

# ITG Q4 2015 Earnings Call

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# Safe Harbor Statement

This document may contain "forward-looking" statements that reflect management's expectations for the future. A variety of important factors could cause results to differ materially from such statements. Certain of these factors are noted throughout ITG's 2014 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 and financial market conditions, both internationally and nationally, 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, customers' reactions to the settlement in August 2015 with the Securities and Exchange Commission, the outcome of 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 successfully integrate acquired companies and our ability to attract and retain talented employees. 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.



# Agenda

## Introduction

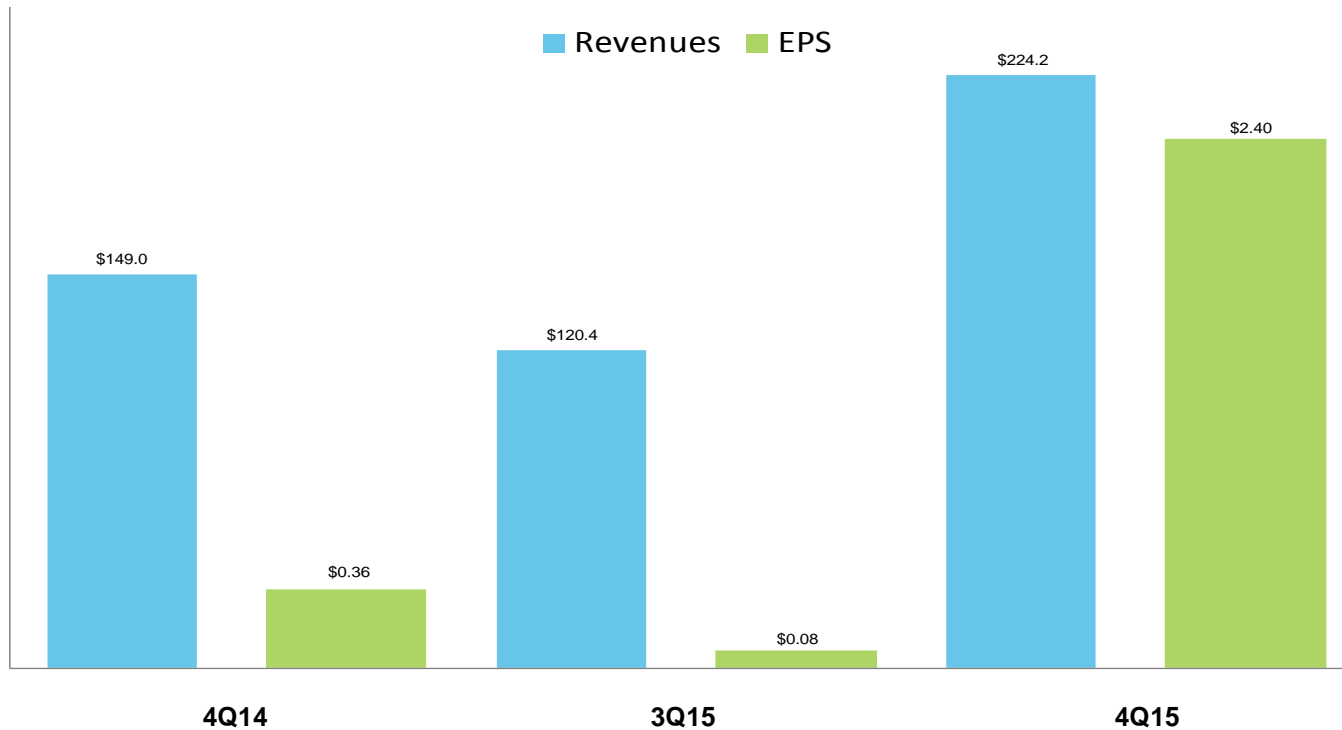
### 4Q15 Operational & Financial Review

- GAAP Reconciliation
- Regional Results
- Business Unit Results
- U.S. Volumes
- Capital Position and Outlook
- Energy Sale Impact
- January Business Levels



# Fourth Quarter 2015 GAAP Results

(\$ in millions except EPS)



	vs. 3Q15	vs. 4Q14
<b>4Q15 Revenues</b>	86.2%	50.5%
<b>4Q15 Revenues/day</b>	86.2%	50.5%



