



GAIN Capital Reports First Quarter 2018 Results

April 26, 2018

BEDMINSTER, N.J., April 26, 2018 /PRNewswire/ -- GAIN Capital Holdings, Inc. ("GAIN") (NYSE: GCAP), a leading global provider of online trading services, announced financial results for the first quarter of 2018.



Key Financial Results for the First Quarter

- Net revenue of \$106.9 million, up 79.4% year-over-year
- GAAP net income of \$16.1 million, or \$0.35 per share
- Adjusted net income of \$16.2 million, or \$0.36 per share
- Adjusted EBITDA of \$33.0 million

Operating Highlights

- Retail average daily volume increased 31% year-over-year to \$12.4 billion
- Institutional ECN average daily volume increased 26% year-over-year to a record high of \$14.8 billion
- New direct accounts increased 24% year-over-year

A summary of GAIN's financial highlights are included in the chart below.

	Three Months Ended March 31,	
	2018	2017
Net Income/(Loss)	\$ 16.1	\$ (18.9)
Adjusted Net Income/(Loss) ⁽¹⁾	\$ 16.2	\$ (18.6)
Net Revenue	\$ 106.9	\$ 59.6
Operating Expenses	<u>(73.9)</u>	<u>(73.0)</u>
Adjusted EBITDA ⁽¹⁾	\$ 33.0	\$ (13.4)
Diluted GAAP EPS	\$ 0.35	\$ (0.39)
Adjusted EPS ⁽¹⁾	\$ 0.36	\$ (0.39)

Note: Dollars in millions, except per share amounts and where noted otherwise. Columns may not add due to rounding.

¹See below for reconciliation of non-GAAP financial measures.

"Our strong first quarter financial results are highlighted by 79 percent revenue growth, margin expansion to 31 percent and robust overall operating metrics, especially within our Retail business," commented Glenn Stevens, CEO of GAIN. "A return to more normalized volatility levels provided a market environment in which GAIN was able to showcase the benefits of our investment in organic initiatives over the past year. Customer engagement was up across the board, with Retail average daily volume up 31% year-over-year and Institutional ECN average daily volume up 26% to reach a record high of \$14.8 billion. As we look ahead, we are confident that our strategic priorities will continue to position us for long-term growth."

Quarterly Operating Metrics

	Q1 18	Q1 17	Year-over-year Change
Retail Segment			
OTC Trading Volume ⁽¹⁾ ⁽²⁾	\$ 795.4	\$ 619.3	28.4 %
OTC Average Daily Volume	\$ 12.4	\$ 9.5	30.5 %
12 Month Trailing Active OTC Accounts ⁽³⁾	131,764	136,829	(3.7) %
3 Month Trailing Active OTC Accounts ⁽³⁾	78,681	83,145	(5.4) %
Institutional Segment			
ECN Volume ⁽¹⁾	\$ 945.6	\$ 759.6	24.5 %
ECN Average Daily Volume	\$ 14.8	\$ 11.7	26.5 %
Swap Dealer Volume ⁽¹⁾	\$ 166.5	\$ 225.5	(26.2) %
Swap Dealer Average Daily Volume	\$ 2.6	\$ 3.5	(25.7) %
Futures Segment			
Number of Futures Contracts	2,160,231	2,060,631	4.8 %
Futures Average Daily Contracts	35,414	33,236	6.6 %
12 Month Trailing Active Futures Accounts ⁽³⁾	7,959	8,201	(3.0) %

All volume figures reported in billions.

¹ US dollar equivalent of notional amounts traded.

² For the quarter, indirect volume represented 23% of total retail OTC trading volume.

³ Accounts that executed a transaction during the relevant period.

Capital Return and Dividend

In the first quarter, GAIN:

- focused on returning capital to shareholders through dividends, which amounted to approximately \$2.6 million.
- repurchased 580,064 shares of stock at an average price of \$7.20.
- returned a total of \$6.8 million to shareholders in the form of share repurchases and dividends.

GAIN's Board of Directors declared a quarterly cash dividend of \$0.06 per share of the Company's common stock. The dividend is payable on June 19, 2018 to shareholders of record as of the close of business on June 12, 2018.

