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PRESENTATION

Operator

Good morning and thank you for joining us to discuss ITG's second-quarter 2016 results and the results of the firm's recent business review. My name is Danielle and I will facilitate the call today. (Operator Instructions). As a reminder, this session is being recorded. I would now like to turn the call over to JT Farley of ITG.

JT Farley - *Investment Technology Group, Inc. - Managing Dir. or IR & Corp. Communications*

Thank you, Danielle and good morning. In accordance with the Safe Harbor regulations I would like to advise you that the forward-looking statements we will be making this morning are subject to a series of risks and uncertainties that may cause actual results to differ materially from those statements.

These forward-looking statements speak as of today and you should not rely upon them as representing our views in the future. While we may elect to update these forward-looking statements in the future, we undertake no obligation to do so. I advise you to read about the risk factors that may affect forward-looking statements in this morning's press release as well as in our SEC filings.

During the call we will also discuss non-GAAP financial measures, adjusted to exclude certain specified items. Reconciliations of these non-GAAP financial measures to the most comparable GAAP measures are available on our website.

The press release and the PowerPoint slides which accompany this presentation are available for download in the Investor Relations section of ITG.com. Speaking this morning are ITG's CEO and President Frank Troise and CFO Steve Vigliotti. To start I would like to turn it over to Frank.

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

Thank you, JT, and good morning, everyone. Today, in addition to reviewing our second-quarter results, I'd like to share the outcomes of the end-to-end business review we conducted over the past several months, the steps we've already taken to bring greater clarity and focus to our business and the investments we plan to make to better serve our clients and grow our business in the future.

ITG has a compelling opportunity to expand our business and I am confident we have the right strategy to capture that opportunity. Before I go into the specifics of the plan, I'd like to turn it over to Steve to review the financial results of the second quarter. Steve?

Steve Vigliotti - *Investment Technology Group, Inc. - CFO*

Thank you, Frank, and good morning, everyone. While our results in the second quarter were impacted by a sequential decline in global market-wide trading from the robust levels we saw in the first quarter, we continued to generate solid profitability in Europe and Canada and we made substantial progress in Asia-Pacific.

The recovery of our US business to pre-SEC settlement levels continues to lag our expectations and remains a key area of focus for us going forward.

On a GAAP basis, we generated revenues of $120.6 million in the second quarter and a GAAP net loss of $5.2 million or $0.16 per share. These results compare to revenues of $124.7 million and a GAAP net loss of $0.08 per share in the first quarter of 2016 and revenues of $140.5 million and a GAAP net loss of $0.30 per share in the second quarter of 2015.

On slide 5 we have detailed the non-operating items included in our GAAP results for the second quarter of 2016, the first quarter of 2016 and the second quarter of 2015.

Second-quarter 2016 results include: charges of $0.08 per share after taxes and settlement expenses and associated legal fees related to the arbitration with ITG's former CEO; restructuring charges of $0.08 per share after taxes related to headcount reductions in our US high touch trading and sales teams; the closing of the matched-book securities lending operations and the Canadian arbitrage trading desk; and an expense of $0.02 per share after taxes for the upfront cash and stock awards granted to our current CEO.

These charges were partially offset by a gain of $0.04 per share after taxes, primarily for proceeds received under our business interruption insurance policy related to a data center service interruption in August 2015. Excluding these items we incurred a net loss of $800,000, or $0.02 per share.

First-quarter 2016 results included the cost incurred for the upfront compensation package awarded to our CEO, which does have limited tax deductibility, as well as the initial reserve related to the former CEO's arbitration claim and associated legal fees. The GAAP net loss for the second quarter of 2015 includes a reserve for the SEC settlement and related legal and other fees.

For the remainder of this discussion all references to results, revenues and costs will be on an adjusted basis, as shown on slide 6, excluding the items just listed.

Slide 7 presents our consolidated results along with separate breakdowns of the results from our North American and Europe and Asia-Pacific operations, as well as our corporate activity. As a reminder, corporate activity includes investment income and other gains as well as costs not associated with operating ITG's regional and product-based business lines.

As compared to the first quarter of 2016, consolidated revenues were down $6.5 million while consolidated expenses were down $2 million. Our consolidated pretax margin was negative 2.1%, down from 1.6% in the first quarter of 2016 and from 9.7% in the second quarter of 2015.

The effective tax rate on our consolidated pretax loss was a 68.7% benefit for the quarter, reflecting a higher benefit rate on pretax losses in the US and in US-based corporate activity and a lower rate on our European profitability.