# Reconciliation of GAAP to Adjusted Results

## 4Q15 and 3Q15

(\$ in millions except EPS)	4Q15			3Q15		
	Pre-Tax	Post-Tax	EPS	Pre-Tax	Post-Tax	EPS
GAAP Income	\$104.6	\$82.3	\$2.40	\$3.2	\$2.7	\$0.08
Non-Operating Items:						
Sale of Energy Research	(107.7)	(91.3)	(2.66)	-	-	-
Capital Structure Amendment	-	6.5	0.19	-	-	-
SEC Settlement & Related Costs	-	-	-	2.5	1.5	0.04
Adjusted Income (Loss)	\$(3.1)	\$(2.5)	\$(0.7)	\$5.7	\$4.2	\$0.12

*Note: All subsequent slides show adjusted results, excluding non-operating items. There were no non-operating items in 4Q14.*



# Consolidated Adjusted Results

## 4Q15 vs. 3Q15 vs. 4Q14

	North America			Europe and Asia Pacific			Corporate			Total		
(\$ in millions except EPS)	4Q15	3Q15	4Q14	4Q15	3Q15	4Q14	4Q15	3Q15	4Q14	4Q15	3Q15	4Q14
Revenues												
Commissions	\$50.9	\$56.3	\$79.2	\$35.1	\$33.6	\$39.2	\$ -	\$ -	\$ -	\$86.0	\$89.9	\$118.4
Recurring	21.6	20.9	21.1	5.5	5.8	5.7	-	-	-	27.1	26.7	26.8
Other	3.3	3.7	3.8	(0.2)	(0.1)	(0.3)	0.3	0.2	0.3	3.4	3.8	3.8
Total Revenues	75.8	80.9	104.1	40.4	39.3	44.6	0.3	0.2	0.3	116.5	120.4	149.0
Expenses	77.7	76.6	89.1	36.6	34.9	37.8	5.3	3.2	4.3	119.6	114.7	131.2
Pre-tax Income (Loss)	(1.9)	4.3	15.0	3.8	4.4	6.8	(5.0)	(3.0)	(4.0)	(3.1)	5.7	17.8
<i>Pre-tax Margin</i>	<i>(2.5%)</i>	<i>5.4%</i>	<i>14.4%</i>	<i>9.5%</i>	<i>11.3%</i>	<i>15.2%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>(2.6)%</i>	<i>4.8%</i>	<i>11.9%</i>
Tax Expense (Benefit)	0.1	1.9	5.5	1.3	0.8	1.0	(2.0)	(1.2)	(1.7)	(0.6)	1.5	4.8
Net Income (Loss)	\$(2.0)	\$2.4	\$9.5	\$2.5	\$3.6	\$5.8	\$(3.0)	\$(1.8)	\$(2.3)	\$(2.5)	\$4.2	\$13.0
EPS	\$(0.06)	\$0.07	\$0.26	\$0.08	\$0.11	\$0.16	\$(0.09)	\$(0.06)	\$(0.06)	\$(0.07)	\$0.12	\$0.36



# Impact of Currency Translation

## 4Q15 vs. 4Q14

	VS. 4Q14 Exchange Rates		
(\$ in millions except EPS)	North America *	Europe & Asia Pacific	Total
Revenues	\$(2.2)	\$(2.4)	\$(4.6)
Expenses	(2.5)	(1.6)	(4.1)
Pre-tax Income / (Loss)	0.3	(0.8)	(0.5)
Tax Expense	(0.1)	(0.1)	(0.2)
Net (Loss) / Income	\$0.4	\$(0.7)	\$(0.3)
EPS	\$0.01	\$(0.02)	\$(0.01)

\* Includes impact of Calgary operations, which are included in the U.S. region for reporting purposes.

