



Cash App



Investment Club 10/25/19



Global markets in clear view

Agenda

Chat with Career Services

Market Update

ICE Pitch

Externships and Career Tracks

All three steps of the application process MUST be submitted by NEXT FRIDAY, November 1st at 12PM (NOON).

If this is your first time applying for the January Externship Program, we recommend that you view the "The Externship Process Made Easy" webshop here: <http://bit.ly/lafayetteexternwebshop>. You can also access extensive information about the program, including frequently asked questions, from this page of our website: <https://gateway.lafayette.edu/career-planning/externships/>.

As a reminder, through the January Externship Program, sophomores, juniors, and seniors are given the opportunity to "shadow" an alumnus, parent, or friend of Lafayette in their workplace or graduate/professional school setting, for two to five days over the January interim break. **The January 2020 Externships are scheduled during the weeks of January 6th, 13th, and 20th.**

Please contact the Gateway Career Center with any questions. *For information specific to the January 2020 Career Tracks program, be sure to visit <https://gateway.lafayette.edu/careertracks/> (including application instructions and more).*

We look forward to your participation in the Lafayette College January 2020 **Career Tracks AND Externship Program!**

Jon Davis and Brett Berger



Market Summary > Dow Jones Industrial Average

INDEXDJX: .DJI

+ Follow

26,805.53 -28.42 (0.11%) ↓

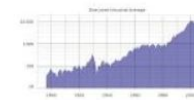
Oct 24, 5:01 PM EDT · Disclaimer

1 day 5 days 1 month 1 year 5 years Max



Dow Jones Industrial Average

Market index



The Dow Jones Industrial Average, or simply the Dow, is a stock market index that measures the stock performance of 30 large companies listed on stock exchanges in the United States.

[Wikipedia](#)

Market cap: \$6.56 trillion (Dec. 2018)

Constituents: 30

Weighting method: Price-weighted index

Exchanges: New York Stock Exchange; NASDAQ

Trading symbol: ^DJI

Market Summary > S&P 500 Index

INDEXSP: .INX

+ Follow

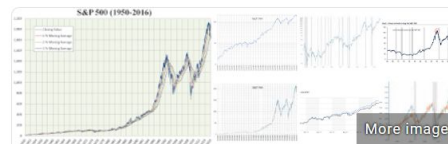
3,010.29 +5.77 (0.19%) ↑

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1 day 5 days 1 month 1 year 5 years Max



→ [Financial news, comparisons and more](#)



S&P 500 Index

Market index

More images

The S&P 500, or just the S&P, is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. It is one of the most commonly followed equity indices, and many consider it to be one of the best representations of the U.S. stock market. [Wikipedia](#)

Market cap: US\$25.6 trillion; (as of June 28, 2019)

Exchanges: NYSE, NASDAQ, Cboe BZX Exchange

Weighting method: Free-float capitalization-weighted

Related indices: List: S&P 1500; S&P Global 1200; S&P 100

Foundation: March 4, 1957; 62 years ago

Constituents: 505

U.S.-China Tariffs Overview

- Continued momentum with talks, preliminary agreement with China called “phase 1” of potential deal
- Agreement calls for doubling U.S. annual agricultural exports to China while addressing some Chinese foreign-exchange issues.
- Has halted scheduled tariff increases, benefitting China
- Concerns of increased tension if agreement fails



U.S.-China Tariffs Continued

- Still uncertain if deal will be made
- Possible Chinese wait until next election or longer
- Overall, positive outlook for rebalancing trade relationship





Cash App - Introducing Investing!

Market Summary > Square Inc

NYSE: SQ

+ Follow

61.61 USD +3.25 (5.57%) ↑

Oct 24, 3:29 PM EDT · Disclaimer

1 day

5 days

1 month

1 year

5 years

Max



Open	59.62	Div yield	-
High	61.69	Prev close	58.36
Low	59.59	52-wk high	83.20
Mkt cap	26.32B	52-wk low	49.82

Square

Company



Square

Square, Inc. is a financial services, merchant services aggregator, and mobile payment company based in San Francisco, California. The company markets several software and hardware payments products and has expanded into small business services. [Wikipedia](#)