Conference Call

GAIN will host a conference call April 26, 2018 at 4:30 p.m. ET. Participants may access the live call by dialing +1.888.349.0112 (US Domestic), or +1.412.317.6001 (International). Please let the operator know you would like to join the GAIN Capital call.

A live audio webcast of the call, as well as a PDF copy of the earnings presentation, will be available on the Investor Relations section of the GAIN Capital website (<http://ir.gaincapital.com>).

An audio replay will be made available for one month starting approximately one hour after the call by dialing +1.877.344.7529 from the U.S. or +1.412.317.0088 from abroad, and entering the passcode 10113713#.

For more corporate information or to sign up for alerts, please visit: <http://ir.gaincapital.com>.

About GAIN

GAIN Capital Holdings, Inc. provides innovative trading technology and execution services to retail and institutional investors worldwide, with multiple access points to OTC markets and global exchanges across a wide range of asset classes, including foreign exchange, commodities, and global equities. GAIN Capital is headquartered in Bedminster, New Jersey, with a global presence across North America, Europe and the Asia Pacific regions. For further company information, visit www.gaincapital.com.

Condensed Consolidated Statements of Operations (unaudited)

Three Months Ended

March 31,

2018	2017
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REVENUE:

Retail revenue	\$	84.1	\$	38.9
Institutional revenue		8.5		8.4
Futures revenue		10.6		10.6
Other revenue		1.9		1.0
Total non-interest revenue		105.1		58.9
Interest revenue		2.1		0.8
Interest expense		0.4		0.2
Total net interest revenue		1.7		0.7
Net revenue	\$	106.9	\$	59.6
EXPENSES:				
Employee compensation and benefits	\$	27.8	\$	24.2
Selling and marketing		6.0		9.3
Referral fees		11.9		16.4
Trading expenses		8.5		8.1
General and administrative		13.0		9.7
Depreciation and amortization		5.7		4.0
Purchased intangible amortization		4.2		3.6
Communications and technology		5.5		5.2
Bad debt provision		1.1		0.1
Impairment of investment		(0.1)		—
Total operating expense		83.6		80.6
OPERATING PROFIT/(LOSS)		23.3		(21.0)
Interest expense on long term borrowings		3.3		2.7
INCOME/(LOSS) BEFORE INCOME TAX EXPENSE/(BENEFIT)		20.0		(23.7)
Income tax expense/(benefit)		3.7		(4.9)
NET INCOME/(LOSS)		16.3		(18.8)
Net income attributable to non-controlling interests		0.2		0.1
NET INCOME/(LOSS) APPLICABLE TO GAIN CAPITAL HOLDINGS, INC.	\$	16.1	\$	(18.9)
Earnings/(loss) per common share:				
Basic	\$	0.35	\$	(0.39)
Diluted	\$	0.35	\$	(0.39)

Weighted average common shares outstanding used in computing earnings/(loss) per common share:

Basic	<u>45,017,716</u>	<u>47,894,546</u>
Diluted	<u>45,523,766</u>	<u>47,894,546</u>

Note: Dollars in millions, except share, per share data and where noted otherwise. Columns may not add due to rounding.

Condensed Consolidated Balance Sheet
(unaudited)

	March 31, <u>2018</u>	December 31, <u>2017</u>
ASSETS:		
Cash and cash equivalents	\$ 239.7	\$ 209.7
Cash and securities held for customers	963.2	978.8
Receivables from brokers	72.0	78.5
Property and equipment - net of accumulated depreciation	40.2	40.7
Intangible assets, net of accumulated amortization	59.2	62.0
Goodwill	33.4	33.0
Other assets	46.9	45.9
Total assets	<u>\$ 1,454.6</u>	<u>\$ 1,448.6</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Payables to customers	\$ 963.2	\$ 978.8
Payables to brokers	—	2.8
Accrued compensation & benefits	8.8	10.1
Accrued expenses and other liabilities	37.3	33.9
Income tax payable	3.6	0.6
Convertible senior notes	133.7	132.2
Total liabilities	<u>\$ 1,146.7</u>	<u>\$ 1,158.5</u>
Redeemable non-controlling interests	\$ 2.0	\$ 4.4
Shareholders' equity	<u>306.0</u>	<u>285.7</u>
Total liabilities and shareholders' equity	<u>\$ 1,454.6</u>	<u>\$ 1,448.6</u>

Note: Dollars in millions, except where noted otherwise. Columns may not add due to rounding.