# North American Adjusted Results

## 4Q15 vs. 3Q15 vs. 4Q14

	U.S. Operations			Canada Operations			North America		
(\$ in millions)	4Q15	3Q15	4Q14	4Q15	3Q15	4Q14	4Q15	3Q15	4Q14
<b>Revenues</b>									
Commissions	\$42.0	\$45.1	\$61.3	\$8.9	\$11.2	\$17.9	\$50.9	\$56.3	\$79.2
Recurring	20.3	19.5	18.8	1.3	1.4	2.3	21.6	20.9	21.1
Other	1.0	1.4	1.3	2.3	2.3	2.5	3.3	3.7	3.8
<b>Total Revenues</b>	63.3	66.0	81.4	12.5	14.9	22.7	75.8	80.9	104.1
<b>Expenses</b>									
Compensation and Benefits	31.1	30.9	35.1	5.1	3.3	8.0	36.2	34.2	43.1
<i>% of Revenue</i>	49.2%	46.8%	43.2%	40.9%	22.3%	35.3%	47.8%	42.3%	41.4%
Transaction Processing	8.7	10.5	11.2	2.0	2.1	2.5	10.7	12.6	13.7
<i>% of Revenue</i>	13.8%	15.9%	13.7%	15.9%	14.3%	11.2%	14.1%	15.6%	13.2%
Occupancy and Equipment	10.3	10.3	10.4	1.2	1.1	1.4	11.5	11.4	11.8
Telecom and Data Processing	7.4	7.0	7.6	1.5	1.6	1.4	8.9	8.6	9.0
Other G&A	7.3	6.6	7.6	3.1	3.2	3.9	10.4	9.8	11.5
<b>Total Expenses</b>	64.8	65.3	71.9	12.9	11.3	17.2	77.7	76.6	89.1
<b>Pre-tax Income</b>	\$(1.5)	\$0.7	\$9.5	\$(0.4)	\$3.6	\$5.5	\$(1.9)	\$4.3	\$15.0
<i>Pre-tax Margin</i>	(2.4)%	1.1%	11.7%	(2.6)%	24.1%	23.9%	(2.5)%	5.4%	14.4%



# Europe & Asia Pacific Adjusted Results

## 4Q15 vs. 3Q15 vs. 4Q14

	Europe Operations			Asia Pacific Operations			Total		
(\$ in millions)	4Q15	3Q15	4Q14	4Q15	3Q15	4Q14	4Q15	3Q15	4Q14
<b>Revenues</b>									
Commissions	\$26.8	\$24.9	\$28.2	\$8.3	\$8.7	\$11.0	\$35.1	\$33.6	\$39.2
Recurring	4.0	4.2	3.9	1.5	1.6	1.8	5.5	5.8	5.7
Other	(0.1)	(0.1)	(0.1)	(0.1)	-	(0.2)	(0.2)	(0.1)	(0.3)
<b>Total Revenues</b>	30.7	29.0	32.0	9.7	10.3	12.6	40.4	39.3	44.6
<b>Expenses</b>									
Compensation and Benefits	10.4	8.6	9.4	3.8	4.2	5.4	14.2	12.8	14.8
<i>% of Revenue</i>	34.0%	29.8%	29.3%	38.3%	40.6%	42.9%	43.0%	32.7%	39.3%
Transaction Processing	7.3	7.0	7.8	2.1	2.0	2.7	9.4	9.0	10.5
<i>% of Revenue</i>	23.7%	24.0%	24.5%	21.6%	19.7%	21.2%	17.6%	22.9%	16.7%
Occupancy and Equipment	1.8	1.7	1.7	1.1	1.0	1.2	2.9	2.7	2.9
Telecom and Data Processing	2.5	2.6	2.3	1.6	1.6	1.6	4.1	4.2	3.9
Other G&A	4.2	4.3	4.1	1.8	1.9	1.6	6.0	6.2	5.7
<b>Total Expenses</b>	26.2	24.2	25.3	10.4	10.7	12.5	36.6	34.9	37.8
<b>Pre-tax Income (Loss)</b>	\$4.5	\$4.8	\$6.7	\$(0.7)	\$(0.4)	\$0.1	\$3.8	\$4.4	\$6.8
<i>Pre-tax Margin</i>	14.8%	16.7%	20.8%	(6.9)%	(4.0)%	1.3%	9.5%	11.3%	15.2%



# Revenues by Product Group

(\$ in millions)	4Q15	3Q15	2Q15	1Q15	4Q14
Electronic Brokerage	\$53.9	\$59.4	\$75.0	\$80.5	\$79.8
Research, Sales and Trading	28.1	26.3	30.4	32.5	32.0
Platforms	22.7	22.9	23.6	25.1	25.3
Analytics	11.5	11.6	11.3	11.4	11.6
Corporate	0.3	0.2	0.2	0.2	0.3
<b>Total</b>	<b>\$116.5</b>	<b>\$120.4</b>	<b>\$140.5</b>	<b>\$149.7</b>	<b>\$149.0</b>