Our North American businesses posted a net loss of $0.01 per share in the second quarter on revenues of $74.4 million and our combined European and Asia-Pacific businesses posted net income of $0.15 per share in the second quarter on revenues of $43.5 million. Corporate activity lowered net income by $0.16 per share.

On slide 8 you can see the year-over-year impact of translating the second-quarter 2016 income statements of our foreign subsidiaries to US dollars. Current exchange rates lowered consolidated net income by $1 million as compared to the exchange rates in effect in the second quarter of 2015.

On slide 9 we break down the performance of our North American operations between the US and Canada. During the second quarter of 2016 we generated revenues of $58.6 million with a pretax margin of negative 4.9% in the US. This compares to $66.3 million of revenues with a pretax margin of 3.2% in the first quarter of 2016.

Commission revenues declined 12% sequentially, better than the decrease in market-wide trading activity during the quarter due in part to the growth in high touch options revenues. Commissions were down 20% versus the second quarter of 2015 due to the impact of the SEC settlement last summer.

Our percentage of sell side volume declined from 52% to 51% sequentially but our average US revenue per share dropped from 43 mils to 42 mils due in part to a higher mix of index rebalancing during the quarter.

Recurring revenues were down $700,000 from the first quarter of 2016 and $4.7 million from the second quarter of 2015 primarily reflecting the sales of our investment research operations under separate transactions that closed in May 2016 and December 2015.

Other revenues were $200,000, down more than $1 million both sequentially and year over year, primarily reflecting an increase in client trade accommodations as well as lower stock loan revenues following the wind down of that operation.

Our US expenses were lower both sequentially and year over year due to the investment research divestitures as well as lower compensation accruals. Our compensation ratio was 46.9% in the second quarter of 2016 as compared to 44.3% in the first quarter of 2016 and 43.6% in the second quarter of 2015 due to the impact of lower revenues.

The decline in total Canadian revenues as compared to both the first quarter of 2016 and the second quarter of 2015 included the impact of lower other revenues from the closing of our arbitrage trading desk at the end of April.

Commission revenues were down 2% from the second quarter of 2015 despite a 31% increase in daily Canadian market-wide volumes due to a shift towards lower rate sell side volume and the impact of currency translation.

On slide 10 we break down the results of our European and Asia-Pacific business. Our European daily value traded in the second quarter was down 7% sequentially in local currency terms, in line with an 8% drop in overall market activity. Our daily trading activity was up 7% year over year in local currency outpacing a 4% decline in market-wide activity.

We benefited from a surge in trading in the last few days of the quarter post Brexit including a new one day POSIT alert record in value traded of GBP686 million.

Asia-Pacific daily value traded was up 4% compared to the first quarter of 2016 which was better than the 6% decrease in market-wide trading activity. Compared to the second quarter of 2015 daily value traded was down 20% while regional market-wide trading was down 30%.

POSIT Alert set a new record in the second quarter of 2016 in terms of both commissions and value traded as we gain traction with buy side block crossing.

On slide 11 we offer supplementary information on revenues broken out by our product groups and for investment income which we categorize as corporate.

Following the completed divestment of our investment research operations, we have merged the activity of the remaining single stock, high touch and portfolio trading teams formerly within Research, Sales and Trading with our Electronic Execution and Liquidity Solutions formerly within Electronic Brokerage to create better alignment for cross-selling synergies.

As a result we are now reporting three product groups instead of four. The newly merged Execution Services product group together with Analytics and Workflow Technology which was formerly known as the platform products group. The entire historic activity of Electronic Brokerage and Research, Sales and Trading, including the divested investment research operations is now included in Execution Services.

As you can see from this table revenues in Execution Services dropped 7% sequentially and 21% year over year reflecting in part a decline in single stock trading commissions and recurring research revenues due to the research divestitures, the wind down of our Canadian arbitrage trading in late April and the continuing impact of the SEC settlement on our US electronic trading market share.

Workflow Technology revenues were down modestly versus the first quarter of 2016 and the second quarter of 2015 due in part to a decrease in commission sharing for trades executed at ITG through Triton and client trade accommodations.

Analytics revenues were up both sequentially and year over year due to new client implementations driving increases in billed revenue in the US and Europe.

On slide 12 we present supplementary pre-tax information for our three product groups and for our corporate activity. Margins improved in Analytics and were stable in Workflow Technology. The decline in US volume and the impact of the change in the mix of global trading pushed margins down in Execution Services.

The Corporate loss was wider year over year but flat sequentially reflecting the continued impact of higher legal fees related to ongoing legal proceedings and certain other governmental inquiries including inquiries related to industry practices for securities borrowing and lending activities and related transactions and activities.