Reconciliation of GAAP Net Income to Adjusted Net Income and Adjusted EPS

Adjusted net income/(loss) is a non-GAAP financial measure and represents our net income/(loss) excluding restructuring, acquisition and integration related expenses, adjustment to fair value of contingent consideration and other non-recurring items. This non-GAAP financial measure has certain limitations, including that it does not have a standardized meaning and, therefore, our definition may be different from similar non-GAAP financial measures used by other companies and/or analysts. Thus, it may be more difficult to compare our financial performance to that of other companies. We believe our reporting of adjusted net income/(loss) assists investors in evaluating our operating performance. However, because adjusted net income/(loss) is not a measure of financial performance calculated in accordance with GAAP, such measure should be considered in addition to, but not as a substitute for, other measures of our financial performance reported in accordance with GAAP, such as net income/(loss).

Net Income/(Loss) to Adjusted Net Income/(Loss) and Adjusted EPS
(unaudited)

	Three Months Ended	
	March 31,	
	<u>2018</u>	<u>2017</u>
Net income/(loss) applicable to Gain Capital Holdings Inc.	\$ 16.1	\$ (18.9)
Income tax expense/(benefit)	3.7	(4.9)
Non-controlling interest	0.2	0.1

Pre-tax income/(loss)	\$ 20.0	\$ (23.7)
Adjustments	(0.1)	—
Adjusted pre-tax income/(loss)	\$ 19.9	\$ (23.7)
Adjusted income tax	(3.6)	5.2
Non-controlling interest	(0.2)	(0.1)
Adjusted net income/(loss)	\$ 16.2	\$ (18.6)
Adjusted earnings/(loss) per common share		
Basic	\$ 0.36	\$ (0.39)
Diluted	\$ 0.36	\$ (0.39)
Weighted average common shares outstanding used in computing earnings/(loss) per common share		
Basic	45,017,716	47,894,546
Diluted	45,523,766	47,894,546

Note: Dollars in millions, except per share data and where noted otherwise. Columns may not add due to rounding.

Reconciliation of GAAP Net Income to Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA is a non-GAAP financial measure that represents our earnings/(loss) before interest, taxes, depreciation and amortization, purchased intangible amortization, restructuring, acquisition and integration-related expenses, legal settlement, and non-controlling interest. This non-GAAP financial measure has certain limitations, including that it does not have a standardized meaning and, therefore, our definition may be different from similar non-GAAP financial measures used by other companies and/or analysts. Thus, it may be more difficult to compare our financial performance to that of other companies. We believe our reporting of adjusted EBITDA assists investors in evaluating our operating performance. However, because adjusted EBITDA is not a measure of financial performance calculated in accordance with GAAP, such measure should be considered in addition to, but not as a substitute for, other measures of our financial performance reported in accordance with GAAP, such as net income/(loss).

Reconciliation of GAAP Net Income/(Loss) to Adjusted EBITDA and Adjusted EBITDA Margin (unaudited)

	Three Months Ended	
	March 31,	
	2018	2017
Net revenue	\$ 106.9	\$ 59.6
Net income/(loss) applicable to Gain Capital Holdings Inc.	16.1	(18.9)
<i>Net income/(loss) margin %</i>	15 %	(32) %
Net income/(loss)	\$ 16.1	\$ (18.9)
Depreciation and amortization	5.7	4.0
Purchased intangible amortization	4.2	3.6

Interest expense on long term borrowings	3.3	2.7
Income tax expense/(benefit)	3.7	(4.9)
Impairment of investment	(0.1)	—
Net income attributable to non-controlling interests	0.2	0.1
Adjusted EBITDA	33.0	(13.4)
<i>Adjusted EBITDA Margin⁽¹⁾</i>	31 %	(22) %

Note: Dollars in millions, except where noted otherwise. Columns may not add due to rounding.

¹Adjusted EBITDA margin is calculated as adjusted EBITDA divided by net revenue.