# Product Group Margins

## Fourth Quarter 2015 Adjusted Results

(\$ in millions)	Electronic Brokerage	Platforms	Analytics	Research Sales & Trading	Corp	Total
<b>Revenues</b>	<b>\$53.9</b>	<b>\$22.7</b>	<b>\$11.5</b>	<b>\$28.1</b>	<b>\$0.3</b>	<b>\$116.5</b>
Depreciation & Amortization	4.7	2.9	1.5	0.6	1.1	10.8
Interest	-	-	-	-	0.4	0.4
All Other Expenses	50.4	17.9	8.6	27.7	3.8	108.4
<b>Total Expenses</b>	<b>55.1</b>	<b>20.8</b>	<b>10.1</b>	<b>28.3</b>	<b>5.3</b>	<b>119.6</b>
<b>Pre-Tax Income (Loss)</b>	<b>\$(1.2)</b>	<b>\$1.9</b>	<b>\$1.4</b>	<b>\$(0.2)</b>	<b>\$(5.0)</b>	<b>\$(3.1)</b>
Pre-Tax Margin Dec QTD 2015	(2.3)%	8.5%	12.5%	(0.6)%	N/A	(2.6)%
Pre-Tax Margin Sept QTD 2015	5.2%	13.3%	14.7%	3.5%	N/A	4.8%
Pre-Tax Margin Dec QTD 2014	19.5%	14.3%	7.6%	5.2%	N/A	11.9%

# U.S. Trading Volumes and Revenues Per Share

(\$ in millions except cents per share and trading days)	4Q15	3Q15	2Q15	1Q15	4Q14
Trading Volumes	7,976	9,720	11,505	11,665	12,147
Trading Days	64	64	63	61	64
Trading Volumes Per Day	124.6	151.9	182.6	191.2	189.8
Revenue Per Share (Includes commissions and net executions)	\$0.0044	\$0.0040	\$0.0042	\$0.0045	\$0.0044
Trading Commissions and Fees	\$35.4	\$38.5	\$48.3	\$52.0	\$53.7
Other Commissions and Fees (Includes ITG Net <sup>®</sup> commission sharing & ITG Derivatives)	6.6	6.6	6.5	6.5	7.6
Total Commissions and Fees	\$42.0	\$45.1	\$54.8	\$58.5	\$61.3



# 2015 Cash Liquidity

(\$ in millions)	4Q15	3Q15	2Q15	1Q15	4Q14
Cash Balance	\$331	\$167	\$212	\$206	\$275
Excess Cash	110	15	20	45	50

# Free Cash Flow and Capital Return

(\$ in millions)	1Q15	2Q15	3Q15	4Q15	Full Year 2015
<b>Free Cash Flow</b>					
GAAP Net Income	\$16.7	\$(10.1)	\$2.7	\$82.3	\$91.6
Gain on Energy Sale, Net of Tax	-	-	-	(91.3)	(91.3)
Tax Charge on Capital Structure Amendment	-	-	-	6.5	6.5
Depreciation and Amortization	11.2	11.1	11.1	10.7	44.1
Non-cash Stock-based Compensation	4.9	4.6	2.7	4.5	16.7
Capital Expenditures	(1.4)	(2.3)	(2.1)	(6.1)	(11.9)
Capitalized Software	(6.5)	(6.8)	(6.5)	(6.2)	(26.0)
<b>Total Free Cash Flow</b>	24.9	(3.5)	7.9	0.5	29.7
<b>Capital Return</b>					
Stock Repurchases	16.4	8.1	7.2	10.3	42.0
Cash Dividends	-	2.4	2.3	2.4	7.1
<b>Total Capital Return</b>	16.4	10.5	9.5	12.7	49.1
<b>(Shortfall)/Excess Capital Return</b>	\$(8.5)	\$14.0	\$1.6	\$12.3	\$19.4

# Estimated Impact of Energy Sale on 2016 U.S. Earnings

(\$ in millions)	(Decrease) / Increase
<b>Revenues</b>	
Recurring	\$(18)
Other	(2)
Total Revenues	(20)
<b>Expenses</b>	
Telecom and Data Processing	6
All Other	(12)
Total Expenses	(6)
Pre-tax Net Income	\$(14)

# Agenda

## **Frank's Background**

## **Business Review Timetable**

Key Opportunities:

- Core Equities Business
- Multi-Asset Expansion
  - Foreign Exchange
  - Fixed Income
- Financial Technology Leadership
- Q&A



# Q&A