On slide 13 we have presented our US volume and rate capture statistics. Our average daily executed volume was down 19% versus the first quarter of 2016 and down 28% versus the second quarter of 2015.

Our average overall revenue capture rate per share was flat year over year but down slightly sequentially due to a higher mix of index rebalancing as well as a small drop in our average sell side rate per share.

We ended the quarter with $237.5 million of cash and cash equivalents on our balance sheet, down from $274.4 million at the end of the first quarter, due primarily to a sharp decrease in cash tied up in European settlement activities late in the quarter in the wake of the Brexit vote.

Our excess cash at June 30 over and above what we need for required regulatory capital and other compensation liabilities was approximately $90 million, down from $100 million at March 31 due to capital returns and the buildup of tax assets in the US.

With regard to capital returns, we bought back 322,000 shares at an average price of $16.57 per share for a total of $5.3 million. Since the beginning of 2010 our buybacks have reduced shares outstanding net of issuances by almost 25%. We also maintained our quarterly dividend program paying out $2.3 million in cash dividends.

Looking forward I would like to offer the following observations. Our US average daily volume month to date in July is approximately 110 million shares with an average revenue per share in line with our second-quarter 2016 average.

The combined average daily commissions month to date in July in our Canadian, European and Asia-Pacific businesses are down approximately 2% in US dollar terms compared to the second quarter of 2016. And with that I would like to turn it back over to Frank.

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

Thank you, Steve. I will start by highlighting some of the actions we've already taken, then I will share key findings of our end-to-end business review, which includes sizing the opportunity and presenting a high-level overview of our plan to invest organically in the business.

I will finish by discussing our capital allocation strategy and the outlook for M&A. From there we'd be happy to answer any questions you may have.

First, I've been back at ITG for six months. During that time the team and I have been running hard and have worked to achieve strategic clarity and eliminate distractions, both very important to our employees and our clients.

ITG's objective is to be the global leader in technology driven liquidity, execution, analytics and workflow solutions. To support this goal we've taken a number of actions to sharpen our business focus.

We divested the remaining portion of our research business. That, coupled with the sale of our energy research business last December, has resulted in the strongest balance sheet ITG has had in many years.

We have restructured our US high-touch trading desk and reorganized our US sales and execution teams resulting in cost savings and a more effective client experience. Also we have exited two non-core businesses: Canadian arbitrage trading and US securities lending.

In tandem, over the past several months I've collaborated with the Firm's leadership and the Board of Directors to complete a thorough end-to-end business review to address longer-term planning. This was a rigorous bottom-up review with input from more than 50 senior business leaders as well as a top-down analysis of the competitive environment and the market opportunity.

Additionally, we assessed all of our businesses and supporting functions. Client perspectives were key input to the process. I have met with more than 150 clients across the globe since I started in January. On the whole clients find ITG extremely relevant and they see a need for a trusted partner in electronic trading.

We know this is a competitive business and many clients stressed the need to keep innovating and delivering top-quality solutions for best execution. Additionally, the previous investments in research had left some clients confused about our focus.

We incorporated this client feedback, including both positive input and constructive criticism, and drew up a list of investment priorities. These investments will strengthen ITG's core business and improve the products and services we deliver to our clients.

Let's move on and talk about the opportunity set in front of ITG. Our top-down analysis highlighted just how significant the opportunity is to capture share in all of our operating regions.

According to Greenwich Associates, the global cash equities fee pool is approximately $21 billion; $8 billion is earmarked for discretionary execution, another $8 billion is paid for bundled execution and research services.

Rounding out the $21 billion is $5 billion allocated to commission sharing agreements with $2 billion of the $5 billion paid for execution. The upshot is we currently compete for $10 billion of the $21 billion fee pool.

With MiFID II regulations in Europe and the trend globally towards unbundling of research from execution we expect a portion of the $8 billion currently paid for bundled execution and research services to be up for grabs for brokers such as ITG. This would expand our addressable market and is likely to offset any potential decline in the size of the overall wallet.

According to a third-party analysis of cash equity commissions, ITG currently ranks in the high teens among brokers in the Americas and the low 20s in both Europe and Asia-Pacific. Just for context, the gap from our current ranking to the number 10 ranked broker is sizable. More than $500 million in annual commissions globally.

We intend to compete vigorously for additional share by improving our competitive position across all of our technology-based execution channels: electronic, single stock and portfolio trading.

We have the capability to take share from independent brokers, regional players, research focused brokers as well as some larger firms which have focused their investment priorities elsewhere. Our opportunity is both in strengthening existing client relationships as well as in acquiring new ones.

