

# ITG 4Q 2017 Earnings Call

January 30, 2018

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# Safe Harbor Statement

In addition to historical information, 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, %could, %should, %would, %expect, %plan, %anticipate, %believe, %estimate, %predict, %tend, %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 2016 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 outcome of contingencies such as legal proceedings or governmental or regulatory investigations and customer or shareholder reaction to, or further proceedings or sanctions based on, such matters, the volatility of our stock price, changes in tax policy or accounting rules, the ability of the Company to realize the benefits of its deferred tax assets subject to a valuation allowance, 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 the capital and liquidity requirements of our securities business and the related 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 in this presentation represent ITG's views as of the date of this presentation. 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 supplemental tables accompanying the earnings release and the Investor Relations section of the Company's website at <http://investor.itg.com>.



# Agenda

## Introduction

## 4Q17 Update

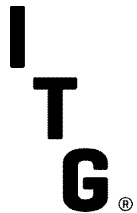
- “ Regional Results
- “ Efficiency Improvements

## Strategic Operating Plan (SOP) Update

- “ Investments and Hiring
- “ New Capabilities

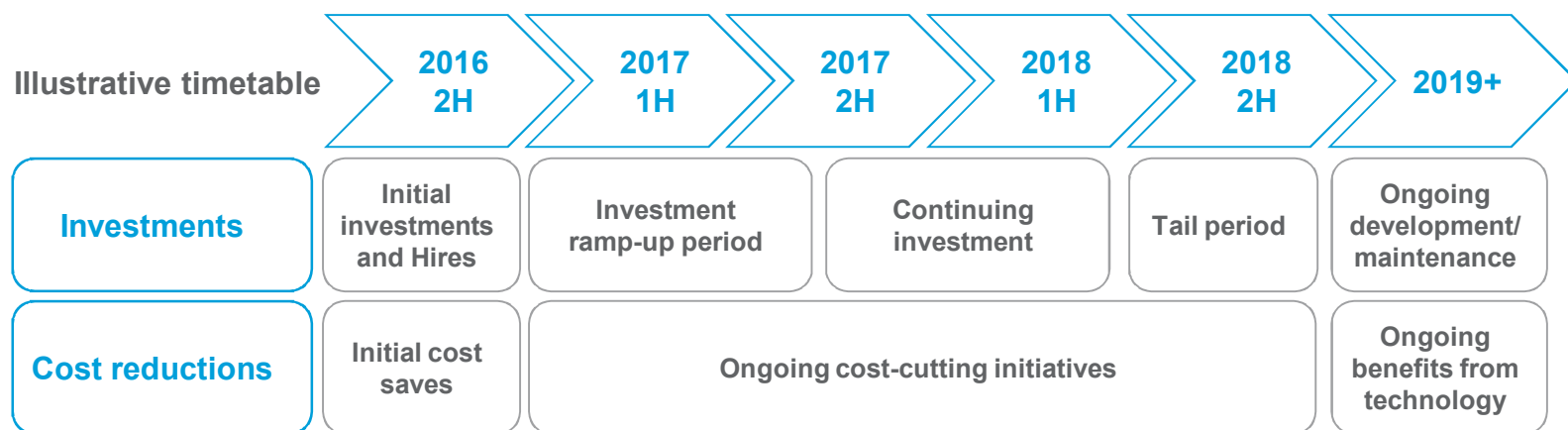
## MiFID II Update

## 4Q17 Financial Review



# Strategic Operating Plan: Investments

- ~\$23 million invested, balance of total \$40 million to be invested throughout 2018
- >\$20 million in annual expense saves identified over 6 quarters to fund SOP investment
- 55 new hires onboard in client coverage, product management and technology innovation
- Headcount 934 at end of 4Q17, down from 956 at start of 2017 despite SOP additions