Segment Information:

ASC 280, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker, or decision making group, in deciding how to allocate resources and in assessing performance. Reportable segments are defined as an operating segment that either (a) exceeds 10% of revenue, or (b) reported profit or loss in absolute amount exceeds 10% of profit of all operating segments that did not report a loss or (c) exceeds 10% of the combined assets of all operating segments. The Company's operations relate to global trading services and solutions. Based on the Company's management strategies, and common production, marketing, development and client coverage teams, the Company has concluded that it operates in three operating segments: Retail Segment, Institutional Segment and Futures Segment.

Retail

	Three Months Ended March 31,	
	2018	2017
Trading Revenue	\$ 84.1	\$ 38.9
Other Retail Revenue	1.6	1.2
Total Revenue	85.7	40.1
Employee Comp & Ben	15.4	13.3
Marketing	5.7	8.9
Referral Fees	7.7	12.3
Other Operating Expense	17.7	13.4
Segment Profit	\$ 39.2	\$ (7.9)
<i>Segment Profit Margin %</i>	46 %	(20) %

Institutional

Three Months Ended
March 31,

	<u>2018</u>	<u>2017</u>
ECN	\$ 7.1	\$ 6.1
Swap Dealer	<u>1.5</u>	<u>2.5</u>
Total Revenue	8.6	8.6
Employee Comp & Ben	3.7	4.0
Marketing	0.1	—
Referral Fees	0.5	—
Other Operating Expense	<u>3.3</u>	<u>3.2</u>
Segment Profit	\$ 1.0	\$ 1.3
<i>Segment Profit Margin %</i>	12 %	15 %

Note: Dollars in millions, except where noted otherwise. Columns may not add due to rounding.

Futures

	Three Months Ended March 31,	
	<u>2018</u>	<u>2017</u>
Revenue	\$ 11.5	\$ 11.0
Employee Comp & Ben	2.5	2.6
Marketing	0.2	0.3
Referral Fees	3.7	4.1
Other Operating Expense	<u>3.8</u>	<u>3.7</u>
Segment Profit	\$ 1.2	\$ 0.3
<i>Segment Profit Margin %</i>	10 %	3 %

Corporate and Other

	Three Months Ended March 31,	
	<u>2018</u>	<u>2017</u>
Revenue/(loss)	\$ 1.1	\$ (0.1)
Employee Comp & Ben	6.1	4.5
Marketing	0.1	0.1
Other Operating Expense	<u>3.2</u>	<u>2.4</u>
Loss	\$ (8.4)	\$ (7.1)

Note: Dollars in millions, except where noted otherwise. Columns may not add due to rounding.

Reconciliation of Segment Profit to Income Before Income Tax Expense

	Three Months Ended March 31,	
	<u>2018</u>	<u>2017</u>
Retail segment	\$ 39.2	\$ (7.9)

Institutional segment	1.0	1.3
Futures segment	1.2	0.3
Corporate and other	(8.4)	(7.1)
Segment Profit	33.0	(13.4)
Depreciation and amortization	5.7	4.0
Purchased intangible amortization	4.2	3.6
Impairment of investment	(0.1)	—
Operating profit/(loss)	\$ 23.3	\$ (21.0)
Interest expense on long term borrowings	3.3	2.7
Income/(loss) before income tax expense/(benefit)	\$ 20.0	\$ (23.7)

Note: Dollars in millions, except where noted otherwise. Columns may not add due to rounding.

Forward-Looking Statements:

In addition to historical information, this earnings release contains "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. These factors are noted throughout GAIN Capital's annual report on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on March 14, 2018, and include, but are not limited to, the actions of both current and potential new competitors, fluctuations in market trading volumes, financial market volatility, evolving industry regulations, errors or malfunctions in GAIN Capital's systems or technology, rapid changes in technology, effects of inflation, 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 assets and companies we have acquired, our ability to effectively compete, changes in tax policy or accounting rules, fluctuations in foreign exchange rates and commodity prices, adverse changes or volatility in interest rates, as well as general economic, business, credit and financial market conditions, internationally or nationally, and our ability to continue paying a quarterly dividend in light of future financial performance and financing needs. The forward-looking statements included herein represent GAIN Capital's views as of the date of this release. GAIN Capital undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law.

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