About 55% of the gap to the number 10 ranked broker can be attributed to current accounts and 45% is from prospects. According to this third-party analysis, there is a universe of approximately 200 meaningfully sized trading prospects available for us to pursue.

Gaining market share unlocks the operating leverage in our model. Our incremental margins on each additional dollar of commission revenue are 50% in all of our regions. That leverages greatest in our largest region by revenue, the US.

For reference, every 10 basis points in US consolidated trading market share translates into approximately $0.08 in annual earnings per share at current average commission rates. This driver was at work prior to the SEC settlement when our US market share ranged between 2.4% and 2.9% for the previous eight quarters.

In the first quarter of 2015 with US share of just 2.8% and market share similar to current levels in our other regions we generated pro forma quarterly earnings of $0.40 per share, excluding the impacts of the divested research businesses, the related sales trader restructure and the two business exits.

I'm confident that with the right focus and the right investments in our core business we can regain that share and then surpass it.

Our European operations offer a good roadmap. In 2012 we handled less than 2% of total European value traded. Since then our share has more than doubled.

Let me tell you about our path forward. To achieve this market share growth we've drawn up a strategic operating plan to evolve our product offerings and deliver the industry's leading client experience.

The plan starts with an intense focus on four key synergistic offerings: liquidity, execution, analytics, and workflow technology. Our expectation is to be best-in-class in all of them.

We will also sharpen our brand identity. Through delivery and action we will consistently clarify the message that we are committed to being a trusted provider of solutions throughout the entire trade implementation lifecycle.

We plan to make targeted investments in technology and invest in adding talented team members in key areas such as client coverage and product management. And we will continue to emphasize a best operator culture throughout our Firm.

Our strategic operating plan draws on some key insights from the end-to-end business review and our client feedback. Our offerings are very relevant to our clients and there is clear demand from clients for partnering with leading technology-driven independents.

We have a rich product set and we must continue to invest to stay ahead of the competition. Streamlining client desktop access to our products is a differentiator. We know how to deliver world-class service and we must apply tools and best practices across our client coverage model globally and consistently.

These steps actioned by the entire squad with a shared understanding of our mission and a commitment to deliver for our clients will make our offering best-in-class.

The path forward includes a rigorous and disciplined set of revenue and cost saving targets. With that in mind we intend to invest organically in our business over the next 10 quarters.

We expect to make a $40 million of incremental investments over this period in technology and people. These investments will begin in the back half of 2016 and the bulk will take place in 2017. At least $10 million of the $40 million investment will come from current cost reduction measures.

We expect to cut at least $5 million annually starting in 2017 in areas including: compensation, connectivity, market data, and vendors. We expect roughly half the investment to be capitalized hardware and software development, subject to a three-year amortization period and half to be in operating expenses.

In addition, we expect the investments we are making in technology and process to yield at least $5 million in annual savings from efficiency opportunities starting in 2019. On subsequent calls we will provide updates on our investment program to offer transparency on our progress.

Moving on to some of the specifics, the majority of our investment will be in technology to enhance the client experience and to optimize operations and drive scale in our business. Over the next 10 quarters we will be working on five key initiatives.

First. enhance liquidity, execution, analytics and workflow products, including the global customization toolkit for Triton and our Algo offering.

Second, upgrade of client workflow and user experience for Alert, Smart Order Router, Triton and TCA.

Third, further globalization of our portfolio trading capabilities, including more robust analytics, pre-trade, intra-trade and post-trade.

Fourth, an enhanced commission management platform that will integrate commission budgeting and vendor management with CSA payment capabilities.

Fifth, enhancements to our core trading and post-trade processing plant with a focus on driving scalability, further reducing latency and boosting reliability.

We haven't been standing still. We've already made some notable investments this year. Our PowerMatch functionality in POSIT Alert, which delivers average block crossing sizes of 64,000 shares, that's almost double our US average, while the size of PowerMatch small and mid-cap prints is nearly 50% of the average daily volume traded.

Our enhanced Smart Order Router which provides significant price improvement and more than 35% size improvement versus the displayed markets. And we've upgraded our European trading plant, improving performance across the platform and enhancing our core POSIT matching engine.

In addition to technology we're investing in people. We must ensure that we are attracting, developing and retaining high quality, high integrity team members. We've reduced our headcount to 963 people globally. That's down by over 100 from this time last year primarily through our non-core business exits. We expect headcount to remain generally flat through year-end.

In 2017 and 2018 we plan to hire more staff for our client coverage teams for Alert, Algos, Triton, TCA and portfolio trading as well as additional staff in technology development and product management. In total, we're targeting at least 60 new hires.