Customer service: 1 (855) 700-6000

Headquarters: San Francisco, CA

CEO: Jack Dorsey (2009-)

Founded: 2009

Subsidiaries: Weebly, Caviar, Eloquent Labs Inc., OrderAhead, Square AU Pty Ltd

Founders: Jack Dorsey, Jim McKelvey



Comparison



- First of its kind - 2009
- 10 million monthly users
- Subsidiary of PayPal - 2002 IPO



- Often required
- Owned by Bank of America, BB&T, Capital One, JPMorgan Chase, PNC Bank, US Bank, Citibank and Wells Fargo



- Square, Inc. went public in 2015
- Will soon offer \$1 investing

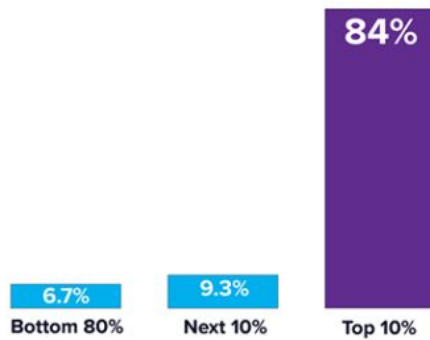
Concerns

- Trade stocks for \$1 instantly anywhere?
- Little kid using phone?
- Press wrong button?
- Gamification/Addiction?
- Lose your phone?

