

# ITG 3Q 2016 Earnings Call

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# Safe Harbor Statement

This presentation may contain "forward-looking" statements that reflect management's expectations for the future. In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue" and the negative of these terms and other comparable terminology. A variety of important factors could cause results to differ materially from such statements.

Certain of these factors are noted throughout ITG's 2015 Annual Report on Form 10-K, and its Form 10-Qs (as amended, if applicable) and include, but are not limited to, general economic, business, credit, political and financial market conditions, both internationally and domestically, financial market volatility, fluctuations in market trading volumes, effects of inflation, adverse changes or volatility in interest rates, fluctuations in foreign exchange rates, evolving industry regulations and increased regulatory scrutiny, the ultimate resolution of the Securities and Exchange Commission's inquiry regarding pre-released American Depositary Receipts ("ADRs") and any customer or shareholder reaction to the matter or further proceedings or sanctions based on our ADR activity, the outcome of other contingencies such as legal proceedings or governmental or regulatory investigations, the volatility of our stock price, changes in tax policy or accounting rules, the actions of both current and potential new competitors, changes in commission pricing, rapid changes in technology, errors or malfunctions in our systems or technology, cash flows into or redemptions from equity mutual funds, ability to meet liquidity requirements related to the clearing of our customers' trades, customer trading patterns, the success of our products and service offerings, our ability to continue to innovate and meet the demands of our customers for new or enhanced products, our ability to protect our intellectual property, our ability to execute on strategic initiatives or transactions, our ability to attract and retain talented employees, and our ability to pay dividends or repurchase our common stock in the future.

The forward-looking statements included herein represent ITG's views as of the date of this release. ITG undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law.

This presentation refers to certain non-GAAP financial measures. These non-GAAP financial measures should be considered in addition to, and not in lieu of, results reported under GAAP. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the accompanying supplemental tables of the earnings release and the Investor Relations section of the Company's website at <http://investor.itg.com>.

# Agenda

Introduction

Securities Lending Inquiry Update

Strategic Operating Plan (SOP) Overview

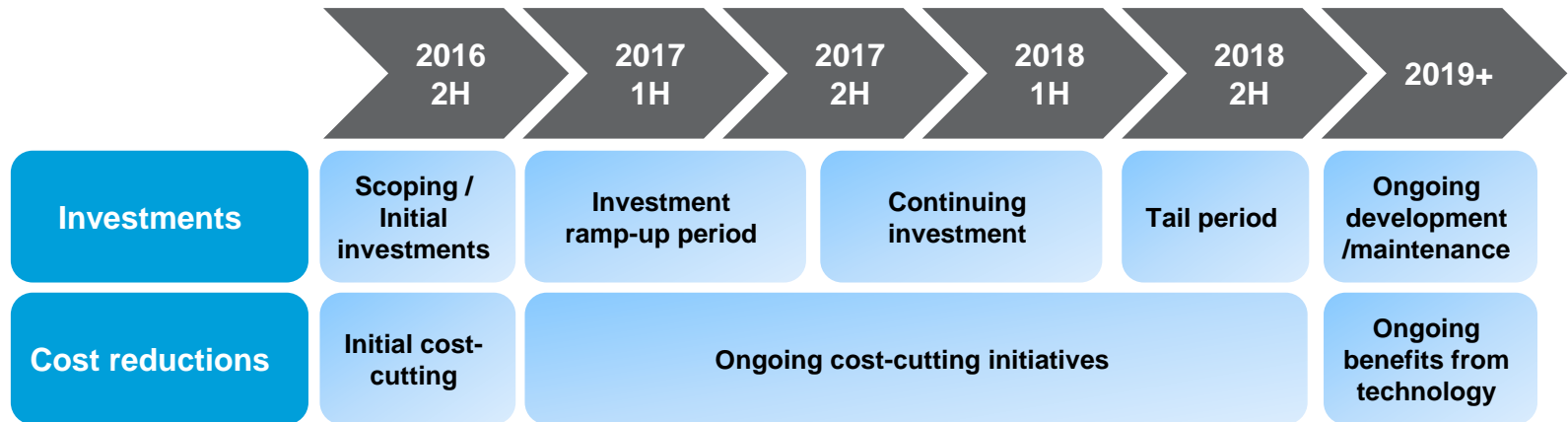
SOP Progress Update

3Q16 Financial Review

# Strategic Operating Plan: Investments

- ~\$40 million in incremental investment planned through 4Q18
- Anticipate 55% of spend in 2017, 43% in 2018
- 60+ new hires planned in client service and technology
- Technology investments, process improvements expected to cut expenses by additional \$5mm/yr 2019 onwards