This plan is not just about investment dollars, it's about being a best operator in all of our regions and businesses. To achieve this we will continually seek opportunities for economies of scale and scope within our trading plant. We will enhance our client coverage tools so that we can be more efficient in how we service our clients across multiple products and geographies.

We will consistently apply best practices in client coverage including rigorous pursuit of cross sell opportunities. This is crucial; when we work with clients to solve their most challenging problems we have the opportunity to capture outsized share of wallet and to sell a broader range of our offerings. We already do this for a number of clients.

For example, with one large global investment manager, which is very focused on quantitative measurement of performance, we rank number one or number two in all four of our operating regions. The client uses multiple ITG products and we've grown global revenues by nearly 100% over the past year. This is solution sales and we are committed to doing this with consistency and scale across our client base.

So what are our financial expectations for the strategic operating plan? Assuming current global trading activity, the goal of this investment plan is to exit 2018 at a run rate for global revenues which is at least 25% higher than pro forma full-year 2015 levels of $478 million. That's excluding divestitures and closed businesses.

This translates into a compounded annual growth rate for total revenues in the mid- to high-single-digits between now and the end of 2018. We expect this revenue CAGR to be back-end loaded. After the initial investment period it should ramp up starting in mid-2017 and into 2018.

Given our high incremental margins, and the impact of the expense saves related to these investments, we expect this revenue growth to push our pretax margins to approximately 15% by the fourth quarter of 2018.

With this revenue growth and strong operating leverage, we expect the incremental investment of $40 million will generate attractive double-digit returns on invested capital, well in excess of our cost of capital and delivering meaningfully higher returns on capital.

These investments will take time to accelerate revenue growth. Along the way we are committed to returning capital to shareholders. As Steve noted, we have approximately $50 million in excess cash above the $40 million investment plan. We intend to maintain our current dividend level of $0.07 per quarter or about $10 million per year.

In the second half of 2016 we expect to buy back shares at roughly the same level as the first half of the year, $15 million, for total full-year capital return of $40 million. In 2017 we expect to return a similar level of capital to shareholders.

Let me turn briefly to the subject of acquisitions. As we've noted, our plan is focused on building on ITG's strengths organically. We believe that this plan is the best use of our capital to generate higher shareholder returns.

We remain open to acquisition opportunities, but they would have to be exceptional from an operational and financial standpoint and in keeping with our business focus. We will not be distracted from our goals.

Before I wrap up I'd like to speak briefly about the culture of ITG. I have built high performing teams and capabilities while at other firms and also in my earlier tenure at ITG. I have first-hand experience with what the right team, the right technology and the right culture can do for delivering results.

Our future success will be built on a best operator culture adhering to three core values: passion, discipline and commitment. ITG was founded three decades ago on a passion for innovating on behalf of our clients. This is core to the Firm. It's in our DNA.

We must combine this passion with the discipline to deliver innovative solutions at a high standard consistently and we must maintain our commitment, always doing the right thing for our clients and for our shareholders.

We're not just paying lip service to the importance of culture. Promoting and being held accountable for these values is an integral part of our newly implemented management scorecard. They are right alongside financial performance and market share targets.

I firmly believe that with passion, disciplined investment and a commitment to excellence we can gain significant share and I'm extremely excited about the opportunities which lie ahead. With that we'd be happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Ken Worthington, JPMorgan.

Ken Worthington - *JPMorgan - Analyst*

Hi, great. Thank you for taking my question. Thanks for the detail, Frank. You have most control on the investment side. But when we think about EPS, when do you think the spending might end up being breakeven? Is breakeven -- can that be in 2017 or do you think the EPS breakeven is 2018 or so?

Steve Vigliotti - *Investment Technology Group, Inc. - CFO*

Ken, why don't I start? From a P&L perspective, as Frank mentioned, roughly half the investment is going to be in the form of capitalized software and hardware and that's going to be amortized over a longer period. So as a result the P&L impact of the investments will not be the same as the cash flow impact.

And as we also mentioned, we expect the revenue to start beginning to accelerate probably mid-2017 after a number of other products start to roll out. So, basically I can give you some guidance on what we think the expensing of the $40 million looks like over the next couple of years.

So, we expect -- again, due to the deferral mechanism of capitalization we expect roughly only $1 million to be expensed in 2016, $12 million in 2017 and $15 million in 2018 with the balance to be expensed again through depreciation and amortization in later periods.

So, I think you can model that coupled with our expectations of revenue to ramp up beginning in the second quarter of 2017 in terms of how you tweak your models.

Ken Worthington - *JPMorgan - Analyst*

Okay. Maybe another thing to think about is the pacing of investment. How does the pacing change, how much flexibility is there if trading conditions were to get much better or maybe much worse than what you consider to be the base environment? Is the flexibility or is the plan really quite firm?