→ New Perturbations

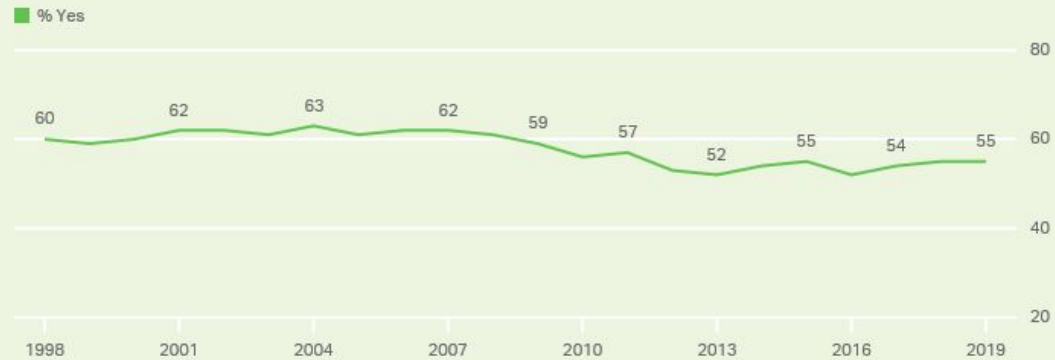


DISTRIBUTION OF STOCK OWNERSHIP
BY WEALTH PERCENTILE



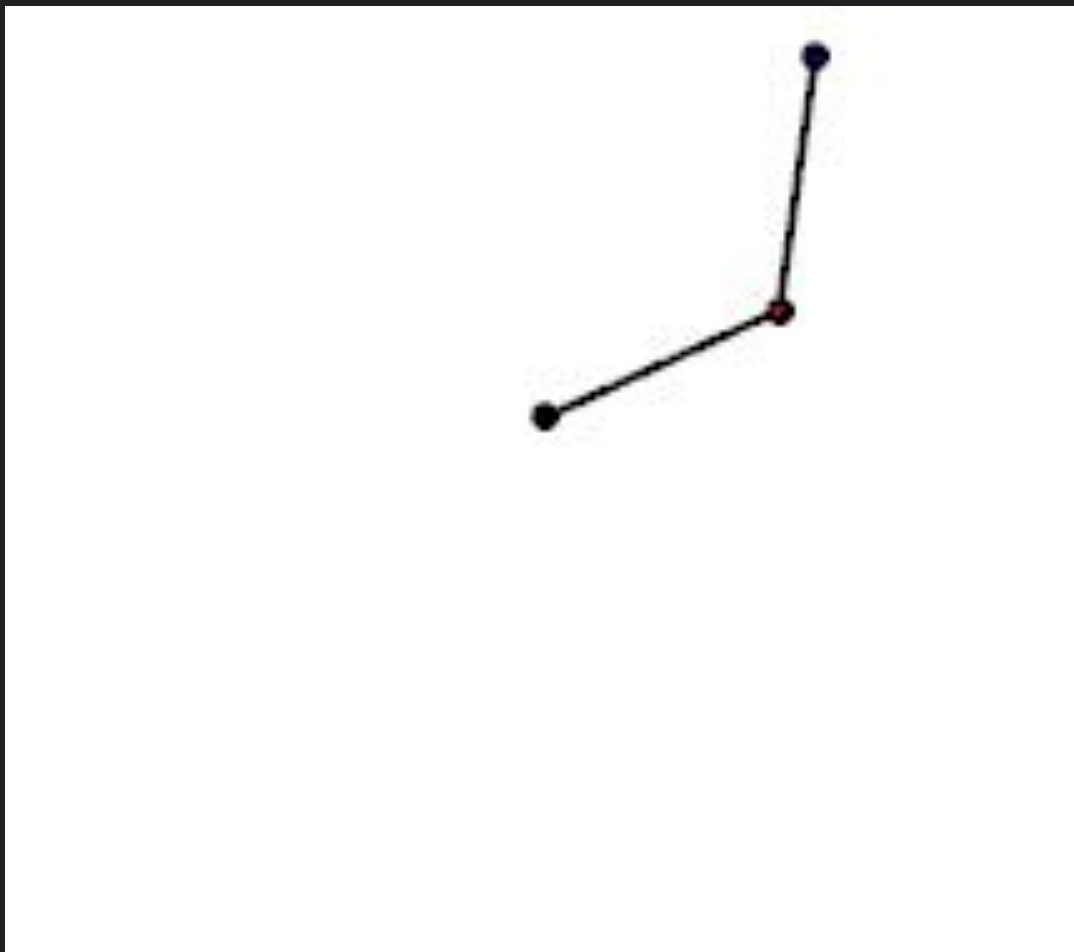
U.S. Stock Ownership Still Below Pre-Recession Levels

Do you, personally, or jointly with a spouse, have any money invested in the stock market right now -- either in an individual stock, a stock mutual fund, or in a self-directed 401(k) or IRA?



Based on annual averages from Gallup surveys

GALLUP



Intercontinental Exchange Pitch



Intercontinental Exchange Buy Pitch Overview

- Investment Thesis
- Brief History
- Business Segments
- Executive Board
- Financial Statements
- Competitors & Risk
- Investment Club Vote



Investment Thesis

- Market background
- Fixed income?
 - It's a little late for that.
- Equities?
 - Hmmmm.
- Defensive stocks
 - Low volatility or inverse correlation
- **Aha! Exchanges.**
 - But which?