# Strategic Operating Plan: New Capabilities

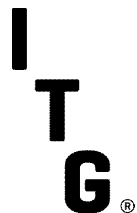
“ POSIT Alert ticket, enhanced workflow

“ Dark aggregation algo, IS algo with AI

“ Multi-Asset Triton upgrades

“ Algo Wheel: 24 clients live, strong pipeline

“ Analytics client portal, new data architecture



# MiFID II Update

- “ January 2018 MTD total European value traded ~10% y/y (excluding OTC trades)
- “ European block trading growth: Large-in-Scale (LIS) executions were ~28% of total European value traded in January 2018 MTD
- “ >80% of buy-side traders surveyed by ITG expect strong European block trading growth to continue in 2018



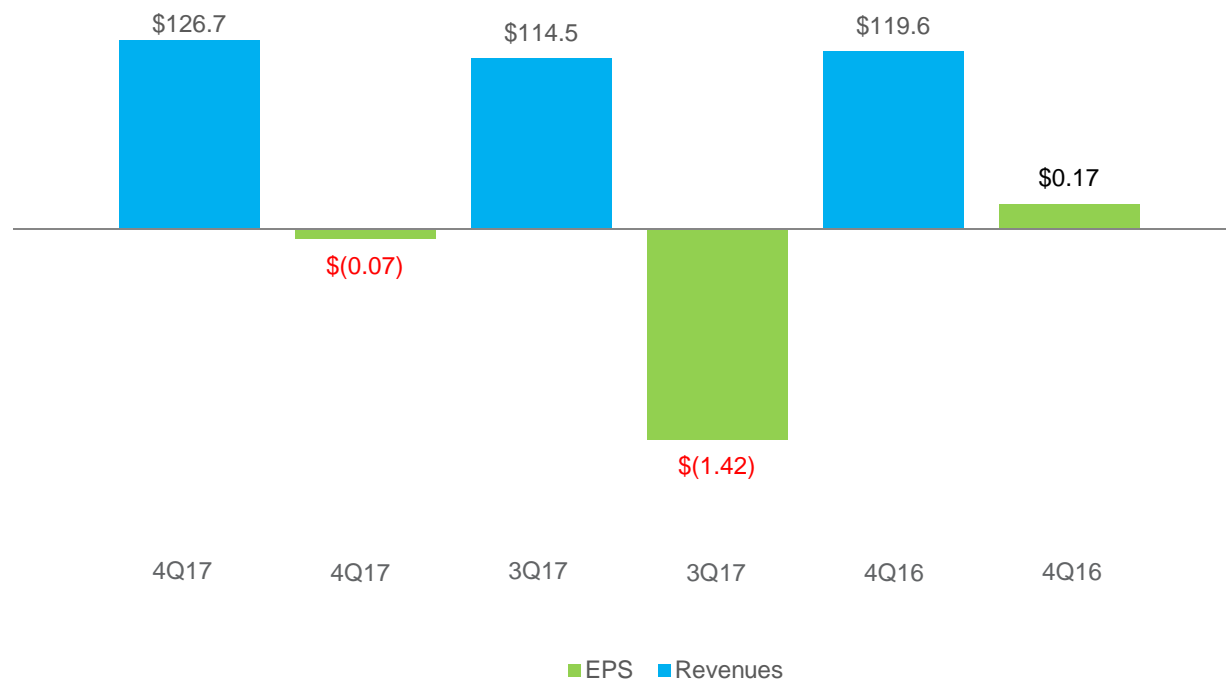
*Sources: Cboe, Fidessa, ITG Europe*

# Financial Review

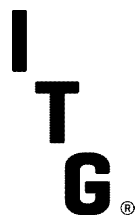


# Fourth Quarter 2017 GAAP Results

(\$ in millions except EPS)