## Illustrative timetable



# Strategic Operating Plan: Financial Targets

- Revenue growth expected to take place over several years
- Growth expected to accelerate starting in mid-2017
- Forecasts assume flat global trading volumes
- Expense reductions from technology investments, process improvements (globalization, operations optimization)

## Run-rate financial targets

<i>Run-rate revenue (exiting 2018)</i>	▶	<i>Up 25% from 2015 pro forma<sup>1</sup></i>
<i>Revenue CAGR (2016-18)</i>	▶	<i>Mid-to-high single digits</i>
<i>Pre-tax margin (exiting 2018)</i>		<i>~15%</i>

<sup>1</sup> Excluding divested and closed businesses

# Strategic Operating Plan: Progress Update

## Key Focus Areas

- Client service tools
- Customization toolkit
- Enhanced analytics capabilities

New Hires: Strategic Operating Plan Oversight, Sales, FX

## Recent technology developments

- Broker Blocks
- Power Match enhancements
- LatAm Close Algos

## Cost Savings Initiatives

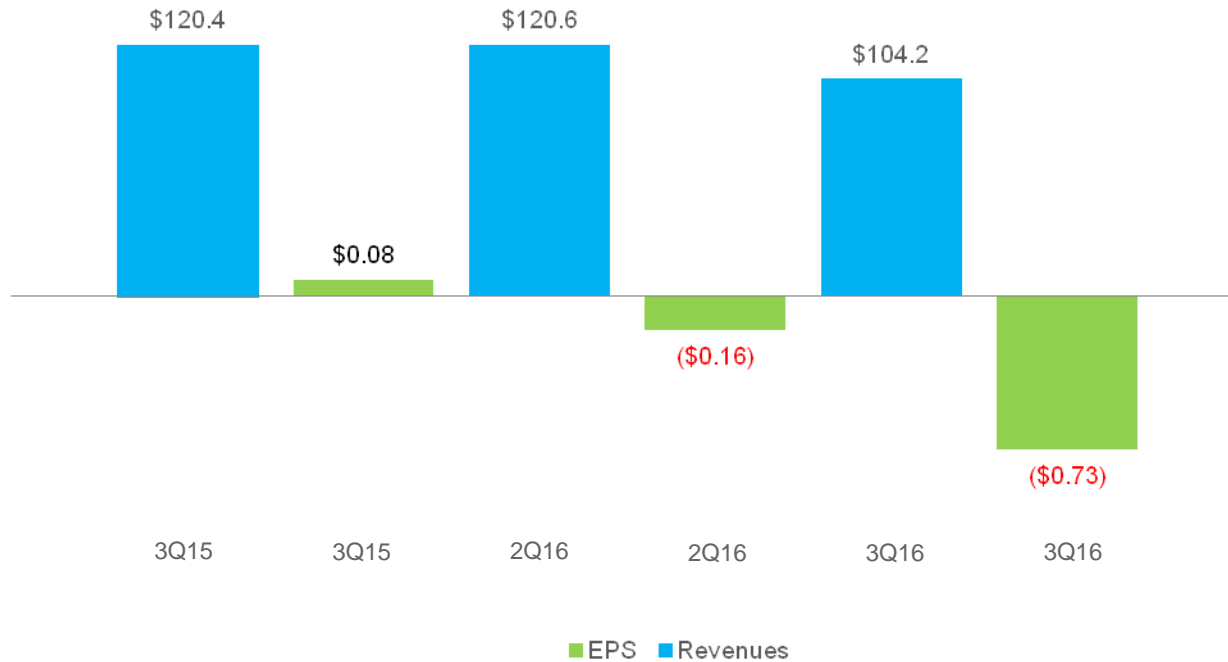


# Financial Review



# Third Quarter 2016 GAAP Results

(\$ in millions except EPS)



	vs. 2Q16	vs. 3Q15
<b>3Q16 Revenues</b>	(14)%	(13)%
<b>3Q16 Revenues/day</b>	(14)%	(13)%