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

Ken, the plan is quite firm. We intend to pursue the investment program as it's set independent of the market environment. So, I mentioned that the bulk of the investment will take place in 2017.

Ken Worthington - *JPMorgan - Analyst*

Okay and then just maybe more higher level. You spent much of your later career building ITGs within JPMorgan and Lehman. Those big banks, those big firms have specific competitive advantages like being able to pair maybe prime brokerage functions and fund-raising functions for hedge funds with maybe trade execution.

When you think about the client segments that you're really looking to penetrate, and I think the hedge fund community is one in particular, how do you see ITG's inherent advantages? And where are you hoping or maybe what are you hoping to leverage to best win share with these clients that you haven't yet penetrated? Thanks.

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

Sure, Ken. So, we have many advantages here at ITG. We're a pure play business. At the end of the day, Liquidity Provision, Execution, Analytics and Workflow Technology, that's our core business. So when we face off with clients they know that we're committed to this. They know that we're committed to those four capabilities and that is the unique advantage of ITG.

We're also nimble and we'll be continually looking to improve our operations to deliver more rapidly against changing market environments. So, our focus on best execution, changing market structure, that's a key advantage.

From a customer segment standpoint, we intend and will pursue all customer segments. We will pursue the long only community -- pursue long only institutional money whether it's fundamental bottom-up or quantitative index and passive and we'll continue to pursue the hedge fund side of the market.

We believe that the wind's at our back, some of these industry trends, are very helpful to us. For example more and more use of electronic trading.

Hedge funds were early adopters of electronic trading, in the late 1990s even, early 2000s, and they continue. I've met with a significant number of accounts throughout the last six months and I will continue to meet with them in the future. But some of them have told me that they are approaching now 80% to 90%, 95% self-directed electronic execution.

As market structure changes globally and becomes more electronic, as some studies indicate, that's just a wind at our back.

Additionally, as there's a greater focus on unbundling with MiFID II and beyond across the other regions beyond Europe, that's a wind at our back for breaking down some of those bundled Execution, Research and other commitments. So we will pursue all customer segments.

The piece I didn't touch on there also, Ken, I think it's worth noting, is we have a sizable sell side business. And as a financial technology player we will look to rent, sell, lease, however you want to put it, our technology to the sell side.

We do that today considerably in our Canadian business and we will look for other opportunities to do so across the globe, especially as some of the full-service firms continue to invest elsewhere.

Ken Worthington - *JPMorgan - Analyst*

Great, thank you very much.

Operator

Rich Repetto, Sandler O'Neill.

Rich Repetto - *Sandler O'Neill - Analyst*

Hi, Frank and Steve. I guess first question is on the $478 million, I guess that's 2018, is that -- can you break that out? Is that all in the asset classes you're in? Can you give us how you go from the current run rate you've got today or a little bit more color and detail on how you've planned out the $478 million.

Steve Vigliotti - *Investment Technology Group, Inc. - CFO*

So Rich, let me just clarify, the $478 million reflects the baseline which we're measuring growth from. So the $478 million is our 2015 revenues after removing the divested and closed businesses (multiple speakers).

Rich Repetto - *Sandler O'Neill - Analyst*

Okay, the -- excuse me, the 25% above the $478 million?

Steve Vigliotti - *Investment Technology Group, Inc. - CFO*

Yes, that's correct. That's correct. Right. And those are equities revenues, Rich.

Rich Repetto - *Sandler O'Neill - Analyst*

Okay. And then can you go through also -- on the expenses you just gave, Steve, 2016, 2017 and 2018, can you go through is that -- those net expenses because you also had some cost saves in there as well?

Steve Vigliotti - *Investment Technology Group, Inc. - CFO*

Yes, these are the expenses purely related to the $40 million investment program, how those will be expensed over the back half of 2016, 2017 and 2018.

I think, as Frank mentioned, prior to even the implementation of the investment program we've identified roughly $5 million of annual cost savings that we're going to implement -- have implemented before the end of the year, that will partially fund some of these investments. So the numbers I gave you were gross so you should factor those in as offsets to that.

Rich Repetto - *Sandler O'Neill - Analyst*

Understood. And I guess getting back to that first question, the 25% on the $478 million, so a significant amount. Can you give us a little bit more picture on what areas -- is this also recovery of the client -- improvement in client, I'm sure it is, engagement?

And how much is there versus in different platforms in different analytics in electronic trading -- just more specifics on the 25% on top of the $478 million.