	vs. 3Q17	vs. 4Q16
<b>4Q17 Revenues</b>	11%	6%
<b>4Q17 Revenues/day</b>	11%	6%





# Reconciliation of GAAP to Adjusted Results 4Q17, 3Q17 and 4Q16

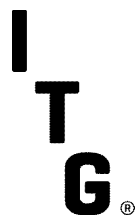
(\$ in millions except EPS)	4Q17			3Q17			4Q16		
	Pre-Tax	Post-Tax	EPS	Pre-Tax	Post-Tax	EPS	Pre-Tax	Post-Tax	EPS
GAAP Income / (Loss)	\$(0.4)	\$(2.4)	\$(0.07)	\$(2.0)	\$(47.0)	\$(1.42)	\$(2.2)	\$5.7	\$0.17
Non-Operating Items:									
Impact of US Corporate Tax Law Changes		(0.8)	(0.03)						
Valuation Allowance for US Deferred Tax Assets in Prior Periods		(0.9)	(0.03)		42.3	1.28			
Lease Consolidation	8.1	8.1	0.25						
Impairment of Customer Intangible Asset				0.3	0.3	0.01			
Legal Costs Related to Derivatives Venture				0.8	0.8	0.02			
ADR Settlement & Related Costs							3.6	3.2	0.09
Upfront CEO Compensation							0.6	0.5	0.02
Restructuring							5.3	3.2	0.10
Tax Reserve Adjustment								(7.3)	(0.22)
Adjusted Income (Loss)	\$7.7	\$4.0	\$0.12	\$(0.9)	\$(3.6)	\$(0.11)	\$7.3	\$5.3	\$0.16



# Consolidated Adjusted Results

## 4Q17 vs. 3Q17 vs. 4Q16

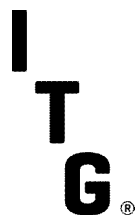
(\$ in millions except EPS)	North America			Europe and Asia Pacific			Corporate			Total		
	4Q17	3Q17	4Q16	4Q17	3Q17	4Q16	4Q17	3Q17	4Q16	4Q17	3Q17	4Q16
Revenues												
Commissions	\$52.6	\$47.5	\$57.4	\$53.2	\$46.0	\$41.9	\$ -	\$ -	\$ -	\$105.8	\$93.5	\$99.3
Recurring	13.0	13.1	13.3	6.1	5.8	5.4	-	-	-	19.1	18.9	18.7
Other	1.6	1.8	1.5	(0.3)	(0.2)	(0.2)	0.5	0.5	0.3	1.8	2.1	1.6
Total Revenues	67.2	62.4	72.2	59.0	51.6	47.1	0.5	0.5	0.3	126.7	114.5	119.6
Expenses	68.5	70.0	70.1	43.5	39.7	37.0	7.0	5.7	5.2	119.0	115.4	112.3
Pre-tax Income (Loss)	(1.3)	(7.6)	2.1	15.5	11.9	10.1	(6.5)	(5.2)	(4.9)	7.7	(0.9)	7.3
<i>Pre-tax Margin</i>	<i>(1.9)%</i>	<i>(12.2)%</i>	<i>2.9%</i>	<i>26.3%</i>	<i>23.0%</i>	<i>21.5%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>6.1%</i>	<i>(0.8)%</i>	<i>6.1%</i>
Tax Expense (Benefit)	1.3	0.9	1.6	2.3	1.9	1.9	0.1	(0.1)	(1.5)	3.7	2.7	2.0
Net Income (Loss)	\$(2.6)	\$(8.5)	\$0.5	\$13.2	\$10.0	\$8.2	\$(6.6)	\$(5.1)	\$(3.4)	\$4.0	\$(3.6)	\$5.3
EPS	\$(0.08)	\$(0.26)	\$0.02	\$0.39	\$0.30	\$0.24	\$(0.19)	\$(0.15)	\$(0.10)	\$0.12	\$(0.11)	\$0.16



# Impact of Currency Translation 4Q17

## vs. 3Q17 and 4Q16 Exchange Rates

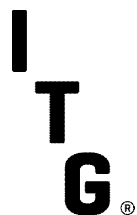
(\$ in millions except EPS)	Vs. 3Q17			Vs. 4Q16		
	Canada	Europe & Asia Pacific	Total	Canada	Europe & Asia Pacific	Total
Revenues	\$(0.2)	\$(0.0)	\$(0.2)	\$0.6	\$2.4	\$3.0
Expenses	(0.2)	0.1	(0.1)	0.5	1.6	2.1
Pre-tax Income	(0.0)	(0.1)	(0.1)	0.1	0.8	0.9
Tax Expense	(0.0)	0.0	0.0	0.0	0.2	0.2
Net Income	\$(0.0)	\$(0.1)	\$(0.1)	\$0.1	\$0.6	\$0.7
Income Per Share	\$(0.00)	\$(0.00)	\$(0.00)	\$0.00	\$0.02	\$0.02