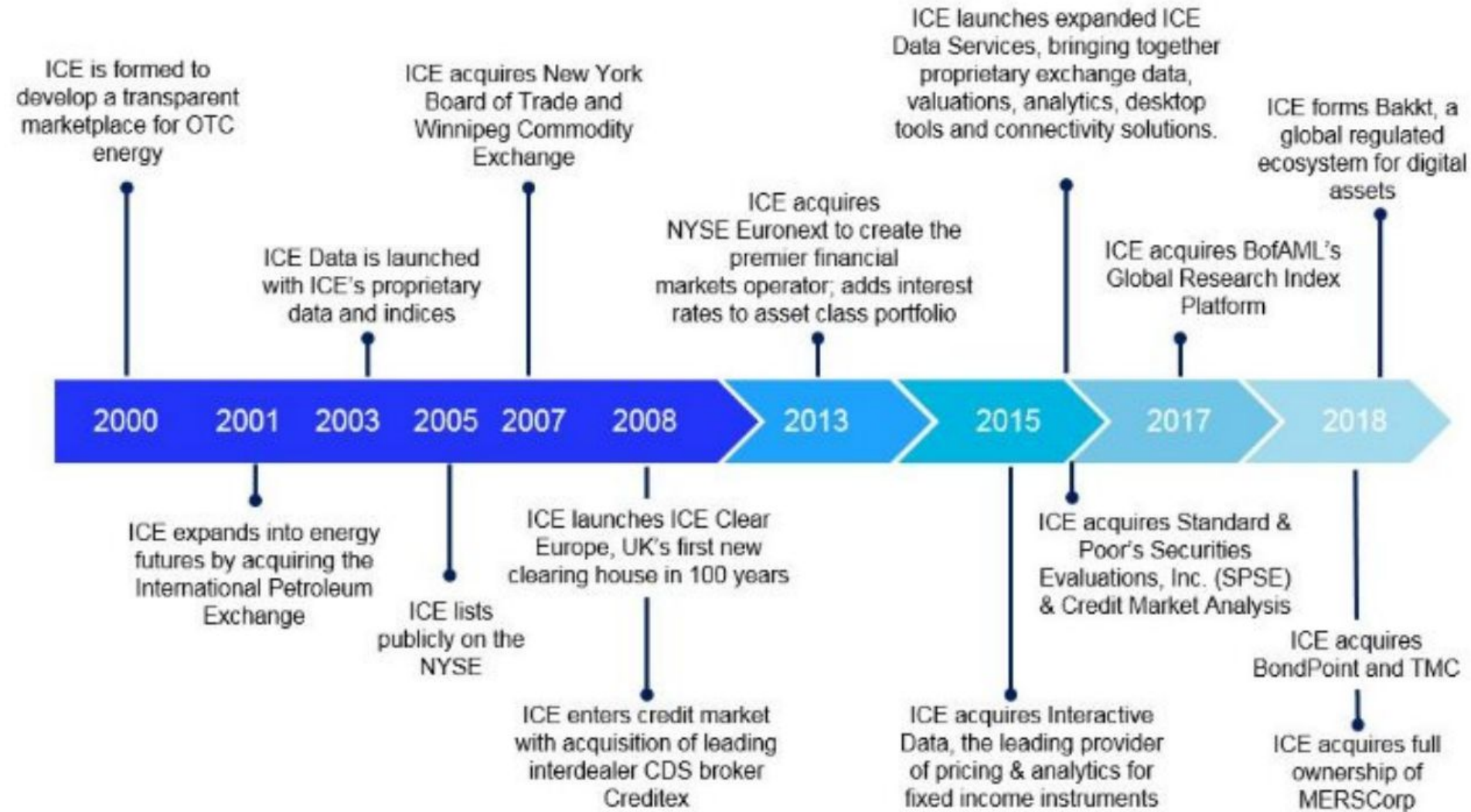


Intercontinental Exchange (ICE)

- Founded in 2000 by Jeff Sprecher
- Provides trading infrastructure in major market centers around the world, offering customers the ability to manage risk and make informed decisions in the jurisdictions and asset classes of their choice
- Fortune 500 and 9th largest company in capital markets industry by market capitalization (\$52 Billion)

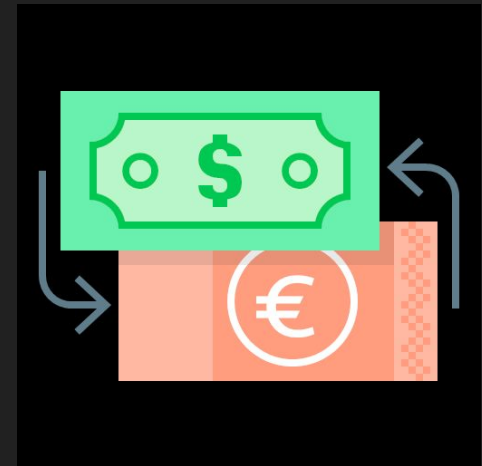
2001: Enron Implodes, ICE soars

- Founder and ICE CEO approached Enron to be a client of ICE's online marketplace for energy trading
- Enron instead started its own competing electricity trading platform that dominated the market
- Enron filed for Ch. 11 bankruptcy on 12/2/2001
- Flood of former Enron clients searched for other ways to trade electricity and natural gas and found ICE platform



ICE's Business Segments

- Divided into two segments
 - Trading and Clearing
 - Accounts for 49% of revenue
 - Data and Listings
 - Accounts for 51% of revenue



ICE's Business Segments

- Trading and Clearing
 - Operates 12 regulated exchanges and six clearing houses located in major market centers around the world, including the U.S., U.K., European Union, Canada and Singapore.
 - Examples include New York Stock Exchange, ICE Clear Europe, and ICE Clear USA