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

So, Rich, part of this is recovery. As we pointed out, market share in the -- last year relative to what market share is today. So, a chunk of this is in recovery. And I've been asked questions about where we are in the recovery. Why don't I give you a little insight into that?

We're laser focused on rebuilding our business and our Canadian, European and Asian businesses are all recovering well and on a positive trajectory. US continues to be the challenge. We're not satisfied with the progress we've been making and we're going to work very hard to revamp -- to reignite the market share growth there.

I want to share some statistics with you though. So in the first half of 2015, approximately 200 accounts accounted for 80% of our revenues in the US. About 30% of those accounts in the first half of 2016 are doing less than 50% of the business that they did in 2015. Another 20% are doing 50% to 75% of the business that they were doing in 2015 and the remaining 50% are doing 75% or more.

So, that ties back into a significant amount of that upside early on will come from rebuilding our market share in the US. In 2017 we will begin to bring online some of the investments, some of the investments in analytics, workflow interfaces within POSIT and POSIT Alert. And on the back of those investments we'll start ramping up our revenue growth.

Rich Repetto - *Sandler O'Neill - Analyst*

Okay, I guess the question still -- can you quantify how much is then is from -- getting back to the level of that about $120 million of growth, how much is coming -- tied to existing clients coming back? Is that a half or a quarter or --?

Steve Vigliotti - *Investment Technology Group, Inc. - CFO*

Yes, it's not really modeled specifically that way, Rich. But just again, to give context, the $478 million baseline that we're growing upon has a US market share for a full year of I think it's roughly 2.3% or thereabouts and we were certainly higher than that pre the settlement.

And we're below that now, so certainly there's a recovery period to get back to the 2.3% and then above the 2.3% we feel these investments will help us grow to where we were and, as Frank mentioned, surpassing those 2.8%, 2.9% levels and getting up over 3%.

Rich Repetto - *Sandler O'Neill - Analyst*

Okay, thanks for the detail of the plan, Frank. Thank you.

Operator

Ashley Serrao, Credit Suisse.

Ashley Serrao - *Credit Suisse - Analyst*

Good morning. So, just first question on this white labeling opportunity for your technology. I guess if I were to take the other side I would argue that sell side banks have done a terrible job of technology for some time and they just seem reluctant to go down the path of white labeling.

I'm just curious, when you think about the sell process here, what gives you confidence that you'll be able to win an incremental client?

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

So, I've seen firsthand the investments that some of the large firms have made in building execution infrastructure technology. And I've also seen firsthand what it means to be a customer of the likes of ITG when sitting in those seats. I've made those decisions. So I have been in the seat to make those decisions to white label technology and to rent technology from third-party providers.

We have -- already have a significant sell side business in Canada and other parts of our operations. I've talked to sell side firms and have captured the understanding that they are looking at opportunities for outsourcing infrastructure technology.

I'm not saying that they are going to execute provision of the service, but they are looking for ways to reduce their technology expenses. That's pretty clear from the conversations I've had. The sales are longer sales typically than some of the institutional sales which may be more solution oriented end to end, but I'm confident that that's an opportunity that's growing and that we can capture as an independent player.

I often equate it, Ashley, to every supermarket that you go into has a barcode scanner, so whether it's Best Buy, Tesco, they have a barcode scanner, there's a self-service checkout. They provide that self-service checkout but did they build the barcode scanner? I believe we're entering a period where some of the bigger firms and other firms do not need to build that, quote/unquote, barcode scanner.

Ashley Serrao - *Credit Suisse - Analyst*

Great, thank you for that analogy there. I guess my other question is it seems at the end of the day you want ITG to be a lot more than just execution liquidity. It seems to me that there's also going to be a technology angle that probably comes on line later.

I'm just curious what you think you could do on the analytics side. And is there -- I know any kind of data analytics opportunity here as well?

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

Today we're a leader in analytics. We believe we have 50%-60% market share of the traditional transaction cost analytics business. When I think about what clients need from talking to clients, clients that are interested really in generating alpha and driving operational efficiency as they come under greater and greater cost pressure.

I look at the technology side of our business whether it's delivering analytics capabilities as helping them improve alpha capture through improved trade execution and implementation.

I look at the Workflow Technology product as a product that allows clients to help -- it helps clients drive operational efficiency as they try to drive greater and greater scale and look for partners after the investment decision is made around their technology infrastructure.

Analytics, it's all the rage, I think everyone knows and talks about it. I try to avoid the term Big Data on purpose, but the use of information and the use of data is more and more important in our industry and our culture.

And I think we're well-positioned, given the independence that we have and the history that we have and the financial engineering resources that we have, to work with clients, identify new opportunities in this space and provide solutions.