# North American Results

## 4Q17 vs. 3Q17 vs. 4Q16

	U.S. Operations			Canada Operations			North America		
(\$ in millions)	4Q17	3Q17	4Q16	4Q17	3Q17	4Q16	4Q17	3Q17	4Q16
<b>Revenues</b>									
Commissions	\$38.9	\$34.6	\$43.2	\$13.7	\$12.9	\$14.2	\$52.6	\$47.5	\$57.4
Recurring	11.7	11.8	12.1	1.3	1.3	1.2	13.0	13.1	13.3
Other	0.8	1.0	0.7	0.8	0.8	0.8	1.6	1.8	1.5
<b>Total Revenues</b>	51.4	47.4	56.0	15.8	15.0	16.2	67.2	62.4	72.2
<b>Expenses</b>									
Compensation and Benefits	23.7	26.4	24.1	4.7	4.7	4.3	28.4	31.1	28.4
<i>% of Revenue</i>	46.0%	55.7%	43.0%	29.9%	31.0%	26.8%	42.2%	49.8%	39.4%
Transaction Processing	9.9	8.7	10.2	2.8	2.9	2.6	12.7	11.6	12.8
<i>% of Revenue</i>	19.2%	18.4%	18.2%	17.8%	19.4%	15.7%	18.9%	18.6%	17.7%
Occupancy and Equipment	10.2	10.2	10.4	1.4	1.5	1.2	11.6	11.7	11.6
Telecom and Data Processing	6.2	6.3	7.7	1.5	1.6	1.5	7.7	7.9	9.2
Other G&A	5.3	4.8	5.4	2.8	2.9	2.7	8.1	7.7	8.1
<b>Total Expenses</b>	55.3	56.4	57.8	13.2	13.6	12.3	68.5	70.0	70.1
<b>Pre-tax Income (Loss)</b>	\$(3.9)	\$(9.0)	\$(1.8)	\$2.6	\$1.4	\$3.9	\$(1.3)	\$(7.6)	\$2.1
<i>Pre-tax Margin</i>	(7.5)%	(19.0)%	(3.3)%	16.3%	9.3%	24.3%	(1.9)%	(12.2)%	2.9%



# Europe & Asia Pacific Results

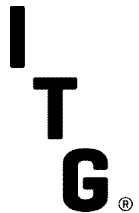
## 4Q17 vs. 3Q17 vs. 4Q16

	Europe Operations			Asia Pacific Operations			Total		
(\$ in millions)	4Q17	3Q17	4Q16	4Q17	3Q17	4Q16	4Q17	3Q17	4Q16
<b>Revenues</b>									
Commissions	\$35.9	\$32.4	\$29.9	\$17.3	\$13.6	\$12.0	\$53.2	\$46.0	\$41.9
Recurring	4.2	4.0	3.9	1.9	1.8	1.5	6.1	5.8	5.4
Other	(0.3)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.3)	(0.2)	(0.2)
<b>Total Revenues</b>	<b>39.8</b>	<b>36.3</b>	<b>33.7</b>	<b>19.2</b>	<b>15.3</b>	<b>13.4</b>	<b>59.0</b>	<b>51.6</b>	<b>47.1</b>
<b>Expenses</b>									
Compensation and Benefits	10.3	9.6	8.0	4.9	4.4	4.2	15.2	14.0	12.2
<i>% of Revenue</i>	<i>26.0%</i>	<i>26.6%</i>	<i>23.8%</i>	<i>25.4%</i>	<i>28.8%</i>	<i>31.6%</i>	<i>25.8%</i>	<i>27.2%</i>	<i>26.0%</i>
Transaction Processing	10.1	8.7	8.7	4.2	3.1	3.1	14.3	11.8	11.8
<i>% of Revenue</i>	<i>25.5%</i>	<i>23.9%</i>	<i>25.7%</i>	<i>21.5%</i>	<i>20.4%</i>	<i>23.4%</i>	<i>24.2%</i>	<i>22.9%</i>	<i>25.0%</i>
Occupancy and Equipment	2.0	1.8	1.6	1.4	1.4	1.3	3.4	3.2	2.9
Telecom and Data Processing	2.7	2.6	2.4	1.7	1.7	1.7	4.4	4.3	4.1
Other G&A	4.5	4.6	4.2	1.7	1.8	1.8	6.2	6.4	6.0
<b>Total Expenses</b>	<b>29.6</b>	<b>27.3</b>	<b>24.9</b>	<b>13.9</b>	<b>12.4</b>	<b>12.1</b>	<b>43.5</b>	<b>39.7</b>	<b>37.0</b>
<b>Pre-tax Income</b>	<b>\$10.2</b>	<b>\$9.0</b>	<b>\$8.8</b>	<b>\$5.3</b>	<b>\$2.9</b>	<b>\$1.3</b>	<b>\$15.5</b>	<b>\$11.9</b>	<b>\$10.1</b>
<i>Pre-tax Margin</i>	<i>25.5%</i>	<i>24.6%</i>	<i>26.1%</i>	<i>27.9%</i>	<i>19.2%</i>	<i>10.0%</i>	<i>26.3%</i>	<i>23.0%</i>	<i>21.5%</i>