# Reconciliation of GAAP to Adjusted Results

## 3Q16, 2Q16 and 3Q15

(\$ in millions except EPS)	3Q16			2Q16			3Q15		
	Pre-Tax	Post-Tax	EPS	Pre-Tax	Post-Tax	EPS	Pre-Tax	Post-Tax	EPS
GAAP Income / (Loss)	\$(27.7)	\$(23.9)	\$(0.73)	\$(9.7)	\$(5.2)	\$(0.16)	\$3.2	\$2.7	\$0.08
Non-Operating Items:									
Reserve for Potential ADR Settlement & Related Costs	23.7	22.3	0.68						
Upfront CEO Compensation	0.5	0.5	0.02	0.5	0.5	0.02			
Former CEO Arbitration Settlement & Related Costs	(0.9)	(0.6)	(0.02)	4.7	2.8	0.08			
Translation Reclassification	(1.1)	(1.1)	(0.03)						
Restructuring				4.4	2.6	0.08			
Other revenues – gains				(2.4)	(1.5)	(0.04)			
2015 SEC Settlement & Related Costs							2.5	1.5	0.04
Adjusted Income (Loss)	\$(5.5)	\$(2.8)	\$(0.08)	\$(2.5)	\$(0.8)	\$(0.02)	\$5.7	\$4.2	\$0.12

# Consolidated Adjusted Results

## 3Q16 vs. 2Q16 vs. 1Q15

	North America			Europe and Asia Pacific			Corporate			Total		
(\$ in millions except EPS)	3Q16	2Q16	3Q15	3Q16	2Q16	3Q15	3Q16	2Q16	3Q15	3Q16	2Q16	3Q15
Revenues												
Commissions	\$47.4	\$56.7	\$56.3	\$36.1	\$38.0	\$33.6	\$ -	\$ -	\$ -	\$83.5	\$94.7	\$89.9
Recurring	13.7	16.1	20.9	5.5	5.7	5.8	-	-	-	19.2	21.8	26.7
Other	1.4	1.6	3.7	(0.2)	(0.2)	(0.1)	0.3	0.3	0.2	1.5	1.7	3.8
Total Revenues	62.5	74.4	80.9	41.4	43.5	39.3	0.3	0.3	0.2	104.2	118.2	120.4
Expenses	69.5	74.5	76.6	35.8	37.3	34.8	4.4	8.9	3.3	109.7	120.7	114.7
Pre-tax Income (Loss)	(7.0)	(0.1)	4.3	5.6	6.2	4.5	(4.1)	(8.6)	(3.1)	(5.5)	(2.5)	5.7
<i>Pre-tax Margin</i>	<i>(11.3)%</i>	<i>(0.1)%</i>	<i>5.4%</i>	<i>13.6%</i>	<i>14.2%</i>	<i>11.3%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>(5.3)%</i>	<i>(2.1)%</i>	<i>4.8%</i>
Tax Expense (Benefit)	(2.2)	0.4	1.9	0.9	1.1	0.9	(1.4)	(3.2)	(1.3)	(2.7)	(1.7)	1.5
Net Income (Loss)	\$(4.8)	\$(0.5)	\$2.4	\$4.7	\$5.1	\$3.6	\$(2.7)	\$(5.4)	\$(1.8)	\$(2.8)	\$(0.8)	\$4.2
EPS	\$(0.15)	\$(0.01)	\$0.07	\$0.15	\$0.15	\$0.11	\$(0.08)	\$(0.16)	\$(0.06)	\$(0.08)	\$(0.02)	\$0.12