Ashley Serrao - *Credit Suisse - Analyst*

Great. And just final question. I know you left the door open to M&A and you've gone down the path of organic investment because you believe the returns here are greater.

I'm just curious, just your broader thoughts on if you were to go down the path of M&A would you be looking at small tuck-ins? Are you looking to do anything more transformational in size? And how would you characterize the current M&A market today?

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

I would look at this from your perspective -- we are looking at and would look at assets that would accelerate our plan. So you go through what I talked about in our plan, our go-forward plan, an asset that would accelerate that organic build we would take a good hard look at.

We don't want to be distracted by anything that's outside of the four key product areas and the thematic view of improving and strengthening our product capabilities, having the best-in-class client experience.

So when we look at M&A opportunities it really is about acceleration. I would look at also capabilities that maybe it's a product that fits within the four capabilities we talk about that we don't have today that is distributed through our distribution channel and our client segments.

Or I would look at an asset that may have a product -- that may have a distribution channel for the products that we have and the products that we're investing in. Aside from that we are going to be focused on strengthening our capabilities and being able to set ourselves up as a powerhouse franchise in an industry that is likely consolidating.

Ashley Serrao - *Credit Suisse - Analyst*

Thank you for the color and taking my questions.

Operator

Chris Allen, Buckingham Research.

Chris Allen - *Buckingham Research - Analyst*

Good morning, guys. I guess just touching on the growth opportunity moving forward, obviously you've talked about US share, basically goals and what you hope to get there. I was wondering if you could talk about what are the other regional opportunities that you're seeing.

Obviously the unbundling in Europe, but what are the -- maybe any structural opportunities in Asia-Pac or Canada? And if we stack rank the regional opportunities and also the client segmentation opportunities to drive the growth, how do you think about it from those perspectives?

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

We see similar opportunities in all four regions. So I touched on our European business has been growing. It was less than 2% back in 2012 market share. We're now at approximately 4% in Europe, we have a similar level in Canada and we've achieved a 1% number in Asia-Pacific.

There are, if I stick on the Asia-Pacific side here, we have a lot of global accounts, our accounts trade globally, are setting up more and more operations in Asia-Pacific. There's a trend towards more self-directed electronic execution in Asia-Pacific and that positions us well to grow from that 1% market share.

In Europe MiFID II is a big driver and in Canada we are -- we believe we are the largest non-Canadian institutional broker and that's a position of strength. So, we're well set in all of the customer segments to pursue growth in the three regions outside of the US.

Steve Vigliotti - *Investment Technology Group, Inc. - CFO*

And Chris, with respect to the guidance we've given on the exit revenue from the plan, we currently expect a little bit less than half of that to come from the US, roughly 45%, with the balance coming from outside the US, most notably Europe and Asia.

Chris Allen - *Buckingham Research - Analyst*

Got it. And then from a client perspective, over the last couple years you've talked a lot about just penetrating the hedge fund client base. Is it equal right now in terms of how you think about the client opportunity, long only versus hedge funds, or is it more skewed to gaining more share in hedge funds or even sell side?

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

We expect to gain more share with our long-only accounts and we expect to onboard more and more hedge funds over time and begin to penetrate hedge funds. Hedge funds are becoming larger in their assets under management. Many are starting to look like larger institutions. And we're going to follow that trend.

Chris Allen - *Buckingham Research - Analyst*

Got it. And then last one for me. Just in terms of the investments you're making, can a lot of it be done organically to start right now or do you have to hire new people to actually help drive that investment?

What I'm trying to say is, the new hires you're making, are they going to be coming in to help sell the products more so rather than to develop them right here and now?

Steve Vigliotti - *Investment Technology Group, Inc. - CFO*

Yes so, Chris, of the roughly 60 odd people or so that we've targeted to bring on for this plan, two-thirds of those are technology developers, the balance being enhanced sales and client coverage as well as product management and support. So roughly two-thirds in technology and development.

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

And we're not waiting for the developers -- we're not waiting to hire all 60 -- or the technology developers. We've already started with our renewed clarity and focus to deliver capabilities, as I mentioned on the call around POSIT Alert, our smart order router, infrastructure upgrades in Europe and we'll continue to do so as we ramp up the personnel.

Chris Allen - *Buckingham Research - Analyst*

Great, thanks a lot, guys.

Operator

This concludes the question-and-answer session. I would now like to turn the conference over back to Frank Troise for closing remarks.

Frank Troise - *Investment Technology Group, Inc. - President & CEO*

Thank you, everyone, for joining us. We look forward to speaking with you on our third-quarter call in early November. Thanks again.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.
