter, and we look forward to updating you along the way.

Thanks, everybody. And we'll see you for the opening of FMX in September. Thanks, everybody.

**Operator**

Thank you. This will conclude today's conference. You may disconnect your lines at this time and thank you for your participation. The Event has Ended.



### **About BGC Group, Inc.**

BGC Group, Inc. (Nasdaq: BGC) is a leading global marketplace, data, and financial technology services company for a broad range of products, including fixed income, foreign exchange, energy, commodities, shipping, equities, and now includes the FMX Futures Exchange. BGC's clients are many of the world's largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments, corporations, and investment firms.

BGC and leading global investment banks and market making firms have partnered to create FMX, part of the BGC Group of companies, which includes a U.S. interest rate futures exchange, spot foreign exchange platform and the world's fastest growing U.S. cash treasuries platform.

For more information about BGC, please visit [www.bgcg.com](http://www.bgcg.com).

### **Discussion of Forward-Looking Statements about BGC**

Statements in this document regarding BGC that are not historical facts are "forward-looking statements" that involve risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements. These include statements about the Company's business, results, financial position, liquidity, and outlook, which may constitute forward-looking statements and are subject to the risk that the actual impact may differ, possibly materially, from what is currently expected. Except as required by law, BGC undertakes no obligation to update any forward-looking statements. For a discussion of additional risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see BGC's Securities and Exchange Commission ("SEC") filings, including, but not limited to, the risk factors and Special Note on Forward-Looking Information set forth in these filings and any updates to such risk factors and Special Note on Forward-Looking Information contained in subsequent reports on Form 10-K, Form 10-Q or Form 8-K.

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