# Impact of Currency Translation

VS. 3Q15 Exchange Rates			
(\$ in millions except EPS)	Canada	Europe & Asia Pacific	Total
Revenues	\$ 0.0	\$(1.3)	\$(1.3)
Expenses (Benefit)	0.0	(1.5)	(1.5)
Pre-tax Income	0.0	0.2	0.2
Tax Expense (Benefit)	0.0	(0.1)	(0.1)
Net Income	\$ 0.0	\$0.3	\$0.3
Income Per Share	\$ 0.00	\$0.01	\$0.01

# North American Adjusted Results

## 3Q16 vs. 2Q16 vs. 3Q15

	U.S. Operations			Canada Operations			North America		
(\$ in millions)	3Q16	2Q16	3Q15	3Q16	2Q16	3Q15	3Q16	2Q16	3Q15
<b>Revenues</b>									
Commissions	\$35.8	\$43.6	\$45.1	\$11.6	\$13.1	\$11.2	\$47.4	\$56.7	\$56.3
Recurring	12.4	14.8	19.5	1.3	1.3	1.4	13.7	16.1	20.9
Other	0.6	0.2	1.4	0.8	1.4	2.3	1.4	1.6	3.7
<b>Total Revenues</b>	48.8	58.6	66.0	13.7	15.8	14.9	62.5	74.4	80.9
<b>Expenses</b>									
Compensation and Benefits	25.5	27.5	30.9	4.5	4.6	3.3	30.0	32.1	34.2
<i>% of Revenue</i>	52.3%	46.9%	46.8%	32.5%	29.7%	22.3%	48.0%	43.2%	42.3%
Transaction Processing	8.8	9.9	10.5	2.1	2.2	2.1	10.9	12.1	12.6
<i>% of Revenue</i>	18.0%	16.9%	15.9%	15.0%	14.2%	14.3%	17.4%	16.3%	15.6%
Occupancy and Equipment	9.7	9.9	10.3	1.4	1.3	1.1	11.1	11.2	11.4
Telecom and Data Processing	8.0	9.0	7.0	1.5	1.6	1.6	9.5	10.6	8.6
Other G&A	5.3	5.2	6.6	2.7	3.3	3.2	8.0	8.5	9.8
<b>Total Expenses</b>	57.3	61.5	65.3	12.2	13.0	11.3	69.5	74.5	76.6
<b>Pre-tax Income</b>	\$(8.5)	\$(2.9)	\$0.7	\$1.5	\$2.8	\$3.6	\$(7.0)	\$(0.1)	\$4.3
<i>Pre-tax Margin</i>	(17.5)%	(4.9)%	1.1%	10.9%	17.6%	24.1%	(11.3)%	(0.1)%	5.4%

# Europe & Asia Pacific Adjusted Results

## 3Q16 vs. 2Q16 vs. 3Q15

	Europe Operations			Asia Pacific Operations			Total		
(\$ in millions)	3Q16	2Q16	3Q15	3Q16	2Q16	3Q15	3Q16	2Q16	3Q15
<b>Revenues</b>									
Commissions	\$25.0	\$28.2	\$24.9	\$11.1	\$9.8	\$8.7	\$36.1	\$38.0	\$33.6
Recurring	4.0	4.3	4.2	1.5	1.4	1.6	5.5	5.7	5.8
Other	(0.1)	(0.3)	(0.1)	(0.1)	0.1	-	(0.2)	(0.2)	(0.1)
<b>Total Revenues</b>	<b>28.9</b>	<b>32.2</b>	<b>29.0</b>	<b>12.5</b>	<b>11.3</b>	<b>10.3</b>	<b>41.4</b>	<b>43.5</b>	<b>39.3</b>
<b>Expenses</b>									
Compensation and Benefits	8.7	9.6	8.6	4.5	4.6	4.2	13.2	14.2	12.8
<i>% of Revenue</i>	<i>30.1%</i>	<i>29.9%</i>	<i>29.8%</i>	<i>35.6%</i>	<i>40.0%</i>	<i>40.6%</i>	<i>31.8%</i>	<i>32.6%</i>	<i>32.7%</i>
Transaction Processing	7.3	7.6	7.0	2.7	2.4	2.0	10.0	10.0	9.0
<i>% of Revenue</i>	<i>25.2%</i>	<i>23.4%</i>	<i>24.0%</i>	<i>21.3%</i>	<i>21.6%</i>	<i>19.7%</i>	<i>24.0%</i>	<i>23.0%</i>	<i>22.9%</i>
Occupancy and Equipment	1.6	1.7	1.7	1.2	1.1	1.0	2.8	2.8	2.7
Telecom and Data Processing	2.5	2.6	2.6	1.7	1.6	1.6	4.2	4.2	4.2
Other G&A	4.1	4.4	4.2	1.5	1.7	1.9	5.6	6.1	6.1
<b>Total Expenses</b>	<b>24.2</b>	<b>25.9</b>	<b>24.1</b>	<b>11.6</b>	<b>11.4</b>	<b>10.7</b>	<b>35.8</b>	<b>37.3</b>	<b>34.8</b>
<b>Pre-tax Income (Loss)</b>	<b>\$4.7</b>	<b>\$6.3</b>	<b>\$4.9</b>	<b>\$0.9</b>	<b>\$(0.1)</b>	<b>\$(0.4)</b>	<b>\$5.6</b>	<b>\$6.2</b>	<b>\$4.5</b>
<i>Pre-tax Margin</i>	<i>16.3%</i>	<i>19.5%</i>	<i>16.7%</i>	<i>7.2%</i>	<i>(0.8)%</i>	<i>(4.0)%</i>	<i>13.6%</i>	<i>14.2%</i>	<i>11.3%</i>