Trading and Clearing Revenues 2018

Trading and Clearing Revenues, Less Transaction-Based Expenses (in millions)		2018
Energy futures and options		\$965
Ags and metals futures and options		251
Financials futures and options		354
Cash equities and equity options, net		327
Fixed income and credit		240
OTC and other transactions		49
Other revenues		234
Segment Revenue		\$2,420



- Energy futures and options
- Financials futures and options
- Fixed income and credit
- Other revenues
- Ags and metals futures and options
- Cash equities and equity options, net
- OTC and other transactions

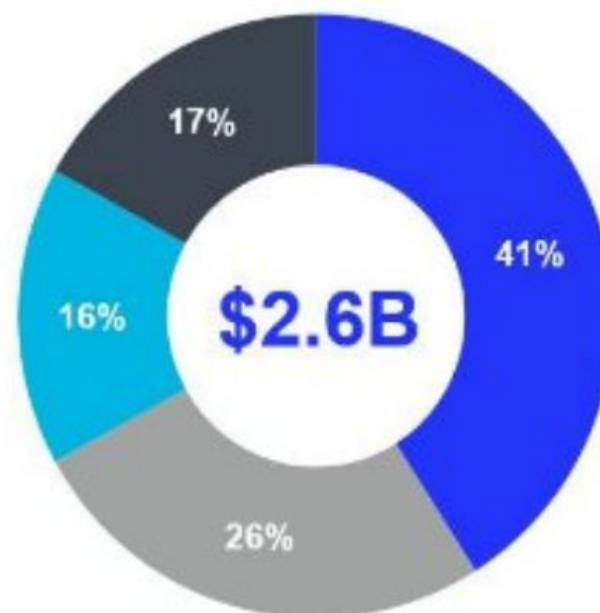
ICE's Business Segments

- Data and listings
 - Global markets
 - Live pricing and reference data, analytics
 - Index services
 - Desktops and connectivity solutions
 - Data and listings segment is largely **subscription based**



Data and Listings Revenue 2018

Data and Listings Revenue (in millions)		2018
Pricing and Analytics		\$1,043
Exchange Data and Feeds		670
Desktops and Connectivity		402
Data Total		2,115
Listings		444
Segment Revenue		\$2,559



■ Pricing and Analytics ■ Exchange Data and Feeds
■ Desktops and Connectivity ■ Listings

CEO and Founder Jeff Sprecher

- Education
 - MBA from Pepperdine University, 1984
 - B.S. in Chemical Engineering from University of Wisconsin-Madison, 1978
- Acquired Continental Power Exchange (CPEX), the predecessor company to ICE, in 1997 with vision of an open, transparent electronic energy marketplace
- CEO of ICE since May 2000
- Chairman of the Board since Nov. 2002



Competitors

- Trading and Clearing
 - Chicago Mercantile Exchange
 - Cboe Global Markets
- Data and Listings
 - Nasdaq
 - Cboe Global Markets



Growth Strategy

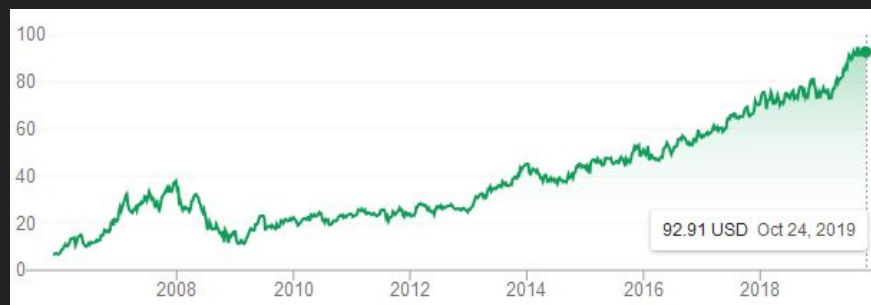
So what does ICE do with their money?