## Revenues by Product Group

(\$ in millions)	4Q17	3Q17	2Q17	1Q17	4Q16
Execution Services	\$91.0	\$80.1	\$86.8	\$86.3	\$84.8
Workflow Technology	23.5	22.6	23.4	23.1	23.5
Analytics	11.7	11.3	11.0	11.1	11.0
Corporate	0.5	0.5	0.4	0.3	0.3
<b>Total</b>	<b>\$126.7</b>	<b>\$114.5</b>	<b>\$121.6</b>	<b>\$120.8</b>	<b>\$119.6</b>



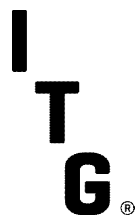
# Product Group Margins Fourth Quarter 2017

(\$ in millions)	Execution Services	Workflow Technology	Analytics	Corp	Total
<b>Revenues</b>	<b>\$91.0</b>	<b>\$23.5</b>	<b>\$11.7</b>	<b>\$0.5</b>	<b>\$126.7</b>
Depreciation & Amortization	6.1	3.3	1.8	0.3	11.5
Interest	-	-	-	0.5	0.5
All Other Expenses	74.4	17.9	8.5	6.2	107.0
<b>Total Expenses</b>	<b>80.5</b>	<b>21.2</b>	<b>10.3</b>	<b>7.0</b>	<b>119.0</b>
<b>Pre-Tax Income (Loss)</b>	<b>\$10.5</b>	<b>\$2.3</b>	<b>\$1.4</b>	<b>\$(6.5)</b>	<b>\$7.7</b>
Pre-Tax Margin 4Q 2017	11.5%	9.9%	12.1%	N/A	6.1%
Pre-Tax Margin 3Q 2017	3.7%	5.2%	1.2%	N/A	(0.8)%
Pre-Tax Margin 4Q 2016	9.0%	17.4%	4.6%	N/A	6.1%



# U.S. Trading Volumes and Revenues Per Share

(\$ in millions except cents per share and trading days)	4Q17	3Q17	2Q17	1Q17	4Q16
Trading Volumes	8,308	7,877	9,304	9,356	9,111
Trading Days	63	63	63	62	63
Trading Volumes Per Day	131.9	125.0	147.7	150.9	144.6
Revenue Per Share (Includes commissions and net executions)	\$0.0039	\$0.0036	\$0.0036	\$0.0037	\$0.0041
Trading Commissions and Fees	\$32.3	\$28.5	\$33.7	\$34.2	\$37.4
Other Commissions and Fees (Includes ITG Net <sup>®</sup> commission sharing & ITG Derivatives)	6.6	6.1	6.4	6.4	5.8
Total Commissions and Fees	\$38.9	\$34.6	\$40.1	\$40.6	\$43.2





# Closing Observations

” Cash Update

” Capital Returns

” SOP Investment Outlook

” Matrix Derivatives Venture

” 2018 Accounting Rule Change

” January 2018 Preliminary Trading Activity

” Closing Thoughts



# Q&A