# Adjusted Revenues by Product Group

(\$ in millions)	3Q16	2Q16	1Q16	4Q15	3Q15
Execution Services	\$70.3	\$83.4	\$89.8	\$82.0	\$85.7
Workflow Technology	22.7	23.1	23.6	22.7	22.9
Analytics	10.9	11.4	10.9	11.5	11.6
Corporate	0.3	0.3	0.4	0.3	0.2
<b>Total</b>	<b>\$104.2</b>	<b>\$118.2</b>	<b>\$124.7</b>	<b>\$116.5</b>	<b>\$120.4</b>



# Adjusted Product Group Margins Third Quarter 2016

(\$ in millions)	Execution Services	Workflow Technology	Analytics	Corp	Total
<b>Revenues</b>	<b>\$70.3</b>	<b>\$22.7</b>	<b>\$10.9</b>	<b>\$ 0.3</b>	<b>\$104.2</b>
Depreciation & Amortization	5.9	3.0	1.5	0.4	10.8
Interest	-	-	-	0.6	0.6
All Other Expenses	69.1	16.9	8.9	3.4	98.3
<b>Total Expenses</b>	<b>75.0</b>	<b>19.9</b>	<b>10.4</b>	<b>4.4</b>	<b>109.7</b>
<b>Pre-Tax Income (Loss)</b>	<b>\$(4.7)</b>	<b>\$2.8</b>	<b>\$0.5</b>	<b>\$(4.1)</b>	<b>\$(5.5)</b>
Pre-Tax Margin Sep QTD 2016	(6.7)%	12.2%	4.8%	N/A	(5.3)%
Pre-Tax Margin June QTD 2016	2.4%	12.9%	9.7%	N/A	(2.1)%
Pre-Tax Margin Sep QTD 2015	4.7%	13.3%	14.7%	N/A	4.8%

# U.S. Trading Volumes and Revenues Per Share

(\$ in millions except cents per share and trading days)	3Q16	2Q16	1Q16	4Q15	3Q15
Trading Volumes	7,395	8,419	9,870	7,976	9,720
Trading Days	64	64	61	64	64
Trading Volumes Per Day	115.5	131.5	161.8	124.6	151.9
Revenue Per Share (Includes commissions and net executions)	\$0.0041	\$0.0042	\$0.0043	\$0.0044	\$0.0040
Trading Commissions and Fees	\$30.1	\$35.5	\$42.7	\$35.4	\$38.5
Other Commissions and Fees (Includes ITG Net <sup>®</sup> commission sharing & ITG Derivatives)	5.7	8.1	6.8	6.6	6.6
Total Commissions and Fees	\$35.8	\$43.6	\$49.5	\$42.0	\$45.1





# Agenda

October 2016 Business Activity

Closing Thoughts

# Q&A