- General expansion - data, markets
- Enhance current business, ensure accuracy, trim risks
- Remain on cutting edge of technology for data and research
- Maintain competitive edge through strategic acquisitions and relationships



Financials “At A Glance”

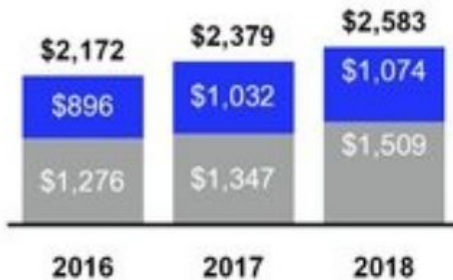
- Market Cap: \$52 billion
- Price: \$92.91/share
- P/E: 26.30
- EPS: \$3.53
- Dividend: \$1.10/share = 1.18%
- Beta: 0.5
- Profit Margin 5-Y: 30.3%
- 110th largest company on S&P 500
- 52 week: \$69.69 - \$95.59
- Average P/E of 3 competitors: 29.67
- Beat estimates last 4 quarters
- Average yield of 3 competitors: 1.53%
- Half the volatility of general market
- Average of 3 competitors: 22.7%



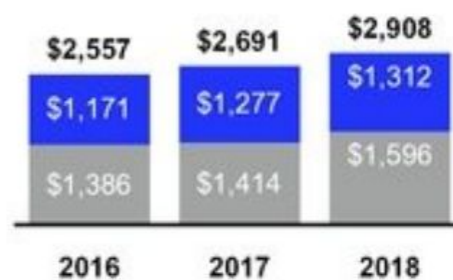
REVENUES, LESS TRANSACTION-BASED EXPENSES



OPERATING INCOME



ADJUSTED OPERATING INCOME (1)

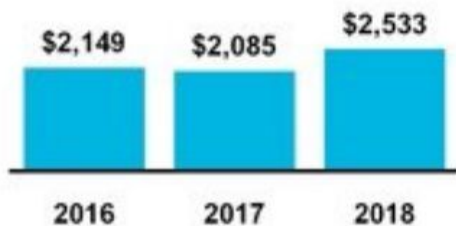


Trading and Clearing Segment
Data and Listings Segment

Trading and Clearing Segment
Data and Listings Segment

Trading and Clearing Segment
Data and Listings Segment

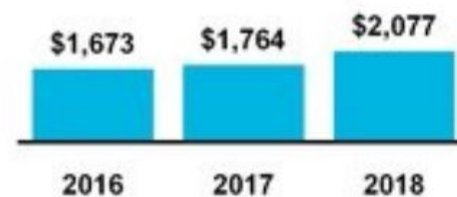
CASH FLOWS FROM OPERATIONS



NET INCOME ATTRIBUTABLE TO ICE

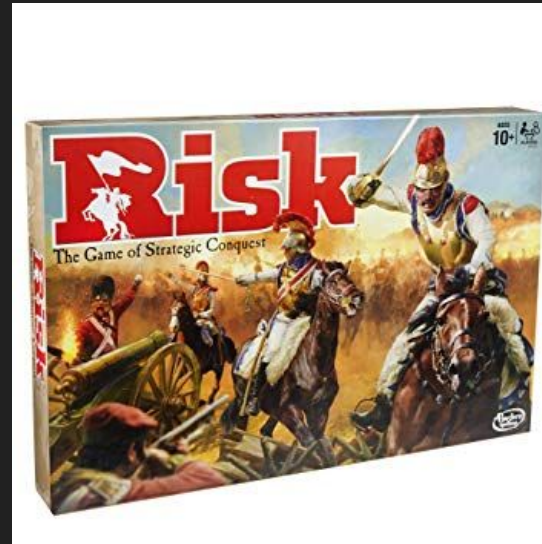


ADJUSTED NET INCOME ATTRIBUTABLE TO ICE (1)



Potential Risks

- EMIR 2.2
 - Euro fees
- Basel III
 - Reporting & reserves
- SEC Transaction Fee Pilot
 - Pricing rules: court challenges
- Brexit
 - UK exchanges out of EU



Recap: Investment Thesis

- Market background
- Defensive stocks
 - Low volatility or inverse correlation
- **Exchanges! ICE!**



Pitch:

Portfolio allocation of 1.5% of ICE =

\$12,000 = ~130 shares

Lice

